

# AirCargo World

SEPTEMBER 2008

International Trends & Analysis  
*INTERNATIONAL EDITION*

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# Air Cargo World

International Edition

September 2008

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Editor's Note

# Workplace Balance

**It should come as no surprise that the air cargo industry continues to be a male dominated profession, particularly in the mid-to-upper management ranks. Less than 10 percent of top managers in our business are women, according to one cargo related association.**

I can hear the howls of protests now from some men in the industry, who might list the standouts as a counter to my contention. They might say: What about Betty Ward, the head of Pacific Air Cargo, which recently acquired the ground services unit of Aloha Airlines? And then there is Kathy Langham, president of Indianapolis-based Langham Logistics, and former chairman of the Airforwarders Association. And don't forget Laura Sanders, vice president of operations for Lynden Air Cargo, who sits on several corporate boards. One admirer tells the story of Sanders holding her own during a five-hour discussion sometime ago with Fidel Castro.

But other industry experts argue that these women are the exception, not the rule. More needs to be done to attract, retain and develop women managers in the air cargo industry.

Big Brown concurs. UPS launched an innovative career development program in 2006 that was aimed at retaining and advancing female managers globally. A lot of UPS women employees were leaving UPS because they felt detached from the company that did not fully recognize the work-life issue and changing dynamics of workforce. The Women's Leadership Development initiative is a multi-faceted program that enhances female talent

through mentoring, education, networking and community-based involvement.

The pilot program was initiated in 19 districts in the U.S. and now serves UPS stations worldwide. Since its inception through 2007, UPS found a 25 percent reduction in attrition of women employees. It has also seen an 8 percent increase year-over-year in the promotion of women, which amounts to 20 percent of the promotions company wide.

Air cargo related groups are also getting involved in the issue of gender disparity in management. As part of AirCargo 2009 next March, the Airforwarders Association, The Air and Expedited Motor Carriers Association and the Express Logistics Association will for the first time host a "Women in Air Cargo" luncheon, at which Colleen Barrett, the president emeritus of Southwest Airlines has been invited to speak. No doubt Ms. Barrett will underscore the need for more women managers in the industry.

I'd like to end this column on personal note. This is my final editorial for Air Cargo World. After nearly two years as managing editor, I've decided to change course. But during my tenure, I've learned a lot about the complexity of this multi-part, multibillion industry from you, the reader as well as from Publisher Steve Prince. It's been enlightening and very challenging experience for someone who comes from the passenger side of the business. Quite a ride. Thank you for reading.



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International Trends & Analysis

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## Fixing the Sentences

**A federal judge sentenced former Qantas cargo executive Bruce McCaffrey to six months in prison, cutting his jail time by two months after hearing his family and attorneys argue the airline had used the ailing executive “as a scapegoat.”**

McCaffrey appeared in U.S. District Court in Washington, D.C., for the formal sentencing under a plea agreement in which he had accepted six months in prison and a \$20,000 fine for taking part in the price-fixing conspiracy that has enveloped the worldwide air cargo industry.

As McCaffrey was being sentenced in Washington, the former top-ranking official in the United States for SAS Cargo became the second executive to face conspiracy charges in the industry’s growing price-fixing scandal.

Timothy Pfeil, the former North American director of sales and marketing for the cargo operation of Scandinavian Airline System, agreed in July to plead guilty in federal court in Washington to taking part in fixing prices and to accept a six-month jail sentence.

Like McCaffrey, Pfeil agreed to cooperate in what the U.S. Justice Department said remains an ongoing investigation. Documents filed by the U.S. Justice Department put Pfeil, a former regional sales manager for Lufthansa Cargo in North America, in the price-fixing conspiracy from the day he took his post with SAS on Jan. 1, 2005, when he replaced Howard Jones in the SAS post.

U.S. District Judge John Bates cut the sentence from eight months to six months, citing McCaffrey’s cooperation with investigators. Assistant U.S. Attorney Katherine Schleich told the judge McCaffrey had given “a wealth of information regarding specific meetings and discussions with competitors about surcharges, rates and other competitively sensitive business information.”

Jeffrey A. Udell, an attorney for McCaffrey, said he was awaiting word from

the U.S. Bureau of Prisons about where and when he is to report to prison. Udell wrote in papers filed with the court that the 65-year-old McCaffrey is in frail health with “chronic kidney failure” and doctors said he would need a kidney transplant in the next 12 months.

McCaffrey’s family said in papers filed with the court on his sentencing that the 28-year Qantas veteran was being “used as a scapegoat” by airline executives and that McCaffrey was carrying out directions from the Qantas head office. “He was not in the position to set policy, only to implement it,” his brother Neil McCaffrey wrote to the judge.

Lawyers for McCaffrey made the same point in their filings.

“The plan to engage in price-fixing emanated from (Qantas headquarters), which gave direction to Qantas managers around the world, including Mr. McCaffrey, to coordinate certain aspects of pricing with their colleagues at other airlines,” his attorneys wrote.

## Boisen Retires

**Jack Boisen, one of the air cargo’s most vocal proponents and currently the chairman of the industry’s main global group, retired as vice president of cargo at Continental Airlines in a sudden announcement by the Houston-based carrier.**

**Boisen will remain an “active spokesman” for the division through November, the airline said, and Jim McKeon, managing director of global sales and marketing, was named his successor.**

**He will also remain at the top of the International Air Cargo Association as the key industry trade organization prepares for its bi-annual**

meeting this fall in Kuala Lumpur.

Boisen has become an important voice in Washington on air cargo security. And his efforts in response to U.S. Postal 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's been a real asset for the cargo divisions of passenger airlines and we will all miss him," said Steve Alterman, president of the Air Cargo Carriers Association.

"Jack's tireless efforts have lead us through some very trying times recently experienced in this industry," said Brandon Fried, executive director of the Air Forwarders Association. "His knowledge, understanding and ability to see the security issue clearly have helped the industry as a whole."

At Continental, Boisen led the implementation of Continental Cargo's revenue management program.

He helped the airline realize greater cargo returns for narrowbody aircraft through a program called MAXREV that other airlines have referred to as a model for greater cargo use of the passenger network. He was also the driving force behind the building of new cargo facilities in Houston, Newark and New York.

He was instrumental in developing a 23-point quality management program, in which Continental provides major customers with daily status reports, a program also used to measure Continental Cargo's performance.

Before 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 at Braniff Airways. He also spent 12 years with TWA.

## Cutting UPS

UPS, saying it is on "high alert" from rising energy costs, is considering cutting back capacity and restructuring its global network to meet changes in trade patterns as a result of rising fuel prices.

The potential changes to one of the world's largest air cargo networks would go beyond cost-cutting actions and other tactical moves the parcel giant is undertaking as a result of the economic downturn and the impact on UPS's finances.

"Longer term planning broadly addresses the structure of our network as fuel prices continue their dramatic escalation," said UPS Chief Financial Officer Kurt Kuehn.

"We're looking at three fundamental questions – how will our customers and their business models

change? How do we leverage our global integrated network to best serve our customers and their changing trade patterns? And what new growth opportunities exist? This is a comprehensive scenario planning effort. As such, it entails a longer-term view of our company and our industry, from various what if perspectives. And it will take some time before conclusions are reached."

For UPS, that may mean scaling back its strong escalation in international flights of recent years, suggesting the carrier believes weakness in the U.S. domestic expedited shipping market is spreading to the international arena.

"Frankly, if flows between the continents continue to slow," UPS Chairman and CEO D. Scott Davis said, "then we will be looking very critically at perhaps reducing temporarily some selected flights between the continents, and that assessment is underway right now, looking at how

## Announcement

I am happy to announce the appointment of Simon Keeble and Jessica Binns to the *Air Cargo World* editorial staff.

Simon will take over as the new editor of *Air Cargo World*. Simon has held senior editor positions for *Air Trade*, *TheChain.com* and also founded Ethike Media, a Web-based publishing company focused on sustainability.

He has also held senior communication management positions with Deutsche Post, KLM and Danzas and is well known and respected throughout the air cargo industry.

Jessica will be associate editor of *Air Cargo World* and will contribute to the magazine's sister publication *Traffic World*. Jessica was most recently the managing editor of *Mobile Enterprise Magazine*. There, she had an abundance of responsibilities including writing, layout and feature assignments. She also had daily responsibility for managing the magazine's Web site.

I am very happy to have them aboard and am confident their knowledge, expertise and experience will be instrumental in driving *Air Cargo World* towards new and higher levels of achievement for both print and online products.

Managing Editor Robert Moorman has decided to return home to Colorado. I appreciate all Robert has done for *Air Cargo World* and we bid Robert a fond farewell, continued success and much happiness in Colorado.

*Steve Prince, Publisher*

# News Updates

The operating profit on domestic package shipping fell 24.6 percent compared to the same quarter last year as overnight air shipping volume fell 6.1 percent and volume at the core ground parcel business slipped 0.7 percent to its lowest point in any quarter since 2005.

Even the international package business, long an area of enormous growth, grew only 6.9 percent in average daily volume. And the operating margin on the international side was slashed from 19 percent last year to 13.8 percent in the more recent second quarter.

## Delta Cargo

**D**elta Cargo, in what is viewed as a radical departure from in-

dustry trend of outsourcing freight handling services, will soon redeploy experienced Delta personnel to its Atlanta cargo operations.

Delta will begin implementing a phased transition program September 15 to replace third-party contractors with its personnel. The transition is expected to be completed by mid-November, said the airline.

"We have elected to make this move in order to ensure greater accountability and control over the movement of both freight and information through Atlanta," said Neel Shah, vice president of cargo.

Delta is among several carriers, forwarders said, that have seen a sharp decline in service levels since

outsourcing cargo handling.

"This certainly represents a radical departure from what is going on in the industry where everyone is going off to third-parties to handle cargo operations," said Brandon Fried, executive director of the Air-forwarders Association. "I would say that Delta is getting serious."

Delta Air Lines Chief Executive Officer Richard Anderson said at the Cargo Network Services conference in May there would be greater emphasis on cargo. Industry observers view this announcement as the first of several by Delta to enhance its cargo network.

## EU Approves

**D**elta Air Lines and Northwest Airlines got a major green light last month in their move toward a merger. The European Commission gave the project its unconditional clearance.

The Commission said it found no impediment to effective competition in Europe or the trans-Atlantic from its investigation.

"The Delta-Northwest merger will combine two complementary networks to offer customers greater access to destinations across the globe. We continue to work closely with the U.S. Department of Justice and remain

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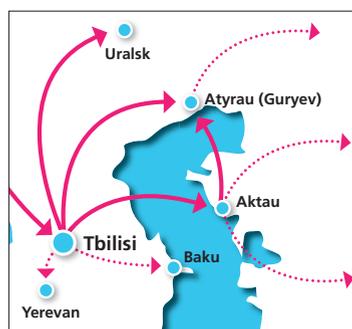
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The Commission said it found no impediment to effective competition in Europe or the trans-Atlantic from its investigation.

"The Delta-Northwest merger will combine two complementary networks to offer customers greater access to destinations across the globe. We continue to work closely with the U.S. Department of Justice and remain confident that we will be able to finalize the merger by the end of the year," said Delta CEO Richard Anderson.

## Russian Optimism

**R**ussia's growing importance in the global air cargo market will help lead the industry out of the doldrums over the next several years. So said Denis Ilyin, senior vice president for strategy and commercial for AirBridgeCargo Airlines, the scheduled arm for the Volga-Dnepr Group.

Russia's role in air logistics will increase from its present 1.4 percent of the total \$80 billion worldwide market to 8 percent in 2015 and 16 percent in 2030, worth an estimated \$8.4 billion and \$25.6 billion, respectively. Between now and the year 2025, the air cargo industry worldwide is forecast to grow between 5.4 percent and 7.1 percent per year.

"Air freight growth in Russia over the 17 years is forecast to be greater than that for North America, Europe-Middle East, Intra-Europe, Europe-Africa, Europe-North America, Latin America-Europe and Latin America-North America," Ilyin said at a conference on regional business.

Russia cargo airlines' share of scheduled cargo will jump from 1.4 percent today to 10 percent by 2020. Their charter cargo business will jump from the current 74 percent market share to 90 percent in 12 years, he said.

Ilyin said a growing fleet of Russian and Western-built freighters would meet the upward trend.

By 2020, the airline estimates 52 AN-124 freighters will be required to support 39 percent of the growing Russian market.

The IL-76 fleet, upgraded to meet tougher noise restrictions, needs to grow from 28 freighters in 2008 to 41 by 2020 to meet demand, he said.

Not everyone shares Ilyin's optimism, at least in the short term. The International Air Transport Association said cargo traffic around the world declined 0.8 percent in June, the first drop in several years. Traffic in the first half of 2008 was up 2.4 percent over the first half of 2007. ■



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# Regional Reports



NORTH AMERICA

## Ohio Player

With all the turmoil in Ohio, the growth at Toledo Express Airport as a freight center is noteworthy



In early 1998, DHL Airways selected Cincinnati/Northern Kentucky International Airport for its \$170 million hub and sort facility. But in mid-September 2005, DHL abandoned Cincinnati in favor of Wilmington, 50 miles northeast. Then, in May 2008, Deutsche Post World Net announced that DHL Express would phase out all air freight operations there over 12 to 18 months, shifting that work to new competitor UPS.

Growth potential and flexibility of operations favor Toledo.

While Rickenbacker International Airport near Columbus has direct Asian service, Toledo is the only Ohio River Valley airport that is connected to the Middle East, said Maynard.

### Cost Centered

Another plus is that LGSTX, a logistics provider owned by the Air Transport Services Group, parent company of ABX Air, is able to handle air freight from numerous shippers.

"There aren't any competitive concerns now," said Eric J. Frankl, airport director. "We can accept shipments from all different types of air cargo shippers because their customer information is secure."

LGSTX handles 50 percent of the Emirates capacity, while BAX Global, owned by Deutsche Bahn, and soon

**T**oledo Express Airport might not have the star power of other air freight centers, but it could be instrumental in restoring the Ohio River Valley as a center of air freight activity. With the imminent demise of DHL's Wilmington hub, and the expected loss of around 7,000 jobs there, cost conscience shippers are looking for alternative airports from which to send their goods.

