



# Air Cargo World

INTERNATIONAL EDITION

MAY 2009

Emerging EU Markets

*No Panda to Coke*

Germans and Logistics

**A True World-class Logistics hub;**  
Incheon handles cargo from around the world  
and from every major company.



## Experience state-of-the-art facilities and operations at ICN.

1. Extensive accessibility : 70 airlines & more than 700 logistics companies flying to 169 cities.
2. Top services : 100% paperless clearance for 24 hours.
3. Effective Airport Free Trade Zone(2 million m<sup>2</sup>) : Saves you time and money.

# viewpoint

## Will Government Take Control?

During a recent congressional hearing on air cargo security, one message dominated: frustrated members of the House Homeland Security Committee wanted to know why the Transportation Security Administration (TSA) may fall short of the 100 percent screening of all air cargo by August of 2010.

Although TSA cannot yet verify to Congress that it has met the February 2009 deadline to screen 50 percent of all cargo aboard passenger aircraft, it is working on a verification system. The agency has also made significant progress by screening 100 percent of air cargo carried on narrow-bodied aircraft; revising or eliminating most screening exemptions for domestic air cargo; and creating the Certified Cargo Screening Program (CCSP) as a flexible way to meet the mandates.

Despite these laudable efforts, members of the committee demanded to know why TSA is likely to miss the far more challenging August 2010 deadline to screen 100 percent of cargo. Meeting the 50 percent benchmark for cargo shipped domestically is one thing. Meeting 100 percent and including all air cargo coming into the United States from abroad is a much higher bar.

One major stumbling block to meeting this high threshold is that the proper technology does not yet exist to screen large cargo pallets. Additionally, our international partners disagree with Congress' questionable idea of moving away from a risk-based security model toward indiscriminate scanning or screening of every piece of cargo in an effort to prevent every single threat.

Foreign governments bristle at the idea that the U.S. government would unilaterally dictate trade policy to them and abandon its oft-touted risk-based approach.

Despite these obvious challenges, Congress continues to demand results. It's not that they fail to understand the facts at hand; it's that they

operate in a politically charged environment that tempts them to substitute emotional rhetoric for a rational, reasoned approach to security. And so even as the private sector strives mightily to meet Congress' unrealistic demands, their elected officials question their motives and capabilities.

Congress' skepticism was most evident in its examination of CCSP, a voluntary program that spreads the screening process across the supply chain by allowing shippers and forwarders to screen and secure cargo at their facilities prior to tendering it at the airport. To participate, shippers must be certified by TSA according to a rigorous set of security standards.

CCSP is one of the most promising ideas to emerge from TSA's efforts to collaborate with the industry on creating flexible approaches to meet Congress' mandates. Yet during the hearing, former committee member Rep. Ed Markey (D-MA), who was one of the primary drivers of the 100-percent screening/scanning provisions, challenged the efficacy of CCSP and suggested new legislation may be necessary.

While the exact composition of potential new legislation is unknown, some stakeholders have begun arguing for the government to federalize the cargo screening process, much in the way it has done for screening passenger baggage.

Federalization is a drastic and shortsighted solution that would further erode our proven risk-based inspection strategy.

There is still time to inject common sense into the Washington debate, but the private industry must understand that such rational reasoning will not prevail on its own. We have seen the shortsighted "solutions" that emerge when Congress is left to its own devices, without the counsel of the private sector and experienced security experts.

The industry has a tremendous opportunity to offer flexible solutions that improve security, meet the intent of the 9/11 Act and keep commerce moving, but it must be willing to proactively engage.

In short, it must lead. **ACW**



**Asa Hutchinson** is the Chairman of the Safe Commerce Coalition and served as the America's first Undersecretary of Border and Transportation Security at the Department of Homeland Security. Prior to his work at DHS, he led the U.S. Drug Enforcement Administration and was a member of Congress.

# contents

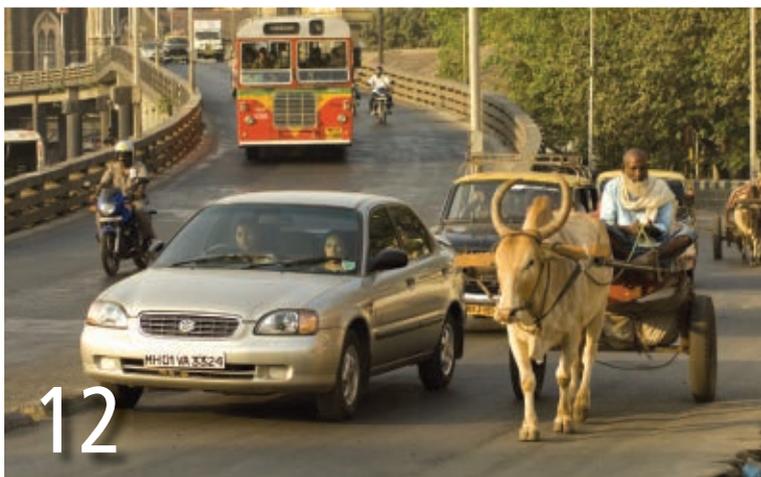


**14** **Germans and Logistics**  
Why do they dominate the forwarding industry?

**30** **Avoiding a Panda to Coke**  
Cooperation is good business for NGOs

**38** **Emerging EU Markets**  
Will the financial meltdown stall growth?





12

## WORLD NEWS

### 4 Americas

- "Lucky" Deutsche Post
- Teach First DHL
- Delta's Cargo Exit
- Huntsville Lures Asia
- In The News

### 8 Europe

- GSA Makes a Comeback
- K&N Profit Drops
- Russia Awards ABC
- In the News...

### 10 Asia

- TNT Advances in Asia
- More Cuts From Cathay
- In the News...

## DEPARTMENTS

- |                |                    |
|----------------|--------------------|
| 1 Viewpoint    | 46 People/Events   |
| 45 Bottom Line | 48 Forster's Focus |

**BPA** Air Cargo World (ISSN 1933-1614) is published monthly by UBM Aviation. Editorial and production offices are at 1270 National Press Building, Washington, DC, 20045. Telephone: (202) 355-1172. Air Cargo World is a registered trademark of UBM Aviation©2009. Periodicals postage paid at Downers Grove, IL and at additional mailing offices. Subscription rates: 1 year, \$58; 2 year \$92; outside USA surface mail/1 year \$78; 2 year \$132; outside US air mail/1 year \$118; 2 year \$212. Single copies \$10. Express Delivery Guide, Carrier Guide, Freight Forwarder Directory and Airport Directory single copies \$14.95 domestic; \$21.95 overseas. Microfilm copies are available from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Opinions expressed by authors and contributors are not necessarily those of the editors or publisher. Articles may not be reproduced in whole or part without the express written permission of the publisher. Air Cargo World is not responsible for unsolicited manuscripts, photographs or artwork. Please enclose a self-addressed envelope to guarantee that materials will be returned. Authorization to photocopy items for internal or personal use is granted by Air Cargo World, provided the base fee of \$3 per page is paid directly to Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923, and provided the number of copies is less than 100. For authorization, contact CCC at (508) 750-8400. The Transactional Reporting Service fee code is: 0745-5100/96/\$3.00. For those seeking 100 or more copies, please contact the magazine directly.

POSTMASTER and subscriber services: Call or write to Air Cargo World, 3025 Highland Parkway Suite 200, Downers Grove, IL 60515; telephone 866-624-4457.

# Air Cargo World

#### EDITOR

Simon Keeble  
skeeble@aircargoworld.com

#### ASSOCIATE EDITOR

Trish Williams  
trish.williams@aircargoworld.com

#### CONTRIBUTING EDITORS

Roger Turney, Ian Putzger

#### CONTRIBUTORS

Douglas Nelms, Peter Conway

#### COLUMNISTS

Paul Forster, Brandon Fried

#### ART & PRODUCTION DIRECTOR

centcommgrp@comcast.net

#### EDITORIAL OFFICES

1270 National Press Bldg., Washington, DC 20045  
(202) 355-1153/1172 • Fax: (202) 355-1171

#### PUBLISHER

Steve Prince  
sprince@aircargoworld.com

#### ASSISTANT TO PUBLISHER

Susan Addy  
saddy@aircargoworld.com • (770) 642-9170

#### DISPLAY ADVERTISING TRAFFIC COORDINATOR

Linda Noga  
aircargoworldproduction@ubmaviation.com

#### ADVERTISING/BUSINESS OFFICE

1080 Holcomb Bridge Rd., Roswell Summit  
Building 200, Suite 255, Roswell, GA 30076  
(770) 642-9170 • Fax: (770) 642-9982

#### WORLDWIDE SALES

##### U.S. Sales

Associate Publisher  
Pam Latty  
(678) 775-3565  
platty@aircargoworld.com

##### Europe, United Kingdom, Middle East

David Collison  
+44 192-381-7731  
dci.collison@btinternet.com

##### China

Beijing Office/  
Nancy Sun (Sun Junqin)  
nsun@publicitas.com.cn  
++86 10 5879 5885

Shanghai Office  
Isabella Hou (Hou Ying)  
ihou@publicitas.com.cn  
++86 (21) 5116 8877

Guangzhou/South China  
Sherry Yuan  
syuan@publicitas.com.cn  
++86 10-5879-5885, ext. 601

##### Hong Kong, Malaysia, Singapore

Joseph Yap  
+65-6-337-6996  
Joesph.imsa@pacific.net.sg

##### Japan

Masami Shimazaki  
shimazaki@mvj.biglobe.ne.jp  
+81-42-372-2769

##### Thailand

Chower Narula  
worldmedia@inet.co.th  
+66-2-641-26938

##### Taiwan

Ye Chang  
epoch.ye@msa.hinet.net  
+886 2-2378-2471

##### Australia, New Zealand

Fergus MacLagan  
maclagan@bigpond.net.au  
+61-2-9460-4560

##### Korea

Mr. Jung-won Suh  
+82-2-3275-5969  
sinsegi@igroupnet.co.kr

CUSTOMER SERVICE OR TO SUBSCRIBE: (866) 624-4457



**UBM Aviation**

United Business Media

POSTMASTER: Send address change to:  
Air Cargo World  
3025 Highland Pky Ste 200  
Downers Grove, IL 60515

For more information visit our website at  
[www.aircargoworld.com](http://www.aircargoworld.com)

## DHL Underwrites Teach First Germany

**D**eutsche Post DHL CEO Frank Appel says the global logistics giant takes great pride in its Teach First Germany initiative to jump-start Germany's educational system and build a better society as a whole.

In comments to shareholders to announce first quarter 2009 results last month, Appel said the initiative is in keeping with DHL's desire to support children, fits with its social responsibility agenda, and makes smart business and economic sense.

"We need to commit ourselves to education. If you are the CEO of a company with 500,000 employees you have a corporate responsibility to make economies and society more successful. We cannot stand by and wait for the politicians to take action. We need to take action too."

The Teach First Germany initiative marks a first milestone in an effort to bundle ongoing DHL activities into a focused education program that will be expanded systematically. The program, which takes a page from a similar effort launched in the U.S. 20 years ago, was unveiled in February.

At that time, Appel said he was convinced that Germany's education system must be improved "only through cooperation and action undertaken by political leaders, businesses, schools and organizations like Teach First Germany."

In Appel's view, education represents "the most valuable resource" in the country. For this reason, he said, "it is critically important for all children and young people to have equal opportunities to gain access to education and receive the support they need to develop their talents."

Under the program, university graduates work at selected schools in Germany's education system for two years. The teacher trainees then typically progress to positions in industry with a better perspective for a career.

Among other things, the effort is designed to break down educational barriers and provide support to underprivileged children and young people. Deutsche Post DHL is a founding partner of the initiative together with Lufthansa and Vodafone. **RCW**

## Deutsche Post "Lucky" In 2008 Profit



**S**peaking to shareholders at the Deutsche Post annual general meeting on April 21, CEO Frank Appel said he was "very happy" about the progress to relocate DHL's international hub to the Cincinnati/Northern Kentucky airport from Wilmington, OH. He noted the 2008 cost of closing the domestic operation was \$900 million.

The company reported a net loss of \$4.09 billion (€3.16 billion) for the fourth quarter of 2008 compared to a net profit of \$328 million (€153 million) in 2007.

For the first nine months of last year, the group had a net profit of \$1.90 billion (€1.46 billion) — an increase of 29.3 percent over 2007.

Overall profit for 2008 was \$2.19 billion (€1.68 billion). This was achieved from the partial sale of its Postbank subsidiary to Deutsche Bank for \$6.3 billion (€4.9 billion).

As a result of the operating loss, Appel and his management did not take performance bonuses for 2008 and he acknowledged they had been very "lucky" in agreeing to a deal with Deutsche Bank a week before Lehman Brothers went bankrupt.

The Deutsche Post DHL CEO said that the company's stock price, which has dropped 59 percent since the end of 2007, is not a true reflection of its

underlying value. He told shareholders he intends to "unleash the company's unexploited potential" following the aggressive expansion of recent years under disgraced former chairman Klaus Zumwinkel.

After investing \$389 million (€300 million) to upgrade facilities at Leipzig Halle airport, DHL opens its new hub this month and launches its AeroLogic joint venture with Lufthansa at the end of June. A spokesperson confirmed that AeroLogic would eventually operate eight B777 freighters with the first one due for delivery this month. By 2012, DHL says it will have created 3,500 new jobs at the facility.

Appel said that DHL's express revenue declined two percent in 2008 to \$17.73 billion (€13.63 billion) and produced a profit before interest and taxes (EBIT) of \$277 million (€214 million) — a drop of 34 percent over 2007. He noted, however, that without the U.S. loss, the EBIT would have been \$1.5 billion (€1.16 billion) — an increase of 11 percent.

During 2008, global forwarding EBIT rose five percent to \$557 million (€430 million) that included \$389 million (€300 million) in new business from Sandvik. However, the company's supply chain business was hit by the global financial crisis and subsequent drop in economic activity. The EBIT fell 15

percent overall to \$571 million (€441 million). On the plus side Appel reported \$1.42 billion (€1.1 billion) in new business including a contract with British Airways to handle the airline's catering logistics.

Noting that results for the first quarter 2009 suggest that the global economic decline has bottomed out, Appel told shareholders that the company "should prepare for a long recession." He expects additional cost reductions — including a saving of \$194 million in phone costs — will enable Deutsche Post to realize an additional \$1.29 billion (€1 billion) in consolidated profit by end of this year.

Commenting on the future vision of the company, Appel said it should be based on reconciling two fundamentals — respect and results. He explained that while results were dependent on respect for co-workers and customers, "you can't show respect and not show a profit."

He said his dream was for every one of Deutsche Post DHL's 500,000 employees worldwide to start their week with the objective of making life simpler for their customers. **ACW**

## Huntsville Opens New Gateway For Asia

The opening of a new air cargo facility in Huntsville heralds a new era for the thriving city in Northern Alabama that has plunked down \$7.8 million to lure more carriers and put the "inland port" on the map.

The project, which almost doubles in size the current 100,000 square foot facility where Panalpina has been since 1990, includes a new 92,000-square-foot air cargo facility with a 5,200-square-foot cold storage area.

While Panalpina's arrival opened Huntsville as an international gateway to airfreight and distribution between the U.S., Asia and Europe, Huntsville officials' latest quest is to attract a carrier that serves the Asia market.

"I think it's going to be awhile before the air cargo market ramps back up but we think we can save carriers money," said Mitch Bradley, director of the International Intermodal Center. "In these times, it's all about saving money and businesses can save money if they move their operations here," he said.

According to Bradley, local officials

had been in talks with several carriers and forwarders with ties to the Asian market but the global recession put their plans on hold. However, they plan to continue discussions this fall with carriers that serve the Asian market.

"We would have done this even if the economy had not slowed but we might have taken a bit of a slower approach," Bradley said. In fact, he and other officials said that the cost of the project was not as extreme as once projected thanks to the softening of the economy.

Air traffic at Huntsville declined by 20 percent in January 2009 compared to the same period one year ago, Bradley added, with the economic meltdown taking a similar toll on local rail operations. "We're seeing the same type of numbers on the rail side, so that shows you the dynamics of what's going on in the world."

Local officials call Huntsville a port because it encompasses a multi-fold operation spanning the new air cargo center, nearby rail operations, an industrial park and Huntsville International Airport.

It is also the home of the U.S. Army's Aviation and Missile Command, a National Aeronautics and Space Administration facility, and a strong aerospace and defense contractor community flourishing thanks to military base realignments that could see relocations of up to 5,000 people by 2012.

Besides Panalpina, forwarders and airfreight companies that currently have operations at Huntsville include Atlas Air, Schenker, Cargolux, CEVA, Expeditors, Kuehne & Nagel, and integrators FedEx and UPS. DHL also had a presence in Huntsville before it suspended its domestic operations early this year.

