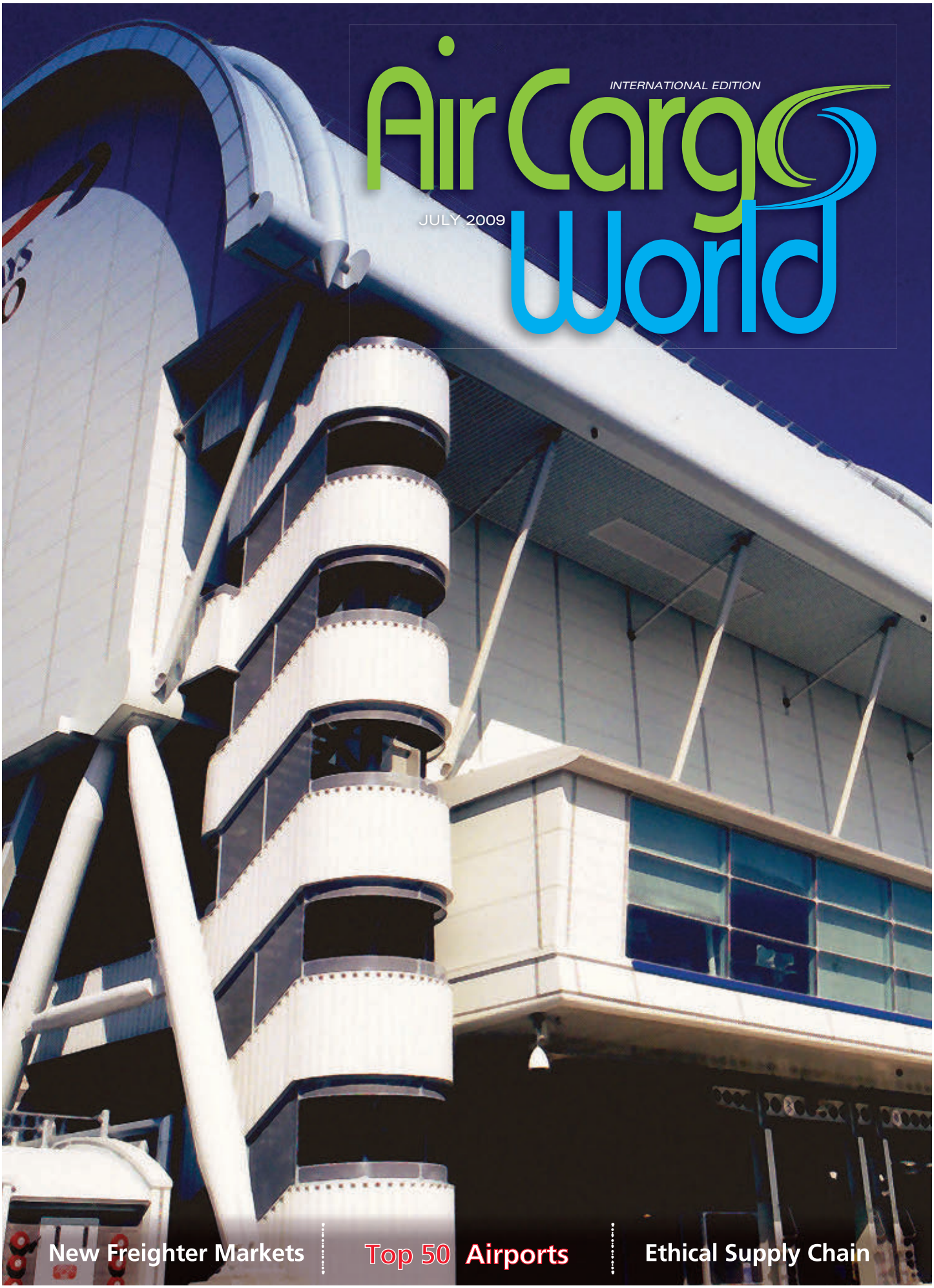

Air Cargo World

INTERNATIONAL EDITION

JULY 2009

New Freighter Markets

Top 50 Airports

Ethical Supply Chain

July, 2009
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WORLD NEWS

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BPA WORLDWIDE

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editorial

Who's Fed-UP With Jimmy?

Simon Keeble
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Last month while FedEx reported an $876 million loss for its fourth quarter ending in May, UPS persuaded the U.S. House of Representatives to allows the Teamsters union to organize the company.

Is this a lost episode of Star Trek? Is Captain Kirk facing off against The Borg with a Klingon running devious interference?

Currently, FedEx is protected by the U.S. Railway Labor Act that requires any union activity for its non-pilot employees to be organized under a single national agreement.

The Teamsters and UPS want FedEx to be regulated by the National Labor Relations Act that permits unionization one terminal at a time.

UPS and the Teamsters are interesting bedfellows.

The Brotherhood has a membership of 1.4 million. Well over 200,000 work for UPS. Since 1990, the union has spent $27.1 million lobbying Congress. Some 93 percent went to Democrats, seven percent to Republicans. In the same period, UPS forked over $23.4 million – 36 percent went to Democrats and 64 percent to Republicans.

FedEx, by comparison, spent $17.6 million lobbying Congress with 41 percent going to Democrats and 59 percent to Republicans.

FedEx began as an express parcel airline. UPS began as a local door-to-door parcel trucker. Somewhere in the past 20 years, the two companies acquired the term Integrator and went mega-global.

But while FedEx Corp. grew based on the management ethos of its Founder and CEO Fred Smith, UPS's shareholder managers expanded the company based on a cost that always included the Teamsters.

Now, as the global economy tanks, the trucker turned airline turned Integrator wants FedEx to have the same cost-base. "It's about fairness," says a spokesman to justify the company's Congressional lobbying.

Or is it about money?

Based on the cost of lobbying, it would seem a Democratic Congress wants to listen to the son of Jimmy Hoffa and his union membership. Apparently UPS couldn't persuade a Republican Congress to change the law and perhaps FedEx was more successful in maintaining the status quo.

Meanwhile, nobody's asking FedEx employees what they want. If the U.S. Senate approves the new legislation, the UPS lobbying bill will seem like cheap money well spent.

Fred Smith invented the expedited logistics industry and changed the face of global trade when The Borg was just a parcel trucker.

UPS gets no brownie points on any Sustainability Index for leveraging the Teamsters to gain a competitive advantage at the expense of FedEx.

But with FedEx responding via *www.brownbailout.com*, it doesn't look like Captain Kirk is ready to be "assimilated" by a Klingon.

Air Cargo World

viewpoint

Don't think about tomorrow. Think about next year . . .

Peter Weir is a 20-year veteran of the air cargo industry. He began his career as a Cargo Service Agent for TWA and was Duty Manager at London, Heathrow-based SkyCare Cargo when it was bought by John Menzies plc. At Menzies, Weir was promoted to General Manager UK and Ireland, then Ops Director, before spending six months setting up the company's business in Australia. On his return to the UK he was appointed to his current position as head of Menzies' airfreight wholesale business, AMI.

We've seen recessions before, but none like this.

It's been deeper and nastier, and has left a mark on some industries that may take decades to erase.

And as airfreight is well-known as a barometer of world trade, it's no surprise that our sector was hit so hard, so fast - with 25% drops in traffic common on many routes.

But we're already seeing stability returning around the world. Maybe we haven't started to surface yet, but at least we know where the bottom is!

For me, the interesting question now is: how do we want to look, when this is all over? Anyone could be forgiven for cutting and slashing in an effort to preserve profits or minimize losses.

However, all too often the cuts are made in the wrong places. Some cuts can seriously damage your business, and add to the pain you're already suffering. They are made for short-term damage limitation, rather than long-term strategic gain.

Consider: if it has taken you years to win a client and nurture them into a good account, do you really want to say goodbye now, just because their traffic is temporarily down, the margins are gone and their payments are slow? Why hand business to rivals?

And if you spent years training a member of staff to reach your high standards, and your customers have come to know and trust them, do you really want to cut them loose today and risk them taking their skills to a competitor?

Is it right to cut back on sales and marketing, just because it's a cost you think you can live without? How will new customers find you? Will existing customers forget you under the barrage of activity from more aggressive players in your market?

Business is never more like a battlefield than during recession. If you give ground, be sure the other side will take it. The winners in our business are already shaping up for when this mess is behind us. They are streamlining their business systems to achieve more without spending more. They are selling like never before, even if that means upping their marketing spend. They're talking with their staff about sharing the pain through pay cuts and reduced hours, rather than firing valued individuals.

The winners know that no downturn lasts forever. Right now, they are fighting for an increased share of a reduced market. If anyone is going to lose business, they are determined it won't be them.

But they are also thinking beyond today's reduced markets by maintaining the structures they need to keep existing business and win more when the good times come back – which, of course, they will.

Even if that means throwing their precious business plans and budgets out the window, and even if it means zero profits or even losses for now.

If I were a freight agent, right now I'd rather be a small or medium-size company than a big one.