Recent developments at Toledo suggests there is some opportunity for the airport within a 500-mile radius of major Midwest and Northeast centers. Many airports claim the same geographic advantage, of course, but Toledo can boast one difference with the addition of a flight by Emirates SkyCargo, which has started flying pharmaceuticals and other goods aboard two weekly 747-400-freighter flights between Toledo and Hahn, Germany. The flights originate in Dubai.

"The flights by Emirates SkyCargo into Toledo is very significant," said Mike Maynard of Wilbur Smith Associates, a logistics facilities consultancy. "There were a number of airports that had a lot of cargo activity in the Ohio River Valley which have since ceased, but Toledo is a survivor."

by Robert Moorman

to be integrated with Schenker USA, handles the other half.

BAX Global has run a successful overnight cargo hub at Toledo for the past 15 years and discussions are underway to increase its operation there, according to the airport authority and other sources. BAX Global declined to be interviewed for this article.

LGSTX is working with the Port Authority and BAX Global to identify "opportunities to enhance the functionality of the airport," said Frank Visconti, senior vice president of LGSTX. Those include building larger, separate cold storage and a perishable handling facility. At present, the airport is using its once dormant refrigeration warehouse to cool the Europe-bound pharmaceuticals.

Visconti said LGSTX is talking with several entities about managing a facility for the logistics park.

The airport's proximity to major markets is a plus for air cargo operators.

Air cargo flights include flights to and from Canada, Mexico, Australia, Germany and the Middle East. "Because of the lack of congestion and the logistics efficiencies available there for freight forwarders, the airport is very functional," said Visconti.

Toledo is also a cost effective alternative, he said. International air freight is "very price sensitive," Visconti said. "So we're telling air carriers that by flying into Toledo, they can reduce their operating costs and run a more timely operation."

## Traffic Rise

The airport handled 361,846 tonnes in 2007, a 2.4 percent increase over 2006. Total air freight increased 5.97 percent in 2008 year-to-date and June was up 20 percent over June

2007, according to the Toledo-Lucas County Port Authority.

The airport is developing 400 acres on the south side to support air cargo, logistics, warehousing and distribution for domestic and international air freight that surrounds the BAX Global hub. The first 80,000-square-foot warehouse is scheduled to be completed in November and is 50 percent leased, said Frankl.

Toledo Express is adjacent to a 78-acre air cargo ramp with available capacity to the area's roads. The airport is building a new cargo road on the site that will be aligned parallel with the cargo ramp and is scheduled for completion by the end of 2008. The airport is close to major roadways in all directions and the national crossroads off four railroads, Frankl said. The airport is within a day's drive to Chicago, Detroit, Cleveland, Pittsburgh, Cincinnati and other gateways.

Like other airports, Toledo Express has U.S. Customs and a dedicated freight trade zone on site.

Toledo Express could get some financial help from the Ohio state government. The state legislature recently passed a \$100 million stimulus package to improve the infrastructure of all modes of transportation and the Toledo airport will be one of the beneficiaries of this package, said Steve Schoeny, director of the strategic business investment division for the Ohio Department of Development.

One drawback to the airport could be its single 10,600-foot runway, although operators of widebody aircraft report of no problems with the runway's length, said Frankl. The instrument landing system could soon be upgraded to Category III, which will allow operations in marginally visible conditions. But operators such

as BAX Global have yet to invest in the onboard equipment as well as the necessary training, said the airport director.

With its easy access to other modes of transportation, and the several development projects underway, Toledo Express is starting to get noticed. "I think it will be interesting to see how freighter operators view this airport in the near future," Frankl said.

## ... Briefly

Net profit at **Expeditors International** of Washington grew 9 percent to \$71.2 million in the second quarter as gross revenue increased 16 percent to \$1.45 billion and net revenue expanded 12 percent to \$397.3 million. Gross revenue for air freight rose 16.7 percent, well ahead of the 11.2 percent gain in net revenue. The operating profit of \$113 million was 11 percent better than the second quarter a year ago. ... Air freight trucker **Forward Air** saw its profit grow 5.5 percent to \$12.1 million in the second quarter on a sharp spike in revenue, partly from the addition of growing business from airlines. Core airport-to-airport trucking grew 15.6 percent over last year to \$89.2 million. ... Cargo volume at **Miami International Airport** fell 3.8 percent in June and was off 0.7 percent in the first half of the year, including a 14.8 percent drop in domestic cargo tonnage compared to the first six months of last year. ... Pennsylvania-based forwarder American Expediting opened its first office on the U.S. West Coast, outside Seattle in Tukwila, Wash. ... Cargo traffic at **Dallas International Airport** fell 6.3 percent in May, pushed down by an 11.3 percent drop in **American Airlines Cargo** traffic at the airline's hub airport. ■



## Handling China

Yields on freighters may be down, but handling cargo in China remains a feast



**L**ufthansa Cargo hardly could have imagined Jade Cargo International would become a partial ACMI business when it launched the Shenzhen-based freighter offshoot. But yields in the China market had declined to a point where it made more sense for Jade Cargo to wet-lease one of its 747-400 extended range freighters to Singapore-based cargo airline Jett8 than attempt to fill the aircraft itself.

by Ian Putzger

Ground cargo seems to fare better than air freight for LH Cargo. Shanghai Pudong International Airport Cargo Terminal, the handling company in which the German carrier holds a 29 percent stake, has shown meteoric growth since its inception in 1999, rising from 689,460 tonnes handled in its first year to over 1 million in 2007.

The outfit handles close to 50 percent of Pudong's throughput, and is poised to expand further. In addition to the two terminals located at the airport's original two runways, a third PACTL facility was built on the west side next to the third runway, and new carriers have come on board. The most recent additions were Hong Kong Express and Gulf Air, which moved into PACTL's terminal in June.

Last year, Shanghai claimed the fifth rank in the international cargo airport hierarchy, thanks to a 15.5 percent surge in volume to nearly 2.5 million tonnes. According to projections by the Shanghai Airport Authority, throughput will climb to 3.7 million tonnes in 2010 and 4.5 million by 2015.

Nils Haupt, head of LH Cargo's corporate communications, rejects descriptions of PACTL as a license to print money but concedes it has been very successful for the stakeholders. Indeed, LH is spreading its handling activities in China to a third spot.

In addition to Shanghai and Shenzhen, LH Cargo set up a joint venture handling business in Tianjin with Hua Yu Air Cargo Terminal at Tianjin Airport. The facility can handle 360,000 tonnes a year initially, with adjacent space to more than double

its footprint, said LH Cargo. The German carrier has a 46 percent stake in the venture, a reflection of its expectations in Tianjin, regarded as China's up and coming northern gateway.

### Interest Parties

Korean Air Cargo thinks highly of Tianjin. Besides picking the city as the home base of its joint venture cargo airline with Chinese partner

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Sinotrans, KAL formed a joint venture handling company — also with Sinotrans, plus Korean and local partners — at Tianjin.

Under a 20-year contract, they've earmarked close to \$44 million for the development of the facility, which is scheduled to come on stream in the second half of next year.

Multinational handlers are pushing into Asia as well. With a stake in the development of the airport's cargo infrastructure, Menzies Aviation secured a 15-year concession for the cargo warehouse at the new Hyderabad International Airport that opened in March. Singapore Airport Terminal Services struck a deal with Air India last year for a cargo-handling venture at Bangalore. Swissport is entrenched in Singapore and Seoul, while Worldwide Flight Services set up shop in Bangkok. Both Swissport and Worldwide Flights Services have signaled their intention to expand their footprint in Asia.

Increasingly, these multinational outfits can point to multi-station agreements with airlines, a step that promises uniform service standards across a network, they claim. Moreover, many carriers regard the expansion of these handling behemoths as a welcome fresh air of competition to end the stranglehold of duopolies at most of Asia's large gateways.

## Slow Going

Progress for handlers in China is not likely to be swift. "A real liberalization and deregulation of the market could not take place everywhere. There are still too many reciprocity agreements in place," said a spokesman for Swissport.

Anthony Wong, managing director of Hong Kong Air Cargo Termi-

nals, does not see a trend towards a significant expansion of multinational handlers in Asia. "Swissport is only in Singapore and Korea, and Worldwide Flight is only in Thailand," he said.

With a few exceptions, Wong said, handling in the region is likely to remain in the hands of government-owned entities or the national carriers. HACTL will face increased competition by the second half of 2011, when Cathay Pacific's cargo terminal in Hong Kong is scheduled to come on line. Hong Kong's dominant handler — it commands about 75 percent of the airport's throughput — is looking to spread out to other airports and has held exploratory talks, but this is not going to happen soon, Wong said.

## JAL Slimmer

**The JAL Group will cut back international cargo flights as part of the company's plan to improve profitability and increase competitiveness in a very difficult market.**

The Tokyo-Anchorage-New York-Tokyo route will be sliced from six to three 747-400 freighter flights per week, while the Tokyo-Los Angeles leg will be reduced from seven to six 747-400 weekly freighter flights, Japan Airlines said.

One freighter aircraft routing will be suspended and two new routings will be added. The weekly Tokyo/Kuala Lumpur/Manila/Osaka/Tokyo flight will be suspended indefinitely, while a Tokyo-Singapore-Bangkok-Nagoya-Tokyo routing will be added in late October, as will a flight between Tokyo, Taipei and Nagoya.

JAL's cargo numbers have been sagging for some time. International cargo traffic for the first quarter of 2008 dropped 2.8 percent, including

a 3.2 percent drop in traffic in June, and has fallen every year since 2005.

## ... Briefly

Cargo traffic for Asia-Pacific airlines fell 4 percent in June, the first monthly decline in more than three years and a strong signal of deepening problems in the global air freight industry. The **Association of Asia-Pacific Airlines** said traffic was up a meager 0.9 percent in the first half of 2008 and airlines scaled back capacity 1.3 percent in the six-month period, including a 5 percent cut in June. ... Freight growth for **Hong Kong Air Cargo Terminals** slowed down in June, expanding 2.5 percent over the same month a year ago. Tonnage for the Hong Kong airport's largest handler grew 5.9 percent in the first six months of the year, led by 6 percent expansion in transshipment traffic. ... **Dragonair** resumed 747 freighter flights between Hong Kong and Xiamen, China, serving the route three times weekly. ... **All Nippon Airways** took delivery of its first of seven 767-300 converted freighters from **Singapore Technologies Aerospace**. ... Critical shipments provider **time:matters**, a subsidiary of **Lufthansa**, opened an office in Singapore. ... **Air Berlin** started five-times-weekly A330 flights between Dusseldorf and Beijing and Shanghai. ... **UPS** is assuming full control of its operations in Korea, having acquired full interest from its partner **The Korea Express Company**. ... **Nippon Cargo Airlines** indefinitely suspended its dedicated freighter operation between Beijing and Seoul, saying it will now serve the route through Tokyo. ... Singapore-based forwarder **Topocean Group-Singapore** will become a sales agent for **Swift Global Logistics**. ■

# Regional Reports



EUROPE

## Against All Odds

There are plenty of airline failures out there, but there are some notable survivors

**I**t was probably the worst time ever to start-up a new cargo airline, particularly when attempting to do it with a pair of gas-guzzling 747-200 freighters. But against highly stacked odds Belgium carrier Cargo B survived its first year of operation.

No one is more relieved than Chief Executive Officer Rob Kuijpers. "You can expect a tough first year with the start of any company, but I think we certainly had it tougher than anyone could imagine," he said.

The airline launched operations in October 2007, beginning with flights out of its Brussels airport base to Africa and South America.

"We were basing our marketing strategy on operating routes out of Europe, which were not served with extensive wide-bodied passenger belly space or main-deck cargo capacity," said Kuijpers. "We were also looking for strong return loads to Europe and perishables traffic from Africa and South America seemed to fill this criteria."

But right away Cargo B was hit by its own capacity problem.

"The intention was to bring an additional 747-200F on stream soon after start-up, but unfortunately we were not able to put our second aircraft into operation until the end of January

by Roger Turney



this year," said Kuijpers. "It meant we missed the busiest period of the perishables market and so this had a serious impact on our revenue projections."

But since that blip Cargo B has been able to focus its full attention on the South American market and build up a consistent market presence.

The all-cargo carrier has operated over 60 flights on South American routes in recent months, which included three frequencies per week to São Paulo.

### Sourced Parts

Niek Van der Weide, executive vice president of commercial said Germany remains the main source for the carrier's outbound traffic with auto parts high on the export list. The airline has also operated charters to destinations such as Brasilia, Asuncion, Buenos Aires and Panama.

Return flights stop at Latacunga, Ecuador, near Quito, to pick up fresh flowers. "We have set up our own cooler shed on the airport, which helps to keep the flowers fresh for shipment to the Amsterdam market as well as to Russia," said Van der Weide:

Fresh cut roses for the Russian market are one the mainstays of this slice

of the perishables market.

Van der Weide said Cargo B is operating in a very tough environment and might not have the right tools for the job. "Clearly market conditions are very tough and the cost of fuel is causing everyone massive difficulties, but our operation is solid and viable," he said.

He maintained Cargo B can stay on course despite operating two thirsty 747-200s.

It is an attitude shared by Kuijpers, who said Cargo B is small and flexible enough to work the market to its advantage.

"One important thing we have achieved in a relatively short time is to gain the confidence of the market and in particular the support of the major forwarders in Europe," said Kuijpers.

Having known industry veterans on staff are key to the carrier's future success. "Niek van der Weide is a well known and experienced sales executive in the cargo industry and I too have some notoriety," he said.

## Backed Up

Kuijpers was a very high profile industry executive as CEO of DHL Worldwide Express, after which he spent four years as executive chairman of Belgian passenger carrier, SN Brussels Airlines

In addition to an experienced staff, Cargo B appears to have some strong financial clout behind it.

One of the main investors is PNV, the financial investment arm of the Flemish government in Belgium. In what is virtually still a two state country, the Flemish government's jurisdiction rules over Brussels airport and its future direction.