During the past few years, the city has been expanding its infrastructure to position Huntsville "as the air cargo airport for the Southeast region and beyond," according to Bradley. This work included the extension of two runways at Huntsville International — one is 10,000 feet and the other 12,600 feet — giving it claim to the second longest runway in the area after Miami. **ACW**

## Delta Exits The All-Cargo Business

Delta Air Lines will exit the all-cargo business at the end of 2009 with the grounding of its remaining Northwest Airlines' B747 200 freighters due to "age and inefficiency."

A spokesman said the company had no plans to replace the seven aircraft with new capacity or contracts with other operators. Currently the freighters — five of which had engine upgrades last year — operate on the trans-Pacific linking the U.S. with several Asia markets via Anchorage, AK.

The freighter decision is part of a cost reduction program as the company announced a first quarter operating loss of \$483 million and a total loss of \$794 million - that included interest payments of \$308 million. The net loss, excluding a fuel hedge cost of \$684 million, was just \$9 million.

Delta says the Northwest net loss for the first three months of 2008 was \$4.14 billion.

The now-combined Northwest Cargo and Delta Cargo units produced revenue of \$331 million for the quarter — a drop of \$146 million or 44 percent over the same period last year.

Delta says the result reflects significant weakness in demand and yields due to the global economic recession and declining fuel surcharge revenue, as well as reductions in dedicated freighter capacity.

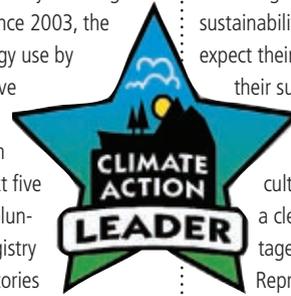
Delta President Edward Bastian commented, "Despite signs of stabilization in recent demand trends, we expect the revenue environment to continue to be under significant pressure for the remainder of the year."

The airline will reduce international capacity by 10 percent, compared to 2008, beginning in September. By December 2009, Delta expects system capacity to be reduced 6 percent to 8 percent and international capacity to be down 9 percent to 11 percent over last year. **ACW**

## IN THE NEWS...

As expected, **DHL Express** will move its U.S. gateway and national package sorting operations from Wilmington, Ohio to the Cincinnati/Northern Kentucky International Airport in Hebron, Ky. UPS says it has terminated talks between UPS and DHL to handle DHL's package business in the USA. **ABX Air**, which provides aircraft to DHL under a contract due to expire in 2010, says it will help DHL move to Cincinnati in order to start operations "in mid- to late summer" ... The **U.S. Department of Transportation (DOT)** has tentatively approved the addition of Continental to the Star Alliance and given the green light to a new joint venture between **Air Canada, Lufthansa, United and Continental** called Atlantic Plus-Plus. The new operation would allow the carriers to jointly arrange capacity, sales and marketing as well as share revenues. The DOT says granting antitrust immunity to Continental and approving the four-carrier venture would be in the public interest because it would support increased levels of service. The Department states the carriers must implement the proposed co-operation within 18 months and file annual reports on their activity. **U.S. Airways** has announced a code-share agreement with **Qatar Airways** ... The US domestic and international air cargo sector will grow 4.1 percent in 2010 after a 7.6 percent loss this year, according to a market forecast from the **U.S. Federal Aviation Administration**. In its 2009-2025 forecast, the agency predicted that total air cargo revenue tonne-miles (RTMs) (freight/express and mail) would increase from 38.9 billion in 2008 to 78.6 billion in 2025, an average of 4.2 percent per year. Domestic RTMs would increase by 1.8 percent a year and international RTMs would jump 5.3 percent a year, the agency said. The projections, which are based on economic assumptions tied to the Gross Domestic Product (GDP), also indicate the U.S. cargo fleet will grow from 949 aircraft in 2008 to 1,584 aircraft in 2025, an annual average increase of 3.1 percent. ... **Boeing** says it is reducing B777 production from seven to five aircraft per month beginning in June 2010 as a result of customer-requested deferrals. The company will also delay previous plans to increase B747-8 and B767 production. Boeing says the production decisions and unfavorable price escalation are expected to reduce first-quarter 2009 net earnings by approximately \$0.38 per share. The company adds that no B767, B747 or B777 orders have been cancelled this year. ... The **U.S. Postal Service** has won a climate award from the **California Climate Action Registry (CCAR)**

for "engaging and shaping public response to climate change and for substantially reducing greenhouse gas emissions." Since 2003, the USPS has reduced overall energy use by 15 percent, increased alternative energy use by 41 percent and has a goal to reduce petroleum use by 20 percent over the next five years. The CCAR serves as a voluntary greenhouse gas (GHG) registry for entity-wide emission inventories and also establishes protocols for GHG emission reduction (offset) projects through a Climate Action Reserve program. ... Three international airlines have agreed to plead guilty and pay fines totaling \$214 million for conspiring to fix prices on air cargo shipments, the U.S. Department of Justice said. **Asiana Airlines Inc., Cargolux Airlines International S.A. and Nippon Cargo Airlines Co. Ltd.** have agreed to cooperate with the Department of Justice's ongoing investigation into the air transportation industry, the agency said. Under the plea agreements, which are subject to court approval, Luxembourg-based Cargolux will pay \$119 million. The agency said it engaged in a conspiracy in the US and elsewhere to eliminate competition by fixing cargo rates for international air shipments from September 2001 through February of 2006. Japan-based NCA, which will pay a \$45 million fine, engaged in fixing cargo rates charged to customers in the US and elsewhere for international air shipments from April 2000 until at least early 2006. South Korea-based Asiana will pay a \$50 million fine for fixing both cargo rates and passenger fares from at least as early as January 2000 until 2006. The announcement brings to 15 the number of companies that have pleaded or agreed to plead guilty in the Justice Department's investigation, the agency said. ... **British Airways Plc, Korean Airlines Ltd, Qantas Airways Limited, Japan Airlines International Co. Ltd., Martinair Holland N.V., Cathay Pacific Airways Limited, SAS Cargo Group A/S, Société Air France and KLM Royal Dutch Airlines, LAN Cargo S.A., Aerolinhas Brasileiras S.A., and El Al Israel Airlines Ltd.** have also pleaded guilty. Collectively, the companies have paid or agreed to pay fines totaling more than \$1.6 billion. ... A new survey by the **American Marketing Association (AMA)** says 58 percent of marketing executives believe their companies will focus more on developing sustainability programs despite current economic conditions. More than half of those surveyed believe that sustainability is an essential element of their company's reputation. Nearly 75 percent believe



that corporate reputation, corporate culture and technological advancements will be the drivers for sustainability. Some 43 percent of those surveyed expect their companies to increase marketing of their sustainability programs because customers are asking for more information; it is supportive of the corporate culture; and because sustainability offers a clear and distinct business advantage. ... **James Oberstar**, U.S. House of Representatives Transportation Committee Chairman, wants the Obama administration to determine who owns **Virgin America**. In a letter to U.S. Secretary of Transportation Ray LaHood, Oberstar said the carrier might be "outside the legal limits for foreign ownership." Oberstar cited reports that two U.S. equity funds have sold their shares, amounting to 47 percent of the airline's voting stock, to **Sir Richard Branson's Virgin Group**. The lawmaker noted to LaHood that the Virgin Group has not denied the claim. To meet U.S. citizenship requirements in setting up Virgin America, the Virgin Group attracted two hedge funds, **Black Canyon Air Partners and Cyrus New Joint Structure**, as shareholders. ... The **U.S. Air Transport Association** reports a 21.2 percent drop in overall cargo traffic for February 2009 compared to the same month last year. U.S. domestic revenue tonne-miles (RTMs) were down 18.4 percent; North Atlantic was off 20.9 percent and traffic on Asia routes declined 25.7 percent during February. Overall international traffic for U.S. reporting carriers dropped 23.6 percent for the month. **FedEx** RTMs declined 16.7 percent domestically and 18.4 percent internationally. UPS reported a decline of 15 percent domestically and 13 percent internationally during the month. The major U.S. combination carriers experienced even greater setbacks. **Southwest** domestic RTMs dropped 21.7 percent; **Northwest** -48.1 percent; **Delta**, -31.0 percent; **Continental** -31.3 percent; **United** -14.4 percent and **American** -36.6 percent. International traffic showed similar declines with **Northwest** reporting -44.3 percent; **Continental** -22.8 percent; **United** -38.6 percent; **US Airways** -39.4 percent and **American** -27.7 percent. ... **CargoWise**, a logistics management system supplier, has moved its U.S. regional headquarters to a new facility near Chicago. The regional headquarters in Schaumburg joins two other global headquarters, one in Sydney and the other in Milton Keynes. The move offers additional training center space for clients of the company's supply chain software solutions and should help expand its customer base. **ACW**



**Nothing is out of sight.**



**At THAI Cargo, we're as serious about security as we are about quality service.**

With over 300 CCTV cameras and 100 security staff, we keep an eye on your goods from every angle, day and night. Every step of processing in our secure facilities is monitored, scanned, checked and referenced to international standards by our well-trained personnel to ensure high quality and smooth service.

**THAI Cargo, HANDLING YOUR SUCCESS SMOOTHLY.**



[www.thaicargo.com](http://www.thaicargo.com)

## Kuehne & Nagel Profit Drops 17 Percent

**K**uehne & Nagel (K&N) net profit fell almost 17 percent to \$109 million (128 million Swiss Francs) for the first quarter of 2009 compared to a year ago. Gross turnover was \$3.67 billion (SF 4.29 billion) for the period – 19 percent down from 2008.

The global financial meltdown hit the Switzerland-based logistics company's airfreight business especially hard with a global market decrease of more than 20 percent compared with the previous year.

K&N said its contract logistics business fell by 23.1 percent; its road and rail logistics dropped 45.5 percent and its sea freight sector dipped by 4.7 percent.

"The solid performance in the first quarter confirms the efficiency of the measures we have taken at an early stage and implemented on a worldwide scale to adapt our enterprise to today's economic environment," said Reinhard Lange, CEO of K&N. "Since it remains impossible to predict by when the global economy will recover, we will adhere to our dual strategy of rigorous cost control with a commitment to market share expansion."

In its outlook for the rest of 2009, the company noted that there are no indications that the world economy will recover quickly and that it anticipated further volume reductions in all business units.

In March, the company said its market share of German airfreight exports organically grew to 12.4 per cent over 2008 despite the general decline in airfreight tonnages.

Klaus-Michael Kuehne, Chairman of K&N's Board of Directors, commented, "Thanks to Kuehne & Nagel's strong position across the globe, our logistics competence and our financial strength, we have reason to be confident about the further development of our the company."

A K&N spokesman said the company anticipates consolidation in the logistics industry to continue and that companies able to gain market share organically and via acquisitions will be even better positioned once the global economy picks up. **RCW**

## Back to The Future With a GSA?



**I**n these challenging times airlines are being called upon to question every aspect of their operations in an effort to reduce costs and maintain revenue flow. In many cases it is a matter of returning to fundamentals and the basic graft of the air cargo business.

And that might not be a bad thing. Most carriers grew their cargo businesses and extended their overseas sales networks through the use of one simple tool of the trade.

The general sales agent was a quick and easy solution to gaining early market entry until an airline's flight schedules, capacity and service capability increased to where it would establish its own in-house sales operation.

Other smaller airlines, with fewer frequencies and less market penetration choose to remain with the GSA solution.

But in these changing times the question now being asked is whether the GSA solution is one which could now suit some of the larger carriers, anxious to reduce their ground costs in perhaps lesser markets.

Until now, the rebuttal has been that the GSA does not have the IT infrastructure, tracking and tracing ability or billing capability demanded of most major carriers.

That is a concept that perhaps harks back to the original, "one man and his dog" concept of the GSA, complete with desk, bank of telephones and the unique

ability to take on the individual identity of any number of airlines.

The image might not have gone completely, but the concept certainly has.

European Cargo Service ranks itself as not only the top GSA in Europe, but also in the USA. A global network of 65 owned subsidiaries in 30 countries provides testament to the strength of its operation today in all the key markets. It currently represents more than 100 airlines, handling on their behalf 360,000 tonnes annually.

Sales topped \$620 million (Euro 470 million) in 2008.

According to Guy Tordjman, president of ECS, the core of the company's business remains in Europe, with over 85 percent of annual revenues continuing to be earned in the region.

"Our European operations, until recently, have continued to grow by five to six percent a year, and turnover in the region has increased by 50 percent in the previous three years," he says.

This, he explains, has been the result of both general organic growth of the business and the signing of new contracts with carriers such as Thai Airways in France and Italy; Cargo B in France, Germany and Switzerland and with Etihad Airways in Italy.

After developing in Europe, ECS extended its activities to the USA, where its extensive GSA operation, under the banner of Globe Air Cargo (USA), is the recognized brand leader in the market.

US contract signings include those of Emirates SkyCargo, British Midland and Cargo B.

Elsewhere, the company enjoys a growing presence in Asia: its Singapore office has been the starting point for regular operations in China, where it has established the first independent GSA.

"But the most satisfying thing of all has been the testimonials of our customers, which prove that ECS understands the needs of individual markets and how to react quickly, which can make the outsourcing of a cargo operation a vital factor in an airline's performance."

Understanding the needs of individual markets also means that ECS is not above providing its own solutions, when no other opportunities exist.

Three years ago ECS acquired a 60 percent shareholding in Africa West, a Togo registered carrier based in West Africa.

"It effectively provided us with the opportunity to launch our own cargo airline, using chartered capacity, to serve West African markets," says Tordjman. "Today we operate a twice-weekly B747-200F service from Brussels, via Dubai to Lome in Togo. From Lome we service up to 14 other West African destinations using AN-12 and A300F capacity."

But Tordjman admits that even as a seasoned GSA, he failed to spot the current downturn coming and the severity of its impact across all markets in the air cargo industry.

"As a global GSA operation you get used to handling blips in individual markets, but this is a phenomenon which has swept across the globe. The greater concern for me in, some respects, is not being able to identify when the upturn may come."

However he insists this current global "blip" will not detract from the long-term goals and strategy of the ECS network.

"We have always positioned ourselves as the partner of airline companies, with the intent to increase earnings and reduce costs on their behalf," says Tordjman. "Our strategy is to support this positioning by further strengthening the connections of our global network, diversifying our outsourcing solutions



AirBridgeCargo Airlines, the scheduled cargo business of The Volga-Dnepr Group, has won a Wings of Russia Award as "Airline of the Year — Cargo Carrier Operating in Domestic and International Air Lines". Launched in 1997, Wings of Russia is the national airline award of the Russian Air Transport Operators Association. Over 50 Russian carriers compete annually in 10 categories, including domestic and international passenger transport, air cargo, business aviation and carriers serving industries of the Russian economy.

and constantly improving our quality of service."

That he says includes extensive investment in fully-automated IT systems, to provide on-line and on-time booking confirmations, secure access to bookings, automated pre-billing to airlines and quality automated reporting.

"In effect we have to be an airline within an airline and provide the same level of service which to the customer makes us indistinguishable from the airline."

It is a strong selling point, which Tordjman believes, in today's environment, may tempt some airlines to return to the GSA concept.

"A GSA operation like ECS can today offer airlines a comprehensive service which encompasses all aspects of their cargo capacity management, enabling them to maximize their cargo capacity and sales yield, whilst at the same time, reducing their costs."

But, admits Tordjman, the concept of the GSA can still be difficult to get across to some airlines.

"We have found it particularly difficult to prove to some Asian carriers that we can provide them with full service support across Europe, when they still tend to think in terms of individual markets." **ACW**

## IN THE NEWS...

**Hoffmann Air Cargo** Equipment and **DSM Dyneema** are launching a new lightweight air cargo net that weighs less than eight kilos (17.6 lbs). The material is up to 15 times stronger than steel, floats on water and is resistant to moisture, UV light and chemicals. The two companies say each new net in service will cut aviation fuel consumption by up to 700 kg per year. This translates to a six-fold saving in greenhouse gases or 4.2 tonnes of CO<sub>2</sub>. For a typical mid-size cargo airline operating 5,000 nets, total annual CO<sub>2</sub> emissions could be cut by more than 20,000 tonnes say the companies. Thomas Lieb, Chairman of the Management Board of **Schenker AG**, says that during the past four years, the market share of ocean intermediaries has grown 18.8 percent compared to only 4.3 percent by ship owners. As a result, Lieb believes that major logistics companies will play an increasingly important role in future international trade. Lieb adds that "Green" logistics is one of the four key trends for the future: "We already have a whole number of options for designing logistics as a truly sustainable process. These include lowering CO<sub>2</sub> emissions, close cooperation with partners and suppliers, innovative solutions such as a combination of ocean and air freight, choosing the most suitable transport mode, as well as measures to save energy," he explains. **Kuehne + Nagel** (K&N) a four-year contract for the logistics management of its finished products in Italy. The newly built warehouse in Trezzo sull'Adda, 19 miles northeast of Milan, Italy was specifically designed by the logistics group. Agrati says it gave the contract to K&N because of the logistics company's experience in managing technical parts' supply chains in the automotive industry as well as its ability to handle seafreight imports. K&N's chairman **Klaus-Michael Kuehne**, and not the logistics group, is a 25.1 percent shareholder in the recently approved acquisition of Hapag-Lloyd by a group of Hamburg-based investors. **AES Cargo** has changed its name to **Move One Logistics**. The company is based in Dubai, UAE. **TNT** and **Con-way Freight** have linked their road networks in Europe and the USA for express shipments. TNT has a nightly transatlantic flight to New York and operates three gateways in New York, Los Angeles and Miami. Con-way Freight will pick up and deliver U.S. export shipments to **TNT** and vice versa for last mile distribution on both continents. **ACW**

## Cathay Cuts Cargo Capacity

**D**rastic cost cutting continues at Cathay Pacific with an 11 percent reduction in cargo capacity from this month.

The airline says it will park two more B747-400 freighters — taking the total to five.