These are the people AMI works with, and we know them well. When the going gets tough they grit their teeth, burn the lights later, and run faster to stand still. They're more flexible, and can upsize or downsize faster to match a volatile market.

They don't need to obsess about share prices: they can choose to divert their earnings into business investment.

AMI has built a strong 30-year-old business on helping these guys to compete on a level field, and I know we have a promising future together that's in no way threatened by the short-term problems we see today.

Henry Ford said: "If you think you can, or you think you can't, you're right."

It's all about attitude of mind. ACW

Airlines, Trucking Companies Clamor About Oil Prices

The nation's leading airlines and trucking companies, already reeling from the global financial meltdown, are stepping up pressure on the U.S. government to curb market speculation in the wake of escalating fuel prices.

The American Trucking Association called on Congress June 22 to increase the transparency of futures markets and impose reasonable aggregate position limits on energy commodities.

"Since March, the price of diesel has risen 56 cents per gallon despite supplies being at a historical high and diesel demand at a nine-year low," said American Trucking Association President and CEO Bill Graves. "It seems that more is at play than just the fundamentals of supply and demand."

A week earlier, the Air Transport Association applauded the Obama administration for its white paper on excessive unchecked speculation that artificially drives the price of oil and needless volatility. "The paper does an excellent job of analyzing one of the biggest problems again facing our nation - price swings that cannot be explained by the physical market for oil," said ATA President James C. May.

"The white paper notes that a major source of America's financial meltdown was unmonitored, over-the-counter (OTC) derivatives transactions. ATA supports the administration's recommendation to require the regulated clearing of all standard OTC transactions."

May continued, "Adding transparency to this type of trading will prevent another meltdown by plugging a major loophole that currently allows billions of dollars of unmonitored oil transactions that have driven jet fuel, diesel, heating oil and gasoline prices through the roof."

But the chief of the association that represents the nation's top airlines said the white paper does not go far enough. Said May: "We are convinced that the public's ability to see how much oil or natural gas has been bought or sold is essential, so that the public is not blindsided." ACW

Southwest, WestJet Launch Cargo Program

Southwest Airlines has launched international cargo operations with Canada-based WestJet, the first step in a code-share alliance expected to include passenger service once the global economy rebounds.

The two airlines announced a code-share pact last July but Southwest deferred those plans in May because of the global economic slump. Both airlines, which fly Boeing 737s exclusively, are known for their low-cost offerings, employee loyalty and keen focus on customer service.

Southwest Cargo has "been hard at work on several initiatives, and it's exciting to see another one of them come to fruition," said a posting on the Dallas-based airline's web site in mid-June.

"While we eventually hope to be able to transport cargo throughout both airlines' entire route networks, this initial phase will only allow for the export of cargo from the U.S. to Canada," according to the posting.

Last month's milestone means that customers in six U.S. cities - Dallas, Denver, Houston, Las Vegas, Los Angeles and Phoenix - can ship their cargo via Southwest, where it will be routed through Las Vegas and transferred to a WestJet flight (after the appropriate paperwork and procedures are complete) for delivery to one of four Canadian cities. They are Calgary, Edmonton, Toronto and Vancouver.

"WestJet makes for a natural first partner for our entrance into international cargo shipments given our positive working relationship and eventual plans to offer passenger code-share service with the Canadian airline," said the posting on Southwest's web site.

"While you might have seen that our plans for starting our passenger code-share agreement will be delayed due to several immediate revenue initiatives, our ability to offer international cargo shipments utilizes different resources, technology and teams, and is not related to, or impacted by, our eventual passenger code-share agreement," the posting said.

In May, Canada-based WestJet said the cargo program with Southwest Air-

lines would go forward "shortly" even though Southwest had deferred the code-share project that was originally set to begin in late 2009. Confirming the move, Southwest said it had decided to re-direct a portion of its resources dedicated to the code-share project toward other near-term revenue opportunities.

Hugh Dunleavy, WestJet's executive vice president of commercial distribution, said at the time that his airline understood the decision. "Our continued US expansion is a key strategy for our airline, but codesharing is only one element. Both airlines remain committed to minimizing delays and are focused on generating revenue as quickly as possible," he said.

Bob Jordan, Southwest Airline's executive vice president of strategy and planning, said in May that his airline's aim is to increase revenues. He added, "We remain absolutely committed to our partnership with WestJet, and to code-sharing in general, and will do all we can to minimize the impact on our previously stated code-share plans."

Last year, Southwest heralded the code-share alliance as a way to make a splash in the international marketplace "with a superior international code-share product."

WestJet offers scheduled service throughout its 55-city North American and Caribbean network. Named one of Canada's most admired corporate cultures in 2005, 2006, 2007 and 2008, WestJet pioneered low-cost flying in Canada. The Canadian carrier's fleet includes 79 Boeing 737 aircraft. Confirmed deliveries for an additional 42 aircraft will bring its fleet to 121 aircraft by 2013, according to WestJet's website. ACW

AIRPORTS, MANUFACTURERS PUSH MODERNIZATION

As cargo and passenger airlines continue to adjust capacity to meet demand, airports and key industry players around the globe are pushing forward on the air transportation system modernization front.

In the United States, industry officials sense traction after years of "moving forward in fits and starts," as one expert put it, on the Next-Gen infrastructure program that would revolutionize the nation's air transportation system.

"The promise has not been delivered on in the past," said Chris Oswald, vice president of safety and technical operational for Washington-based Airports Council International-North America. But Oswald sees a " renewed focus" and "momentum" after pledges by Department of Transportation Secretary Ray LaHood and FAA Administrator Randy Babbitt to hasten Next-Gen.

The 2009 FAA funding bill passed by the U.S. House of Representatives includes $13.4 billion for implementing the Next-Gen system that will convert today's ground-based U.S. air traffic system into a more efficient satellite-based system.

The Next-Gen system, which will be phased in incrementally during the next 10 years or so, would increase airspace capacity, improve safety and lessen harm to the environment.

In Europe, Airbus announced last month that it has become a full member of the SESAR (Single European Sky ATM Research) Joint Undertaking, a private-public partnership to modernize Air Traffic Management.

The European aircraft manufacturer said an agreement with 16 partners and the SJU was finalized June 12, marking the actual start of execution of the SESAR program. This program will develop and deliver the necessary operational and technical standards (specifications, procedures, prototypes and validation activities), for progressive deployment of the new European Air Traffic Management system.

Total funding for the SESAR program initially amounts to €1.9 billion over a period of seven years, according to Airbus.

Patrick Gavin, Executive Vice-President, Head of Airbus Engineering, said, "ATM is a limiting factor to the growth of air transport. The way air transport operations are presently conducted and the current systems will not allow the sustainable growth of air transport." He added, "Future systems will integrate the aircraft as an essential element of the collaborative operations. Modern ATM is also key in enhancing the eco-efficiency of aviation."

Despite the current economic climate, FAA forecasts traffic growth will climb steadily higher in the long-term. ACW