Petercam, a Belgian wealth management company, represents another segment of the Cargo B ownership

portfolio, with private equity investors making up the remainder of investors. Kuijpers must report Cargo B's financial loss for its first full year of operation, but he is bound to report the airline's prospects remain bright.

"Obviously, with the market conditions as they are and particularly with the high cost of fuel, we're having to review our operations very closely," Kuipers said.

The airline is looking at the imminent prospect of introducing a third freighter to its fleet in order to maintain its planned growth strategy.

"Originally, this was going to be another 747-200F," said Kuijpers. "But we recognized that the 747-200F is no longer a realistic long term prospect." Cargo B is having trouble finding an available 747-400F.

"We might acquire a third 747-200F on a short-term lease and then replace it as soon as a suitable 747-400F when it becomes available," said Kuijpers.

The third aircraft, whatever type is chosen, would be used to strengthen the airline's South American network and to develop routes to Africa.

## TNT Falls

**TNT is seeing the same shipping trends in Europe that FedEx is seeing in the United States, and that could give the two carriers something to talk about.**

TNT's earnings took a 16 percent dive in the second quarter, to \$322 million, as a sharp downturn in premium air express demand in June cut into the global carrier's results.

FedEx has seen a similar drop, and TNT like FedEx says it is benefiting from earlier moves to expand its road network while keeping a lid on capacity growth in the air. The carriers may be looking for even more com-

mon ground, according to reports in Europe that said the companies have started talks about a possible FedEx takeover of Netherlands-based TNT.

TNT CEO Peter Bakker would not comment in a conference call with investment analysts on the reports but said the company would listen to any serious offer.

## ... Briefly

Cargo traffic for European airlines grew 1 percent in June, the smallest monthly expansion since July 2007. Traffic for the first half of 2008 was up 3.2 percent over the same period last year, according to the **Association of European Airlines**, including a 4.4 percent decline in intra-European freight business. ... **British Airways World Cargo** reported revenue of \$356 million in the first quarter of 2008, a 22 percent increase over the year before. BA's profit overall plummeted 90 percent to \$53 million. ... Forwarder **Panalpina** reported net earnings of \$73.9 million for the first six months of 2008, a 29.2 percent drop from the year earlier period. Gross revenue for the half-year was \$4.2 billion. Air freight tonnage grew by 6.1 percent, but gross profit declined by 8.8 percent, due mainly to rising fuel costs, decreasing demand and Panalpina's decision to drop its troubled Nigerian services. ... **MK Airlines**, the British-based all-cargo carrier, signed a letter of intent for 10 FF5000 Freighter Feeder Aircraft manufactured by Albuquerque, N.M.-based **Utilicraft Aerospace Industries**. ... **Lufthansa Cargo** and **World Airways** extended for 15 months their contract for three World MD-11 freighters to operate between Europe and the United States. ... Freight tonnage at **Glasgow Prest-**

**wick Airport** grew 5 percent in May. ... **Brussels Airlines** launched a daylight courier service to major cities across Europe. ... Ground handler Skyport picked **CHAMP CargoSystems'** CargoSpot for its operations at its Prague cargo terminal. ... Cargo 2000 certified **Traxon Europe's** Cargo 2000 Data Management Platform, which measures and manages the quality of air cargo processes between freight forwarders and airlines. ... Freight tonnage at **Munich Airport** grew 4.3 percent in the first half of 2008. ... Russian Prime Minister Vladimir Putin endorsed the construction plan for a freight carriage works to be built near Leningrad by **ICT Group**. The planned start-up of the

\$800 million facility is 2010. ... **DHL** signed a two-year, multimillion-dollar shipping agreement with motorcycle manufacturer KTM North America. ... Ground services specialist **Swissport** acquired U.S.-based security company NASS. ... **Ariel Global Logistics** will be the shipping and forwarding agent in the United Kingdom and Ireland for **GoAir** of India. ... Start-up freighter operator **Stabo Air** is offering 747 all-freighter service to Zambia and Uganda from Ostend Airport. ... Construction started on the **Lufthansa Cargo Service Center** in CargoCity South at Frankfurt Airport. The facility will have 215,278 square feet of warehouse capacity and 86,000 square feet of

office space. ... **Fraport Cargo Services** will take over the cargo handling for AirBridgeCargo at Frankfurt Airport this month. AirBridgeCargo, the scheduled cargo operator of the Volga-Dnepr Group, offers 16 flights per week to Frankfurt. ... **DHL** announced a five-year agreement with **Airbus**, under which the express and logistics company becomes the lead transport provider and a tier one partner for the manufacturer. ... **Ceiba Cargo** of Equatorial Guinea named **EasternAirCargo** its general sales agent in Germany. ... **Gabon Airlines** named ANA Aviation Services its cargo general sales agent for the United Kingdom, North America, Scandinavia and Spain. ■

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**DHL**

Feature Focus:  
Top 50 Airlines

# The World's Cargo



# Top 50 Airlines



The first tier of the 2007 Top 50 Cargo Airlines worldwide looks a lot like the 2006 ranking with FedEx Express, UPS, Korean Air and Lufthansa retaining their No. 1 through No. 4 positions. Yet there has been movement. With a 17.4 percent growth last year, Cathay Pacific, and its subsidiary Dragonair, bumped Singapore Airlines from the No. 6 slot, while China Airlines moved up a notch to No. 7, with Air France close behind at No. 8.

FedEx and UPS retained their vaulted positions despite punishing high fuel costs, a faltering economy and a noticeable decline in domestic air cargo. Significant quarterly losses in early 2008 showed how even the integrated express carriers continue to get pounded financially. FedEx lost \$241 million in the three months ending May 31 compared with a profit of \$610 million for the same quarter in 2007, while UPS saw its net profit fall 21 percent in its second quarter.

Korean Air, which slowed its growth engine significantly last year in the face of declining yields and migration of traffic to ocean vessels, retained its No. 3 overall position and the airline remains the world's largest international freight airline with 9.5 million freight tonne kilometers flown.

Air France's elevation to the No. 8 spot and its partner KLM Cargo's jump to the No. 12 position from No. 14 can be attributed to a rejuvenation of its fleet and tight cost controls, which has seen a significant bump in profits.

The fastest growing carrier last year among the Top 50 airlines was Shanghai Airlines, which jumped from No. 57 to No. 42 and expanded its business 60.8 percent. Following close behind was No. 33 Qatar Airways, which posted a 50.6 percent growth from 2006 to 2007.

The long-term growth of the industry remains in parts of Asia and the Middle East, where Emirates moved up to the No. 9 spot from No. 12 despite slowing from 19.9 percent growth the year before. Air China, the world's fifth largest domestic cargo carrier, grew 12.3 percent last year and moved up to No. 16 from No. 18.

Not all Asia and Middle East carriers showed traffic gains in 2007. Nippon Cargo Airlines, which slipped to No. 28 from No. 26, showed a 17.2 percent decline in traffic last year over 2006. Gulf Air's growth dropped 26.5 percent in 2007, the second straight annual decline.

A number of combination carriers posted modest gains or losses in air freight traffic. Yet United Airlines, at No. 18, showed 15.6 percent traffic growth last year. American Airlines retained its No. 20 position, increasing traffic 4 percent in 2007. Northwest Airlines, which left Chapter 11 bankruptcy in 2007 and is awaiting regulatory approval to merge with Delta Air Lines, posted a 9.4 percent decline in traffic in 2007, dropping to No. 19 from No. 17.

The top 50 list is based on freight traffic, measured in freight tonne kilometers flown, reported by the International Air Transport Association and on figures provided by airlines.

In a change from previous years, we have sought to include only carriers in scheduled service rather than "wet lease" carriers. That means that carriers such as Atlas Air, Evergreen International Airlines, Air Atlanta Icelandic and the defunct Gemini Air Cargo are not included. U.S. carrier ABX Air operates largely on an ACMI basis, is included mostly as a proxy for DHL in the United States.

Our goal remains to show the relative scale of all carriers that fly cargo. Carriers that have ceased operations are not listed in this year's top 50.

Where available, we have included revenue figures and notable orders for aircraft, particularly freighters. ■

Feature Focus:  
Top 50 Airlines

CARRIER	COUNTRY	FTKS	%CHANGE 07/06
<b>1. FedEx Express</b>	<b>United States</b>	<b>15,710</b>	<b>3.8</b>
<p>Increase follows 5.1 percent growth in 2005. Ranked first in domestic traffic with 9,239 million FTKs and fifth in international traffic with 6,470 million FTKs. Reported \$22.4 billion in express revenue in the 12 months ending May 31, 2008, 8 percent better than the year before, and \$1.9 billion in operating profit, down 5 percent.</p>			
<b>2. UPS</b>	<b>United States</b>	<b>10,961</b>	<b>17.4</b>
<p>Increase up from 2.9 percent growth the year before. Second-largest domestic cargo carrier with 5,892 million FTKs, and jumped from No. 14 to 10th internationally. International daily volume grew 4.6 percent in first half of 2008 while domestic volume fell 4.1 percent.</p>			
<b>3. Korean Air</b>	<b>South Korea</b>	<b>9,568</b>	<b>9.2</b>
<p>The top international freight carrier with 9,498 million FTKs flown in 2007, 9.4 percent over the year before. Operates 23 747-400 freighters and two A300-600Fs. Has five 747-8 freighters and five 777-300 freighters on order. The airline is in the freighter conversion business with the purchase of 20 kits for 747-400 passenger-to-freighter conversions.</p>			
<b>4. Lufthansa</b>	<b>Germany</b>	<b>8,348</b>	<b>3.2</b>
<p>The second-largest international freight airline with 8,336 billion FTKs flown in 2007. Top European cargo airline with 22.2 percent of FTKs reported by European carriers in 2007. Traffic grew 3.6 percent in first half of 2008 Lufthansa Cargo operates 19 MD-11 freighters and has ownership share of China-based Jade Cargo International.</p>			
<b>5. Cathay Pacific</b>	<b>Hong Kong</b>	<b>8,225</b>	<b>19.0</b>
<p>The No. 3 international cargo airline jumped from seventh to fifth. Cargo traffic with subsidiary Dragonair grew 8.8 percent in the first half of 2008 and made up 19 percent of overall revenue. Began retirement of 747-200 freighters in May, will retire four more in 2009 and the last in 2012 as it begins taking the 10 747-8s it has ordered and the 747-400ERFs it began taking this year.</p>			
<b>6. Singapore Airlines</b>	<b>Singapore</b>	<b>7,945</b>	<b>-0.6</b>
<p>Down from No. 5, SIA is fourth in international freight. SIA Cargo operates 14 747-400 freighters in addition to space on SIA passenger flights. Holds a 25 percent stake in China's Great Wall Airlines.</p>			
<b>7. China Airlines</b>	<b>Taiwan</b>	<b>6,301</b>	<b>3.3</b>
<p>No. 6 in international freight traffic, the airline owns 20 747-400s. Has a 25 percent stake in Chinese cargo carrier Yangtze River Express Airlines, with controlling owners Hainan Airlines.</p>			
<b>8. Air France</b>	<b>France</b>	<b>6,126</b>	<b>4.4</b>
<p>Part of the Air France-KLM Group, Air France had 16.3 percent of cargo traffic reported by European carriers in 2007 while group had 29.5 percent when combined with KLM. Cargo traffic grew 2.6 percent in first half of 2008. Air France's fleet includes eight 747-200 freighters and four 747-400Fs.</p>			
<b>9. Emirates</b>	<b>United Arab Emirates</b>	<b>5,497</b>	<b>9.3</b>
<p>Moving up from No. 12 after slowing from 19.9 percent growth the year before. Emirates SkyCargo operates three A310-300 freighters, has a 747-200 and five 747-400 freighters operated by Atlas Air and a 747-400 by TNT. The airline has eight 777 freighters and 10 747-8 freighters on order.</p>			

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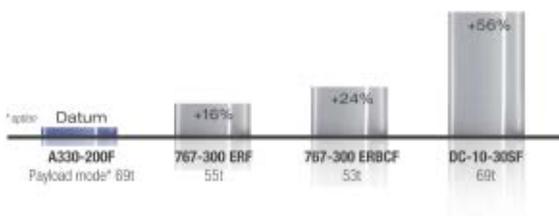


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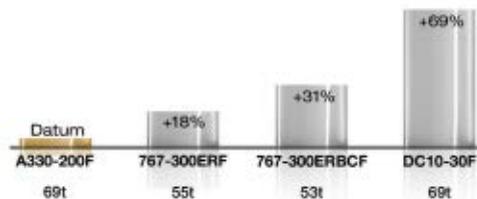