In addition to an eight percent cut in passenger flights — and complementary bellyhold capacity — from May the airline is reducing its weekly freighter flights from a high of 124 last year to 84 with a reduction to Europe from 32 to 22; to North America from 31 to 26; to China from 23 to 15; flights to Japan and Taiwan are halved from 20; and to S.E. Asia from nine to three.

The only destination to remain unaffected by the cuts is the Middle East and India that also sees an increase in passenger flights to Bahrain and Riyadh.

Cathay Pacific Chief Executive Tony Tyler said, "In the first quarter of 2009 we saw a marked deterioration in our business compared to the same period last year. Turnover for the first three months of this year was 22.4% lower than the same quarter in 2008."

In addition to the parked freighters, Cathay is trying to sell five aircraft and has asked Boeing to defer the delivery of two B777 aircraft until 2010.

The company has also asked its 17,000 staff to take unpaid leave of one to four weeks for the next 12 months and senior managers will not get their 2008 bonuses.

Cathay's cost-cutting measures follow last month's award as the world's best airline according to London-based research company, Skytrax.

More than 16 million customers from over 95 different nationalities took part in the latest independent survey of airline standards. This is the third time in ten years that Cathay has won the award.

Notably, the top ten Skytrax winners are all Asia or Middle East based: Singapore Airlines, Asiana Airlines, Qatar Airways, Emirates Airlines, Qantas, Etihad Airways, Air New Zealand, Malaysia Airlines and Thai Airways. **ACW**

## TNT Mixes Modes In Asia Advance



Mrs. Lim Hwee Hua, (center) Minister in Singapore's Prime Minister's Office and Second Minister for Finance and Transport, officially opened TNT's upgraded Singapore regional Hub on April 15. Singapore is a permanent stopover for the express carrier's B747-400ER freighter linking its air hub in Liege, Belgium to Shanghai, China. Pictured with Mrs. Lim are Regional Managing Director Onno Boots (left) and Peter Bakker, TNT's CEO.

**D**ouble-digit growth rates, long taken for granted in Asia, are a distant memory in the current downturn, which has hit the region hard. Still, TNT reckons it can boost its volumes and revenues in the region by 20 percent this year.

"We are still growing at more or less the same speed as last year," said Onno Boots, regional managing director for Asia. In 2008 the integrator's revenues in Southeast Asia were up over 30 percent.

"The downturn should not affect us too much. Some of our largest customers are shipping less volume, but because we have moved into new spaces and created new markets, we have been compensating for the down trend," he commented. "If you move into a bigger pond, how the economy performs does not matter that much."

The bigger pond he is referring to is freight. Having previously concentrated on documents and small parcel traffic

in the region, management decided to embrace a fundamental strategy shift and expand into this segment. "Asia is a freight market," Boots declared.

Rather than chase airfreight to top up the loads on freighters moving express traffic across Asia, TNT opted to apply its European surface strategy to a market that has traditionally been served either by air or ocean. Based on strategic acquisitions of leading truck operators in China and India, it began to develop day-definite domestic surface offerings while building up trucking links between the countries in the region under the 'Asia Road Network' banner.

Boots admitted that the timing was fortuitous. Just as the trucking network came fully on stream, stratospheric fuel prices were prompting shippers to reconsider the role of airfreight in their logistics. Priced significantly lower than airfreight but offering much faster transit times than ocean, the new trucking network had a huge appeal, he said. An-

(continued on page 12)

# THE ECONOMY MAY BE STUCK ON ⏸, BUT WE'RE STILL PUSHING ▶.

With 50 new aircraft on order plus new routes to Shanghai and Rio,  
we're pointed in the right direction.

Even in these tough times, Continental is determined to move forward. We're bringing our award-winning cargo products to new, high-traffic routes like Newark-Shanghai, Houston-Rio and Houston-Frankfurt. And we're growing our jet fleet — already the youngest among U.S. network carriers — by adding 13 new, fuel-efficient aircraft this year.

At Continental, rewinding our plans is simply not an option.

For us, it's one direction only and that's headed toward the future. For more information

or to book a shipment, contact your

Continental Airlines Cargo sales

representative, or visit

[cocargo.com](http://cocargo.com).

Rio (summer) and Frankfurt (November) service  
is subject to government approval.



**Continental Airlines**  
**Cargo**

**Work Hard.**  
**Fly Right.®**

other boost came last fall, when protesters blockaded Bangkok's Suvarnabhumi airport. "TNT was the only integrator that was operating unrestricted in and out of Thailand at the time," Boots recalled.

He was quick to stress that the surface network should not be seen as an alternative to transportation by air. "The combination of road and air in one solution is key. A lot of our customers move their product in two modes, air-road or road-air. Our road and air networks are fully integrated, with the same depots," he said.

The main tenet of TNT's air capacity in the region is a B747-400 freighter linking its European hub in Liege with Singapore and Shanghai. Within Asia TNT relies on commercial lift — as it does across the Pacific, although a good chunk of its Asia-US traffic moves within its own dedicated flights via Liege (Singapore-Liege and Liege-New York). There are no plans to field dedicated freighter capacity across the Pacific, but TNT is looking to step up flying activities within Asia.

"We will likely launch additional flights in the region by the end of the year. We are now studying where," Boots revealed.

One of the markets under consideration is Vietnam. Despite the recent downturn, the country "clearly stands out," Boots said. In addition to the momentum of the Vietnamese market, Hanoi has become a key transit point for traffic between Southeast Asia and China in TNT's network, which was un-

derscored by the opening of an international and domestic operations centre in the Vietnamese capital last summer. Further infrastructure development in



Vietnam is on the agenda this year, Boots said.

India is going to be another major focus for development. TNT intends to beef up its infrastructure in key gateways like Mumbai and Bangalore and to establish integrated air and road facilities.

A year ago TNT announced that it would invest 100 million Euros (\$132.6 million) in Asia through 2013. An \$8 million regional distribution center for life sciences traffic was opened at Singapore Changi

 **skyport**

Your reliable air cargo partner

PRAHA, Prague, Prag...  
BRATISLAVA

TWO GATEWAYS TO CENTRAL AND EASTERN EUROPE

Handling of air cargo and mail in the highest standard  
High security standards, X-raying  
Regulated Agent Certificates  
Independent RFS network  
[www.skyport.com](http://www.skyport.com)



**“Some of our largest customers are shipping less volume, but because we have moved into new spaces and created new markets, we have been compensating for the down trend.”**

airport in 2007. The life sciences/ pharmaceuticals sector is one of three industry segment that TNT has in its sights. The others are high-tech electronics and industrials (which evolved out of the company's massive involvement with the auto industry).

Given TNT's sale of its logistics division a few years ago, the appetite for Asian freight seems somewhat ironic, but Boots sees no contradiction there.

“TNT did not move out of the logistics space altogether when it sold TNT Logistics, it moved out of contract logistics. Now we do warehousing as part of a network management concept. We do warehousing where it feeds into the network,” he commented. **ACW**

## IN THE NEWS...

**Technogym** has chosen **CEVA Logistics** as its logistics provider in the Middle East. The two companies announced a pact covering the import of professional gym equipment to the UAE and management of warehousing operations for the Middle East. CEVA will also take charge of **Technogym's** home delivery operations, product assembly and business installation services to gyms and sporting venues in the region... **Etihad Crystal Cargo** says it is the first carrier in the Middle East to win Cargo 2000 quality certification. The IATA initiative is designed to improve the end-to-end cargo process via measurable quality standards. Four of Etihad's key account customers were tested during the past six months at Abu Dhabi, Paris, Sydney, Frankfurt, Bangkok and Munich. The cargo subsidiary of Etihad Airways recently chose **Descartes** as its Cargo 2000 cargo data management platform provider... **Hong Kong Air Cargo Terminals Limited** (Hactl) reports March tonnage declined 21.1 percent compared to the same month last year. Cumulative tonnage for the first three months of 2009 was 463,014 tonnes, down 24.7 percent compared to the 2008. Export volume in March was down 26.9 percent for the month while export tonnage for the first quarter dropped 28.4 percent year-on-year. Exports to China showed a drop of 38.4 percent in the first quarter, while USA and Europe recorded a decline of 29.0 percent and 28.9 percent respectively. **Hactl** says March imports fell year-on-year 19.3 percent and the three-month cumulative figure was down 24.8 percent against 2008. First quarter import traffic from China, USA

and Europe declined 24.7 percent, 21.2 percent and 24.8 percent respectively... The U.S. Department of Justice has fined **Asiana**, **Cargolux** and **Nippon Cargo Airlines** (NCA) a total of \$214 million for conspiring to fix prices on air cargo shipments. **Cargolux** will pay \$119 million, NCA will pay \$45 million and Asiana will pay \$50 million... **Emirates SkyCargo** has taken delivery of its first B777 freighter – a lease from **Dubai Aerospace Enterprise Capital** that has eight on order. A second aircraft arrives later this year. The aircraft can fly non-stop between Dubai and Frankfurt or Hong Kong with a 103-tonnes payload. This year Emirates becomes the largest B777 operator in the world. The company begins a three times weekly service to Luanda, Angola – its 17<sup>th</sup> African destination - with an A330-200 from Dubai in August 2009. **American Science and Engineering (AS&E)**, a supplier of X-ray detection solutions, has received a \$6.3 million follow-on order for multiple cargo and vehicle screening systems to protect critical infrastructure in the Middle East. Abu Dhabi Customs is already a customer of **AS&E**. The systems will be used to scan vehicles and trucks entering high-risk facilities to detect explosive threats and contraband...

**Vietnam Airlines** has signaled its intent to join the **SkyTeam** alliance in 2010. This follows a March announcement by Prime Minister Nguyen Tan Dung for the Hanoi-based airline to buy 10 Airbus A321 aircraft for delivery between 2011 and 2014...

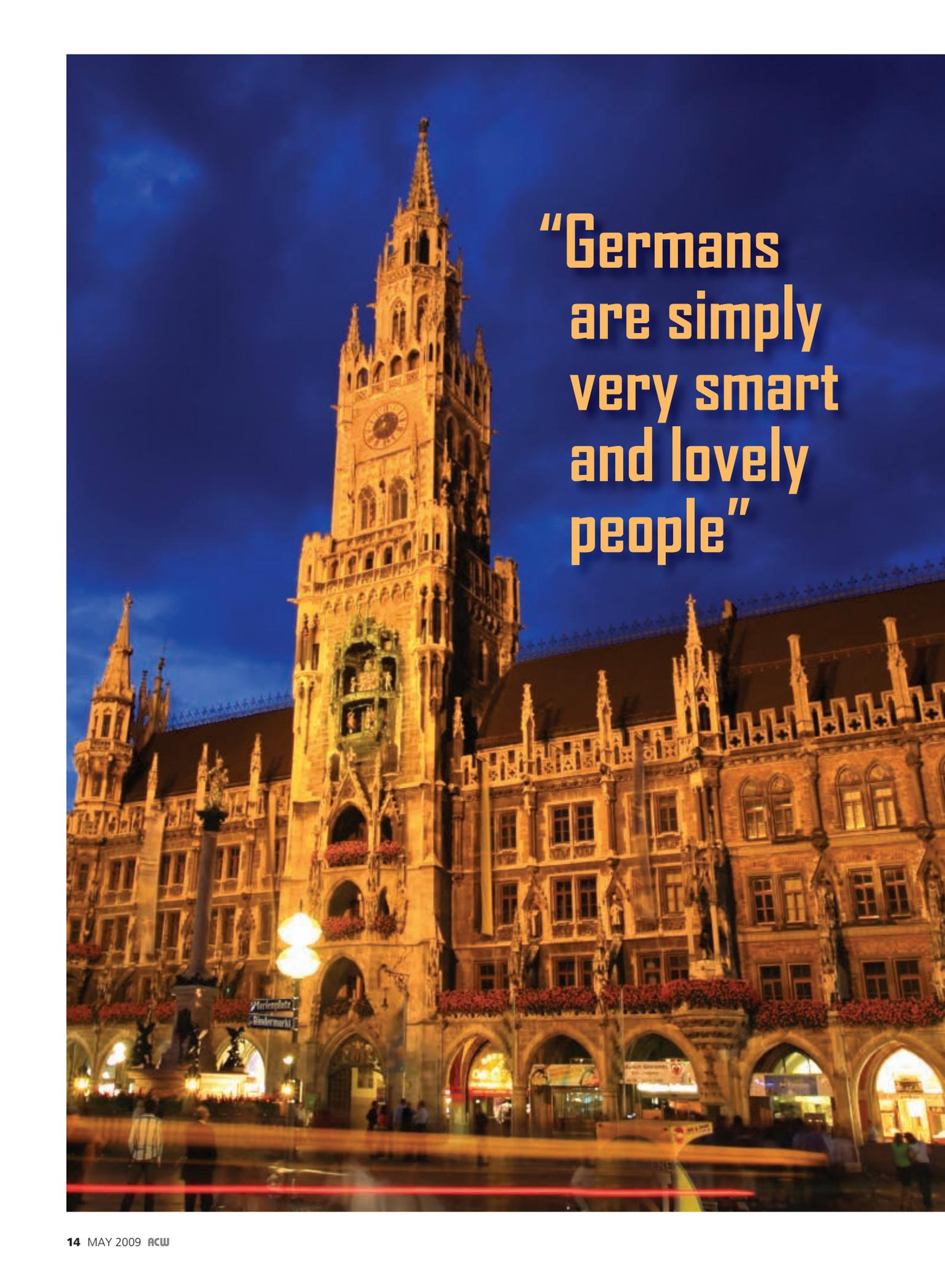
**Volga-Dnepr** has successfully completed its first IL-76TD-90VD flight from Townsville, Australia to Noumea in New Caledonia with an emergency shipment of 10 meter pipes and related construction equipment. The modernized freighter is approved for worldwide operations and flies to and from Australia under an Australian Foreign Operators' Certificate... SkyTeam member China Southern, China's largest airline, has received a \$2.9 billion line of credit from the China Construction Bank. The airline reports a net loss of \$700 million for 2008. Cargo and mail revenue, which accounted for 6.5 percent of its total revenue, fell 5.3 percent to \$512 million in 2008 due to the global financial crisis and subsequent impact on Asia exports... Giovanni Bisignani, **IATA's** Director General and CEO has signed an aviation agreement with Russia's Interstate Aviation Committee (IAC). Speaking in Moscow he said, “Russia's vast geography makes aviation a critical link domestically and internationally. After achieving 100 percent e-ticketing, the next big challenge is to implement e-freight. To make this a reality, Russia must sign the Montreal Convention 99 recognizing electronic airway bills. Russia is too important to be left out of the US\$4.9 billion in benefits that e-freight will bring.” **ACW**

**Uplift - No limit in time and space**

**“Others have fixed dimensions. We provide all the space you need.”**

**sales@lhcharter.com**

**Lufthansa Cargo Charter**



**“Germans  
are simply  
very smart  
and lovely  
people”**



# Is this why they dominate the forwarding business?

**I**t seems the role of German-centric companies in the worldwide logistics arena is tied to a heritage of family-run freight businesses, Germany's strong educational system and a culture that trumpets its leadership role as a vital trade hub.

The country, which has been the world's export leader for six years running, also owes its logistics might to a central geographic location, vast transportation infrastructure and regional banks that have long supported trade ventures, industry experts say.

The glaring German influence in worldwide logistics was underlined in a study by UK-based Transport Intelligence last year that showed five of the top ten global freight forwarders were either German or German-speaking companies. Deutsche Post's DHL Global Forwarding led that list, followed by Kuehne + Nagel (Switzerland), Deutsche Bahn (DB) Schenker (Germany), Panalpina (Switzerland), UPS SCS (US), Expeditors (US),

(continued on page 16)

Sinotrans (China), Hellmann Worldwide Logistics (Germany), CEVA (Holland) and Nippon Express (Japan).

While the superiority and scope of Germany's education system today is arguable, government and industry officials say a potent combination of a tradition of nurturing innovation in the field and top-notch logistics training has had significant bearing on the array of top players in the global freight forwarding market.

David Chasdi, Senior Manager Logistics for Germany Trade & Invest, calls the "world-class education system" in Germany a major contributor to its success in the freight logistics sector. A main reason for the high standing of German products and services, he says, is the well-trained, highly qualified workforce.