In The News…

The **U.S. Air Transport Association** wants Congress to pass strong legislation to halt "excessive speculation" in global commodity markets. In an open letter endorsed by a coalition of leading U.S. trade and business associations, ATA said natural gas, crude oil and refined petroleum products are trading substantially higher than market norms despite record inventories and low demand. "The ability to determine a fair price for commodities based on market fundamentals is vital to the success of recent efforts to address energy security, climate change and the needs of the poor, low income and unemployed," ATA said. The coalition letter says extreme price volatility and excessive speculation will continue without substantial reform and strong oversight. "Trading will continue to grow in 'dark' or unregulated markets and investment speculators will continue to elude federal oversight, data reporting requirements and position limits. Families, businesses, farmers and laborers at home and abroad will continue to 'pay the price' in many ways, including volatile and unpredictable energy, food and raw materials prices; impeding economic growth, development, investment, and job creation," claims the coalition… **Chiquita** has won a **2009 Circle of Excellence Award** from the **Distribution Business Management Association** representing 50 of the largest global supply chain companies. "After a multi-month review of many award-worthy companies, Chiquita stood out because of its ongoing green transportation initiatives that focus on reducing carbon emissions in transportation throughout North America," according to Amy Thorn, executive director of DBMA. "Chiquita was chosen because of its dedication to CSR activities and innovative work with MIT to measure the carbon footprint in Chiquita's global supply chain," she added. Past winners have included **Kraft Foods, Staples Inc., Sears & Roebuck, UPS, Mercedes Benz** and the **Coors Brewing Co**… **American Airlines** has tested fuel-saving NextGen technology and flight procedures on a flight from Paris to Miami. The conservation measures included single-engine taxi on departure and arrival, continuous climb out and descent, optimized routing over water, and a "tailored arrival." The airline aims to save 120 million gallons of jet fuel and reduce its carbon emissions by 2.5 billion pounds in 2009. American claims to be the first U.S. carrier to test next-generation technology and procedures - dubbed the Atlantic Interoperability Initiative to Reduce Emissions (AIRE). The aim is to reduce carbon emissions and fuel consumption. AIRE is a joint initiative between the **U.S. Federal Aviation Administration**, the **European Commission** and major airlines…"It is critical that the aviation industry work with our air traffic control partners to demonstrate the benefits of NextGen technology today. By implementing this technology as quickly as possible, we can make real and meaningful strides to reduce our impact on the environment, increase system capacity, and reduce air traffic delays," said Bob Reding, American's Executive Vice President – Operations. "Utilizing NextGen technology is a crucial part of American's overall environmental and fuel savings efforts. These efforts have already yielded fuel savings of more than 110 million gallons annually and reduced our carbon emissions by 2.3 billion pounds in 2008."…**Air Transport Services Group, Inc.** subsidiary **ABX Air, Inc.,** has finalized a pact with **DHL** concerning leases of aircraft that will reduce ATSG's debt principal by $113 million. The pact grants DHL options to lease up to four Boeing 767-200SF aircraft from August 2010 through 2015 from ABX Air, or an affiliate. ABX Air flies cargo under contract to DHL and operates DHL's U.S. cargo hub at Wilmington. ATSG CEO and President Joe Hete said, "The completion of this agreement with DHL formalizes the deleveraging process that we announced earlier this year, including the restructuring of our promissory note to DHL." Hete said the company will continue to explore opportunities to provide DHL with additional 767-200SF aircraft on an ACMI or dry lease basis beyond 2010… **FAA Administrator Randy Babbitt** used his first major speech as head of the U.S. aviation agency to make the case for accelerating delivery of the next generation of air traffic control system technologies and applications. Making **NextGen** happen will require "constructive input" from all players and an FAA "that does not try to address policies or governing principles in a vacuum," he said. Members of Congress and stakeholders want a tangible return on their investment "and I intend to see that they get it." Babbitt said he has "no plans" to get involved with arguments about what to call the system. "What we know is that Congress and the taxpayer want something now. NextGen's going to make a world of difference. Less noise. Less pollutants. Less carbon. That's a green ticket," Babbitt said… David Bronczek, President and Chief Executive of **FedEx Express, will serve as Chairman of IATA's Board of Governors** in 2010. He will follow Tony Tyler, CEO of **Cathay Pacific** who took over from Samer Majali, CEO of **Royal Jordanian Airlines** in June. Bronczek joined FedEx in 1976 as a sales representative and worked his way up the company before being named managing director in 1983 for Philadelphia's Liberty District. He was subsequently promoted to vice president and general manager for Canada and later named senior vice president of Europe, the Middle East and Africa (EMEA), responsible for planning corporate strategy and implementing regional operations…Illinois-based **EA Logistics** has released a white paper on green transport to help educate its customers and industry peers about the need for sustainable transportation. "We want to raise awareness about how important it is to reduce transportation-related greenhouse gas emissions and explain how simple and profitable it can be for everyone involved," said Mike Ellis, EAL's president. "Getting It There Green: Why and How to Choose Sustainable Transport Partners," lays out the business case for green freight and steps shippers can take to reduce their carbon footprint. EAL, which introduced its Delivered GrEAn program in 2007, incorporates sustainable practices such as using biodiesel in company owned trucks, establishing anti-idling policies, enforcing drive speed limits and maximizing route efficiency… Singing sensation **Beyonce** needed two 747 freighters from **Atlas Air** and **Evergreen** to shift 200 tonnes of concert equipment from Stansted, UK to New York. Following her successful shows at London's **O2 Arena,** the hi-tech staging, lighting and sound gear was packed into 70 containers for the seven hour trip to **JFK** prior to being installed at New York's **Madison Square Garden** for Beyonce's performances on June 21/22. Nick Barton, BAA Stansted' s commercial and development director, said: "Stansted is ideally placed to manage specialist and high value freight of this nature. We are London's second largest airport for cargo and fly 200,000 tonnes of freight to a host of worldwide destinations each year." Given its proximity, Barton expects **Stansted** to play a key logistics role in London's hosting of the 2012 **Olympic Games**… ACW

AeroLogic Launch Supports Saxony

DHL and Lufthansa Cargo have restored Leipzig's historic position as a logistics crossroad in northern Europe with the official launch of their AeroLogic joint venture June 19.

The first of eight B777 freighters was on display in a DHL hanger at Leipzig-Halle airport prior to beginning services to Hong Kong and Singapore via Tashkent. DHL will also take delivery of three new B767 freighters this year for North Atlantic operations.

Compared to Lufthansa's MD11 freighter fleet – some of which is grounded due to the global decline in air cargo demand – the B777F carries 15 percent more payload; flies 30 percent further and produces 20 percent less carbon emissions, according to Lufthansa Cargo's CEO Carsten Spohr.

For those with long memories, the AeroLogic color scheme is eerily familiar to that of German Cargo Services - a Lufthansa venture that began operations out of Frankfurt in the 1980s with DC-8s.

Lufthansa expected a court opinion in June on its request to continue night operations at its crowded home base. A spokesman said if the ban is upheld, the company would appeal to a Federal court that, coincidentally, is in Leipzig.

In contrast to Frankfurt, Leipzig is restriction-free 24x7 and provides DHL and Lufthansa with a perfect location for expanding their express and forwarder business. Since DHL moved its sort hub from Brussels, the airport has experienced a 400 percent increase in cargo throughput.

Following the reunification of Germany, the Leipzig-Halle area of Saxony has suffered from chronic levels of unemployment – now down to 15 percent thanks to inbound investment of which AeroLogic is just the latest example. Others include car manufacturers Porsche and BMW.

At the launch ceremony, Halle Mayor Ms. Dagmar Szabados acknowledged that DHL and AeroLogic had already added 7,000 jobs to the area and said a further 100,000 could be created throughout the region by their presence.

BA: Claiming "A Rightful Share" Of Its Home Market

Number crunching is never easy, but when you have got no numbers to crunch the task becomes infinitely more difficult. That is the dilemma the world's cargo carriers faced in the back end of last year when the global economy went into tailspin.

Among them British Airways World Cargo.

"The numbers simply stopped coming in as of November," says Sean Doyle, financial controller at BA World Cargo. "It has been a very difficult period since then."

All the more difficult for the carrier's bookkeeper, when up to that point it appeared the Brit carrier's cargo business was in for a strong financial year.

"Demand for cargo was strong for the first half of the year, but as the global crisis hit in the second half, demand for general freight declined significantly across key export markets including the Far East and Northern Europe," says Doyle.

"While general freight volumes fell less dramatically out of the US, UK and Indian markets, yields continued to drop due to declining fuel surcharges and industry overcapacity."

The one bright spot for the carrier was that its premium product volumes were hit less hard. But that still did not buck a fourth quarter decline that saw a 15.5 percent overall drop in volumes versus last year – the carrier's largest quarterly volume decline on record.

In the event British Airways World Cargo was able to report commercial revenues of $1.06 billion for its full ending in March, an increase of 9.4 per cent over the previous year. But excluding the impact of exchange rate movements, commercial revenues were up by just 1.1 per cent.

Volumes of 4,638 million cargo tonne kilometers for the full year meant a 5.2 percent decline. Overall yield by increased 15.4 percent, driven by higher levels of fuel surcharge, but again excluding the impact of exchange rate movements, yield increased by 6.6 per cent.

Overall British Airways made a pretax loss of $634 million providing it with the dubious accolade of going from a record profit to a record loss in a single year.

BA World Cargo though, is quietly congratulating itself on surviving the

recent economic maelstrom relatively intact.

Says David Shepherd, senior vice president, sales and international customer service Europe and the Americas, "We are not going to pretend that our business has not been hit hard, but I believe we have been less exposed than some of the major carriers, particularly those with extensive freighter fleets."

He is referring obliquely to the likes of Air France, Lufthansa Cargo and Cargolux in BA's own European backyard. BA World Cargo, by comparison, continues to nurture a relatively small freighter fleet of just three B747-400Fs.

"We have had to make only minor adjustments to the freighter schedules and certainly have not been feeding them with linehaul traffic which otherwise would fly as bellyhold, because the freighters carry a very different type of cargo."

One of the few adjustments the carrier has made to its freighter schedule is to announce the launch of an additional weekly freighter routing to Chicago, operating in conjunction with its Atlanta service.

"It has been brought in to meet customer demand, particularly for onward traffic to the Middle East," says Shepherd. "But that should not be taken as an indication that the US market in general is picking up. It is still very flat out there."

David Shepherd, senior vice president, sales and international customer service Europe and the Americas

BA World Cargo hubs its freighters from London Stansted, rather London Heathrow. But earlier this year it went through the rather curious exercise of looking for alternative options. A possible relocation to Kent International Airport, to the south of London was seriously considered. In the event the freighter operation has stayed put. Is BA World Cargo playing mind games with airport operator BAA, its Stansted landlord?

Shepherd says the carrier's network spread has also reduced its exposure to single markets such as Asia, which have been hit particularly hard by the downturn.

"But what has been really pleasing has been the way our premium products have held up through the current difficulties," says Shepherd. "It tells us we are giving the customers what they want and that they are prepared to pay for a higher level of service."