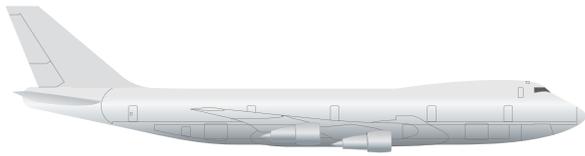
A330-200F: More fuel efficient aircraft



A330-200F: More productive aircraft

Cash operating costs per tonne

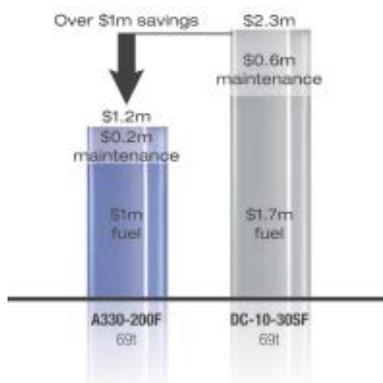
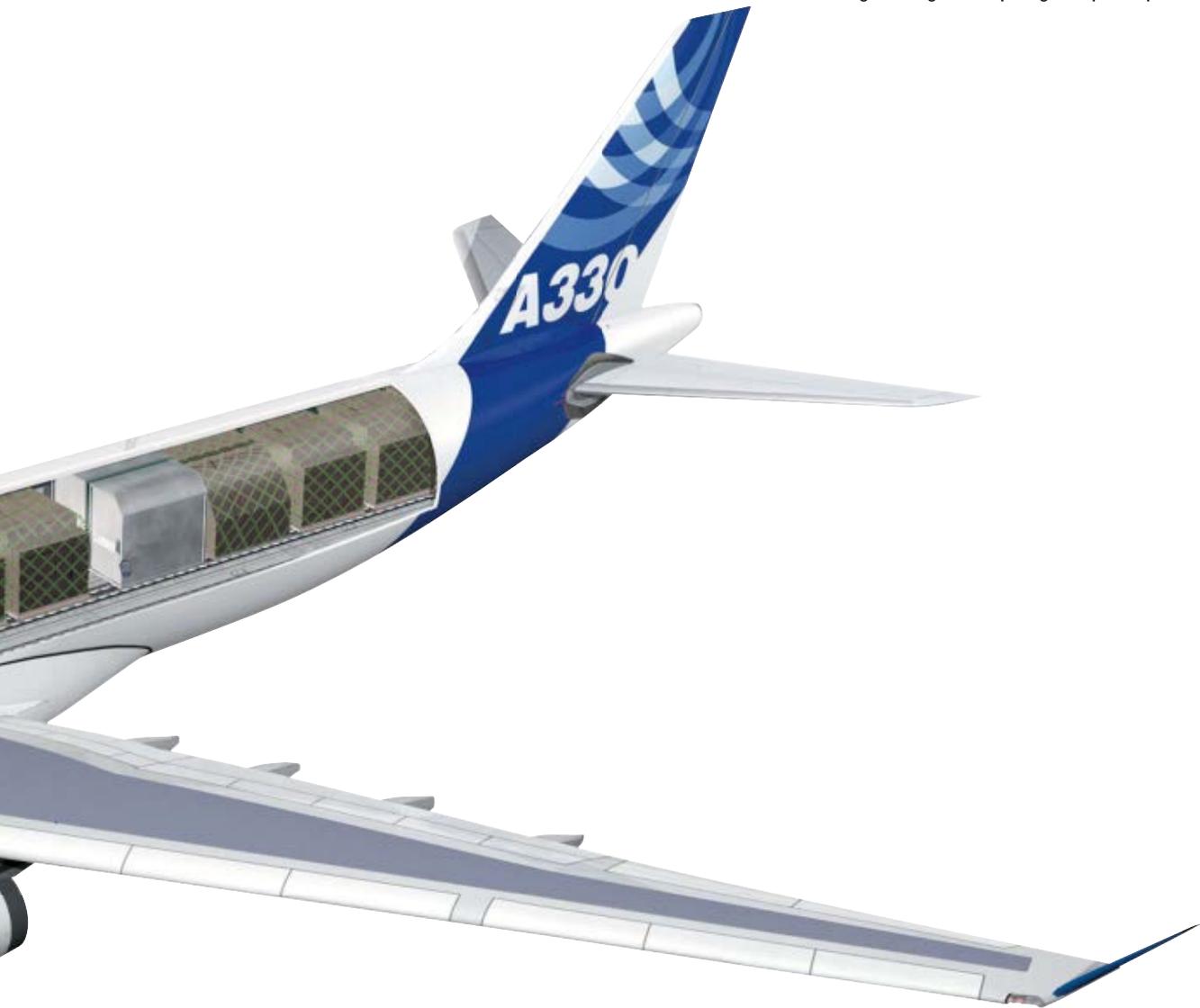




747-400F: 3 weekly frequencies – 330t/week



A330-200F: 5 weekly frequencies – 330t/week  
**Lower weekly operating cost (11%) for time sensitive products and high value goods requiring multiple frequencies.**



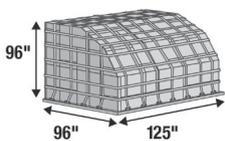
The A330-200F saves more than \$1 million per month fuel and maintenance cost.

# The more you look into it, the bigger it gets.

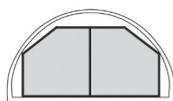
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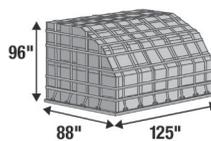
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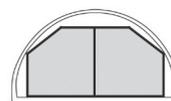
Side by side 96"



Up to 22 positions



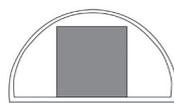
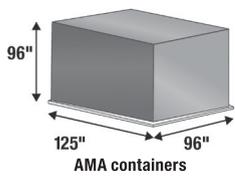
Side by side 88"



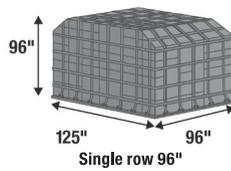
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CARRIER	COUNTRY	FTKS	%CHANGE 07/06
<b>10. Cargolux</b>	<b>Luxembourg</b>	<b>5,482</b>	<b>4.7</b>
The launch customer for the 747-8 freighter with 13 firm orders, the airline's growth accelerated after 1.7 percent in 2006. Freight traffic fell 0.7 percent in the first half of 2008, including 8.2 percent in June.			
<b>11. EVA Air</b>	<b>Taiwan</b>	<b>4,774</b>	<b>-7.5</b>
Cargo traffic declined for third year in a row, including 2.4 percent in 2006. Fleet includes seven 747-400Fs, nine MD-11 freighters and six 747-400 combis.			
<b>12. KLM</b>	<b>Netherlands</b>	<b>4,745</b>	<b>0.9</b>
Cargo traffic grew 2.5 percent for the first six months of 2008 for the member of the Air France/KLM Group. KLM has 17 747-400-combi aircraft and three 747-400 extended-range freighters.			
<b>13. Japan Airlines</b>	<b>Japan</b>	<b>4,669</b>	<b>-0.2</b>
JAL's third straight annual decline in freight traffic, the airline's international freight traffic fell 2.8 percent in its first fiscal quarter in 2008. Has eight 747-400 freighters, two of them converted, six 747-200Fs and three 767-300Fs in intra-Asia cargo services.			
<b>14. British Airways</b>	<b>United Kingdom</b>	<b>4,624</b>	<b>-2.3</b>
The airline posted its third straight yearly decline in freight traffic. Uses leased freighters for about one-quarter of freight traffic. Freight traffic grew 8.3 percent in first half of 2008.			
<b>15. Martinair</b>	<b>Netherlands</b>	<b>3,706</b>	<b>3.9</b>
The airline sold its interest in Tampa Cargo in April. Has three MD-11 full freighters and four convertibles and four 747-400 freighters.			
<b>16. Air China</b>	<b>China</b>	<b>3,586</b>	<b>12.3</b>
The world's fifth-largest domestic cargo carrier and second to China Southern outside North America, its domestic traffic makes up about 15 percent of Air China's overall traffic.			
<b>17. Asiana Airlines</b>	<b>South Korea</b>	<b>3,113</b>	<b>6.5</b>
Growth slowed after 20.1 percent the year before. Operates five 747-400 freighters, three 747-400 combis and one 767-300 freighter in regional service.			
<b>18. United Airlines</b>	<b>United States</b>	<b>2,959</b>	<b>15.6</b>
Gain follows 3.4 percent decline in 2006. Cargo revenue of \$455 million in first six months of 2008 was 30.4 percent more than the year before. Freight traffic grew 1.9 percent in the first six months of 2008 while mail was up 35.4 percent.			
<b>19. Northwest Airlines</b>	<b>United States</b>	<b>2,943</b>	<b>-9.4</b>
Left Chapter 11 bankruptcy protection in 2007, the airline is seeking approval of merger agreement with Delta Air Lines. NWA Cargo has 14 747-200 freighters.			
<b>20. American Airlines</b>	<b>United States</b>	<b>2,726</b>	<b>4.0</b>
Cargo revenue grew 11.7 percent to \$448 million in the first half of 2008 but traffic in first six months was down 2.1 percent.			
<b>21. Malaysia Airlines</b>	<b>Malaysia</b>	<b>2,622</b>	<b>1.1</b>
MASkargo operates three 747-200 freighters and two new 747-400 freighters. The airline has six A380s on order.			

## Feature Focus: Top 50 Airlines

CARRIER	COUNTRY	FTKS	%CHANGE 07/06
<b>22. Lan Airlines</b>	<b>Chile</b>	<b>2,473</b>	<b>-4.1</b>
The largest cargo operator in Latin America operates nine 767 freighters and a 737-200 freighter. Four 777 freighters are on order.			
<b>23. China Eastern</b>	<b>China</b>	<b>2,473</b>	<b>2.1</b>
Joint venture owner of China Cargo Airlines operates A330s and A340s internationally. The world's sixth-largest domestic cargo airline and No. 3 in China, domestic freight traffic grew 5.3 percent.			
<b>24. Thai Airways</b>	<b>Thailand</b>	<b>2,454</b>	<b>16.5</b>
Thai Cargo operates a 747-200 freighter to Frankfurt, Seoul, Paris and Taipei, along with the 747 and 777 passenger flights.			
<b>25. Qantas</b>	<b>Australia</b>	<b>2,345</b>	<b>-6.3</b>
Qantas Freight subsidiary operates Australia Air Express, with five 727-200 freights, and runs three 747-400 freighters wet-leased from Atlas Air.			
<b>26. China Southern</b>	<b>China</b>	<b>1,905</b>	<b>5.7</b>
The world's third-largest domestic cargo airline behind FedEx and UPS with 1,101 million domestic FTKs, 7.2 percent more than the year before. The airline has two 747-400 freighters and orders for six 777Fs and six A300-600Fs.			
<b>27. All Nippon Airways</b>	<b>Japan</b>	<b>1,884</b>	<b>22.4</b>
Has four 767-300 freighters and wet-leases two 767-200 freighters from ABX Air. Operates JP Express as joint venture with Japan Post and forwarder Nippon Express and Mitsui OK Lines.			
<b>28. Polar Air Cargo</b>	<b>United States</b>	<b>1,851</b>	<b>-19.2</b>
The scheduled airline subsidiary of Atlas Air Worldwide Holdings operates six 747-400 freighters in forwarder-focused network. AAWH reported \$372.9 million in revenue from scheduled service in the first half of 2008, up 37 percent from the year before, and block hours for scheduled flights increased 14 percent.			
<b>29. Nippon Cargo Airlines</b>	<b>Japan</b>	<b>1,836</b>	<b>-17.2</b>
Second straight annual decline, after 8.2 percent drop in 2006. NCA has seven 747-400 freighters, three on order and orders for 14 747-8 freighters. New business plan called Phoenix Project will take the airline strategy to 2015.			
<b>30. Alitalia</b>	<b>Italy</b>	<b>1,659</b>	<b>16.7</b>
Operates five MD-11 freighters out of Milan Malpensa airport. Cargo traffic fell 12.2 percent in the first half of 2008, pushing airline from sixth to seventh among European airlines with 3.9 percent market share.			
<b>31. Delta Air Lines</b>	<b>United States</b>	<b>1,560</b>	<b>-8.2</b>
The airline had its third straight annual decline in cargo traffic and emerged from bankruptcy protection last year. The member of SkyTeam Cargo was awaiting U.S. approval for a merger with Northwest Airlines. Cargo traffic grew 12 percent in the first five months of 2008 on strong expansion of international traffic.			
<b>32. Virgin Atlantic</b>	<b>United Kingdom</b>	<b>1,490</b>	<b>11.9</b>
Second straight year of double-digit growth. The airline has firm orders for six A380s to join fleet of A340 and 747-400 passenger aircraft. Cargo traffic grew 9.7 percent in first half of 2008, moving Virgin from seventh to sixth among European carriers.			

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## Feature Focus: Top 50 Airlines

CARRIER	COUNTRY	FTKS	%CHANGE 07/06
<b>33. China Cargo Airlines</b>	<b>China</b>	<b>1,451</b>	<b>20.7</b>
Joint venture of China Eastern Airlines and China Ocean Shipping Co. operates two 747-400 extended-range freighters, two A300-600Fs and six MD-11 freighters from a Shanghai hub.			
<b>34. Qatar Airways</b>	<b>Qatar</b>	<b>1,307</b>	<b>50.6</b>
Jumped from No. 47 in 2006. Gain follows a 0.2 percent decline in 2006 and 85 percent increase in 2005. Operates five A300-600 freighters. Has 38 777s on order, including two 777-200Fs, and has five A380 passenger aircraft on order.			
<b>35. Continental Airlines</b>	<b>United States</b>	<b>1,240</b>	<b>-3.5</b>
Cargo traffic grew 3.4 percent in the first six months of 2008. Cargo revenue of \$254 million in first half of 2008 was 17.6 percent more than the year before.			
<b>36. Saudi Arabian</b>	<b>Saudi Arabia</b>	<b>1,230</b>	<b>13.3</b>
Airline has five MD-11 freighters, one owned factory-built 747-200 freighter and a 747-200 and converted 747-400 operated by Air Atlanta Icelandic.			
<b>37. Air Canada</b>	<b>Canada</b>	<b>1,185</b>	<b>-4.5</b>
Third straight annual decline. Canceled MD-11 wet-leased freighter service between Toronto and Frankfurt.			
<b>38. Iberia</b>	<b>Spain</b>	<b>1,156</b>	<b>4.7</b>
Cargo traffic was flat in the first half of 2008. Was reported to be in talks with British Airways for merger that would create the largest passenger airline in Europe and fourth-largest airline cargo company.			
<b>39. Swiss International Airlines</b>	<b>Switzerland</b>	<b>1,099</b>	<b>5.8</b>
Owned by Lufthansa, SWISS and its Swiss WorldCargo operation manage cargo for A330 and A340 international flights. Cargo traffic grew 13.4 percent in the first half of 2008.			
<b>40. Etihad Airways</b>	<b>UAE</b>	<b>1,041</b>	<b>47.5</b>
Jumped from No. 52 last year. Etihad Crystal Cargo division operates three A300-600 freighters out of Abu Dhabi International Airport and has A330 and 777 freighters on order.			
<b>41. ABX Air</b>	<b>United States</b>	<b>942</b>	<b>12.9</b>
Flies mostly for DHL in the United States, but has 767 freighters in growing charter operation with customers including All Nippon Airways. DHL said it is turning operations now with ABX and ASTAR Air Cargo over to UPS.			
<b>42. South African Airways</b>	<b>South Africa</b>	<b>928</b>	<b>-23.8</b>
A restructuring dropped 747 aircraft from SAA's fleet last year. Operates one 737-200 freighter and two 737-200 quick-change aircraft.			