Companies often locate their businesses in Germany because of its workers who get their skill set through a German education system that ranges from apprenticeships and vocational training to cutting-edge research and

development, he says. Underpinning this industry, Chasdi explains, are 48 universities and 63 colleges that offer logistics-related courses, which adds to the sector's strong position.

Joachim Frigger, president of New York-based Emo Trans Inc., says Germany's "comprehensive education in freight forwarding and logistics" has led to its clout in the global logistics business. And the "lack of similar education in other countries" is likely to prolong this trend, he says.

The German freight logistics sector's revenue ranks third in the country after retail trade and the automotive industry, according to government statistics. The 2008 turnover for the freight logistics sector was estimated at \$337.1 billion (205 billion euros), or roughly seven percent of German Gross Domestic Product.

German industry and universities "have a very close collaboration," according to Jan-Phillip Gortz, Vice-Head of International Relations for Lufthansa. He and others note that logistics today

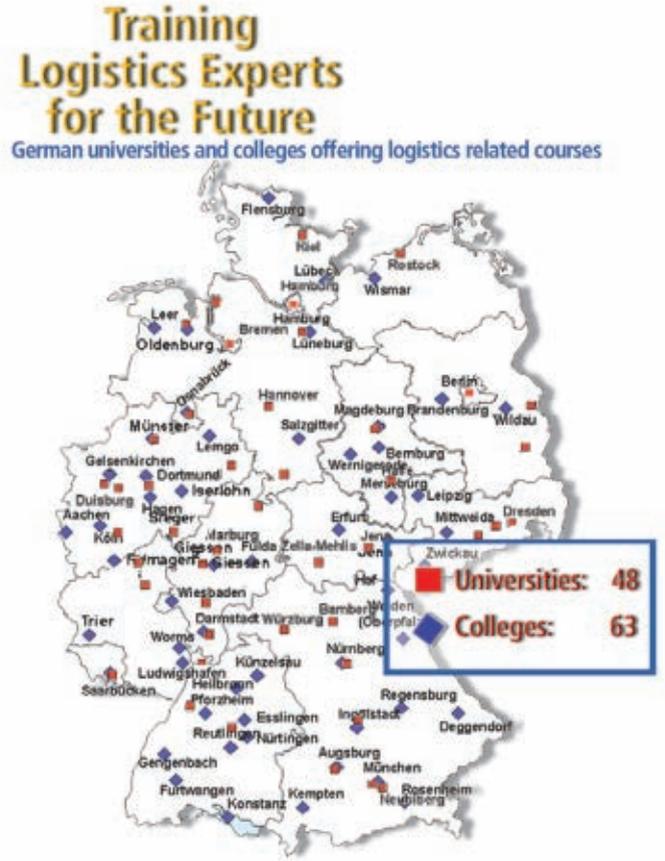
is highly dependent on information technology and to a great extent on modern engineering skills — things government officials have acknowledged they must enhance to stay on top.

But Germany can only build on its perch in the high-tech logistics field if it expands education and boosts training, research and innovation, according to a blueprint released by the German government last September.

Indeed, the government is pushing for increasing education levels in the logistics sector, and putting its weight behind the concept with a training initiative designed to boost the supply of skilled personnel in all fields of freight transport and logistics.

The overall objective for Germany is to address working conditions in the freight transport and logistics sector "in order to unlock potential for improvement."

By quickly relieving the shortage of personnel and raising the skills level of the workforce, the plan says, "we will lay the foundations for good work-



Source: Germany Trade and Invest

ing conditions and good training in the freight transport industry.”

Certainly one basis of the country’s strength in logistics is its geographic location. Germany is and has always been, a transit country due to its central location in the heart of Europe. Other contributing factors are its distribution of economic muscle and political organization, according to industry officials.

The differences between the many regions of the country and therefore the division of labor, as well as uneven economic specializations within Germany, “have laid the cornerstone for the intense transport of freight,” adds Gortz.

Germany serves more than 82 million Germans, 150 million consumers in 10 neighboring countries and over 460 million EU residents, government data shows.



The World Economic Forum’s 2007-2008 Global Competitiveness Report crowned Germany the global leader in terms of infrastructure and business sophistication. It also named the country one of the top five most competitive economies in the world overall.

German industry traditionally has been to a great extent specialized in high-end manufacturing, which requires trade in parts and the organization of production and transport processes, according to Gortz.

Organizing such systems, as well as skills in transport and infrastructure, he says, “is a German specialty” that has brought forth companies such as Lufthansa Cargo with its 300-plus destinations worldwide. Gortz says it is not surprising that Germany produces highly evolved transport technology and know-how in building efficient cars, trains and other machines used for transportation.

Germany has sophisticated transport systems, including major hubs at Frankfurt and Munich with world-leading airlines, as well as major ports and “a globally unique railway system,” Gortz explains.

Approximately three million people in the country are currently working in the field of logistics including some 4,600 employees at Lufthansa Cargo, according to Gortz.

Regarding the approximately 60,000 German companies that offer logistics services, Chasdi says this is likely the case because Germany “is by far the largest logistics market in Europe and also boasts the world’s largest intralogistics market.”

“In this field, Germany outpaces all others, almost doubling the U.S. in profits from intralogistics and projecting high growth figures,” says Chasdi. His agency, which opened in January, advises foreign companies seeking to expand into the German market and assists Ger-

(continued on page 18)



## Global trade takes off with us.

Atlas Air Worldwide Holdings is a leader in international freight as the largest provider of ACMI (Aircraft, Crew, Maintenance & Insurance) freighter leasing. Our global footprint, value-added services, and comprehensive infrastructure deliver a complete solution for our customers.

Today Atlas Air manages and operates the world's largest fleet of Boeing 747-400 freighters, the most advanced and efficient cargo aircraft flying today... and Atlas is the only ACMI provider to have ordered the next generation 747-8F which is expected to deliver even more payload, fuel and environmental benefits.

Our Titan Aviation Leasing Ltd. unit now offers the same freight expertise our customers expect of us, for an airline's dry leasing requirements.

Contact us to find out how we can help your business:  
(914) 701-8400 or [www.atlasair.com](http://www.atlasair.com)



man companies looking to enter foreign markets.

With freight transport and logistics among the country's major economic factors, people in the sector hold the key to its continued success. In its master plan, the German government noted that operators are finding it increasingly difficult to recruit sufficient numbers of skilled personnel. One of the reasons cited is because working conditions are generally considered "unattractive" owing to weekend work, shift work, heavy physical work and low pay.

However Germany Trade & Invest's Chasdi sees nothing but continued strength and dominance by Germany in the sector, "especially based on the growth projections for the German logistics industry compared to other countries."

Martin Willhaus, Secretary General of the Kuehne Foundation who has been living in Switzerland for the past 20

years, cites many reasons for Germany's dominance in the logistics arena. The country has long been dependent on exports and imports, he says, and the logistics companies followed their clients to markets throughout the world to service them.

Germany and neighboring countries such as Austria and Switzerland have been offering an "excellent education for logisticians" for many years and have a dual system of schooling and education in the company, says Willhaus, whose foundation recently funded a new chair of international logistics networks at Technische Universitat Berlin.

The chair, announced by the Schindleggi, Switzerland-based foundation this spring, is aimed at extending research in the field of international logistics and strengthening courses offered in degree and non-degree programs. The Kuehne Foundation finances a total of 10 chairs in the field of logistics research

and industrial engineering and management including ETH (Swiss Federal Institute of Technology) Zurich; the Kühne School of Logistics and Management at the Hamburg University of Technology; the WHU — Otto Beisheim School of Management in Vallendar, Germany; and Tongji University in Shanghai.

Willhaus says other factors include the geographic and cultural makeup of Germany and its citizens. Germans as well as their Swiss and Austrian counterparts have always liked to travel in part because they tend to view their nations as small and filled to capacity, according to Willhaus.

And don't forget the long-standing tradition of German interest in difficult tasks, he says, which has earned them bragging rights as "best engineers in the world." Also, Germans are used to working hard in areas that might not have been considered especially attrac-

(continued on page 20)



The University of Hamburg, with close to 40, 000 students, is Germany's fifth largest university. Two former students of the University of Hamburg were recipients of the 2009 Logistics Prize of the Metropolitan Region of Hamburg.

Relax and enjoy  
the finer things in life



When it comes to your cargo, you can truly relax with the Macau International Airport, winner of "Asia Pacific Airport of the Year 2004", "Best Emerging Airport-Asia (2004 & 2007)" awards, "Merit Award Low Cost Airport of the year 2006" and "Air Cargo Excellence Award 2006 & 2007". With the booming trade flow of China, We can deliver fast and reliable services like no one else. So let us take care of your cargo today and enjoy the finer things in life.



澳门氹仔伟龙马路机场专营公司办公大楼4楼  
4/F, CAM Office Building, Av. Wai Long, Taipa, Macau  
电话/Tel: (853) 8598 8888 传真/Fax: (853) 2878 5465  
网址/Website: www.macau-airport.com 电邮/E-mail: camlgd@macau-airport.com

澳門國際機場專營股份有限公司  
CAM - Soc. do Aeroporto Internacional de Macau S.A.R.L.  
Macau International Airport Co. Ltd.

tive in the past, he explains. “In the old days, logistics was considered a dirty business.”

Other dynamics that have led to the strength of German companies in the global logistics arena can be traced to the ability of the Germans to make money in a small-margin business and their

knack for survival in “competitive and tough markets.” Says Willhaus: “They have elbows.”

For all their toughness and assertiveness, however, Willhaus claims German’s have a softer side. Says the former resident of Stuttgart, which he equates to California’s Silicon Valley: “German’s are

simply very smart and lovely people.”

Not all industry officials buy into the theory that Germany is the power player in the logistics marketplace. “The biggest forwarder, indeed, is a “true German company: DB Schenker with the sole owner Deutsche Bahn AG, complemented by Bax Global — a former

### Germany’s leading logistics service providers in 2007

No.	Company	Logistics revenue Germany (in EUR m)	German employees	Logistics revenue worldwide (in EUR m)	Worldwide employees
1	Deutsche Bahn	7,090	182,000	31,309	237,000
	Railion	3,659	25,000	3,659	28,874
	Schenker	3,186	13,000	14,051	59,312
2	Deutsche Post World Net	6,160	191,732	66,098	536,350
	DHL Express	3,139	N/A	N/A	N/A
	DHL Logistics	3,021	N/A	N/A	N/A
3	Kühne + Nagel	4,000	5,000	17,119	51,075
4	Dachser	2,146	9,500	3,500	17,100
5	Hapag Lloyd	2,000	N/A	6,202	8,256
6	Rhenus	1,800	N/A	3,300	15,000
7	UPS	1,500	15,000	49,692	425,300
8	Panalpina	1,416	1,862	6,668	15,000
9	Volkswagen Logistics	1,200	2,800	2,000	2,800
10	Fiege	1,170	N/A	1,800	21,100
	<b>Total</b>	<b>28,482</b>	<b>422,894</b>	<b>187,688</b>	<b>1,328,981</b>

Note: National transportation including bulk goods, general cargo, transport of heavy goods/crane services, tank container, and air transport, other cargo using special equipment, LTL and transport of hanging garments, national; Contract logistics including distribution of consumer goods and contract logistics, industrial contract logistics/supply of production/spares replenishment, transport of new furniture, removals, and Hi-Tech equipment, warehousing and further additional logistical services; International transportation including transportation by road, air and sea, international

Source: Germany Trade and Invest

### Europe’s leading courier, express and parcel services (CEP) and contract logistics service providers

No.	Company	CEP (in EUR m)
1	DHL Express (Deutsche Post) (D)	17,195
2	TNT (NL)	6,011
3	Geo Post (La Poste) (F)	2,932
4	UPS (B)	2,500
5	GLS (Royal Mail) (NL)	1,600
6	DPD (Geo Post) (D)	1,130
7	Hermes (D)	816
8	Swiss Post (CH)	760
9	Bartolini (I)	660
10	Seur (E)	619
	<b>Total</b>	<b>35,607</b>

No.	Company	Contract Logistics (in EUR m)
1	DHL Logistics (D)	11,957
2	CEVA (NL)	3,947
3	Kühne + Nagel (CH)	2,486
4	Alpha Management (D)	2,300
5	Wincanton (UK)	2,212
6	Schenker (Deutsche Bahn)	2,123
7	Fiege	1,630
8	Geodis (SNCF) (F)	1,580
9	Stef-TFE (F)	1,549
10	Salvesen (UK)	1,335
	<b>Total</b>	<b>31,119</b>

Note: worldwide revenues for European companies, European revenues only for UPS; (D): Germany; (NL): The Netherlands; (F): France; (B): Belgium; (UK): United Kingdom; (CH): Switzerland; (I): Italy; (E): Spain

Source: Germany Trade and Invest

U.S. company,” says Werner Schuessler, Managing Partner of Lufthansa Consulting GmbH.

But he notes that Kuehne + Nagel, which has German roots and was originally founded in 1890, has its headquarters in Switzerland, and points out that Deutsche Post/DHL, on the forwarder’s side, is a patchwork family: DHL having its origin in the United States and the same for AEI; Danzas was Swiss, Excel was British. In this context, he explains, it should not be overlooked that SDV — a French company — is not too far behind Schenker.

In the airfreight section, a lot of airwaybills “are issued and charged in Germany” although the cargo comes cross-border from several countries in Europe, notes Schuessler. He states that this is simply achieved through the central location of Frankfurt and the presence of the prime carrier Lufthansa Cargo, which has a hub there.

Schuessler rejects the notion that Germany’s education system and its vocation track of career development have given it such a big leg up in the logistics sector. “Rather than that,” he says, “it was the right decision makers at the right times with sufficient deep pockets and/or the best ideas.”

Looking to the future, he does not “foresee a German concentration.” This business is so heavily internationalized that everybody can be bought by almost anybody with the right level of funding or “a little help from hedge funds,” he says.

Presuming the global financial melt-



Photo Credit: DB AG/Ralf Kranert

DB Schenker launched its Trans Eurasia Express service last year. The freight service from the logistics arm of the German rail operator, Deutsche Bahn, runs container trains between China and Germany.

down does not wipe out globalization altogether, most experts say trade will pick up and Germany’s logistics industry will be well positioned for future growth.

Germany Trade & Invest’s Chasdi certainly shares this sentiment. “Though the economy has been slowing, we do not expect this to change Germany’s status as a global player and market leader.”

Players who will be able to adapt their cost structure to the current decrease

in volumes will be able to position themselves stronger than they were before the crisis set in, says Philipp Reinke, Vice President Corporate Development, at Kuehne + Nagel Management AG.

At the same time, he says, those companies being able to gain market share organically and through acquisitions will be even better positioned once there is a normalization of market conditions.

(continued on page 26)

**To the ends of the earth**

Worldwide Charters  
Scheduled Services  
Trucking Logistics  
**FLY VIP**

**AVIENT**  
*Inspired by Cargo!*

Contact +44 1980 676010  
or your local agent [www.avient.aero](http://www.avient.aero)

advertisement

## ATLAS: Innovative Approach, Unmatched Expertise

**A**tlas Air Worldwide Holdings, Inc. is dedicated to offering innovative, best-in-class solutions for our customers. Our unmatched operational and technical expertise allows us to provide service that consistently ranks at the top of the industry for overall quality. AAWW's operating units: Atlas Air, Polar Air Cargo, and Titan Aviation Leasing work with our customers to deliver customized, value-added cargo programs matched to their specific needs.

Atlas offers the scale, flexibility and efficiency our customers need to grow their cargo operations. Whether you need ACMI or a Dry Leasing solution, we can customize a program to meet your business requirements.

*No one can offer more technologically advanced aircraft.*

Our highly efficient and reliable Boeing 747-400 freighter fleet will be further enhanced with our order for 12 new-technology Boeing 747-8Fs. Only Atlas can give ACMI customers early access to this next generation of efficiency and performance.

### Operational efficiencies

We help you develop your network, provide the aircraft and crews, and take on the risks and costs involved in operating a freighter.

### Global platform

In 2008, Atlas Air served 316 destinations in 110 countries on six continents.

### Flexibility to meet demand

Our unmatched outsourcing solutions give you the opportunity to flexibly meet demand and capitalize on market opportunities.

*Find out how we can help optimize your cargo operation:*  
(914) 701-8400 or [www.atlasair.com](http://www.atlasair.com)



# Why do the Germans now dominate global forwarding?



Funny, but in the thin air at higher altitude, I thought I had something on that question of the Germans. But after an 11-hour drive down to sea level, all sorts of other questions tried to drive out that something.

Questions like: If cultural influences do play a role, will a whole nation of forwarding recognize this and know how to mould it into a position of prominence? Or: Why can't it simply be coincidence?

But, having recently read *The Island at the Center of the World* by Russell Shorto — how the Dutch acquired Manhattan, struggled with the diversity they had themselves introduced from their homeland culture and in the end lost it, not least to their own internal bickering, I guess there is something to be said for cultural influences.