One other bright spot for the British carrier is its efforts to grow its home market. A year ago it could claim a measly 12-13 percent share of UK originating traffic. Today it has climbed to nearer 16 percent.

"We are on track to claiming a rightful 20 percent share of our home market," says Shepherd.

Not that he is under any illusion that BA World Cargo is in for an easy ride from its British or foreign customer base over the next few months as at-

tempts are made to kick start the global economy

"It will come as no surprise to say that we, like all other carriers, are now coming under tremendous pressure from our customers and that pressure is at its keenest on rates."

Steve Gunning, managing director, BA World Cargo is also under no illusion from where the airline is facing further pressure: "The major challenge we now face across a number of markets is the imbalance between capacity and demand which has led to unsustainable price pressures." He adds: "The industry clearly needs to reduce capacity to better align with demand if it is to achieve a sustainable future."

There is also one other significant impact of the recent downturn which may help the industry regain its equilibrium says Shepherd. "We are getting a very clear message from our customer base that in future they want to work with fewer suppliers, happily the message we are also getting is that many of them want BA World Cargo to be one of those suppliers." ACW

Deutsche Post's "Internet of Things"

Deutsche Post/DHL (DPHL) has published its thoughts on what the world will look like in 2020.

One expectation is "radio tags embedded in all products and items, enabling them to communicate and navigate on their own, making each item traceable and connected to others."

The company describes this as the "Internet of Things" – where billions of objects, applications and systems create their own networks and communicate with each other.

To help reach this perspective, for several months the company discussed its ideas with logistics experts, futurologists, economists and customers.

The approach was based on the so-called Delphi process - a socio-scientific method first used by the U.S. RAND Corporation that combines the knowledge of carefully selected experts in a structured and systematic process.

The result, according to CEO Frank Appel is "a very accurate picture of how industry experts today envisage the future and which trends and developments they expect to shape our tomorrow."

The Delphi group of experts suggests the most important trends in the next decade will be:

1. Climate change will become the big issue and unleash a "green" revolution of products and services – sustainable energy production is on the threshold of a breakthrough.
2. The economic gap will grow larger worldwide – the potential for social conflicts will increase, but will be successfully suppressed through enormous expenditures on security.
3. China will be the undisputed winner of economic growth and join the ranks of the world's technological leaders.
4. The Internet will transform customer expectations and behavior all over the world – the focus will be on individualization, transparency, availability and speed.
5. Ecofriendliness and conscientious consumption will determine purchasing behavior to an increasing degree.
6. Convenience, comfort, and simplicity will be the central requirements.
7. Person-to-person communication will remain a priority.
8. The logistics industry will become a trendsetter and establish new standards for cooperative efforts and "green" business.
9. Offshoring and outsourcing will create new possibilities – the value chain will expand in all directions for services relating to logistics.
10. Logistics providers will increasingly develop into consulting companies; their complementary services will offer added value.

Dr. Clemens Beckman, managing director of Deutsche Post World Net's in-house consulting group, reasons: "The logistics company that offers the most intelligent low-CO2 solutions will emerge as the market leader. It is truer than ever that merely reacting is not enough. Consulting services and the individualization of transport solutions will become increasingly broad business areas for logistics."

By 2015, DPHL thinks logistics companies will only be able to survive if they work closely together with competitors and manufacturers - particularly in areas that involve the development of infrastructure and the conservation of resources. ACW

In The News…

Aegean Airlines Cargo is claiming a 40 percent market share between Paris and Athens after just six months of operations. The airline launched a twice-daily service from Paris CDG in November 2008, using A320 aircraft. It began selling its cargo capacity in December, using Paris-based **Transnautic Air Service** (TAS). Aegean Airlines was launched in 1999, and merged with fellow Greek carrier **Cronus** in 2001. The airline operates 21 A320 and A321 aircraft within a total fleet of 31. It serves 17 Greek and 26 international destinations. Transnautic Air Service is the exclusive French member of the EGSAC independent GSSA network, which has over 80 stations in more than 30 countries across Europe, Africa, the Middle East and Indian subcontinent…**Deutsche Post/DHL** (DPHL) has published its thoughts on what the world will look like in 2020. One expectation is "radio tags embedded in all products and items, enabling them to communicate and navigate on their own, making each item traceable and connected to others." The company describes this as the "Internet of Things" – where billions of objects, applications and systems create their own networks and communicate with each other. To help reach this perspective, for several months the company discussed its ideas with logistics experts, futurologists, economists and customers. The result, according to CEO Frank Appel is "a very accurate picture of how industry experts today envisage the future and which trends and developments they expect to shape our tomorrow." By 2015, **DPHL** thinks logistics companies will only be able to survive if they work closely together with competitors and manufacturers - particularly in areas that involve the development of infrastructure and the conservation of resources...**Lufthansa** has published its 2009 sustainability report containing information on its commitment to people, the planet and profits. "Economic success is the fundamental prerequisite for fulfilling our self-commitment to performing equally well in other disciplines of sustainability – environmental care and social responsibility. "Balance" shows that we make investments not only in the latest technologies but also in people. That is our contribution to safeguarding the future," said Lufthansa Chairman and CEO Wolfgang Mayrhuber. During the past year, 120 environmental projects were initiated to "husband resources" and reduce the impact of aviation on the planet. Lufthansa is included in the Dow Jones Sustainability Index. Only three of the world's airlines (**Southwest** and **Qantas**) have that distinction…**DHL** has launched a weekly LCL service connecting Tokyo and Yokohama with Chicago. LCL freight from Tokyo and Yokohama usually routes via Los Angeles for break bulk and re-consolidation prior to onward shipment. DHL's new direct service bypasses the re-handling in Los Angeles with containers transferred direct to rail for a three-day reduction in overall transit times. DHL Global Forwarding's portfolio of direct LCL services from Tokyo, include Antwerp, Belgium; Barcelona, Spain; Shanghai, China; and Hong Kong. Direct LCL services are also available in Nagoya, Osaka and Fukuoka… A new **IATA** survey of airline CEOs and CFOs suggests they are less gloomy about returning to profitability. Some 74 percent reported larger losses in Q1 but only 42 percent expect a further deterioration over the next 12 months. The reduced pessimism comes from lower costs. More than half of those surveyed expect a further deterioration in both volumes and yields, implying a further slump in revenues this year. "The one positive to draw from this decline is that the worst appears to have already happened," says the airline association. However, one worrying trend is the price of crude oil. While jet fuel prices are 60 percent lower than a year ago, crude oil prices are already $20/b up this year… In its latest cargo market analysis, **IATA** says ocean shipping is gaining market share at the expense of airfreight despite the parking of 99 freighters. In the first quarter 2009, cargo revenues fell in excess of 35 percent with a 20 percent fall in volumes and a 17 percent fall in yield. Despite a modest inventory-led rebound in the second half, 2009 is still expected to result in a record drop in cargo revenues. December 2008 was the low point for air freight volumes. Year-on-year comparisons continue to show volumes down 20 percent but the level of FTKs has moved sideways for the past four months. Airfreight is a good leading indicator of world trade movements. As a result it is first into recession and usually first out. IATA expects this will happen again but world trade forecasts suggest a weak recovery next year and demand remaining "soft" until 2011 or 2012…Atlanta-based **UPS** has acquired a unit of **Intereuropa Globalni Logisticni Servis** that has been its agent for small package delivery in **Slovenia** since 1991. "UPS and Intereuropa have had a successful relationship in Slovenia for almost two decades, but UPS needs a greater presence in this dynamic market," said Wolfgang Flick, president, UPS Europe. The acquisition and establishment of wholly-owned operations in Slovenia will give UPS the flexibility it needs "to invest in its global brand, transportation network, technology and workforce to better serve its growing customer base in this country," he added. Slovenia, which has the highest per capita GDP in Central Europe of the countries that joined the EU in and after 2004, also got the…The **A.P. Moller-Maersk Group** will blend **Maersk Logistics** with its **Damco** forwarding activities under the single brand Damco, effective early September. Maersk Logistics/Damco, which offers a wide range of supply chain management and freight forwarding services, had a net turnover of $2.8 billion in 2008. ACW

Making Sense Of Maximus

What advice does a successful operator in this tough market have for its peers?

Maximus Air Cargo is a name that fits the Abu Dhabi-based freighter firm well; not only is it gigantic in terms of the fleet it operates, it carries some pretty vast loads as well. But recently, the airfreight world has started to look more closely at the Middle Eastern company due to another of its colossal attributes - revenues.

For Maximus, 2008 was a record-breaking year. For any successful new company, the fact that it doubles its turnover on the previous year is certainly an achievement. But what is genuinely surprising is that the all-important final quarter showed little sign of the collapse in the industry that had hit virtually every other carrier on the planet.

Over the course of 2008, Maximus garnered sales revenue of $110.8 million; in the fourth quarter, the firm took in $24.4 million, only a little under the average of the first three quarters.

Although no data for this year have so far been released, Maximus has already distinguished itself through a degree of transparency in a region where quarterly and annual figures are often hard to come by.