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CARRIER	COUNTRY	FTKS	%CHANGE 07/06
<b>43. Shanghai Airlines</b>	<b>China</b>	<b>918</b>	<b>60.8</b>
Jumped from No. 57 the year before, the airline is the third-largest domestic cargo operator in China. Operates three MD-11 freighters and two 757-200Fs and runs cargo in cooperation with Taiwan's EVA Air.			
<b>44. Air New Zealand</b>	<b>New Zealand</b>	<b>906</b>	<b>8.6</b>
Operates eight 747-400s and eight 777-200s in passenger service. Runs a 747-400 freighter through Shanghai, Frankfurt and Chicago. Launched airport-to-airport National Cargo domestic business in 2006.			
<b>45. El Al</b>	<b>Israel</b>	<b>878</b>	<b>-0.9</b>
Operates four 747-200 freighters, competing in Israel with CAL Cargo Airlines.			
<b>46. Varig</b>	<b>Brazil</b>	<b>867</b>	<b>0.3</b>
Varig Logistics operates three DC-10, two MD-11, six 757 and three 727-200 freighters. Was the world's No. 16 domestic cargo carrier.			
<b>47. SAS</b>	<b>Scandinavia</b>	<b>546</b>	<b>-9.9</b>
Operates one MD-11 freighter, one 747F and one AN-26 freighter to supplement passenger fleet. Cargo traffic declined 1.4 percent in first half of 2008.			
<b>48. Air India</b>	<b>India</b>	<b>508</b>	<b>16</b>
Recovered after 9.1 percent decline in 2006. Converting two 747-300 combis to freighters.			
<b>49. Finnair</b>	<b>Finland</b>	<b>490</b>	<b>36.5</b>
Dropping MD-11 aircraft, including two to be converted to freighters for Aeroflot. Cargo traffic grew 28.9 percent in the first half of 2008.			
<b>50. Turkish Airlines</b>	<b>Turkey</b>	<b>478</b>	<b>19.8</b>
Cargo traffic grew 7.6 percent in the first half of 2008. Operates three converted A310-300 freighters and was reported to be considering converting other of its passenger aircraft or obtaining a 747 freighter.			



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**India traditionally** has been a useful market for freighter operators between Europe and Asia. Since the country declared open skies for cargo in 1995, European and Asian carriers have been able to stop their freighters there on the way to and from China and the rest of Asia, helping address imbalances on those routes, or providing a useful source of revenue on a refuelling stop.

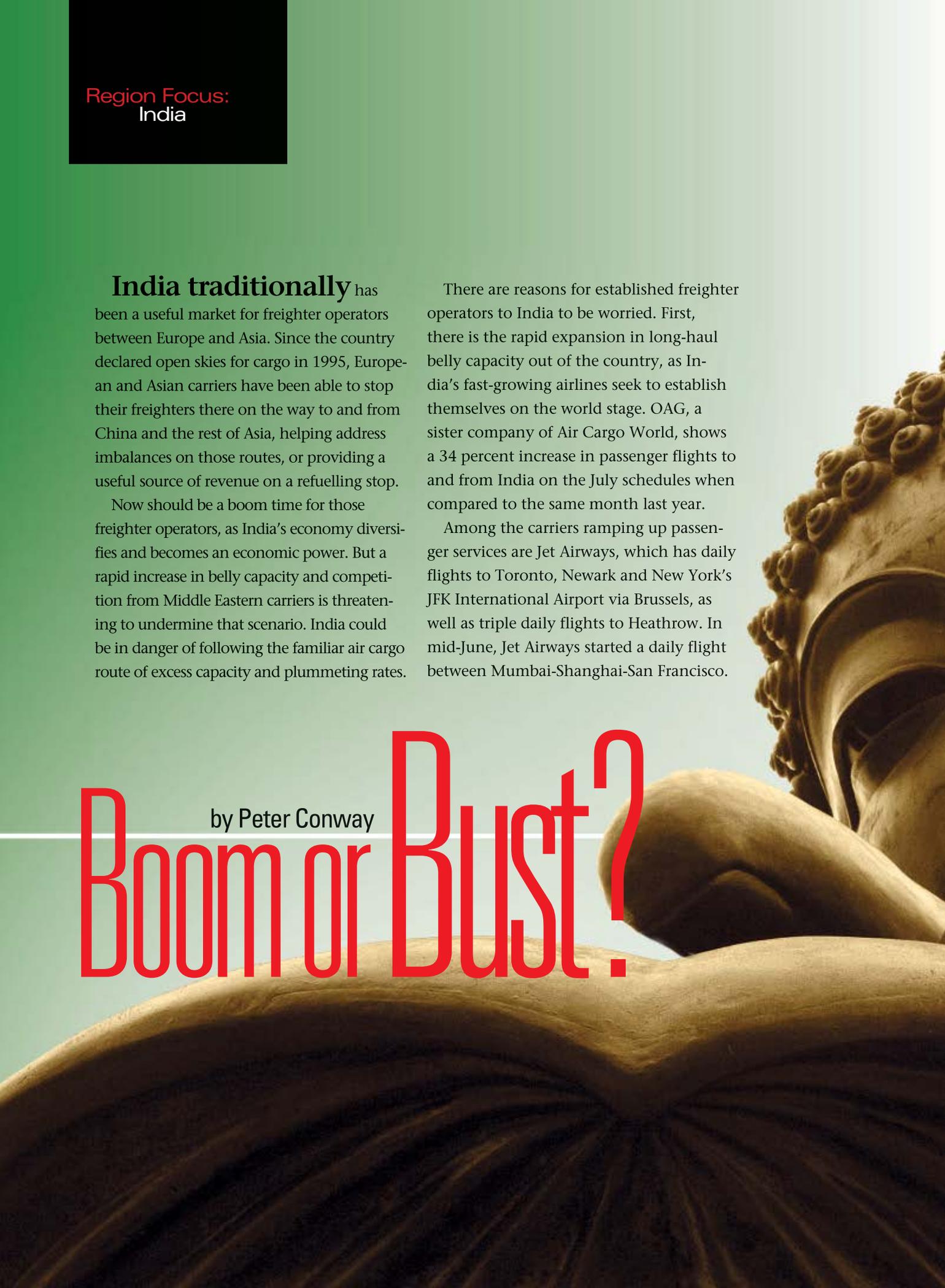
Now should be a boom time for those freighter operators, as India's economy diversifies and becomes an economic power. But a rapid increase in belly capacity and competition from Middle Eastern carriers is threatening to undermine that scenario. India could be in danger of following the familiar air cargo route of excess capacity and plummeting rates.

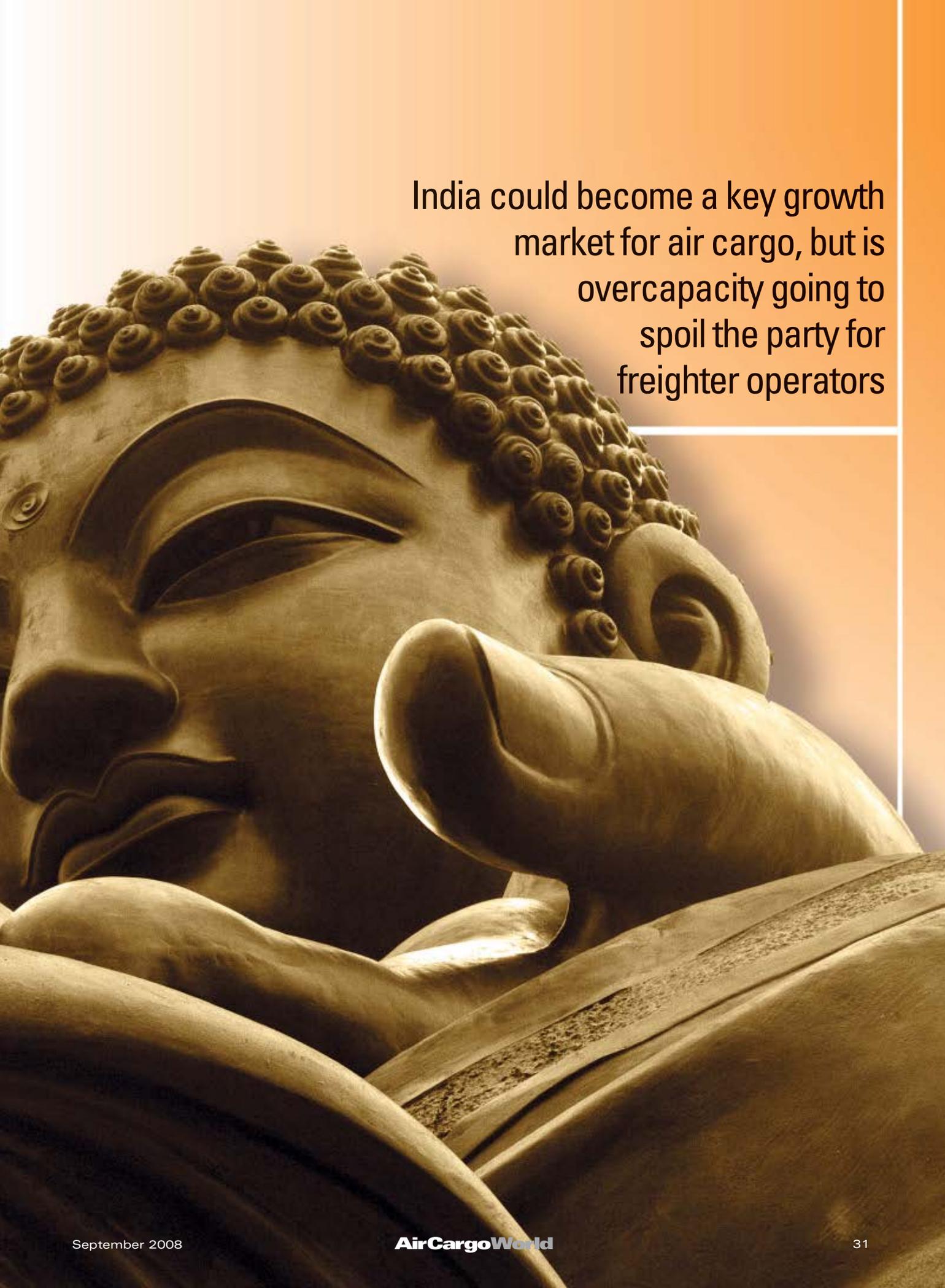
There are reasons for established freighter operators to India to be worried. First, there is the rapid expansion in long-haul belly capacity out of the country, as India's fast-growing airlines seek to establish themselves on the world stage. OAG, a sister company of Air Cargo World, shows a 34 percent increase in passenger flights to and from India on the July schedules when compared to the same month last year.

Among the carriers ramping up passenger services are Jet Airways, which has daily flights to Toronto, Newark and New York's JFK International Airport via Brussels, as well as triple daily flights to Heathrow. In mid-June, Jet Airways started a daily flight between Mumbai-Shanghai-San Francisco.

by Peter Conway

# Boom or Bust?





India could become a key growth market for air cargo, but is overcapacity going to spoil the party for freighter operators

## Region Focus: India

Kingfisher, run by the charismatic Vijay Mallya, was to begin international A330 flights in late August to London, followed by A340-500 flights to San Francisco. New York, Houston, Hong Kong, Singapore and Kuala Lumpur were mentioned as possible future destinations.

Middle Eastern carriers are flooding into India, as new aviation trade agreements allow them greater market



access. Following a new deal between India and the United Arab Emirates in April, Emirates Airlines is in the process of adding 18 flights a week to India, bringing its total to 132, all operated by belly-cargo friendly 777s.

**So great** is the increase in cargo capacity that Emirates has stopped operating freighters to India.

The carrier used to land two of its 747 freighters in Mumbai on the way from China to Dubai, but has since pulled the services. The carrier still stops in Mumbai once a week on the way to Hong Kong, but has ceased freighter services to Bangalore. Ram Menen, Emirates's divisional senior vice president cargo, said these moves were made to keep freight capacity to India steady at 2,000 tonnes a week.

Emirates is not alone in adding flights to India. Qatar Airways added

Kozhikode in Southern India in mid-June, bringing its flights to 58 a week to nine cities. CEO Akbar al Baker said the carrier is eyeing more opportunities. Etihad also has an extensive network to India. But Des Vertannes, executive vice president cargo, said the narrowbody A320s have little room for freight.

To compensate, Qatar operates five A300-600 freighters a week to Chennai (Madras) with two of them going back via Bangalore. The airline also stops its MD-11 freighter to Shanghai in Kolkata (Calcutta) but this is more of a technical stop. Qatar Airways regards India as

rates." Air France-KLM has been steadily building its passenger flights to India, with some routes offering up to 25 tonnes belly capacity.

**Other carriers** watch India carefully. Carsten Hernig, regional manager of India for Lufthansa Cargo, said air cargo grew 19 percent in the past year, but overcapacity is now running at 40 percent. He blames belly operators and Middle Eastern carriers for pulling down rates. But Lufthansa made no change to its freighter schedule of six MD-11 freighter flights to

India is a "difficult market" with "significant imbalances and traditionally low levels of freight rates."

a key market for its A300-600 freighters.

Where does this leave the European and Asian carriers, which traditionally flew widebody freighters to India? Observers say these carriers maintain their market share, but report of growing overcapacity and pressure on rates.

Air France and KLM Royal Dutch Airlines have had enough, having ceased all freighter flights to India. The airlines' roster had included one weekly freighter flight to Bangalore, one to Chennai, two to Delhi and one to Mumbai, all of them turnaround flights paired with Middle East stops. Air France-KLM Cargo spokesman Jean-Claude Raynaud said one reason for the change was the retirement of AF's 747-200 freighters. The 747-400 extended range freighters are better suited to longer haul routes, he said.

That is not quite the whole story.

Raynaud said India is a "difficult market" with "significant imbalances and traditionally low levels of freight

Delhi, four to Bangalore and Chennai, and three to Mumbai.