Well then, to Germans and forwarding/distribution. The first thought I had needs some introduction. While building up KLM Cargo's diversified strategy, which at that time included XP, IML, Northwest and Frans Maas and led to discussions with Flying Tigers, FedEx, Airborne, and many others, I noticed that however central the "network" was as a theme in all these discussions, it still meant something different all the time.

So, in order to get a handle on that, I started to produce a survey of network layouts and drivers. I have since refined that survey into a comprehensive theory of network design, operating principles, control mechanisms and paradigms.

Parts of this theory have been used in various publications (McGraw-Hill's *Handbook of Airline Marketing*) and the complete theory is being used as reference material by consulting parties like Seabury.

In order not to confuse reactions to the theory with airline folklore and knee jerks, I checked with a lot of non-airline people in my research. The funny thing was that every party engaged in, or normally depending on, line-haul transport could not see the logic of evolving a network beyond a single hub; while every party engaged in, or normally depending on, ZIP code level distribution could not envisage a good network if it did not evolve further than a single hub.

Cultural influences indeed!

My survey included air carriers, deep sea, line-haul truckers, and wholesale distributors re-positioning strategic inventories. Distribution parties included integrators, forwarders, energy grids, telecom and production and assembly lines.

Production and assembly line people have a network requirement that is wildly different from A-to-B haulage. They need stuff at the assembly line, not at the nearest port. For more on this, see the emergence of Just in Time/Place.

So to Germany: After World War II it had its foreign relations, including its national carriers, severely curtailed. In a new bid for stability, the

country was encouraged to rebuild its economy, was even helped with the Marshall Plan - but of necessity it was to be self-sufficient, as most people had seen more than enough of Germany for quite a while.

So the country was left to itself and the Wirtschaftswunder ("miracle economy") evolved as a self-production economy while most other nations enjoyed new openings in international trade through all sorts of initiatives.

On the back of these bilateral and multilateral relationships, airlines grew their line-haul networks based on the bilateral reciprocity model established by ICAO.

For Germany, preoccupied with economic and social rebuilding, it relied on line-haul operators in neighboring countries for handling imports and then, subsequently, outlets for its exports.

In no time at all, certainly after the advent of widebodies in the mid-60's, the multimodal line-haul was straining under some 30 percent structural overcapacity - ideal for those who do not want to operate machines and have learned to do their business via someone else's.

To this day, Germany's economy still uses places like Schiphol, Rotterdam and Antwerp extensively. Its own infrastructure has increased too, but by the looks of it the country has learned to balance its own with off-shored networks. It has learned from the results of this strategy and developed a similar balance between own line-haul facilities and forwarding through other networks and, quite importantly, understood that depending on other networks still requires offices at both ends.

Most other nation's forwarding communities have at one time tried to expand internationally. They've managed for a while — even made a profit — but where have they gone?

For the U.S. and the UK: largely to Deutsche Post.

And, as far as distribution networks are concerned, my guess is that as in other nations' agriculture, production, trading and professional services, they have pretty much all traveled their own roads. They have never been confronted with situations, like Germany was, of being thrown back upon itself in a sort of isolation, and all that still within the domain of current technology.

What else did they have as a blueprint for distribution networks then their production and assembly networks? Plus, Germany already had a history of self-reliance. The Nebengebühren, a tax levied on parties servicing areas they were not indigenous to, expresses quite adequately this sense of close-knit community.

Now the tax has gone and the borders are open again. Germans are once again members of the international community. So why the self-reliance? Well, despite the need to support a production economy, my reasoning is that Germany's forwarding and distribution imperative is part of its collective DNA.

*Bobby Grin is a former 30-year veteran of KLM and the architect of the company's famous added-value business approach to expedited logistics. As a consultant, he now divides his time between Switzerland and the Netherlands.*



SWISSWORLDCARGO.COM



**BOEING**



TOGETHER, ONE BIG ADVANTAGE AFTER ANOTHER.

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

 **BOEING**

Key trends are therefore contraction of volumes on certain main routes, continued growth on certain routes and sectors, and ongoing consolidation of logistics providers. And companies with a strong balance sheet, standardized, scalable operations and the right mix of business activities will benefit from the current situation, Reinke adds.

In March, Kuehne + Nagel claimed the top slot for airfreight export traffic based on IATA Cargo Accounts Settlement System (CASS) data. Last year's turnover grew 12.4 percent to \$156.2 million. The logistics giant's offerings span seafreight, airfreight, contract logistics and overland businesses with some 54,000 employees at more than 850 locations in over 100 countries.

"That we were able to become number one in a declining market through organic efforts was due to delivering the right service offerings to our demanding customers, as well as due to the close cooperation between our airfreight and sales colleagues," said Hans-Georg Brinkmann, K + N Germany's Managing Director.

Rainer Wunn, Member of K + N's German Management Board and responsible for airfreight, added, "This



Munich Airport's strong growth and continued expansion have made it one of Europe's top cargo hubs.

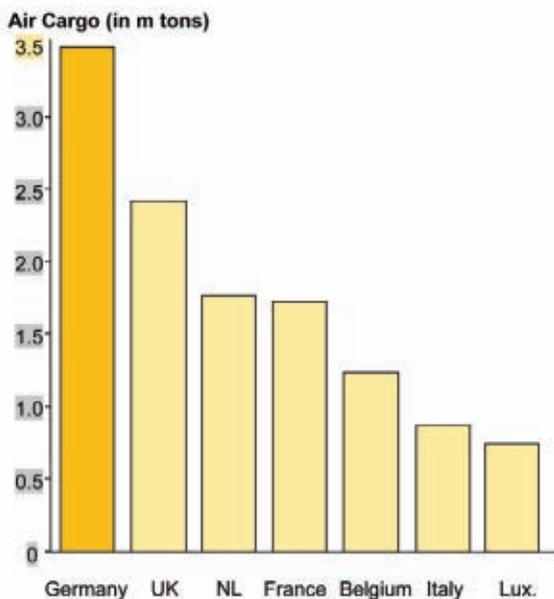
success was also based on our intensive care of our existing, partly long-time customers, as well as the continued expansion of our part-charter routes for consolidated shipments with our Southern-, Brazil- and China-Connex products. The concentration on Frankfurt and Munich, Germany's primary international departure airports, also was

a contributing factor."

Looking ahead, Lufthansa's Gortz sees "a great chance" for Germany if it focuses on the combination of "green technology and logistics."

Such a combination is obvious, he adds, since "even the carriers themselves" must take steps to become greener as companies and nations

## Ranking of European Air Freight



Source: Germany Trade and Invest

### Top 10 Cargo Airports in Germany (in m tons)

1) Frankfurt/Main	(FRA)	2.10
2) Cologne/Bonn	(CGN)	0.72
3) Munich	(MUC)	0.26
4) Frankfurt/Hahn	(HHN)	0.13
5) Leipzig/Halle	(LEJ)	0.10
6) Düsseldorf	(DUS)	0.06
7) Hamburg	(HAM)	0.04
8) Stuttgart	(STR)	0.02
9) Berlin Tegel	(TXL)	0.02
10) Nuremberg	(NUE)	0.02

worldwide come to grips with demands to reconcile the ecological and economic aspects of the logistics business.

“If we consider the outsourcing of assembly lines, the intra-industry trade is growing further and requires transportation, liberalization and political integration.”

And despite the global doom and gloom, the Lufthansa official is quite bullish on the carrier’s future prospects. While it is necessary to differentiate between logistics within Europe and abroad, he says, Lufthansa Cargo has great possibilities in long-distance logistics and already has a strong position worldwide. Using Germany/central Europe as hubs “offers great perspectives for business.”

Last year, Transport Intelligence singled out the emergence of CEVA Logistics’ 2007 purchase of Texas-based freight forwarder EGL and its ultimate re-branding as an example of market consolidation. This trend continued in 2008 with the purchase of ABX Logis-

tics by the Danish company DSV.

“With globalization driving international trade volumes, the interest in forwarders with networks spanning continents will continue,” the UK-based global logistics analysis group said in its report.

Those players that are best positioned to adapt to the changing marketplace wrought by consolidation “will come of out China,” according to Lufthansa Consulting’s Schuessler. If there is any company with the right depth of pocket, he says, “then I would say the time to buy is now.”

His company, which is doing consulting in the Chinese market and has forwarders as clients, dispenses advice that is almost “a no-brainer,” he says.

“What we keep telling (them) is that China in terms of population is the biggest country in the world. It has already passed Germany as the second largest economy when it comes to exports, and one should not forget that the lion’s share of German exports is being done

within the European Union.”

What’s more, Chinese exports “will create more wealth for a new middle class. So a creative Chinese newcomer will have a lot of chances here if they can create an almost global presence.” And that could be done best through buying companies abroad, Schuessler says. “All you need is the right management and tonnes of money.”

Adds Schuessler: “I have no doubt that either one is available in China these days already. What’s missing is the igniting spark.”

Emo Trans’ Frigger points out that the changing market structure wrought by consolidation will affect the larger leading players more than medium size organizations. “The reduction of personnel and other cost savings, as well as loss of value will impact big companies more than small ones,” he says.

Jens Tubbesing, the former president of Miami-based Cargo Network Services and founding partner of New York-based

(continued on page 28)

## Whatever your destination, whatever your purpose – you always hit your target by operating via KGF



- Modern cargo and aircraft handling facilities
- Airport based Cargo Forwarding Agency
- Big market potential in the region (12 mln. people)
- Ideal for tech-stops and cargo sorting/storage
- Competitive fuel prices
- 24/7 operations
- No runway slot restrictions
- Favorable weather conditions
- “Can do” management

A perfect location combined with outstanding operational and cost efficiency

E-mail: [marketing@karaganda-airport.com](mailto:marketing@karaganda-airport.com) Tel: +7 7212 42-85-42, 42-85-70

American Network Services, credits multiple dynamics for the influence of German-centric companies in the logistics sector.

The country's training and apprenticeship programs and everything that go along with that has been a key for turning out a well-educated and trained workforce.

Another consideration is that employees in Europe and Germany tend to stay with companies for a long time, he said. "The jumping around" that is frequently seen in the U.S. "is not so common there," he says.

He points out that German or German-speaking companies have consistently dispatched people overseas since World War II with the idea of growing their operations and establishing new offices across the globe. As a result, "Kuehne + Nagel and Schenker and Panalpina" are huge success stories as all these companies play a significant role in the global freight forwarding market.

"Most other companies didn't really follow that process through to the same extent as the German or German-speaking companies," he explains. Also, most of these players have enjoyed a strong capital structure and have been fairly well funded.

Noting that K&H currently has no debt, Tubbesing allowed that the financial strengths these companies have built up over the years has helped them both weather economic storms and fend off acquisitions.

Such companies, with their colossal size and critical mass in the form of their many far-flung locations and modes of activities, "are in a very good position" because they can downsize in times of market slowdowns, reduce their footprint and cost elements, yet remain formidable players, he suggests.

What's more, the financial stability of such companies cannot be overlooked when customers start extending their payment terms. Global companies with strong balance sheets are far better positioned to manage their operations during slowdowns than some of their medium-sized competitors "that might



DHL at Leipzig. The company launches its AeroLogic joint venture with Lufthansa in June.

have used lines of credit or other credit facilities." This could become an issue for smaller firms and that could lead to increased activity on the consolidation front, Tubbesing says.

Gary Litman, vice president of Europe Policy and Initiatives for the U.S. Chamber of Commerce, does not subscribe to the notion that Germany's education system has catapulted German-centric companies to top spots in the logistics sector.

German company executives complain frequently about the quality of education in their country, Litman says. And while the apprenticeship system works well in manufacturing segments, it is less obvious that the workers have any educational advances in the services realm.

Litman also maintains that most of today's logistics-related work is done in English rather than German. Therefore, the German government needs to encourage more of its workforce to become fluent in English — something their Dutch and Danish counterparts have done with outstanding results, he claims.

Yet Litman says there is plenty of reason for optimism about Germany's future prospects because of its vibrant economy. Although the deepening global recession has spelled a drop in exports and hit the automotive, machinery, electrical and textile industries, the German economy is not in

total tatters.

"This younger nation of Germans are more tempted to move around, first studying in one place, and then somewhere else," he says. Since they are "more footloose" than their elders, the trend toward even greater mobility should continue, he suggests.

But Litman also thinks one interesting aspect of the global trade downturn will be its impact on labor mobility. "We'll see how the financial crisis affects" the ability of workers to relocate, "because it is not inexpensive to move away from home."

Addressing the future of international trade and financing, Litman welcomed "the huge promise" by world leaders at the G-20 summit in London to commit \$250 billion to finance new global trade.

"There's a serious threat that many companies will not be able to survive in the global expedited logistics market because of decreasing demand and cut-throat competition among suppliers," he added.

Meanwhile, Lufthansa and DHL are adding another piece to the German logistics map with the June launch of their AeroLogic joint venture linking newly emerging EU markets with Asia and North America via Leipzig.

No doubt the residents living around Frankfurt airport will be pleased with the relocation of new capacity and possible decline in night-time flying. **ACW**



## Launching New Freighter Operations to Istanbul

With cargo operations across various European destinations, Saudi Airlines Cargo is proud to launch freighter services to Istanbul.

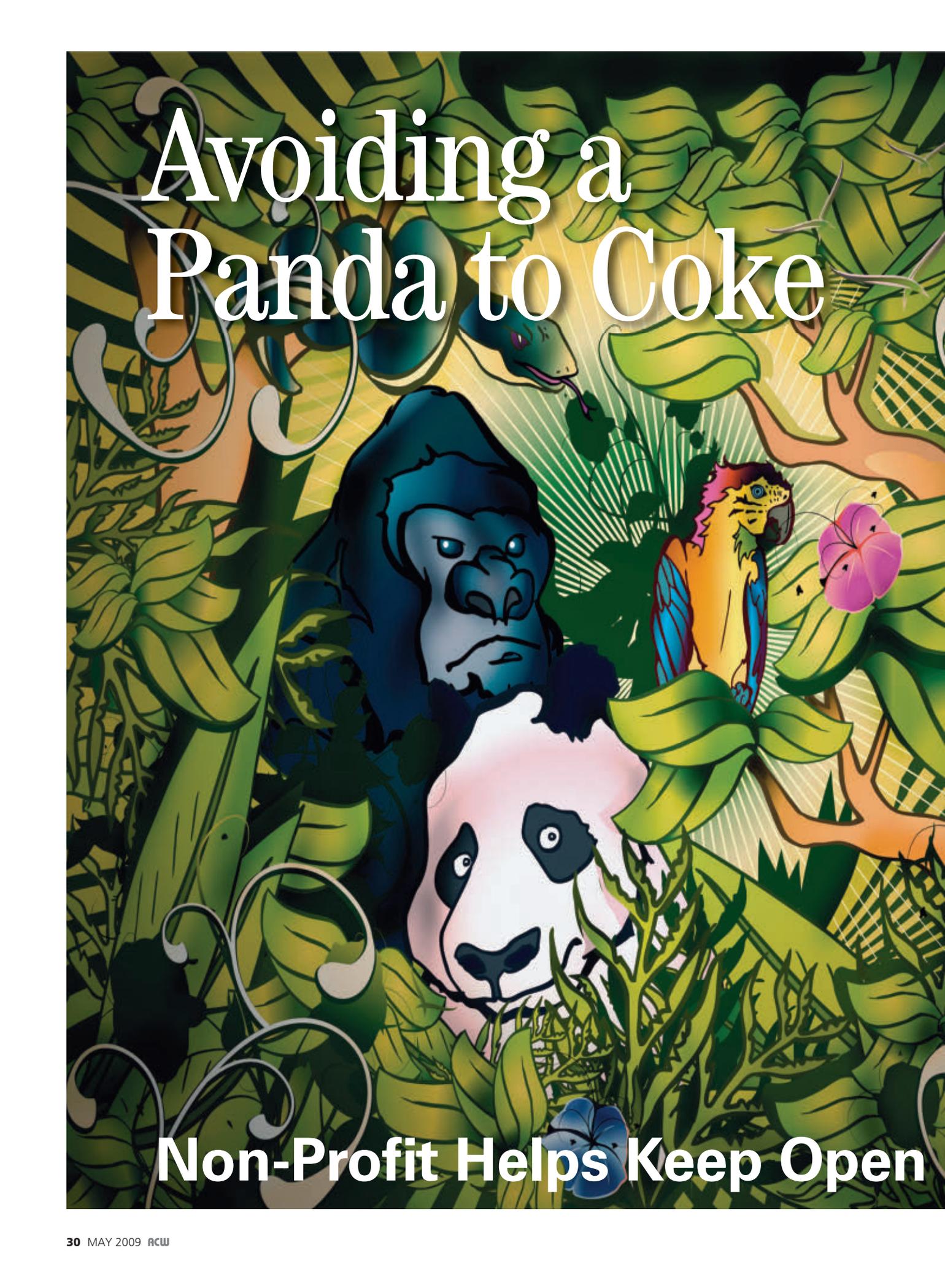
A network focused on bridging the worlds of Europe, Asia, Middle East, Africa and USA, Saudi Airlines Cargo introduces another piece of the puzzle and brings the cargo world closer.