So what are the reasons behind this consistency? One of the most obvious answers is that regional air cargo figures for the Middle East have held up far better than their peers elsewhere. Another would be the type of services Maximus offers.

"Right now, our business model is geared to focusing on full-cargo charter solutions, including outsize services, and also offering our aircraft on ACMI deals to other operators," says Fathi Hilal Buhazza, Maximus' president and CEO. "We have been able to deliver remarkable results due to the fact that we operate not only, but mainly, to and from the Middle East, and also that our two niche markets have been much less exposed to the economic downturn than other sectors have been."

Add different services to different aircraft, and the options for shippers are magnified greatly. The Maximus fleet consists of eight aircraft, of varying size, from An-124-100 to the A300-600RF. Another Airbus is on the way, and the carrier is about to start a wet-lease operation featuring two A300-600RFs with a major regional flag-carrier.

"What pleases me is that if our ACMI service isn't doing so well, the ad hoc

Abu Dhabi Launches $250 Mln. Logistics Business Park

Abu Dhabi Airports Company (ADAC) has signed a $250 million joint venture agreement with Helios SinoGulf Property Development to develop a 650,000 square meters logistics and business park free zone next to Al Ain International Airport.

The development will include office space, distribution centers, light industrial units, freight forwarding stations and supporting facilities for air cargo and aerospace industries. The first phase will be completed in 2010.

H.E. Khalifa Mohamed Al Mazrouei, Chairman of ADAC said, "ADAC is committed to the development of Al Ain International Airport as a hub for low cost carriers and dedicated air cargo freighters."

Trevor Cartner, Chairman of Helios SinoGulf added, "Al Ain sits at the centre of the distribution networks of the UAE and Oman. It is equidistant from five seaports on the east and west coasts, has great road access into the major population centers, has excellent airport facilities for cargo operations and offers operators and businesses many benefits in comparison with other logistics development locations".

ADAC, owned by the Abu Dhabi Government, is spearheading a $6.8 billion re-development and expansion of the main Abu Dhabi airport designed to increase overall capacity to more than 20 million passengers per year. As part of this redevelopment, a second runway and a third terminal have been completed.

In other news, ADAC signed Memorandums of Understanding with three German aerospace companies, Aerotech Peissenberg GmbH & Co, Aircraft Electronic Engineering GmbH and MT Aerospace.

The agreement with Aircraft Electronic Engineering will lead to the establishment of a production site for electronic and avionic devices within the Al Ain Aerospace cluster, the company said. ACW

charters can fill in," says Mohamed Ali Parkar, Maximus' vice president commercial and finance. "If you then factor in the different tonnages of the various types, our clients have a great menu from which to choose."

Not surprisingly, Buhazza believes that the Middle East's role as a logistics hub is here to stay, with Dubai and, increasingly, Abu Dhabi being the most appropriate, effective and efficient transit points for many freight itineraries. For other outsize operators too, the region has proved a blessing, with Volga-Dnepr stating that the Middle East contributes around 60-65 percent of the firm's entire operations.

Furthermore, in comparison to their Asian counterparts, UAE-based carriers have not slashed capacity, and the high utilization rates prove that this policy is continuing to bear fruit. At Abu Dhabi International Airport, for instance, freight volumes have sunk by only 1 percent in the first four months of 2009.

Has Maximus actually been in a position to not just ride out the storm, but actually win some benefits? "It is possible that in this market there are added opportunities," muses Buhazza. "Obviously it helps if you run a company that has access to capital in order to improve your fleets and operations, as you can get some great deals out there at the moment."

"Another interesting proposition is the fact that the possibilities to tie up with well-established partners have definitely increased, and this is something we are currently considering seriously," the Maximus chief adds.

Perhaps that's the wisest piece of advice this specialized operator can offer to global airfreight firms. As belts tighten, the attraction of partnerships and interline arrangements that can save carriers money has become much stronger.

The all-important question is whether Maximus' enviable position has led it to see the first signs of an upturn in the market. "Naturally, the most significant indicator will be the return of a rise in exports out of Asia," observes Buhazza. "For us, we have been lucky in that many of the markets and segments we serve are continuing to rise now, and will improve still further when the turnaround comes." ACW

In The News…

Abu Dhabi Airports Company (ADAC) has signed a $250 million joint venture agreement with Helios SinoGulf Property Development to develop a 650,000 square meters logistics and business park free zone next to Al Ain International Airport. The development will include office space, distribution centers, light industrial units, freight forwarding stations and supporting facilities for air cargo and aerospace industries. The first phase will be completed in 2010. H.E. Khalifa Mohamed Al Mazrouei, Chairman of ADAC said, "ADAC is committed to the development of Al Ain International Airport as a hub for low cost carriers and dedicated air cargo freighters"… **Qatar Airways Cargo** has joined IATA's Cargo 2000 program as a regional member. Qatar Airways Chief Executive Officer Akbar Al Baker said: "Cargo 2000's quality management system offers a proven solution for implementation and measurement." Lothar Moehle, Cargo 2000's Regional Director for Europe, the Middle East and Africa added, "The Middle East has seen the emergence of some of the air cargo industry's foremost air cargo carriers in recent years and quality is clearly high on their agenda. In addition to Qatar Airways, Cargo 2000's airline members in the region are Egyptair, Etihad and Saudi Arabian Airlines. Cargo 2000's membership now includes 28 of the world's top airlines…Turkey-based **MNG Airlines** is now connected to **Traxon Europe**. Arslan Kavgaolu, Cargo Director of MNG Airlines said "Our customers also the opportunity to interface with other carriers within the Traxon network. This helps us provide a better service to these customers who will in turn offer the same improved service to their own clients. The air cargo market in Turkey has great future potential for MNG and equally for Traxon." MNG operates eight A300 B4Fs and eight F27s. The airline's main destinations are Luton, Cologne, Paris CDG and Milan (Malpensa)…Doha-based **Qatar Airways** has signed a firm contract for 24 A320 aircraft to add to its existing fleet of 19. The new aircraft will expand services on regional, Eastern European and south-west Asia services…**Toll Global Forwarding** (TGF), the forwarding and logistics arm of Australian public company Toll Holdings, has appointed Hakan Bicil as its new Regional Managing Director for Europe and the Middle East.

Bicil will be responsible for further developing TGF's EME business that it acquired with the 2008 takeover of BALtrans. TGF is part of a group that traces its history back to the coal haulage business founded in Australia in 1888 by Albert F. Toll, using horses and carts. Hong Kong-based Toll Holdings has 65 offices in 26 countries in Asia, Australia, the Americas, Europe, Middle East and Africa. The group was listed on the Australian Stock Exchange in 1993 and now employs 30,000 staff generating annual revenues of $4.4 billion…**Agility** has won Lufthansa Cargo's Planet Award of Excellence for its double-digit growth with the carrier. Essa Al-Saleh, President and CEO of Agility Global Integrated Logistics, commented, "It proves that our joint efforts with respect to quality and customer satisfaction are worthwhile and are bringing us further forward." **Lufthansa** generates about 50 percent of its sales volume from 12 logistics partners: Agility, Ceva, DHL Global Forwarding, DSV, Expeditors, Hellmann, Kuhne+Nagel, Nippon Express, Panalpina, DB Schenker, UPS and UTi… Thorsten Neumann, Head of Security Central Europe, Middle East & Africa for Nokia, has been re-elected as Chairman of the **Transported Asset Protection Association** (TAPA) for the Europe, Middle East and Africa (EMEA) region. TAPA is leading the fight against cargo crime that costs manufacturers of high value, high-risk products some $11 billion a year in losses in Europe alone. Founded in the US in 1997, the Association's global membership now consists of over 600 companies with annual sales of more than $910 billion. The Association's goals are to establish best known security practices, influence their adoption by regulatory bodies and promote compliance with identified best practices…**Emirates SkyCargo** has appointed **Sky.XS** its GSA in Slovenia.Cargo will be trucked from the capital Ljubljana to Emirates' directly served stations of Vienna and Venice, which are served by daily flights, according to Emirates… A **Volga-Dnepr** AN-124 freighter has delivered 120 tonnes of supplies and equipment to support Japanese defense forces deployed as part of a coalition of 16 countries confronting pirates off the coast of Somalia. The Japanese Navy has been operating in the Gulf of Aden region since late March… **Etihad Airways** is expected to spend $14 billion, reportedly athe largest engine order in commercial aviation history, on GE, Rolls-Royce, Engine Alliance and International Aero Engines to power 100 firm orders and 105 options for Airbus and Boeing aircraft for delivery between 2011 and 2020. Initially, GE will power 35 B787s, Engine Alliance will power 10 A380s, Rolls Royce will power 25 A350s and IAE will power 20 A320s. This year, Etihad has begun new services to Melbourne, Istanbul, Athens, Larnaca and Astana in Kazakhstan. Etihad will also launch new services in September to Chicago. ACW

Thai Airways Has Freighter Plans – Again

Recession? Turmoil? Hub shutdown? Such things have no impact on cargo, to judge from the web site of Thai Cargo, the freight arm of Thailand's national carrier.