British Airways World Cargo also makes 10 stops a week in India with its 747-400 freighters, a schedule Mat Burton, its area manager India and Nepal, said has remained unchanged for two years.

Burton said the carrier's consistency in the market is one reason it maintains full loads on the flights; the other is a cunning piece of scheduling. Though two Delhi frequencies a week are used to boost the weaker, eastbound leg of services to Hong Kong, BAWC typically calls in India on the way back from Hong Kong and Shanghai. It has two calls in Mumbai, three in Chennai and three in Delhi in this direction.

BAWC has fifth-freedom rights between China and India. As such, it can fill 20 percent to 30 percent of its outbound flights from China with India-bound cargo. Burton said this



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## Region Focus: India

market is extremely lucrative, and BAWC can both get good rates on the leg and use it as a carrot to get for-

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warders to commit to other legs of its freighter services.

BAWC can also make use of its extensive U.S. network to generate exports out of India. The U.S. has traditionally been by far the biggest market for Indian exports, Burton said, though it is now 50/50 between the U.S. and Europe. More Indian than Chinese traffic is bound for the U.S. and this is a reason to make space on westbound flights for Indian-origin cargo, he said.

Ethiad's Vertannes said the carrier also uses niche markets to cope with origin cargo, currently flat demand and increased competition out of India. "We are fortunate that our network is expanding and so we can offer the market new destinations," he said. Ethiad, for example, started a MD-11 freighter route to Lagos in April, which is proving popular for Indian exports.

**India has been making** a well-documented migration from dependence on garment and textile exports into hi-tech areas such as mobile phones, automotive, machinery and pharmaceuticals.

This is good news. Garment traffic has been adversely affected by the slowdown in U.S. consumer spending, and a good portion has migrated to sea freight because of high fuel prices.

Production of the newer air freight-friendly products trends appears to be concentrated in the south of India, with Bangalore and Hyderabad hosting such IT giants as IBM, Intel, and Compaq. Hyderabad also has pharmaceutical companies — which are big exporters to the U.S. — and Chennai is a hub for telecommunications, automotive and a wide range of other commodities. This accounts for the interest freighter operators are showing in



these southern airports. While noting the rise of the south, Lufthansa's Hernig said Mumbai and Delhi remain the main markets.

The diversification of freight into new commodities could be good news for freighter operators. BAWC's Burton said it is getting more large-sized freight, which needs main deck capacity, such as aircraft engines for repair. Previously, he said, it was just a question of building large pallets of garments, which otherwise could have easily flown in bellies. The growth in pharmaceuticals also favours carriers with specialist cool chain products, though Burton admitted BAWC does not currently offer its Constant Climate product in India due to a lack of expertise there in handling Envirotainers.

Operators agree that exports outweigh imports, but that the balance is improving. Menen said it is getting closer to half and half, pointing to a lot of infrastructure and equipment imports, as the country modernizes. The problem with imports is that they are at very low rates.

"Historically, there was so much more capacity than demand into India that it kept rates low. It is hard to make freighters work at those yields and with current costs," Menen said.

**Several operators** talk about a growing middle class in India with rising spending power, but this



appears to be wishful thinking.

One wild card on the horizon for all foreign operators is the freighter plans of Indian carriers. A year ago, nearly every passenger carrier in India talked of having a major freighter fleet. Air India made a start, converting three A310s and four 737s into freighters, the former for international service, the latter for domestic flights. The carrier is considering 40 freighters by 2015, and has definite plans to convert more A310s, 737s and six 747-400 freighters, which are being retired from its passenger fleet.

Other would-be freighter operators are legion. Jet Airways was at one

point in talks with Lufthansa Cargo about a joint venture, but those plans were tabled, apparently. Jet Airways is reportedly about to invest millions of dollars in 737 conversions. Bangalore-based Quikjet Cargo started domestic service with three 737s, and Deccan Cargo, owned by the former head of a passenger airline that was bought out by Kingfisher, reportedly bought three A310-300s for conversion. Kingfisher also made bullish noises about freighters, but has recently gone quiet on the subject. Mystery also surrounds the plans of Flyington Freighters, which has 777 and A330 freighters on order.

Many of these freighters could be aimed at the domestic market, where poor road infrastructure and huge demand offer vast potential for overnight services. Only 12 freighters now serve this market.

Foreign carriers might be concerned by the prospect of Indian carriers with domestic freighter networks also expanding into the international space.

Raynaud at Air France-KLM detects in the Indian government a desire to see its own carriers take a bigger market share. Jay Shelat, formerly with American Airlines and now vice president cargo for Jet Airways, said the domestic network "is the backbone that drives our international business forward."

Some observers question whether the Indian carriers, many of which are suffering losses from their domestic passenger business, are really in a position to expand into the freighter business. Others draw parallels with China, where initially disorganized local operators are now starting to take market share.

Lufthansa Cargo could form a similar joint venture in India to its partnership with Jade Cargo International, in which LC has a 25 percent interest. But Hernig offers little on this subject. "Before we can talk about partnerships, we will do some in depth analysis first," he said. "We have a strong position in the Indian market, and we will do what is necessary to strengthen that." ■

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The cargo side of Rapiscan's TSA business is leaner, however. The federal agency this year began testing two Rapiscan cargo screening systems already in use at airports outside the United States, one for large boxes, one for pallet loads of boxes.

"We have been working with the TSA over the past six months or so as it relates to potential technology systems that could be used for air cargo screening," said Peter Modica, Rapiscan's vice president of government programs. "They are coming to our facilities to test a pallet-screening system."

As far as how those tests are progressing, said Modica, "That's for the agency to comment on."

As airlines, forwarders and especially shippers have learned, security is a touchy subject. TSA faces challenging deadlines for broadening its inspection of cargo bound for the bellies of passenger aircraft. Federal law requires that TSA inspect at least 50 percent of all cargo on U.S. passenger flights by February 2009 and 100 percent by August 2010. But there remains sharp disagreement on the law and what TSA and the cargo business must do to meet those deadlines.

While TSA plans to throw more inspectors and canine teams at airport checkpoints ahead of the February



# Security's Tools

2009 deadline, technology also is expected to play a big role in the agency's stepped-up inspection regimen.

In partnership with private industry, TSA has been evaluating technology in search of systems that reliably detect cargo threats without discouraging commerce. The agency has done considerable testing of cargo-screening machines and devices for possible agency certification and field deployment.

Just six months before the February 2009 deadline, TSA was still testing cargo inspection technologies as part of its Certified Cargo Screening Program. The agency has developed the program to implement the 9/11 Commission Act of 2007, the law passed last year as a way of tightening air cargo security.

**T**SA long has focused its technological initiatives on passenger terminal security, on its now-ubiquitous tunneled screening machines and explo-



With the air cargo industry race to meet new security deadlines, the race is on to screen new technology

# of the Trade

by Mike Seemuth

sives trace detection systems for checked baggage and carry-on items.

By contrast, the agency remains in the early stages of evaluating advanced screening technology for cargo, especially for the dense loads that mark industrial shipping, from stacked machine parts to boxes piled on pallets or packed in containers. "None of the technologies thus far is suitable for screening pallets or unit load devices, or containers," said Brandon Fried, executive director of Airforwarders Association, an industry trade group.

Industry figures including Fried fear widespread slowdowns in air cargo shipments could ensue if TSA agents start to conduct significantly more security inspections before the agency can certify and deploy large-scale screening systems for containers and pallets.

"It's not unusual to have a pallet with 300 boxes on it, so one of the areas that we're concerned about, and I am sure TSA is as well, is that there is no technology yet that they have certified or vetted that can screen those pallets," Fried said.

"That means you're going to have to take apart each pallet, spread all the boxes on the floor, and do explosives trace detection on each one."

Fried and members of his trade group also are concerned about federal regulations that require freight forwarders to acquire cargo-screening equipment and facilities certified by the agency for off-airport inspection.

TSA has started a pilot program with 13 large air freight forwarders to determine what types of cargo-screening equipment and facilities the industry should have. And although TSA paid for screening equipment installed for demonstration purposes at the 13 freight forwarding companies, others could spend as much as \$100,000 to \$200,000 per location to comply with the Certified Cargo Screening Program, Fried said.

"It's going to be expensive. It's going to be a heavy lift for most small to medium sized forwarders, and there is no federal funding assistance," he said "TSA pays for it on the baggage side; we see that all the time. Why shouldn't they be paying for it on the cargo side as well?"

Some officials say the agency has advanced its appraisal and acquisition of screening systems for baggage at the expense of cargo.

"One area that has suffered as a result of the intense focus on passenger and baggage screening is research and development of technology to screen cargo," John Meenan, executive vice president and chief operating officer of the Air Transport Association of America, told the House Transportation and Infrastructure Committee's aviation subcommittee in July. "Other than canines, no technology has been certified to effectively and efficiently screen cargo."

Criticism and cash aside, TSA still expects to meet the requirement to inspect 50 percent of cargo on passenger planes by early next year. Inspecting 100 percent of belly cargo by 2010 may be harder to achieve, however, if major pieces in the agency's security puzzle are not in place by then.

A TSA spokeswoman said the agency expects to be testing cargo-screening technologies for possible certification and deployment two years from now, when its mandate to screen all belly cargo takes effect. "The tests are going to go on into August of 2010," said TSA spokeswoman Sterling Payne.

**T**SA has a list of candidate technologies for cargo screening in various stages of testing and evaluation but it was too soon to tell whether any of those would win agency certification by February 2009. "It's a little premature," she said. "We need more testing and data from the field before that will occur."

One of the biggest developments this year in TSA-funded testing of screening technology has been initiation of tests on two competing products designed to scan pallets of cargo.

"Since spring, we have added wide-aperture X-ray machines for pallet-size inspection," Payne said. She declined to identify the two manufacturers behind the machines. "This is kind of their initial stage of being tested [by TSA]. Some of them are being used in other venues," she said.

TSA also has taken steps to certify cargo screening equipment, facilities and procedures for air forwarders in hopes of relieving airport congestion. "We're trying to kind of push the screening back upstream so it's not [all] happening at the airport," Payne said, "and by virtue of doing that we actual-

ly open up opportunity for the smaller freight forwarders to be able to have their screening done at the airport."

Screening belly cargo that passenger airlines bring in from foreign countries another matter.

A top TSA executive has told Congress the 9/11 Commission Act of 2007 doesn't apply to cargo originating outside the United States. "What we're talking about with this program applies not only to domestic carriers but foreign carriers. But it's the shipments that originate in the United States that we can screen," John Sammon, assistant administrator of TSA, testified. He also told members of the U.S. House Committee on Homeland Security that TSA may be unable to meet its statutory August 2010 deadline for full screening of belly cargo.

That has been drawing fire from a Democratic-controlled Congress that has been seeking to have the agency move away from what TSA had been calling a risk-based approach to cargo security.

"We remain concerned about TSA's implementation of the 100 percent screening requirement," Bennie G. Thompson, D-Mississippi, chairman of the Homeland Security Committee's transportation subcommittee, wrote in a July 31 letter to Kip Hawley, assistant secretary of TSA. Seven Democrats on the subcommittee including Thompson signed the letter, which also criticized Sammon's statement that the 9/11 Commission Act did not apply to inbound belly cargo.

Citing a report by the federal Government Accountability Office, the lawmakers complained, "TSA's progress in developing a screening process for inbound cargo has lagged."

**P**private-sector contractors competing to equip TSA with advanced

cargo screening systems say the agency is focused more on testing such systems than on procuring or deploying them.

"They are still very much in the testing phase of this and trying to finalize the screening technology list," said Bill Frain, senior vice president for sales and field operations, at Woburn, Mass.-based L-3 Communications.

A supplier of baggage screening machines, L-3 also has cargo screening systems that TSA has been testing for the last two years. "This is a process that is ongoing," Frain said. "Wide-scale deployment has not happened."

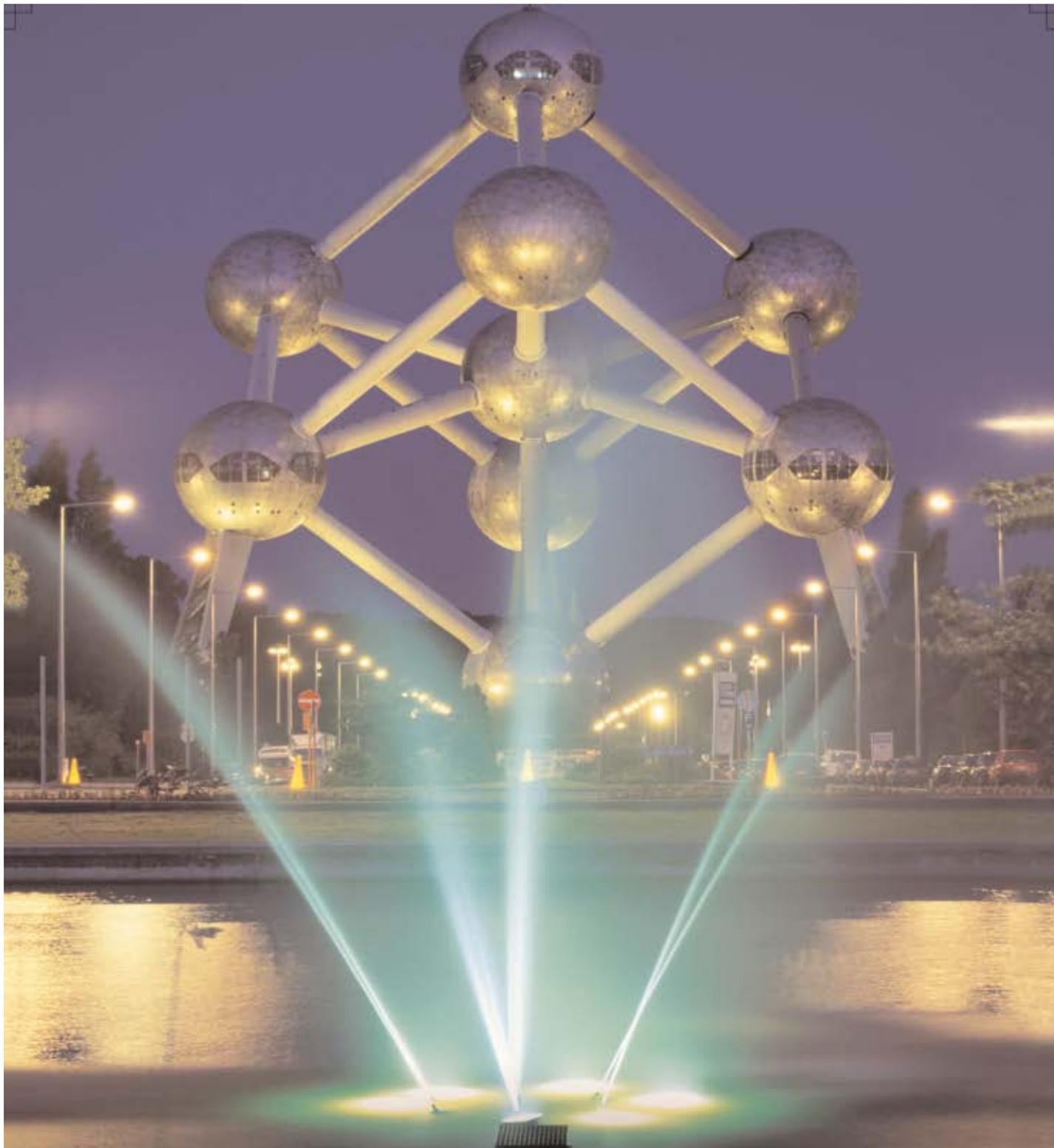
L-3 has sold a variety of X-ray scanning machinery for air cargo inspections in markets ranging from Mexico, Italy and Poland to Kuwait and Saudi Arabia. In addition to fixed X-ray stations with built-in cargo conveyor belts, "we have mobile trucks, and we have gantry systems, which are kind of like a car wash," Frain said.