For more information and to book your shipment, contact your nearest cargo service provider or visit our website.

[www.saudiairlines.com](http://www.saudiairlines.com)

SAUDI AIRLINES  
**CARGO**  الخطوط الجوية السعودية  
**السفن**

**Bridging the world**



# Avoiding a Panda to Coke

**Non-Profit Helps Keep Open**



# Happiness

**Coca-Cola is worried about water.** The ubiquitous soft drinks manufacturer consumes 79 billion gallons a

year — and without access to an adequate supply, the company says it will be out of business.

So it has teamed up with the non-government organization (NGO) World Wildlife Fund US (WWF) to improve water efficiency and reduce carbon emissions, promote sustainable agricultural practices and help conserve some of the world's most significant freshwater basins.

Coke chose the WWF to help keep it in business because it has representation in over 100 countries and nearly 50 years of experience in science-based conservation — starting with the Giant Panda.

Historically, NGOs and corporations have not been bedfellows - not even uneasy ones. Non-profits came into existence to highlight the poor behaviors of governments and companies in both developed and developing nations.

According to Wikipedia, there are about 40,000 international NGOs around the world lobbying for issues that include human rights abuses, government and corporate bribery and corruption, environmental destruction, poverty, the arms trade, slavery and climate change.

Yet there are non-profits and non-profits. Technically speaking the American National Rifle Association and the famine-relief organization Oxfam are both NGOs.

For some of the more well known such as Greenpeace, Oxfam, Friends of the Earth, the Rainforest Action Network, Save the Children and the WWF, their campaigns have proved so successful that corporations have gradually realized that cooperation not confrontation is more productive. Yet the move to conjugate has been subtle. And not always long-lasting.

A few years ago Starbucks and Oxfam divorced over accusations from the NGO that the coffee retailer opposed a plan by

(continued on page 32)

the Ethiopian government to file trademark applications of its Sidamo, Harar and Yirgacheffe coffee brands in order to help impoverished coffee growers. Oxfam claimed that Ethiopia's farmers produce some of the finest coffees in the world — including coffees that have been sold under Starbucks' Black Apron Exclusives line for up to \$26 a pound — but received only five to 10 percent of the retail price.

After initially denying Oxfam's claim, the Starbucks then-CEO Jim Donald and Ethiopia's Prime Minister Meles Zenawi eventually met (over coffee?) to resolve the issue which was having a severe negative impact on the retailer's image as a corporately responsible company.

At the time, Oxfam noted, "Small-scale coffee farmers are economically vulnerable, in part because large foreign buyers, such as Starbucks, are dictating trading conditions with their extraordinary market power. If poor countries are able to obtain trademarks for unique, locally grown products like coffee, they can capture more of the value of their products for the benefit of the people who produce them. This initiative is a significant and innovative approach to alleviating poverty."

In the case of the WWF US, it realized in 2004 that working with corporations could extend its expertise and influence. Today, it boasts 21-corporate members of its "climate savers" initiative including HP, IBM, Johnson & Johnson, Nike, Nokia, Sony and Sagawa Express. And Coke.

By next year, these companies expect to have cut carbon emissions by 14 million tonnes.

Sagawa Express remains the only logistics company to have signed up to the WWF. The Kyoto-based group has a goal to reduce its carbon emissions six percent by 2012 via 7,000 liquid natural gas-powered delivery trucks.

Notwithstanding the partnering program, the WWF and its peers remain selective in aligning with organizations that might injure their hard-won reputations. UK-based War on Want is an NGO that remains implacably hostile to Coca-

(continued on page 34)



The WWF ([www.panda.org](http://www.panda.org)) partners with businesses including KLM, Sagawa Express, HP, IBM, Nike, Nokia and Coca-Cola



10,000 EMPLOYEES, OVER 10,000 FLIGHTS A DAY, 132 COUNTRIES:  
ALL SYNCHRONIZED.



★ BETC EuroRSCG

With SkyTeam Cargo, eight of the world's leading carriers come together to form the only Cargo alliance offering you the largest global network. With over 10,000 daily flights spanning 5 continents and 10,000 people working for the alliance, we make sure your cargo gets to where it needs to be in the quickest and smoothest manner.

For further information, as well as e-tracking for your cargo, please visit [skyteamcargo.com](http://skyteamcargo.com)

SKYTEAM CARGO  
OUR PEOPLE MAKE THE DIFFERENCE



## A Reflection on NGO Partnerships

In 1971 Walt Kelly's famous cartoon character, Pogo, stood in a trash filled swamp and remarked with profound simplicity — "We have met the enemy, and he is us."

As a rallying cry for decades of environmental activism and conservation, Pogo's turn of phrase speaks to a hard truth confronting all who strive to do business today without limiting opportunities for future generations. "Am I actually doing anything wrong, are we all equally at fault, what needs to change?" There is no shortage of corporate villains with deep pockets (still); egregious mining, harvesting, manufacturing, and transportation practices continue on a global scale; and short-term, profit maximizing behavior is still handsomely rewarded as the cornerstone of a system of market capitalism supported by complex systems of marketing, advertising and manipulation of people as consumers. But — and it is a big 'but' — the enemy today is somehow more obscure, more dispersed. Have the battle-lines shifted fundamentally or is it just better camouflage?

Leading NGOs are working with Fortune 100 companies, from Federal Express and DuPont, to Eastman Kodak and BP. Stakeholder engagement sessions bring strident activists into the boardrooms of the largest global companies — and even, if grudgingly, to the Darth Vader of corporate America, Exxon-Mobil. For some this is nothing more than green washing taken to scale. And if green-washing means putting a good face on environmental problems while spending as little as possible to actually rectify root causes for environmental degradation then surely the whirr from engines powering corporate washing machines has reached a din never heard before.

After all, even for large collaborative projects, the costs of NGO/corporate partnership are generally little more than a rounding error in the travel budgets of global corporations.

But just as corporate success cannot be measured by profits alone — but must ever more reconcile social and environmental accounts as well — so too the relatively minimal costs of these corporate/non-profit partnerships may not be the best measure of their value.

Ideas are shared, learning is encouraged, trust is deepened, and new business and environmental approaches are generated.

As captured in a 2008 report prepared by a business consortium known as GEMI (Global Environmental Management Initiative) in partnership with the Environmental Defense Fund, there are a host of high-profile initiatives.

Few, for example, would argue with the value of revamping the FedEx fleet of more than 30,000 vehicles, a project undertaken with the Environmental Defense Fund, to reduce emissions. However, many might challenge the merits of a partnership between The Southern Company and the National Fish and Wildlife Foundation to protect bird habitats in the southeastern part of the U.S.

While real habitats were no doubt protected, that likely palls in comparison to the overall damage done to global ecosystems by this utility's power generating plants combined annual release of 206 million tonnes of carbon dioxide.

Noting the positive patina around Wal-Mart's decision to sell energy efficient compact fluorescent bulbs, skeptics will also rightly observe that installing more energy efficient light-bulbs may have unintended consequences. Will it make us all even less conscientious of turning out the light when we leave a room? Will it diminish efforts to address more fundamental issues of building redesign? Why design for the use of more natural light, when we can just buy better bulbs?

As Kelly observed through Pogo many decades ago, the deeper underlying issue is about consumption itself — and all the efforts made by manufacturers to encourage consumption. It is for this reason that boycotts still evoke a crisis management response from companies.

Buying on a deep level is more important than what one buys.

Can we consume our way to a better world? Do "we" who have consumed so much already — mostly in the North and West — have any right to urge others to learn from our mistakes and tread more lightly on ecosystems now in trouble due to our methodical exploitation for decades?

If corporate/NGO partnerships have a common vision of a more sustainable future, a plan for innovation in core business models, room to explore and fail before they have to succeed, and a commitment of top executives and investors, then perhaps these will indeed be the melting pots out of which rich, new ideas and approaches will percolate forth.

As with the electricity buy-back schemes being tested by some utilities — whereby they can earn money by encouraging more efficient consumption of the product they manufacture — so too may innovative companies come to redefine themselves and their products as agents of conservation rather than consumption. This, for sure, would make Pogo proud.

*Jonathan J. Halperin is Executive Director of the Campaign for Climate Stability, Ecosystem Restoration, and Poverty Eradication of the Environmental Education Media Project. [www.eempc.org](http://www.eempc.org).*

Cola citing the company's behavior over water use in rural India. And a spokesperson for WWF US says it has refused to work with some companies precisely because of a lack of trust.

"Greenwash" — the use of PR spin by companies to appear socially responsible — is a growth industry. There is even a wire service for green-ing a corporate image.

In January this year the Washington DC-based Center for Science in the Public Interest (CSPI) filed a class-action lawsuit against Coke. The NGO claimed, "The 33 grams of sugar in each bottle of Coke's VitaminWater do more to promote obesity, diabetes, and other health problems than the vitamins in the drinks do to perform the advertised benefits listed on the bottles."

The VitaminWater web site says the drink is "naturally sweetened with a proprietary blend of rebiana, talline fructose and erythritol". And there's no mention of Coca-Cola.

To avoid possible negative publicity from taking corporate handouts, the WWF US focuses strictly on its core competence. In this way it cannot be accused of endorsing a company's products — or in the case of Coke, being part of the controversy associated with them.

The current relationship began with philanthropy in 2007 and has now developed into four business-specific areas: water, energy, packaging and the supply chain.

By 2008, as both sides began to trust each other, they launched a program with \$20 million from the beverage giant to find ways of conserving some of the world's most important freshwater resources — including the Yangtze, Mekong, Danube, Rio Grande and waterways in the southeast U.S.

Currently the WWF is producing models for addressing four key challenges to river basin conservation: governance and management; resource protection; making conservation and development mutually supportive; and biodiversity conservation.

Coca-Cola says more than a dozen

production plants in the areas surrounding these rivers are now developing and implementing water stewardship plans to serve as models throughout its global operations.

Currently the company uses 47.5 billion gallons a year in its manufacturing process and a further 31.7 billion for its drinks.

According to a company spokesman, the aim is to be manufacturing water-neutral by 2010 — so it won't be using more water than it recycles. Coke uses about 1.5 liters of water to make a liter drink. However adding the indirect use, including growing sugar cane, the figure rises to 150 liters per liter.

UK Coca-Cola President Sanjay Guha says preserving water supplies is now a top business priority. "It's not altruism. It is simply self-interest. The skeptics are right that companies like ours have not overnight become charities. Our aim remains to sell more drinks. But if we intend to keep growing, this growth has to be achieved in a sustainable way.

"Sustainability is key to our long-term success. Without sustainable communi-

ties, we don't have a sustainable business. And you can't have sustainable communities without access to water resources.

"This is also why I believe that those who think the global downturn will see environmental concerns downgraded by companies have got it wrong. Indeed, in tough times when controlling costs moves right to the top of the agenda, reducing energy

and water bills becomes more, not less, important. So I believe sustainability itself will remain a driver of business behavior. And certainly for Coca-Cola that's the case."

The WWF says it takes 50 gallons of water to make your favorite latte. The UN says the world's population is growing at 80 million a year — which means the commensurate demand for freshwater is increasing by 64 billion cubic meters.

So for Coke or Starbucks, while the opportunity for growing consumer sales is obvious, so is the need to have clean

water in the right place. "It's no good pointing to the progress you are making in Scotland, where there is plenty of rainfall, if you are doing too little to protect aquifers in drought-hit Africa," explains Guha.

Coke is now involved in 120 projects in 60 countries — from building small community reservoirs in India to cleaning up Lake Malawi. "We have just committed ourselves to spend another \$30 million dollars to provide clean water and proper sanitation to two million more people in Africa," Guha adds.

While water remains its primary business issue, Coke has pledged to reduce its carbon footprint five percent by 2015 compared to a 2004 baseline. The result will be growth while saving more than two million metric tonnes of CO2 — the equivalent, it claims, of planting 600,000 acres of trees.

Now the Washington, DC-based non-profit World Environment Center has recognized Coke's enthusiasm for sustainable development with its 25th annual gold medal award. Previous winners have included Starbucks and Dutch bank ABN Amro — whose purchase by the Royal Bank of Scotland led to the biggest collapse in UK company history this year.

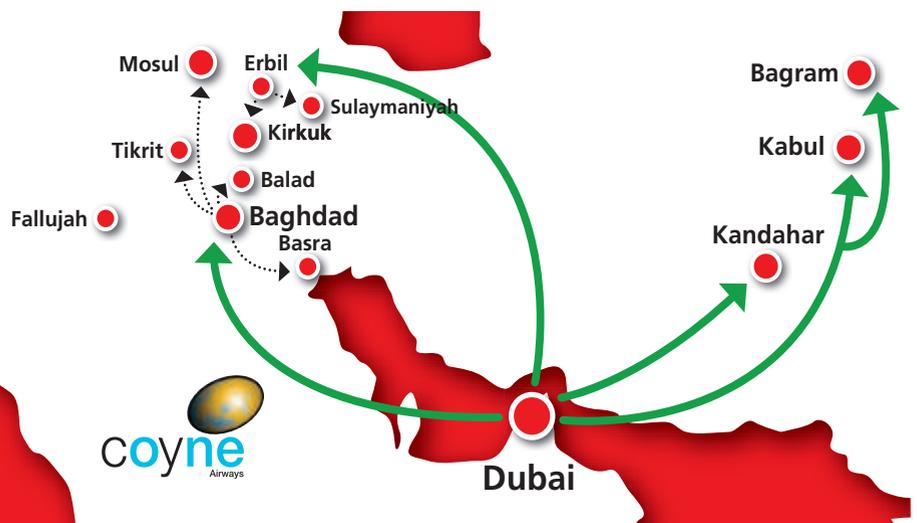
In March, U.S. House of Representatives Committee members Henry Waxman and Edward Markey announced

(continued on page 36)



**NEW lower rates to Iraq and Afghanistan SAME great service!**

www.coyneair.com  
Tel: +9714 299 3922/3  
Tel: +44 (0)20 7605 6860  
Fax: +9714 299 3924  
Email: gulf@coyneair.com



the American Clean Energy and Security Act. The WWF US responded in a statement saying, "The draft bill recognizes the need to reduce emissions globally by promoting clean technology cooperation and providing incentives for reducing tropical deforestation. Emissions associated with the destruction of forests account for roughly 20 percent of global greenhouse gas emissions each year — more than the combined emissions of every automobile, train and plane on the planet.

It's a position acknowledged by KLM in a partnership with another WWF offshoot — this time in the Netherlands.

In September '07 the airline pledged to not increase its carbon footprint of 10 million tonnes per annum in the next four years — or until the European carbon trading scheme is introduced in 2012.

A spokeswoman noted that pressure on the company to maintain its carbon neutral growth position has been alleviated somewhat by recent economic events.



The Air-France KLM Group has begun testing these compressed air-powered vehicles (made in France) to replace diesel-powered tugs for towing baggage and cargo carts at Paris Charles De-Gaulle and Amsterdam, Schiphol airports.



**AirBridgeCargo**  
AIRLINES

**SAFE**

## YOUR GOOD IN SAFE HANDS

AirBridgeCargo provides maximum flexibility and careful handling for perishable goods. We operate in strict compliance with international regulations and standards. With adjustable temperature controlled zones ranging from +1,6 to +30 degrees Celsius (40 to 86 degrees Fahrenheit) in our new 747-400F freighters, we offer consistency you can depend on for each and every shipment.

Efficient and reliable operations throughout Russia and destinations worldwide: that's our commitment to quality.

Contact us:

Russia +7 495 786 2613  
 Germany +49 (6963) 809-7100  
 The Netherlands +31 20 654 90 30  
 Asia +86 21 52080011  
 Japan +81 3 5777 4025  
 USA +1 281 869 8021

[www.airbridgecargo.com](http://www.airbridgecargo.com)



In the UK, the WWF has joined with other NGOs including Greenpeace in a legal challenge to the British government's plan to build a third runway at London Heathrow. WWF Director of Campaigns David Norman said, "The decision blows the chances of setting the UK on a low carbon pathway completely out of the water. Why expand a carbon-intensive industry such as aviation, which will make it incredibly difficult and expensive for the UK to meet the government's carbon targets, when there are green alternatives such as video conferencing and high-speed rail available instead?"

While governments and corporations of developed nations are harried by NGOs to adopt climate-neutral behavior, the economic drivers of developing nations remain handicapped by climate change.

According to the third United Nations water report, published in March, the overall economic loss in Africa due to lack of access to safe water and basic

sanitation is estimated at \$28.4 billion a year, or around five percent of GDP.

In Kenya, which depends on Western markets to buy its flowers, coffee and vegetables — delivered by air to European markets despite NGO and con-

**"So I believe sustainability itself will remain a driver of business behavior. Certainly for Coca-Cola that's the case."**

sumer angst — the combined economic impact of floods in 1997/98 and drought between 1998 and 2008 has been estimated at \$4.8 billion — effectively a 16 percent reduction in GDP.