Where other airlines inform their clientele of route and frequency trims or announce other measures to cope with the current downturn, the Thai Cargo web site shows photos of a recent visit of company top brass to freight forwarders in Hong Kong. Apparently some strange serenity permeates the carrier, or else the folks who maintain the web site think it exits for Thai Cargo staff and their family members.

Elsewhere, Thai Cargo Supremo Pruet Boobphakam has been a lot more vocal about his plans. You would never guess from the web site that he intends to usher Thai into the club of maindeck capacity providers. Khun Pruet recently revealed that several options are under study. Thai may convert some B747-400 aircraft from its passenger fleet into all-cargo configuration, it may acquire B777 freighters, or lease widebody cargo planes either on an ACMI or dry-lease basis.

By Pruet's reckoning, operating freighters could boost Thai's cargo revenues from currently $550 million a year by about 20 percent. He estimates that Thai carried about 10 percent of the country's total airfreight volume, constrained by the absence of freighters from its lineup.

According to one source in Thailand, the carrier is planning to launch weekly freighter flights to Hahn airport in Germany, which would serve as the distribution point for Thai perishables exports to Western Europe.

Forwarders are not holding their breath, though. Steve Dearnley, chief executive for the Asia-Pacific region of DB Schenker, pointed out that this is not the first time that Thailand's national carrier voiced freighter ambitions. In recent years Thai Cargo has had a succession of leaders whose tenure was rather brief. Several expressed a desire to get into the freighter business but moved on before those plans got anywhere.

"If it happens, it would be surprising. There isn't a need for it," he concludes

Thai's freighter ambitions come at a far from auspicious time. Like its Asian neighbors, Thailand has seen a slump

Combat Zone Replaced By Trade Corridor

As Viet Nam Airlines orders 16 more single aisle A321s and two additional A350 XWBs, the country has signed a Customs transit agreement with Thailand and Laos to encourage tripartite trade.

For the first time, commercial trucks from Thailand and Viet Nam can now pick up and deliver goods in each other's country.

Overland shipments between Thailand and Viet Nam along the East-West Economic Corridor – which runs from Danang, Viet Nam, through Savannakhet, Lao PDR and into Thailand – can now go directly to their final destination. Previously, shipments previously had to be unloaded and re-loaded in Lao territory.

Initially, 1,200 commercial vehicles – 400 from each country – will have entry permits in order to reduce transit theft and damage from multiple unloadings.

"Ten years after Laos, Thailand and Viet Nam first agreed to ease cross-border traffic rules, the promise of that agreement is truly being realized," said Arjun Thapan, Director General of Asia Development Bank's (ADB) Southeast Asia Department.

"Narrow dirt trails that were once used to transport refugees and military hardware have given way to modern highways carrying electronic goods, exotic fruits and tourists. You can now set out from Thailand, do business in Laos and arrive in time for dinner at Danang in Viet Nam – all in the space of a single day," added Thapan.

"Vietnam will remain one of the key growth markets in Asia in coming years," said Airbus President and CEO Tom Enders. "Vietnam Airlines will be operating one of the most modern and efficient fleets in the region and will be well placed to meet demand on both its Asian and international services."

Vietnam Airlines currently operates to 19 domestic and 23 international destinations. The A350 XWB is Airbus' new medium-capacity long-range widebody aircraft capable of flying up to 8,300 nm. ACW

in air cargo volumes. In January '09 tonnage fell almost 50 percent. The automotive industry, one of the key pillars of the country's economy, is hurting, resulting in diminished loads for carriers. The electronics sector is not doing well either.

Perhaps more ominously, the political turmoil that led to the blockade of Bangkok's Suvarnabhumi airport last fall may have some painful ramifications for air cargo. Dearnley reckons that the impact from this has been on tourism rather than on cargo flows. However, the disruption may have triggered off greater interest in regional trucking. During the airport blockade, companies had to rely on trucks from Malaysia to keep their supply chains into Thailand open. The economic downturn may well have whetted their appetite for less expensive land routes in the region.

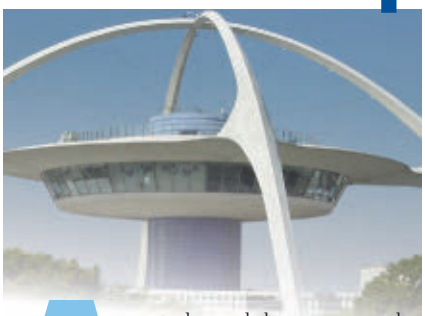
"Demand for trucking (in Southeast Asia) is increasing," confirmed Dearnley, although the volumes are still fairly small. "Even if we get 20 percent growth per year over the next five years, it still won't be a large part of our business," he said, adding that obstacles remain, despite recent improvements. "The infrastructure is still somewhat lacking and border controls can be frustrating."

Regional trucking would not be a significant obstacle to Thai Cargo's freighter plans, which appear to focus on longhaul sectors. This could actually prove an opportunity to feed cargo from neighboring countries to Bangkok. At this point, financing seems a more serious hurdle for the carrier.

Buffeted by a succession of high oil prices, political turmoil and the economic crisis, Thai Airways suffered a net loss of THB 21,314 million ($625 million), down from a net profit of THB 4,428 million ($130 million) in the previous year. Management is trying to reduce operating costs between five and 10 percent. At the end of May company chairman Ampon Kittiampon revealed that the board was considering issuing new shares to raise capital for restructuring plans. Earlier the board had approved plans to seek up to $1 billion in loans for short-to-medium-term financing.

So this looks hardly like the right time to invest in a freighter operation, particularly when demand is lagging the available lift in the market. ACW

2008 Top 50 Airports



As cargo demand shows some modest inventory-led growth toward the middle of a dreadful 2009, the world's airlines and airports await signs of a possible rebound in global commerce.

OAG offered a "glimmer of economic confidence" last month, reporting that the global airline capacity for June showed a year on year decline below three percent for the first time since last October.

"This may be the 11th successive month of cutbacks in global airline schedules; however the rate of decline in seat capacity is lower than at any time since October 2008, " the aviation data company said in its June report on trends in the supply of airline flights and seats.

IATA has forecast a record drop in cargo revenues for 2009 and expects its 230 member airlines will lose $9 billion. The Geneva-based association has also raised its 2008 airline loss estimate to $10.4 billion.

Preliminary 2008 world airport traffic data from Airports Council International underlines the severe slide in global freight. The preliminary data covers about 900 airports representing 93 percent of traffic worldwide; ACI officials say the rankings may change when it releases final data for all 1,200-plus airports later this this month.

Cargo volume at scores of the world's largest airports took a drubbing as the global economic mess unleashed its ripple effect on trade. Milan Malpensa Airport saw cargo traffic fall 14.5 percent, a sharp reversal from last year's 16 percent climb. Also suffering drops were Asia airports including Taiwan's Taipei (7 percent), Thailand's Bangkok Airport (3.9 percent) and Japan's Narita (6.8 percent).

European airports hurt by the steep decline in global trade included Brussels, where cargo volume dropped 11.8 percent; Luxembourg, off 8 percent; and Belgium's Liege, the main hub for TNT, where tonnage fell 5.9 percent.

London's Heathrow, the hub of British Airways, posted an increase in cargo volume of 6.5 percent. Other spots registering freight tonnage gains were China's Beijing Capital Airport (14.5 percent), Chengdu International (13.9 percent), Shanghai's Hong Qiao (11.7 percent), Nanjing (4 percent) and Shanghai Pudong International (1.7 percent).

Southern China's Guangzhou and Shenzhen airports did not fare as well. Freight tonnage was off 1.3 percent at Guangzhou and nearby Shenzhen fell 2.9 percent.

The blistering growth at Germany's Leipzig airport, which topped 400 percent, outpaced all other airports in 2008, catapulting it to the No. 44 spot from 142 last year. The hub in the eastern part of Germany is home to Lufthansa and DHL Express as well as their joint venture AeroLogic, which launched operations there last month.

The Middle East and India also posted impressive traffic growth amid the unraveling economic crisis. Dubai's cargo volume jumped 9.4 percent last year, proving its growing popularity as a gateway to Europe and Asia and transit point for cargo from Africa. Also recording gains in freight tonnage were Sharjah (16.9 percent) and Abu Dhabi (12.2), both just shy of the Top 50 list.

India's Mumbai and New Delhi airports both registered cargo gains of 4.2 percent. Also showing some energy were Indonesia's Jakarta airport, where cargo traffic increased 4 percent, and Malaysia's Kuala Lumpur airport, where cargo volume rose 2.2 percent.

The recession hit the North American market especially hard, battering U.S. gateways already stung by cargo declines in 2007. Cargo volume at Alaska gateway Anchorage International slumped 17.2 percent while freight tonnage at Chicago O'Hare dove 13.1 percent.

Other U.S. airports posting double-digit cargo drops in 2008 include: Fort Lauderdale (13.7 percent), San Diego (13.4 percent), Portland (13.2 percent), Orlando (12.8 percent), San Francisco (12.3 percent) and Los Angeles (11.9 percent).