L-3 has installed cargo screening systems designed to scan containers at airports in such foreign cities as Amsterdam and Bangkok.

But he said what TSA wants to find are objects so small and hidden amid so much cargo that detection is neither easy nor easy to afford. "I think what the TSA might be trying to do is be able to detect something in that large container that might be a pound or two pounds of C-4 amidst a whole bunch of clutter: automotive parts, flowers, liquids, fruits," Frain said. "That's the hard part to do today with existing technologies."

The primary TSA supplier of checkpoint baggage X-ray machines and explosives trace detection gear, Smiths Detection is working with the TSA to test a pallet-screening system originally designed for ocean cargo and adapted for air cargo.

"I can't tell you which models we



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## Feature Focus: Security

are testing with TSA, but we are in the process of testing different models of large-opening X-ray systems that could

X-ray entire pallets," said Mark Laustra, a New Jersey-based vice president for homeland security at for Smiths Detec-

tion, a unit of UK-based Smiths Group.

"TSA has shown a lot of interest in those machines, because the industry is calling for those machines. The big challenge is the volume of cargo, and wouldn't it be nice to be able to screen whole pallets," Laustra said. "That's the Holy Grail: to keep commerce moving and screen these large volumes of cargo quickly."

In addition to testing candidate technologies, TSA also is determining the relative merits of various cargo-screening systems and how they would work best in combination.

"I think the real test for the TSA is the application," said Peter Harris, vice president of strategy and development, at Analogic in Peabody, Mass. "How they do it? How they integrate that into an airport. Do they do it outside the airport? Do they do a separate area for cargo? In my mind, it's what we call a 'concept of operations.' That's the thing they still have to define."

Harris said TSA has done a good job of encouraging the advance of screening science.

He said innovations in screening technology, including some funded by TSA, have helped Analogic and other companies that sell security systems to the agency. "Through the TSA's (research and development) we've made really revolutionary advances in the technology, so we have not been standing still," he said. "The same thing goes for the other candidate technologies."

**A**nalogic manufactures the eXaminer baggage screening system L-3 Communications has sold to TSA, and it is developing two higher-speed baggage screening machines. Analogic also designs screening machines that display images created with computed tomography. With CT-based



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technology, "you get automatic detection of explosives, and we do that through certified algorithms that we test with TSA," Harris said.

But TSA has been in no hurry to adopt Analogic solutions for cargo. Consider how long ago the agency tested Analogic's Connecticut-based systems in cargo screening applications.

"We did a number of pilot programs three or four years ago. The results were pretty good," Harris said. "At that time, TSA was looking at cargo, but not with the focus it had on checked luggage or at the checkpoint. The bias has been toward checked luggage first, and now they're looking at the carry-on. And, of course, Congress and others have

said: What about the cargo?

"Cargo has always been the step-child of the aviation industry."

Another company that could benefit from security modernization in air cargo is Houston-based Geovox.

The company manufactures human-heartbeat detection systems that can identify the presence of stowaways in trucks and containers. Colin Frazier, director of operations, said Geovox successfully demonstrated its technology for the first time at a U.S. screening facility on the U.S.-Mexican border in Laredo, Texas, in 2002.

Although the TSA has not yet certified Geovox technology for air cargo applications, the company has studied how to transfer its capability from

fixed stations to portable handheld devices, which would speed throughput in cargo applications. Geovox units have been installed to detect stowaways in air cargo at airports in Europe, North America and Asia.

But Frazier would like to see more installed in his home country. In his view, the TSA's focus on finding explosives has overshadowed the importance of stowaway detection.

"I have more units in Europe than I do in the U.S." he said. "It's a fact that the Europeans and even the North African countries are much more aggressive in controlling human smuggling and securing their perimeters and internal checkpoints, they are light years ahead of us, five years at least." ■

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# People

## Airlines

**Etihad Airways:** Etihad Crystal Cargo named **Jacqueline Ni** sales manager for the Asia-Pacific region, a Shanghai-based position. She had spent 13 years with the Volga Dnepr Group, most recently as commercial director China for Air AirBridge Cargo. She worked at Maersk Sealand before that.

**Martinair:** The carrier appointed **Frank de Jong** vice president for planning at its Amsterdam headquarters. De Jong, 44, has been vice president for the Asia-Pacific region. Replacing him in that post is **Harm Winkeler**. A former executive at Deutsche Bahn's rail freight subsidiary, Winkeler, 40, had been senior vice president of Martinair's passenger business. The airline also appointed **Maria Alexandra Rangel Tovar** general manager for Bogotá. A 15-year industry veteran, she has worked for American Airlines, MAG, Martinair's previous general sales agent in Latin American and most recently Aerogroup, another GSA.

**Qatar Airways:** The airline named **Vikram Singh**, a veteran of KLM, vice president of cargo sales. Singh is a 15-year airline industry veteran who was most recently head of customer resource management at KLM's passenger business and before that was director of business-to-business marketing.

## Integrators

**DHL:** The express carrier named **Chris Callen** country manager in South Korea. Callen had been DHL vice president of domestic express for the Asia-Pacific region since 2006 at and before that was DHL's general manager in India.

## Third Parties

**Kühne Holding:** **Klaus-Michael Kühne** announced a succession plan at Kühne + Nagel that will have 48-year-old industrial executive **Karl Gernandt** replace on the board of directors at the forwarding giant. The company said Gernandt's appointment will be subject to shareholder approval him at the May 2009 meeting, when Kuehne plans to step down from the board. A former consultant with A.T. Kearney and executive at Deutsche Bank, Gernandt has been chief executive of European cement manufacturer Holcim's Western European operation since 2007.



Bowie

### **GAC Logistics:**

The shipping and marine services company appointed **Stuart Bowie** head of its logistics operations in the United Kingdom. An industry veteran, Bowie spent the last four years running GAC Hong Kong. Before that, he was GAC's regional logistics manager for the Middle East in Dubai. In his new role, Stuart is responsible for expanding the company's logistic business.

### **Consolidators International:**

The Los Angeles-based air freight wholesaler named **Graham Burfurd** vice president for global sales. The 10-year industry veteran had been a sales manager at a freight forwarder in Australia, a key market for CII.

### **Magellan Transport Solutions:**

The Pittsburgh-based subsidiary of MHF Logistical Solutions named **Jeff Vaughn** director of air, ocean, government sales and operations. Vaughn is a former transportation executive with NYK Logistics for the Americas and was most recently a branch manager with

logistics provider 4 Elements.

**Phoenix International:** The Illinois-based forwarder promoted four corporate managers to the vice president level. **Matt McInerney** is now the vice president of global sales, while **Drew Felling** moved up to vice president of marketing and development. **Tom Sweet** is now the vice president of overseas development and **Lori Buckley** becomes general counsel and vice president of human resources.

**Agility:** The logistics provider named **Dan Mongeon** CEO of its defense and government services business group. Mongeon, a retired United States Army major general, has been president of Agility DGS since June 2006 and continues in that role. He also has been named to the board of Agility.

**Mercury Air Group:** The Los Angeles-based cargo and airline services company appointed **Clive Langelveldt** executive vice president and general manager and **John Peery** vice president of cargo operations. Langelveldt, a longtime official with South African Airways, will be responsible for the company's marketing, space brokerage, cargo general sales agency and Mercury World Cargo operations, while Peery will run handling and warehouse services.

## Technology

### **FreightScan:**

The California-based software provider named **Fran Harris**, a longtime official at the airline industry's Cargo Network Services, manager of sales and marketing for the



Harris

Eastern and Central United States. Harris has more than 20 years experience in the air freight industry, and had been

# People

with CNS from 1999 until the International Air Transport Association moved its subsidiary from New York to Miami. She helped design the CNS Partnership Conference and developed and sold CASS-USA cargo data. She worked before that at KLM. Freightscan also appointed **Jae Gan** director of software engineering. A 12-year IT veteran, Gan earlier was with Intuit.

**Cargo 2000:** The International Air Transport Association-backed quality initiative appointed industry veteran **Michael R. White** regional director for the Americas. White has been chief operating officer at SkyLink USA and before that was managing director of cargo services at the Air Transport Association of America as well as manager of cargo services worldwide for United Airlines. He was also a member of the Gore Commission on Aviation Safety working group on air cargo.

## Trucking

**Sterling Transportation: Keith Davis**, founder and owner of the

Los Angeles-based expedited trucker, became chairman and chief executive officer as part of a series of management changes at the company. Davis named **Bruce Roberts** to take his role as president. Roberts, who has been corporate vice president, also becomes chief operating officer. Sterling also promoted **Sinara Pereira** from controller to vice president of finance, **Richard Garcia** from regional manager for the U.S. Southeast to vice president for the region and named Ty Bradford vice president of operations. Bradford is a veteran of more than 20 years in the air freight industry, including positions with forwarder AIT Worldwide.

## Manufacturers

**Airbus:** The aircraft manufacturer made three executive appointments. **Mario Heinen** was named executive vice president and head of the trans-national center of excellence fuselage and cabin. She succeeds Rüdiger Fuchs who left the company. **Alain Flourens**, who was executive

vice president in charge of the A320 family, becomes the head of the A380 program, while **Daniel Baubi** replaces Flourens.

## Airports

**Robin Hood Airport:** The Doncaster Sheffield airport, part of The Peel Airports Group, made several senior appointments. **Mike Morton** becomes airport director. Since 2005, Morton was operations director at Coventry Airport. Morton has had a varied career in aviation and worked for 21 years as a coal miner. **Nick Smillie** is the new aviation sales director and **Paul Rodwell** becomes cargo director.

**Schiphol Group:** The management company of Amsterdam Schiphol Airport named **Jos Nijhuis** to replace **Gerlach Cerfontaine** as president and chief executive officer on Cerfontaine's retirement next Jan. 1. Nijhuis, 50, has been chairman of the board of PricewaterhouseCoopers since 2002 and held several positions at PwC before that. ■

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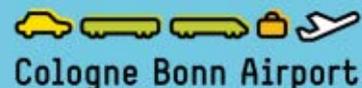
## Air Cargo in European Airports

Cologne Bonn Airport plans to boost its position as a leading European cargo hub. CGN is the no. 2 all-cargo airport in Germany, the no. 7 all-cargo airport in Europe as well as Europe's biggest express hub.

In support of its development plans, CGN has organized its cargo activities into a new business unit headed by Franz van Hessen. Van Hessen is a cargo veteran with excellent connections to the industry.

Additionally, CGN invested 25 million in logistics infrastructure to support the anticipated growth. The new cargo facilities include a 12,500 sqm ramp-connected warehouse and 3,000 sqm office space. The new facilities will open in February 2009. A second (connected) warehouse of equal size is planned for 2010.

CGN also invested 70 million in sorting facilities for FedEx, who will make CGN the hub for its central and east European markets in 2010. UPS already uses CGN as their European hub.