As Emirates begins a three times weekly service to Luanda, Angola — its

17th African destination — in support of an oil boom and Chinese guest workers, the UN report points out that the inhabitants of sub-Saharan Africa will not have an adequate supply of clean drinking water any time soon.

The UN says much of the one million deaths a year by malaria in Africa could be avoided by eliminating stagnant water bodies, modifying reservoir contours, introducing drainage or improving irrigation management.

So for Coke, providing clean drinking water for its bottling plants and its consumers turns out to have the same business imperative.

In Mozambique, it says it was easier "to rebuild an entire town's water system than just concentrate on our own plant." According to a company statement, now the inhabitants can also, "Open a Coke and share a little happiness."

Something with which the WWF and its other business partners would surely agree. **ACW**

**10 cargo handling agents at your service**

**> Take your pick**

**Schiphol Cargo**  
**CREATING CONNECTIONS**

**Amsterdam Airport Schiphol**  
[www.schipholgroup.com/cargo](http://www.schipholgroup.com/cargo)





# Emerging EU Countries Face Economic, Political Hurdles

**T**he up and coming engines of EU growth are sputtering at the moment, with the economic crisis spilling over into the political arena. Instead of firm leadership needed to pull the countries out of their troubles, there is now also political turmoil.

Two of the four larger young EU economies (Hungary, the Czech Republic, Slovakia and Poland) found themselves rudderless within a mere 24 hours.

Hungary's prime minister announced his resignation March 23, and the ruling coalition in the Czech Republic lost a vote of confidence in parliament the following day.

Both countries, as well as the rest of the region, are engulfed in economic problems, which predictably have had a knock-on effect on air cargo traffic. However, Hungary is widely seen as facing a steeper slope to climb. The government forecasts a 3.5 percent decline in GDP for this

year, but independent estimates are closer to the 7.5 percent mark.

“Until last October business in Hungary was quite good, in line with our expectations. We have seen a heavy fall in volume since the crisis began.

Hungary is probably one of the most affected countries,” remarked Rolf Hauer, managing director for Austria and CEE at Panalpina.

Franz Braunsberger, senior vice president for airfreight, Eastern Europe of Kuehne + Nagel, shares this assessment of Hungary’s airfreight market. “With Hungary and Ukraine you have to be very careful. In the Czech Republic, Slovakia and Poland the situation is not so dramatic. The auto industry there has slumped, but volumes are still moving,” he said.

About a year ago, Slovakia was

proudly displaying the “Detroit of Europe” moniker. But the drastic slump in this industry is now casting a long shadow, as it does in the Czech Republic and Poland, albeit to a lesser extent. The impact on airfreight traffic has been

**“There is a review under way in many companies about moving at least part of the production elsewhere,” said Hauer.**

relatively moderate so far, according to Hauer. “There may be a much greater impact on the trucking side. About 80 percent of the suppliers of these manufacturers are located in Europe.”

Poland’s budding aerospace sector has not shown any significant down-

turn as yet either, but this is probably a reflection of longer cycles in this sector, warned Braunsberger. “The main impact is yet to come,” he said, adding that so far Poland has been stronger than its neighbors in terms of airfreight.

In the electronics industry — the second driver in development in the region besides the automotive segment — the downward trend has prompted soul searching about producing in Eastern Europe. What makes this trend especially ominous for the region is

the fact that most of the business is in the hands of multinational corporations based elsewhere. Few firms have their headquarters in Eastern Europe.

“There is a review under way in many companies about moving at least

(continued on page 42)



Austrian Airlines officials said in April that syndicate partners had accepted Lufthansa’s takeover bid, marking an important milestone in the privatization process.

Air Cargo World Invites You to a

**FREE WEBINAR**

Sponsored by

**AACargo**<sup>SM</sup>

# New Air Cargo Screening Mandates: The Next 50%

April 14, 2009 at 2:00 PM EST

The airline industry recently met the government's deadline to screen 50% of all cargo aboard passenger aircraft, and is now facing the challenge of meeting the 2010 deadline for 100% screening. Initial reports are somewhat optimistic about the impact on the supply chain, but a number of critical issues remain to be addressed:

- Will the industry be able to maintain its effectiveness and efficiency as the 100 percent deadline nears?
- How will the new ruling impact businesses and consumers dependent upon just-in-time delivery?
- What innovative operational, security and financial steps are being taken to adapt to the 100 percent screening environment?

The Webinar will feature insights on these issues from aviation and security experts, including presentations from a panel discussion held at AirCargo 2009 and newly released interviews with the panelists by Paul Page, editorial director of *The Journal of Commerce*. The Webinar will be released on April 14th, 2009 at 2:00 PM EST and will be available on demand at [www.aircargoworld.com/screening](http://www.aircargoworld.com/screening).

## PARTICIPANTS:

### **The Honorable Asa Hutchinson**

Former Under Secretary of the Department of Homeland Security and Chairman of the Safe Commerce Coalition

### **Dave Brooks**

President  
American Airlines Cargo

### **Brandon Fried**

Executive Director  
Airforwarders Association

### **Chris Connell**

President  
Commodity Forwarders Inc.

### **Brad Elrod**

Senior Manager  
Global Logistics Security  
Pfizer Pharmaceuticals

For more information, please contact Steve Prince, Publisher, Air Cargo World, at [sprince@aircargoworld.com](mailto:sprince@aircargoworld.com) or 770-642-9170

**AACargo**<sup>SM</sup>

part of the production elsewhere,” said Hauer.

According to Braunsberger, investors based in Western Europe tend to be more inclined to maintain their presence in the region. “Companies with head offices in Asia or the US are more likely to reconsider their presence and examine the viability of moving elsewhere,” he said.

Airfreight capacity has shrunk in recent months as airlines responded to the downturn with cutbacks. Some of this is returning with the introduc-

Executive Board, Dr. Andreas Bierwirth and Dr. Peter Malanik, issued a statement saying the move “marks an important milestone in the privatisation process” and that the process is “another step closer towards the closing.”

For Vienna, much depends on Austrian Airlines. It remains to be seen where that goes and what will happen,” said Markus Forster, product manager airfreight at Schenker in Vienna.

The Austrian capital has marketed itself successfully as a major gateway to and from Eastern Europe. However,

Luxembourg, Frankfurt and Vienna,” said Hauer. Likewise, Bratislava is served almost exclusively by truck. The Slovakian capital is less than 70 miles from Vienna, making for quick and easy trucking connections from Austria, agreed Braunsberger.

Austrian Airlines has been focusing on selling Eastern Europe besides its home market. However, pressure on yields has intensified in recent years as more carriers enter the fray. “In Poland, the Czech Republic, Slovakia and Hungary, we have less of an advan-

**“Naturally we won’t route everything via Frankfurt. We will evaluate options on a customer basis,” he stressed.**

tion of the summer schedule. Austrian Airlines is increasing frequencies on its routes from Vienna to New York and Washington again. However, there are no plans to resume flights to Chicago, which were suspended in the winter, said Peter Schleinzer, area manager cargo for the Americas.

With a few exceptions, such as a Cargolux Boeing 747-400F operation linking Budapest with the Far East, direct airfreight capacity is mostly bellyhold lift of passenger carriers, chiefly narrowbody equipment. The airlines’ flight reductions, dictated by passenger considerations, have had little impact on the capacity situation for cargo. With demand falling faster, there is ample lift available, forwarders agreed.

“Capacity is not a big issue. For the time being there is no real need for more,” said Hauer.

Still, uncertainty over capacity developments is causing agents to at least look at alternative options. Probably the biggest question mark looms over Vienna and Austrian Airlines, which had been in the market for a major investor.

However, Austrian Airlines announced last month that the syndicate partners had accepted the takeover bid of Lufthansa. Members of the Austrian

costs there are rather high, compared to counterparts in Western Europe, Braunsberger said.

Rather than the reductions in capacity so far, it is the unpredictability of supply in the foreseeable future that is causing some forwarders to reconsider their strategy. If frequencies or entire routes are going to be suspended, this is more likely to happen on routes to second-tier points than to and from the hubs, reflected Braunsberger. Kuehne + Nagel is planning to push more airfreight, especially consolidations, through its major gateways, primarily Frankfurt. Markets like Ukraine or Romania are too far from the German gateway, but Frankfurt is fine for markets as far as Poland, the Czech Republic or Hungary, Braunsberger said.

“Naturally we won’t route everything via Frankfurt. We will evaluate options on a customer basis,” he stressed.

In the absence of significant wide-body capacity (let alone main deck lift) in most of the region’s airports, such a shift is not going to change the overall picture dramatically. Already trucks carry the lion’s share of the region’s air cargo.

“The Czech Republic has not been an airfreight hub. We feed it basically over

tage than in Slovenia or the Ukraine,” Schleinzer said. Austrian has joined hands with Air Ukraine for a B737F from Vienna to Kiev, with onward trucking connections in bond, so the clearance can be performed at the final destination.

The odd one out in the quartet is Budapest, which can boast a 747 freighter link to Asia. Moreover, the airport is the natural gateway for cargo to and from western Romania, the part of the country where most international companies like Nokia have set up shop.

Arguably the emphasis on road feeder service to and from gateways in Western Europe is just as well when it comes to the state of air cargo infrastructure at airports in the region. Prague has earned some plaudits for its set-up and investment, but its rivals come in for some harsh criticism. “Cargo facilities still have to catch up about 50 percent with Western European gateways,” commented Braunsberger. Some, like Warsaw or Zagreb, would need a complete overhaul, he added.

The contrast to the passenger side is striking. Most airports have developed gleaming new passenger terminals, which only underscore the age and inadequacy of the cargo buildings. “By

and large we don't see great commitment to cargo in Eastern Europe," said Braunsberger.

At least the crisis has not led to the demise or temporary suspension of airport development projects, he added. On the other hand, little along these lines has happened recently, forwarders criticize. Bratislava seemed poised for a significant upgrade when

Vienna airport wanted to take it over, but the Slovakian government changed its mind over giving private investors a majority stake in the airport and decided to retain it.

Forster reckoned that Budapest had potential, but the airport has changed hands frequently in recent years, with each new owner bringing in a business plan. As a result, there has not been

any significant development. "It scares off investors," he said.

For their part, forwarders are moving slowly in terms of new investment in the region. Panalpina's plans depend on how the situation is going to unfold in the months ahead. "It's really difficult to predict what's going to happen in six, 12 months," said Hauer. "Our expansion plans are reviewed on a quarterly basis."

Kuehne + Nagel is considering an expansion of its footprint in Poland to Krakow and Katowice, which would likely go ahead in 2010, not this year, remarked Braunsberger. In terms of geographical expansion, he is more interested in opportunities further east, such as the potential of the intra-Russian market.

Panalpina recently opened its first airfreight office in Slovenia in a bid to develop air cargo in the country. Next it is looking at Zagreb. Management had originally envisaged this to happen in the near future, but this is now under review, pending improvement in the market. "I'm not putting myself under pressure to open that tomorrow," Hauer commented.

The large European forwarders have been well entrenched in the gateways across Eastern Europe and see little need for additional outposts or larger facilities in the present climate. Their focus is more on curtailing costs through streamlining activities and on honing their capabilities in handling freight with special requirements. Schenker is pushing more into aerospace parts, and it is working on temperature-controlled solutions aimed first and foremost at the pharmaceutical and life sciences sector, Forster revealed.

This approach resonates well with Schleizer. Austrian recently acquired its own fleet of temperature-controlled containers and has since re-branded its perishables offering under the "Austrian Cool" banner. "The pharma market is showing a rising trend," Schleizer said.

The region's political leaders would love to see more. **ACW**

1991 • TENTH BIENNIAL • 2009

**AIR CARGO AMERICAS**

**INTERNATIONAL CONGRESS AND EXHIBITION**

**NOVEMBER 4-6, 2009**  
**MIAMI, FLORIDA**

DOUBLETREE MIAMI MART  
HOTEL AND CONVENTION CENTER

World Trade Center Miami

HOST  
**MIA**  
MIAMI INTERNATIONAL AIRPORT

## AIR FREIGHT BUSINESS OPPORTUNITIES



# GOING UP.

Independent sales agency and station ownership opportunities are now available.



**ALG WORLDWIDE LOGISTICS**

DELIVERING INNOVATIVE LOGISTICS SOLUTIONS

ALG Worldwide Logistics is a full service domestic and international freight forwarder offering a complete menu of logistics services. Our network of independently owned offices provide clients with supply chain solutions backed by leading edge technologies and a solid corporate infrastructure.

Opportunities are available for qualified individuals interested in owning their own independent station or being a local ALG sales agent. Find out how today!

For more information, contact ALG at 800.323.0289, or via e-mail at:

Bob Imhof

[bimhof@algworldwide.com](mailto:bimhof@algworldwide.com)

Eric Hezinger

[ehzinger@algworldwide.com](mailto:ehzinger@algworldwide.com)

## AIR FREIGHT BUSINESS OPPORTUNITIES

**AIR FREIGHT - OCEAN - TRUCKING  
CUSTOMS - CONSOLIDATION  
WAREHOUSING - DISTRIBUTION**



**Transport Team**  
*Air Cargo Services*

Offering a full range of air freight services and logistics, including international air and ocean service, domestic and international trucking, distribution and warehouse management.

For more information please visit us online [www.tt-usa.net](http://www.tt-usa.net) or inquire directly to email [sales@tt-usa.net](mailto:sales@tt-usa.net)

**Join the TEAM!**

1050 WALL ST WEST SUITE #201  
LYNDHURST NJ 07071 USA  
TEL 201 939 0829 FAX 201 939 0849



## Yellow Page Directory

The Yellow Page Directory is a convenient guide to suppliers of products and services for the air cargo transportation industry. For rates and more information, please contact **Pam Latty** at **1.678.775.3565**.



**Air Animal Pet Movers**

4120 W. Cypress St., Tampa, FL 33607

Nationwide: (813) 879-3210 Fax: (813) 874-6722

[www.airanimal.com](http://www.airanimal.com) • e-mail: [info@airanimal.com](mailto:info@airanimal.com)

*an IATA Agency Dedicated to AVI Transport Only*

**PUT THE POWER OF  
CLASSIFIEDS TO WORK FOR YOU!**



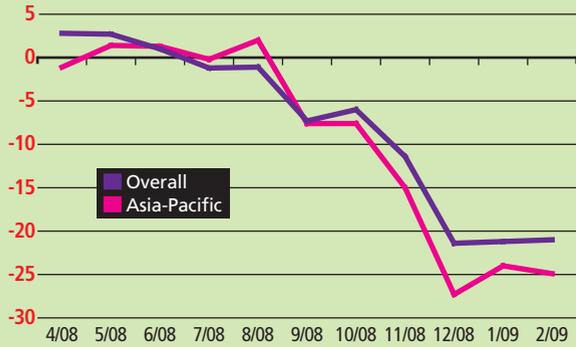
reaches the key air freight decision makers, including:

- Presidents
- Partners
- Customs Brokers
- Vice-Presidents
- General Managers
- Plant Managers
- Owners
- Warehouse Managers
- Traffic & Physical Distribution Managers

**Call 678-775-3565**

### CARRYING EUROPE

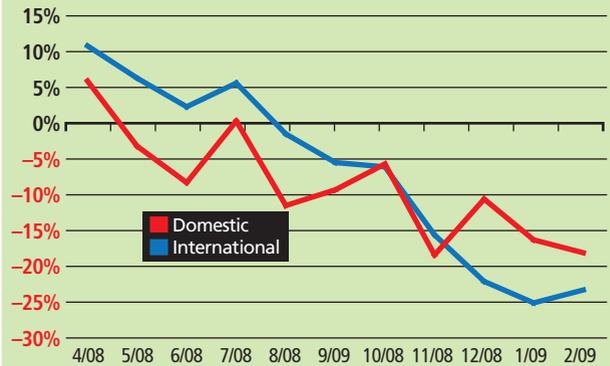
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

### U.S. AIRLINES

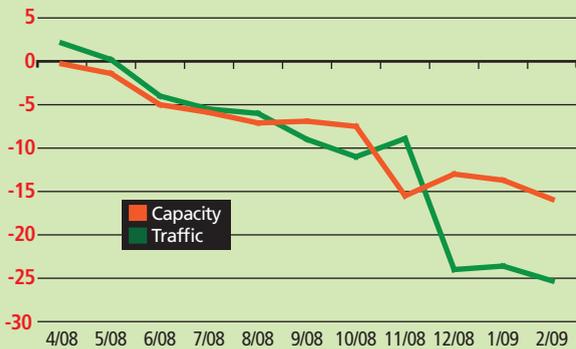
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

### CARRYING ASIA

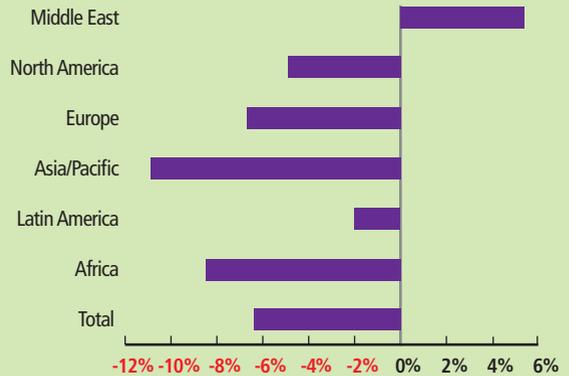
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

### SHARING MARKETS

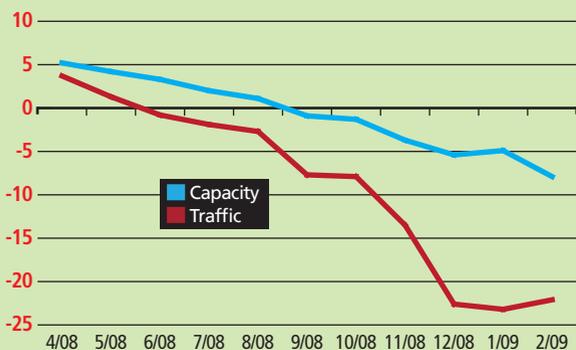
International air cargo year-over-year change for February 2009 vs. February 2008



Source: IATA

### CARRYING INTERNATIONAL

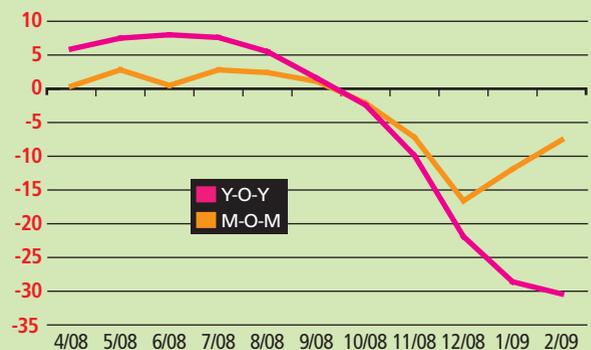
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight tonne-kilometers and available tonne-kilometers.