The only North American airports to pull off any cargo growth were Canada's Calgary, up 12.3 percent, Florida's Tampa International, which saw a 4.7 percent bump in volume, and San Antonio airport, where traffic inched up 0.7 percent. Texas-based Forth Worth Alliance Airport saw its cargo traffic plummet 34.9 percent.

FedEx's home base Memphis International still leads the list of the world's largest cargo airports trailed by Hong Kong International, Shanghai's Pudong, South Korea's Seoul Incheon and Alaska's Anchorage International. Both Memphis and Hong Kong International registered cargo declines of 3.8 percent and 3.0 percent, respectively.

Industry forecasts expect airlines will carry 33.3 million tonnes of freight this year compared to 40.1 million tonnes in 2008.

"Our future depends on a drastic reshaping by partners, governments and industry. We cannot bear the cost of government micro-regulation, crazy taxation and partners abusing their monopoly power," IATA Director General Giovanni Bisignani said in his state of the industry speech last month in Kuala Lumpur. ACW

Worldwide

RANK	CITY	CODE	TOTAL CARGO (in tonnes)	% Chg
1	MEMPHIS TN, US	MEM	3,695,438	(3.8)
2	HONG KONG, HK	HKG	3,660,901	(3.0)
3	SHANGHAI, CN	PVG	2,602,916	1.7
4	INCHEON, KR	ICN	2,423,717	(5.2)
5	ANCHORAGE AK, US*	ANC	2,339,831	(17.2)
6	PARIS, FR	CDG	2,280,050	(0.8)
7	FRANKFURT, DE	FRA	2,111,031	(2.7)
8	TOKYO, JP	NRT	2,100,448	(6.8)
9	LOUISVILLE KY, US	SDF	1,974,276	(5.0)
10	SINGAPORE, SG	SIN	1,883,894	(1.8)
11	DUBAI, AE	DXB	1,824,992	9.4
12	MIAMI FL, US	MIA	1,806,770	(6.0)
13	LOS ANGELES CA, US	LAX	1,629,525	(11.9)
14	AMSTERDAM, NL	AMS	1,602,585	(3.0)
15	TAIPEI, TW	TPE	1,493,120	(7.0)
16	LONDON, GB	LHR	1,486,260	6.5
17	NEW YORK NY, US	JFK	1,450,605	(9.8)
18	BEIJING, CN	PEK	1,365,768	14.5
19	CHICAGO IL, US	ORD	1,332,123	(13.1)
20	BANGKOK, TH	BKK	1,173,084	(3.9)
21	INDIANAPOLIS IN, US	IND	1,039,993	(5.6)
22	NEWARK NJ, US	EWR	887,053	(8.0)
23	TOKYO, JP	HND	852,444	(0.1)
24	OSAKA, JP	KIX	845,497	(0.1)
25	LUXEMBOURG, LU	LUX	788,224	(8.0)

*includes transit freight

RANK	CITY	CODE	TOTAL CARGO (in tonnes)	% Chg
26	GUANGZHOU, CN	CAN	685,868	(1.3)
27	KUALA LUMPUR, MY	KUL	667,495	2.2
28	DALLAS/FORT WORTH TX, US	DFW	660,036	(8.7)
29	BRUSSELS, BE	BRU	659,054	(11.8)
30	ATLANTA GA, US	ATL	655,277	(9.0)
31	OAKLAND CA, US	OAK	622,009	(4.0)
32	SHENZHEN, CN	SZX	598,036	(2.9)
33	COLOGNE, DE	CGN	578,161	(18.6)
34	MUMBAI, IN	BOM	559,105	4.2
35	BOGOTA, CO	BOG	547,928	(1.8)
36	LIEGE, BE	LGG	518,389	5.9
37	PHILADELPHIA PA, US	PHL	506,680	(6.8)
38	SAN FRANCISCO CA, US	SFO	493,628	(12.3)
39	JAKARTA, ID	CGK	492,308	4.0
40	TORONTO ON, CA	YYZ	483,975	(3.7)
41	SÃO PAULO, BR	GRU	470,404	(3.7)
42	NEW DELHI, IN	DEL	449,558	4.2
43	ONTARIO CA, US	ONT	436,525	(9.7)
44	LEIPZIG, DE	LEJ	429,915	403.1
45	MILAN, IT	MXP	415,952	(14.5)
46	SHANGHAI, CN	SHA	415,726	6.9
47	HOUSTON TX, US	IAH	412,217	(0.4)
48	HONOLULU, US	HNL	410,725	(7.2)
49	MEXICO CITY, MX	MEX	382,417	(7.0)
50	CHENGDU, CN	CTU	374,196	13.9

Source: Airports Council International

North America

RANK	CITY (AIRPORT CODE)	TOTAL CARGO (in tonnes)	% Chg
1	MEMPHIS TN (MEM)	3,695,438	(3.8)
2	ANCHORAGE AK (ANC)**	2,339,831	(17.2)
3	LOUISVILLE KY (SDF)	1,974,276	(5.0)
4	MIAMI FL (MIA)	1,806,770	(6.0)
5	LOS ANGELES CA (LAX)	1,629,525	(11.9)
6	NEW YORK NY (JFK)	1,450,605	(9.8)
7	CHICAGO IL (ORD)	1,332,123	(13.1)
8	INDIANAPOLIS IN (IND)	1,039,993	(5.5)
9	NEWARK NJ (EWR)	887,053	(8.0)
10	DALLAS/FORT WORTH TX (DFW)	658,544	(8.9)
11	ATLANTA GA (ATL)	655,277	(9.0)
12	OAKLAND CA (OAK)	622,009	(4.0)
13	PHILADELPHIA PA (PHL)	506,680	(6.8)
14	SAN FRANCISCO CA (SFO)	493,628	(12.3)
15	TORONTO ON (YYZ)	483,975	(3.7)
16	ONTARIO CA (ONT)	436,525	(9.7)
17	HOUSTON TX (IAH)	412,217	(0.4)
18	HONOLULU (HNL)	410,725	(7.2)
19	TOLEDO OH (TOL)	354,469	(2.0)
20	WASHINGTON, DC (IAD)	333,845	(6.9)
21	SEATTLE WA (SEA)	290,653	(8.9)
22	BOSTON MA (BOS)	281,752	(5.6)
23	DENVER CO (DEN)	250,994	(6.1)
24	PHOENIX AZ (PHX)	250 491	(1.5)

*includes transit freight

RANK	CITY (AIRPORT CODE)	TOTAL CARGO (in tonnes)	% Chg
25	MINNEAPOLIS MN (MSP)	233,253	(6.5)
26	PORTLAND OR (PDX)	221,084	(13.2)
27	DETROIT MI (DTW)	210,952	(9.5)
28	VANCOUVER BC (YVR)	208,987	(7.6)
29	SALT LAKE CITY UT (SLC)	160,557	(9.7)
30	ORLANDO FL (MCO)	159,608	(12.8)
31	FORT WORTH TX (AFW)	154,118	(34.9)
32	HARTFORD CT (BDL)	149,991	(7.9)
33	WINNIPEG MB (YWG)	149,385	(4.2)
34	CALGARY AB (YYC)	137,142	12.3
35	SAN ANTONIO TX (SAT)	125,320	0.7

Source: Airports Council International

Doing The Math On Conversions

The decision of whether to purchase a new freighter versus buying an older passenger aircraft and converting it should be fairly simply. Just a matter of mathematics.

For an operator, the choice is either the higher acquisition cost of a new freighter plus lower maintenance and direct operating costs (DOCs), versus the lower acquisition of a used passenger aircraft plus conversion costs plus higher maintenance and DOCs.

And, like most things that are considered easy in today's world that would be wrong.

Deciding whether to purchase a new-built or converted freighter, particularly in today's economic climate, has become a lot more difficult, with the market value and overall cost of the aircraft only two factors in a very detailed analysis.

"The operator needs to consider all cost aspects of his operation, all safety and airworthiness regulations and the potential margins. The decision is based on the individual business model, routing and utilization," according to Vincent Misciagna, vice president and general manager of Wood Dale, Ill.-based AAR Cargo Systems.

But making an "apples to apples" comparison between a converted and off-the-assembly line freighter is not particularly relevant, according to Paul Leighton, CEO of Aircraft Value Analysis Company. "Ad hoc charter operators, such as those flying seasonal produce, will simply not be able to afford new aircraft, while those operators using the aircraft for scheduled operations will be able to achieve the level of utilization necessary to pay for newer aircraft. It is rarely a case of choosing between new and used," he said.

The only simple aspect of the equation is to what extent will the aircraft be able to lift the bottom line.

According to the Boeing 2009 Current Market Outlook, the world's freighter fleet will increase by two-thirds, from 1,940 to 3,250, through the year 2028. This will require 2,760 aircraft to cover growth plus retirement of 1,450 freighters. Out of the 2,760 additional freighters, 710 will be purpose-built and 2,050 will be converted from passenger airliners.