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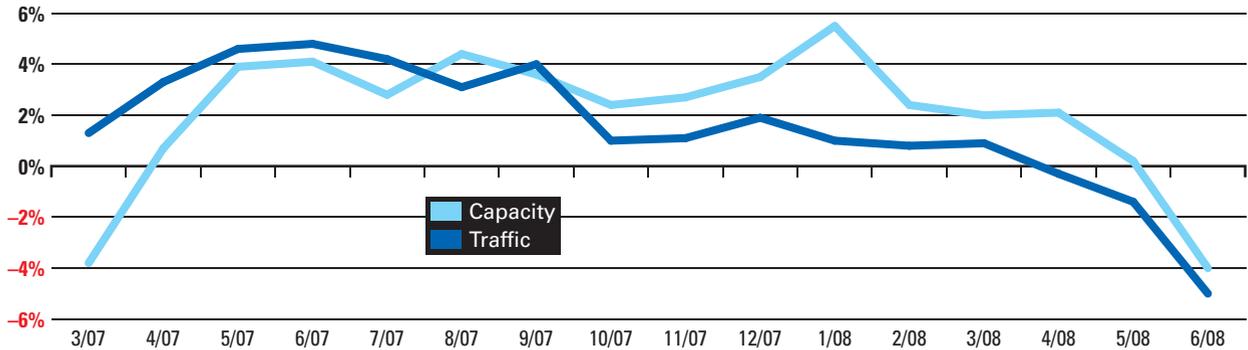
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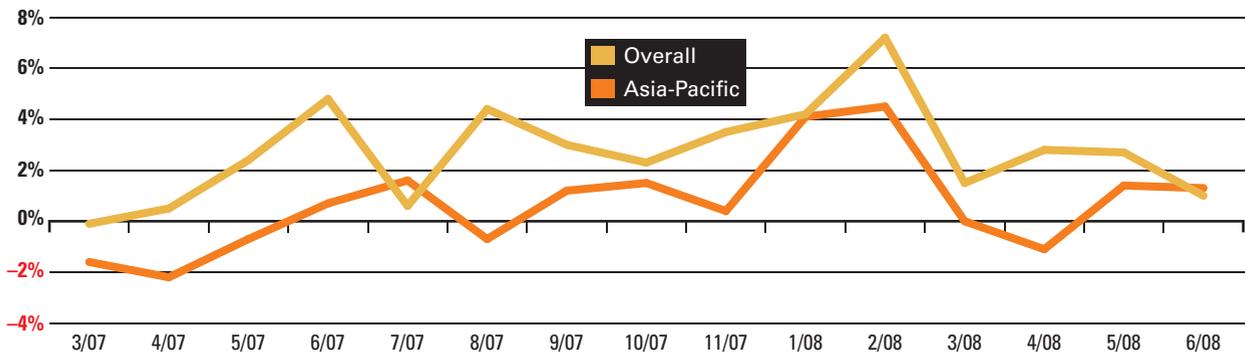
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



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

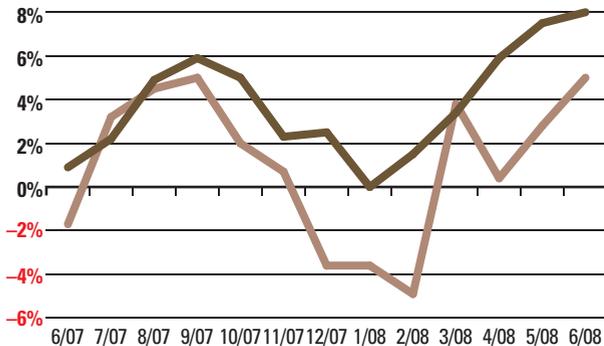
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide, in freight tonne-kilometers and available tonne-kilometers.



Source: International Air Transport Association

## Semi Months

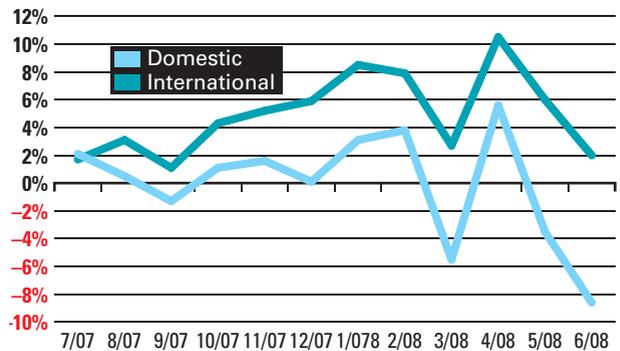
Worldwide monthly year-over-year percent change in sales of semiconductors and month-to-month percent change.



Source: Semiconductor Industry Association

## U.S. Airlines

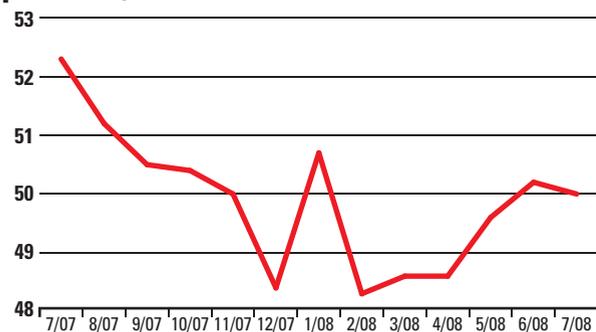
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

## Making Goods

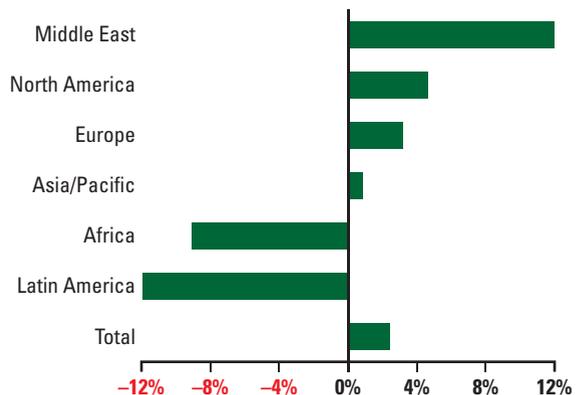
Monthly index of manufacturing activity in the United States over last two years. A reading above 50 shows expansion, below 50 contraction.



Source: Institute of Supply Management

## Sharing Markets

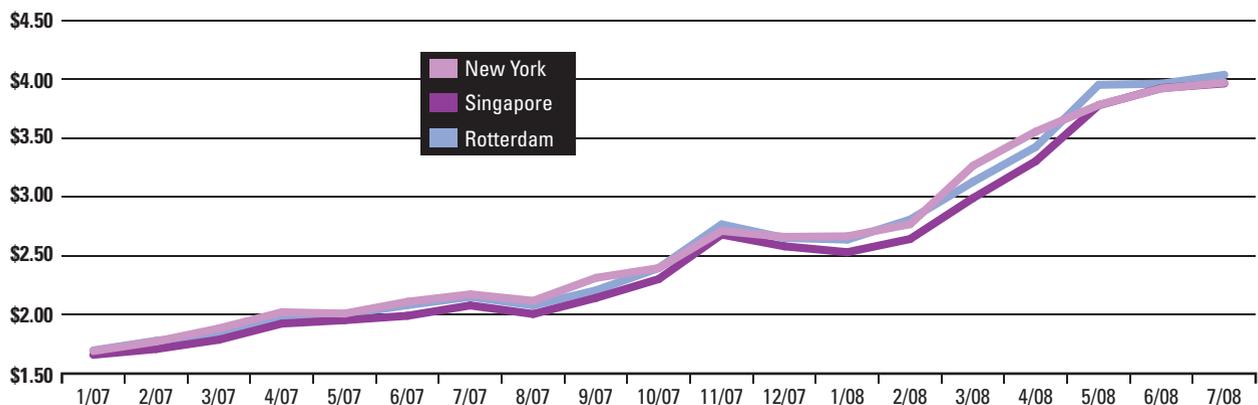
International air cargo year-over-year change in first six months of 2008.



Source: IATA

## Pump Price

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



Source: U.S. Energy Information Administration

## Events

Sept. 14-17

**Park City: 2008 Material Handling and Logistics Conference, at the Grand Summit Resort in Park City, Utah**, exploring ways to eliminate waste and enhance material handling and logistics through automation. For information, call (262) 860-6715 or visit: [www.mhc2008.com](http://www.mhc2008.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: [mfortner@cargofacts.com](mailto:mfortner@cargofacts.com).

Sept. 15-17

**Toulouse, France: The Ninth Annual Aviation Industry Suppliers Conference**, at the Hotel Palladia, bringing together the parts that make up the aviation industry. For information, contact: [jspeed@speednews.com](mailto:jspeed@speednews.com)

Sept. 17-19

**Bangkok: Fourth Annual IATA Air Cargo Claims and Loss Prevention Conference**, looking at how carriers, forwarders and airlines cover their assets. For information, call: +41 22 770 2944, or visit [www.iata.org/events](http://www.iata.org/events).

Sept. 21-24

**Boston: Airports Council International-North America**, annual conference and exhibition, looking at whether the business has the facility to ramp up. For information,

call (202) 293-8500 or visit: [www.aci-na.org/conferences](http://www.aci-na.org/conferences).

Sept. 23-26

**Vancouver, B.C.: FIATA World Congress**, at the Vancouver Convention and Exhibition Center, the annual meeting of regional freight forwarders. For information, call +41 22 33 99 586 or visit: [www.fiata2008.com](http://www.fiata2008.com).

Oct. 5-8

**Denver: CSCMP 2008**, the annual mega-meeting of the Council of Supply Chain Management Professionals has a mountain of educational, inventive and is packed with shippers looking for, and often finding, the trends in managing supply chains and moving goods. For information, call (630) 574-0985 or visit: [www.cscmp.org](http://www.cscmp.org).

Oct. 15-17

**San Francisco: Sustainable Supply Chain Summit North America**, at the Stanford Court Hotel, the eye-for-transport event includes Green Purchasing, Green Manufacturing and Green Transportation and Logistic, with shippers and logistics sustaining a cooperative environment. For information, call +44 0207 375 7207 or visit: [www.eft.com/Green](http://www.eft.com/Green).

Oct. 20-22

**Arlington, Va.: Airports Council International – North America Public Safety and Security**

**For more events, visit:**  
[www.aircargoworld.com/dept/events.htm](http://www.aircargoworld.com/dept/events.htm)

**Fall Conference**, at the Pentagon City Ritz-Carlton offers interactive educational sessions on public safety and security issues. For information, call (202) 293-8500 or visit: [www.aci-na.aero](http://www.aci-na.aero)

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, call (786) 365-7011 or visit: [www.tiaca.org/2008](http://www.tiaca.org/2008).

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](http://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](http://www.iana.org).

Nov. 17-18

**London: Airline Strategy Summit: at the Sofitel St. James Hotel**, looks at "New Approaches for a Fast Changing Global Industry." For information, call +44 1342 324353 or visit: [www.everestevents.co.uk](http://www.everestevents.co.uk). ■

24<sup>th</sup> International  
Air Cargo  
FORUM AND EXPOSITION

# The Dynamics of Air Cargo in Asia

Kuala Lumpur Convention Centre  
Kuala Lumpur, Malaysia  
November 4-6, 2008

## INVITED SPEAKERS

### Session I. Market Prospects for the Region

Moderator: TBA

Speakers: **Sang-Jin Park**, Regional President and CEO, SAMSUNG Asia Pte Ltd. / **Dr. Edward Tse**, Managing Director, Greater China, Booz Allen Hamilton / **Randy Tinseth**, Vice President Marketing Boeing Commercial Airplanes (confirmed)

### Session II. Harmonization of Security Standards – Asia's Perspective

Moderator: **Jack Boisen**, Chairman, TIACA (confirmed)

Speakers: **Edward J. Kelly**, General Manager for Cargo Transportation Sector Network Management, Transportation Security, US Department of Homeland Security (confirmed) / **Choon Phong Goh**, President of Singapore Airlines Cargo Pte Ltd. / **Robert Larson**, Senior Vice President and Head of Global Security, DHL Logistics (confirmed)

### Session III. Environmental Concerns – Truth or Consequences?

Moderator: **Paul Steele**, Executive Director, Aviation Transport Action Group and Director Environment, IATA

Speakers: **Daniel K. Elwell**, Assistant Administrator Aviation Policy, Planning and Environment, Federal Aviation Administration, U.S. Department of Transportation

### Session IV. Market Driven Challenges in the Region

Moderator: **Dr. Paul W. Forster**, Associate Director School of Business and Management, Assistant Professor, Department of Information University of Hong Kong (confirmed)

Speakers: **Dr. Norbert Bensele**, Member of the Board of Management, Transportation & Logistics, Deutsche Bahn Aktiengesellschaft / **Dr. Victor Fung**, Group Chairman, Li & Fung. / **Xianping Wang**, Executive Vice President, GCW Consulting

## EVENT HIGHLIGHTS

Over 5000 visitors expected from 60+ countries – ACF 2008 will have the highest attendance in ACF history....

- ....Over 210 exhibiting companies
- ....65+ Airlines
- ....50+ Airports
- ....Over 300 Freight Forwarders with the WCA Family of Logistics Networks
- ....Over 100 General Sales Agents with the Federation of Airline General Sales Agents
- ....One-on-One Meetings for Airlines and Forwarders
- ....Extravagant Gala Dinners - Wed & Thu

## HOTEL ACCOMMODATIONS

**Mandarin Oriental**  
Official ACF Trustee Hotel  
LIMITED ROOMS AVAILABLE  
Located adjacent to the world-famous Petronas Twin Towers, overlooking a lush 50-acre park.

**Traders Hotel**  
Directly connected to the convention centre, this four star facility is reasonably priced and offers a variety of amenities.

**Crowne Plaza Mutiara**  
A five-minute walk away from the Kuala Lumpur Convention Centre, and Petronas Twin Towers. Monorail station located at the entrance of the hotel.

**Shangri-La Hotel**  
A ten-minute walk away from the convention centre, it boasts various award-winning restaurants.

**Prince**  
Conveniently located near the Central Business District, the prestigious Ampang Embassy Row, the Petronas Twin Towers and KLCC. (Kuala Lumpur City Centre).

**Impiana**  
Located within the Kuala Lumpur City Centre (KLCC), minutes away from Petronas Twin Towers and across from the Kuala Lumpur Convention Centre.

For reservations go to [www.tiaca.org](http://www.tiaca.org)

If you require more than five (5) rooms, or need rooms before October 31st and/or after November 8th, please email your needs and a reservation agent will contact you.

### Housing/Reservations Contact:

Phone: 404-842-0000 / 1-800-262-9974

Fax: 404-842-0954

Email: [TIACA@connectionshousing.com](mailto:TIACA@connectionshousing.com)

Mailing Address: **Connections Housing**

820 Church Street

Decatur, GA 30030

## SPOUSE & GUEST TOURS

- Kuala Lumpur Orientation & Shopping at Central Market
- Craft & Culture Tour
- The Spa at the Mandarin

## SPECIAL EVENTS

- Golf Day
- Malaysia's newest aquarium—Aquaria KLCC
- Malaysian Cultural Displays
- Shopping
- Dining
- KLCC Park & Petronas Twin Towers

Some venues and establishments are offering special discounts to ACF 2008 registered attendees.

For more information on all special events and offers, visit us at [www.tiaca.org](http://www.tiaca.org)

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