Source: IATA

### SEMI CONDUCTORS

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



Source: Semiconductor Industry Association

**AIRLINES**

**Virgin Atlantic Cargo** has appointed **Colin Nicholls** as its new Regional Sales Manager for Australia and New Zealand. He will handle all commercial operations in Australia and New Zealand, looking after both Virgin Atlantic Cargo and V Australia. Nicholls, who began his career in the air cargo industry in 1983 as an Operations Clerk with Union Air Transport at London's Heathrow Airport, will report to Hong Kong-based James Williams. Williams, Virgin Atlantic Cargo's Vice President Asia-Pacific, said Nicholls' proven track record would help boost volumes both on Virgin's London service and V Australia's recently introduced trans-pacific operations.



NICHOLS

**DHL Global Forwarding** has appointed **Michael Schaecher** its new Global Head of Air Freight. In this function, he is Member of the Board of DHL

Global Forwarding, Freight. In his new role, Schaecher will lead the strategic development of the global airfreight product on a worldwide basis. Schaecher, who joined the company in 2005, has been responsible for Starbroker, the DHL Global Forwarding in house carrier, as well as for Network Management. He succeeds **Victor Mok**, who has been selected to lead the growth of DHL Supply Chain in the Greater China region. Mok, who has worked in DHL Global Forwarding since the Group's acquisition of Excel in 2005, will help strengthen its platform in China, Hong Kong and Taiwan.

**MANUFACTURERS**

**Boeing** has appointed **Marcello Bruni** director of corporate communications for Italy and Southern Europe. He succeeds **Antonio De Palmas**, who has been appointed president of European Union and NATO Relations. Bruni will be responsible for developing the company's communications strategies and engaging with key stakeholders in Italy, Greece and the Balkans. In his new role, Bruni will work to enhance the company's presence at the national, regional and local levels. Bruni joins Boeing from **Lockheed Martin**, where he served as communications manager for Air and Missile Defense and Tactical Missiles. Prior to that, he held various communications positions within the United States Department of Defense and for Western Kentucky University.

**THIRD PARTIES**

**Frank Crossan** has been appointed Director, Government Services, a new position at **Mainfreight**, a freight forwarder and logistics provider based in New Zealand. The new government services division is part of Mainfreight's planned program of growth in the U.S. In announcing the move, **George Frey**, Vice President-Sales & Marketing, said Crossan brings "years of specialized knowledge and experience in devising supply

chain solutions to civilian and military branches of the U.S. government. "Mainfreight is now offering a range of logistic services to federal, state and municipal governments as well as private contractors serving these entities. Crossan said the company can respond to emergency shipments via surface and has solutions for military bases and defense contractors.

**Mark Holmes**, VP Global Integrated Solutions for the Tennessee-based global logistics provider OHL, has been named chairman of the **American**

**Society of Transportation and Logistics.**

Holmes most recently served two terms as vice chairman of the society, which was founded in 1946. Under Holmes' leadership, ASTL will focus on membership satisfaction, implementing the new global logistics management certification program with the group's China office, and continue to develop relationships with other leading industry organizations. Hundreds of supply chain professionals enter AST&L programs every year. The society offers a Certification in Transportation and Logistics and a Professional Designation in Logistics and Supply Chain Management.

**GAC Logistics** has named **Darren Ball** as its dedicated Regional Projects



HOLMES

Logistics Manager for the Middle East. He reports directly to **Dan Hjalmarsson**, Regional Director for Middle East. Based in Abu Dhabi, Ball's key responsibility will be to identify and develop new project business in the Middle East.



BALL

**Michael A. Kluger** has been appointed Member of the Board for Contract Logistics at **Schenker Deutschland AG.** Kluger most recently worked as Group Director Business Development for a German contract logistics service provider. He has

Advertiser Index	
AirBridge Cargo Airlines.....	36
American Airlines Corp.....	CV4
Amsterdam Airport .....	37
Atlas Air .....	17
Avient .....	21
Boeing .....	24-25
Continental .....	11
Coyne .....	35
Incheon Airport .....	CV2
Karagandy International .....	27
Lufthansa Cargo .....	13
Lufthansa Technik .....	CV3
Macau International .....	19
Saudi Arabian Airport .....	29
Skyport .....	12
SkyTeam .....	33
Swiss World Cargo .....	23
Thai Airways .....	7
World Trade Center Miami .....	43

also worked as Manager International Logistics in the USA and as Director Logistics Engineering Europe for an automotive manufacturer in Germany.

**Patrick Major** has joined the Washington, D.C.-based safety business unit of **ICF Corp.'s** SH&E consulting company as vice president of Flight Operations, Air Carrier Certification, Training, and Organizational Development. In this position, he will spearhead development of the unit's Air



MAJOR

Transportation Oversight System airline certification enterprise, and augment air carrier auditing, training and civil aviation support activities. Major has 20-plus years of experience spanning airline certification, flight operations, regulatory compliance, management and training experience.

**YRC Worldwide Inc.** has announced plans to partner with **Women in Trucking, Inc.** to address barriers that have discouraged women from entering the transportation industry. The collaboration will span best-in-class programs and initiatives to tackle misconceptions that have historically discouraged women from pursuing careers in transportation, said **Jim Kissinger**, YRC Worldwide Executive Vice President of Human Resources. Among other things, the partnership covers memberships for 25 female YRC drivers to the association; development of a national survey of women drivers on issues such as training, safety and job satisfaction; talks with the travel center industry about devising a scoring system for truck stops to rate cleanliness, safety and other issues, and extending recruiting programs to encourage women to pursue positions such as dock workers and drivers. **Eileen Voie**, president and CEO of Women in Trucking, Inc., said these initiatives would help women find success in a male-dominated industry.

## events

### MAY 12-15

**Munich:** Air Cargo Europe 2009, the 4th International Conference for the global air cargo industry, features a four-day exhibition and two half days of conference sessions May 13-14. Participants in the trade conference will include Michael Kerkloh, CEO of Munich Airport; Ulrich Ogiemann, President of Cargolux Airlines International; Ram Menen, Director of the Cargo Division at Emirates Airline, and Andreas Otto, Board Member of Lufthansa Cargo. Their talks will cover the current economic climate and factors affecting the sector including emissions trading in the EU, long-term prospects for the air cargo sector, and the next major logistics hub. The event will be held at the New Munich Trade Fair Centre. For more information, visit [www.aircargoeurope.com](http://www.aircargoeurope.com).

### MAY 13-15

**San Francisco:** ACI-NA Human Resources Conference will focus on a wide range of human resource issues in economically challenging times. Topics will include strategic staffing, health and welfare benefits, ACI global training hub and human resources finances. All sessions will take place at the Grand Hyatt San Francisco at Union Square, for more information, contact Amy Peters. Tel. 202-293-8500.

### MAY 17-20

**Cairo:** The 22nd IATA Ground Handling Council (IGHC) Annual Meeting & 2009 IATA Ground Operations Symposium will offer sessions where key industry players will examine operational efficiencies and cost-savings measures, ramp safety, and regulations and economic conditions facing the ground handling community. For more information, visit [www.iata.org/events/ighc](http://www.iata.org/events/ighc).

### MAY 26-28

**Rio de Janeiro:** The IATA Aviation Fuel Forum will be a platform for airline representatives, fuel suppliers and strategic partners to discuss priorities and reach consensus on actions that enhance productivity. For more information, visit [www.iata.org/events/aff](http://www.iata.org/events/aff).

### MAY 31-JUNE 2

**Dubai:** Materials Handling Middle East is a global exhibition for logistics, supply chain, freight and cargo products and services. Sheikh Bin Saeed Al Maktoum, president of the Dubai Civil Aviation Authority and

chairman and chief executive of Emirates Airline and Group, is the patron of the event. It will be held at the Dubai International and Convention and Exhibition Centre. Epoc Messe Frankfurt GmbH is the organizer of the event, which is being held in association with VDMA.

### JUNE 7-9

**Kuala Lumpur:** IATA's Annual General Meeting will feature more than 600 representatives from IATA's member airlines, industry associate partners, international and regional associations, manufacturers and industry suppliers. For more information, visit [iata.org/events/agm](http://iata.org/events/agm).

### JUNE 8-10

**Düsseldorf:** SCL Europe 2009, the 11th Annual European Supply Chain & Logistics Summit will feature ways to minimize supply chain costs and identify efficiencies in the current economic climate. Issues to be addressed include demand planning and precision, cost management and maximizing working capital, customer service levels and satisfaction, and cost-efficiency and business value through sustainability. The event will be held at the Swissotel Düsseldorf, Germany. For more information, visit [www.supplychain.eu.com](http://www.supplychain.eu.com).

### SEPT. 8-10

**Hong Kong:** Air Freight Asia 2009 Conference & Exhibition will feature the conference on Sept. 8-9 with four panel discussions, each comprising a handful of representatives from the industry. As part of the four-day Asian Aerospace International expo and Congress, the exhibition will take place in its own dedicated exhibition hall at the World-Expo. For more information, contact [airfreight@reedexpo.com/hk](mailto:airfreight@reedexpo.com/hk).

### SEPT. 20-23

**Chicago:** Council of Supply Chain Management Professionals Annual Global Conference will be held at the McCormick Place West in Chicago. Kickoff speaker on Sept. 21 will be Gary Maxwell, senior vice president, Global Supply Chain for Wal-Mart, who will present "World-Class vs. Best-in-Market Supply Chains." The conference will feature solutions and insights from top supply chain management executives and explore ways to invest in businesses and employees during challenging economic times. For more information, visit [cscmp.org](http://cscmp.org). **RCW**



**Dr. Paul Forster** is the Adjunct Professor, Hong Kong University Business School of Science & Technology and a member of the HongKong Climate Change Business Forum. His current focus includes carbon management in the logistics industry.

# Changing the Energy Habit

**A**s Earth Week reminded us recently, the quest to find a sustainable alternative to fossil fuel is becoming more urgent.

While the earliest aircraft piston engines were powered by gasoline, Jet A-1/Jet A kerosene has been used by the air transport industry since the 1950s.

A global jet fuel distribution system has also evolved to annually supply 85 billion gallons of the stuff to 3,500 airports and 13,000 aircraft worldwide.

The properties of Jet A-1 and current fuel formulations have implications for every part of the aviation industry from engine design to distribution. For a new fuel to enter the picture, it has to be a “drop-in” replacement, have favorable economics, not create competition with world food supplies, and have a better emissions profile than existing jet fuel. A tall order.

The drivers behind the quest for alternative fuels are partially a response to the long-term projections of unsustainable Jet A-1/ Jet A consumption – particularly as most of the future demand will come from developing countries.

The April ruling by the U.S. EPA on six greenhouse gases (GHG) as health hazards is just the latest signal that airlines will have to count their emissions.

The search for alternative fuels has been around for a long time. Hydrogen as a fuel for jet engines was tested as early as the 1930s. Pratt and Whitney’s 304 jet engine used liquid hydrogen in 1957. Fischer-Tropsch (FT) synthesis emerged from research in the 1920s in Germany. Microalgae were proposed as biofuels in the early 1950s at MIT.

However, with innovation, timing is everything – and perhaps the time for alternative jet fuels has finally arrived.

The big attraction of FT synfuels is their “drop-in” quality, requiring no change to engines or infrastructure. So FT synfuel is a step towards solving the supply problem, although perhaps not the GHG problem.

Biodiesel is the conversion of vegetable oils or animal fats into an alternative to petroleum-based diesel. A process of combining the oils and fats with methanol converts them into fatty acid methyl esters or FAME. FAME has properties similar to diesel but is not a “drop in”.

Liquid hydrogen and methane have a high-energy content and are compatible with gas turbine engines. They are almost ideal in terms of low GHG emissions, but their low density requires completely new aircraft fuel systems design, larger

aircraft and a new distribution infrastructure.

So while there is potential for hydrogen applications in power generation and road transport, the consensus is that use in commercial aviation is several decades away.

Meanwhile, biofuels derived from biomass can be converted to jet fuels by extracting natural oils and using hydroprocessing to convert into aviation fuels without the FT reaction. First generation biofuels such as ethanol, corn and soybeans had the problem of competing for land with food production and encouraging deforestation - as well as not meeting specifications for Jet A-1.

Second generation biofuels such as *Jatropha*, babassu, switchgrass and halophytes (plants that root in salt water) present opportunities to grow a multitude of bio-fuels but without impact on food crops or deforestation. An additional advantage of these plants is that they absorb CO<sub>2</sub> emissions as they grow.

However, the big challenge for second generation biofuels is the low yield per hectare. One estimate suggests twice the area of France would be required to produce today’s jet fuel requirements.

Boeing, Airbus, Shell and many others have now embraced algae, often referred to as a third generation biofuel. Without leaves or stalks, it is a very efficient energy source; uses much less land area and has a low carbon footprint. It also yields 15 times as much oil as second generation biofuels and has the added benefit of being a carbon sink.

The FAA considers the use of algae-based biofuels to be feasible in eight to 10 years. Boeing estimates that algae could produce all the world’s jet fuels in an area the size of Belgium. So good news for France.

Energy is deeply rooted in our economic, social and political psyche. New technologies are creating a surfeit of possibilities, but in the end, these have to be rooted in reality. How much change the existing energy infrastructure will be willing to sustain has to do with the degree of global urgency on energy security and climate change.

Al Gore said in *An Inconvenient Truth* that old habits and new technology yield unpredictable consequences. In the long term, alternative fuels will be matched with new engines and infrastructure and develop new habits.

In the immediate future, the challenge is to find a new fuel that fits well with our old habits. **ACW**

**Cargo doesn't wait.  
Cargo aircraft don't wait.  
What are you waiting for?**

**Cargo aircraft, maintained  
by Lufthansa Technik.**



In the cargo business, punctuality is worth money. Every delay costs profits – or even customers, if connections go wrong. That is why we have developed solutions aimed directly at helping time-sensitive cargo airlines.

If an unforeseen technical incident should occur, we will be at your side to help you. For example, we will supply any spare part

you may need within hours – for all systems, from an APU to a complete cargo loading system. What is more, we will send our Airline Support Team on the way as soon as you ask for it. This team has all the equipment required to remedy damages immediately. Wherever you need us, 24/7/365. We offer full-service products up to TTS®, Total Technical Support.

As you can see, we know what counts. After all, we not only take care of Lufthansa Cargo, but also many other cargo airlines. So don't wait: let's talk!

Lufthansa Technik AG, Marketing & Sales  
E-mail: [marketing.sales@lht.dlh.de](mailto:marketing.sales@lht.dlh.de)  
Visit us at [www.lufthansa-technik.com](http://www.lufthansa-technik.com)  
**Call us: +49-40-5070-5553**

**Launching customer  
747-8 Intercontinental**

**More mobility for the world**



**Lufthansa Technik**

The sure cure for  
shipment headaches.



DESTINATION

RELIABILITY

It's enough to cause a migraine, trying to get time-sensitive cargo to its destination amidst a tough economy. Get instant relief with Expeditefs. Your shipment will fly as booked or you get your money back. You can even track your shipment online. Sound painless? It is.

**Expeditefs**<sup>SM</sup>

**American Airlines Cargo**<sup>SM</sup>

AACargo.com