In the large, or greater than 80 metric tonnes category, an Airbus forecast through 2026 states a need for an additional 1,096 freighters. Of those, half or 548 will be off the assembly line. Airbus also notes that 415 of the purpose-built freighters will be in the very large,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120-tonnes plus category.

Airbus is planning now for a conversion of the A330-300P2F, aimed at the 2012/2014 time frame when there will be sufficient feed stock at attractive prices that will make this program realistic and necessary, the company said. A prime market for that aircraft "would be to replace older three crew mid-sized freighters such as the DC10F/A300F and A310F."

Boeing agrees that new production freighters will dominate the 80-tonnes plus category with 490 coming off the assembly line to 2028.

The Airbus forecast states that long-range freighters are also evenly divided, with a total of 421 freighters needed, of which 188 will be new, 189 will be converted and 44 will be retained in service during the next 25 years.

However, for small jet freighters, virtually 100 percent of the aircraft requirement will be converted from B737, B757 and A320. Airbus puts the number at 896 units. No new purpose-built freighters are included in this category.

As for the market for these aircraft, two of the biggest impacts are the economic state of the cargo market itself and the value of the passenger aircraft that are coming onto the market for conversion.

The world cargo market has now had two consecutive years of negative growth, said Dennis Floyd, vice president, freighter conversions for Boeing. "We've had some big impacts before - 9/11, SARs, recession - but before we've only had one year of negative growth. Now we've had two, which is pretty unprecedented." This has had an impact on both conversions and new aircraft, he said.

A few years ago, there was a huge demand for airframes to be converted, with a thriving cargo market. Demand far outstripped supply. Today, "business for conversion is terrible," said Brian McCarthy, vice president, sales and marketing for Portland, Ore.-based Precision Conversions.

"In 2002-2005 we had tremendous demand for freighters and no airframes on the market. Now we have plenty of airframes on the market and no demand, or very little."

However, when the value of older passenger aircraft drops to unprecedented levels, even smaller second and third tier operators start looking at what might be available.

Leighton noted that a hoped for improvement in the air cargo market in the short term has evaporated, and that aircraft values "are now falling at a rate unseen for many years." As an example, he said, "from their peak in late 2007, most narrow body values have fallen by more than 20 percent." This has been "the worst market conditions that I can remember in the past 20-25 years. There is nothing that has escaped. The range is from 10 percent up to 35-40 percent, if not more."

McCarthy noted, "every time we see aircraft values fall, we usually see a lot of conversions follow. This is an indicator

(photo courtesy of John E. Jauchler)

that this market will wait until the value of an airplane drops one or two or three million dollars before they actually pull the trigger on a fleet transition. If there is one thing we've learned, it's that cargo operators know their costs to the penny. So cargo guys will wait an eternity for the right aircraft value and the right cost of conversion."

However, with Boeing predicting an annual growth rate of 5.4 percent through 2028, "cargo still needs to move, there are still opportunities out there and for people who still have the energy; we will see new air operating certificates," McCarthy added.

Many of the older second and third tier operators flying aircraft such as DC-8s and B727s will simply use the aircraft until they are no longer economically viable then "sell off their cargo business and go to the beach," he said. "Zantop is an example of a group that basically ran the aircraft into the ground, walked away from them and was out of the cargo business."

He expects new entrants "will be taking over" the industry that are better financed and prepared for costs associated with operating more sophisticated airplanes with greater flight efficiencies.

A second wave now entering the market are passenger airlines getting into the main deck cargo business, McCarthy said. This includes airlines such as Shanghai Airlines, Lan Cargo and Icelandair, which started Icelandair Cargo in 2000 to carry its own freight in B757 freighters as well as do ACMI leases of B757Fs to TNT.

"They already have the infrastructure, they have the technical and flight organization; they have everything they need to run a successful air cargo operation."

Perhaps the biggest market for conversion aircraft will be the express package operator, such as FedEx, Leighton suggested. The size and scope of operations of the major express carriers make it economically viable to have a mixed fleet of converted and off-the-assembly line freighters.

FedEx announced plans three years ago to purchase some 90 used B757s to be converted as replacement for its aging B727 fleet, plus new B777Fs to replace an order for A380s after Airbus cancelled its A380 freighter program. The first 11 B757s reportedly are coming from British Airways with deliveries beginning next year through 2012.

"The size and scope of operations of the major express carriers make it economically viable to have a mixed fleet of converted and off-the-assembly line freighters."

According to Jim Parker, FedEx senior vice president of air operations, the B757s will reduce fuel consumption by 36 percent while providing 20 percent greater capacity.

The availability of the B757 and orders such as from FedEx makes it the hot aircraft for conversion today. However, more B767-200s and -300s will become available as the B787 starts to be delivered.

"I think that is going to be an interesting market and perhaps the small package carriers will start to Hoover up the excess on those," Leighton said, adding that another market for the B767-sized freighter is the ad hoc operator. "And obviously we have the A320s as well, so there is perhaps real possibilities for conversion as operators get rid of older A320s in favor of newer ones."

David McDonald, vice president of operations for Aeronautical Engineers, (AEI) a Miami-based converter of B727s and B737s, expects the current very slow market to pick up as the value of used aircraft goes down.

The way he sees it, business will start picking up in the fourth quarter and the first and second quarter of 2010. "We'll probably start seeing a fair number of older aircraft that will be conversion candidates coming onto the market in the last half of this year, said McDonald, whose company primarily converts B737-200s, -300s and -400s.

The cost of a used B737 depends a lot on the engine, he said. One year ago, the aircraft was probably going for $7.5 million "and now it's probably around $4 million." Cost of the conversion ranges from $1.65 million for the B737-200 to $2.6 million for the -400.

McDonald said his current customers are generally "the Mom and Pop operators of our B727s." While the company does B727s if somebody wants them, that market "has about dried up." Indeed, current B727 operators will go in one of two directions: either step up to a B757, or down to a B737, he suggested.

Two other major considerations in converting older passenger airliners are reliability and noise.

"Reliability is one reason you may consider a new airplane because you need that absolute best 99.9 percent reliability," McCarthy said. "But that doesn't really hold any water because a B757, B767 and even B747 can be maintained at a level that has very similar, if not the same, reliability."

Most of the aircraft that are either already on the market for conversion, or are becoming likely candidates such as early built A330/340s and 777-200s, are standing the test of time and noted for high reliability.

As for noise, the older aircraft that do not meet ICAO Stage III requirements will be retired, replaced by aircraft that do - and today's conversion candidates already meet that requirement.

Boeing's Floyd also noted that the marketplace is not far away from the point at which Stage IV requirements kick in. But all of the Boeing aircraft types currently being converted, which are the B737 classic, B757, B767-200 and -300 and the B747-400, all meet Stage IV requirements," he said. ACW

Africa Provides Capacity Relief?

Neel Shah was looking forward to Nairobi. "This is one part of the world where demand and yield are holding up well," the vice president of Delta Cargo commented days before the planned launch of Delta Air Lines' flights from Atlanta to Dakar and on to the Kenyan capital.

Delta was going to be the first US airline serving Kenya with four weekly flights.

"There are a lot of perishables out of Nairobi. We can do 12-13 tons per flight. We anticipate heavy loads," Shah said.

However, at the last hour Delta had to postpone the Kenyan leg of the new African route indefinitely after the U.S. Transportation Security Administration declined to give the green light for the service, citing "noted security vulnerabilities in and around Nairobi."

The Kenyan authorities expressed disappointment over the decision. They had eagerly awaited the new service in hopes of boosting tourism and trade with the United States.

Despite the setback, Delta is still expanding into Africa. It is going ahead with planned services to Nigeria and has upped its presence in Johannesburg with daily flights using B777 aircraft. Delta may be the Lone Ranger in Africa as far as U.S. carriers are concerned, but it is part of a veritable stampede to the continent. A host of airlines have launched or increased flights to Africa in recent months and established partnerships with regional carriers.

European and Middle Eastern carriers, historically more involved in the African market than their Asian or American counterparts, have led the charge. Lufthansa, which recently expanded its reach into Eastern Africa through a partnership with an African carrier, is looking to expand further but is

not showing its cards at the moment. Air France launched direct flights to Lagos and is allegedly planning to fly to Port Harcourt and Pointe Noire. Emirates Airlines is planning to mount three weekly passenger flights to Luanda in August and a daily Durban service later in the year.

Asian carriers are rapidly catching up, though. Shenzhen-based Jade Cargo Airlines, in which Lufthansa Cargo holds a 25 percent stake, started service to Nigeria in mid-April. It flies twice a week from Shanghai via Shenzhen, Chennai and Sharjah to Lagos, returning to China via Sharjah.

Singapore Airlines Cargo added Johannesburg to its African footprint earlier this year and signed an interline partnership with Ethiopian Airlines. "This cooperation provides greater opportunities for our customers in the Asia Pacific to access the new emerging markets in Africa," commented Walter Lien, senior manager, global sales and distribution.

Forwarders and brokers are also pushing into the African market. In early June forwarder Gefco set up a subsidiary in Johannesburg in hot pursuit of a global agreement to import spare parts for Peugeot and distribute them in South Africa and neighboring countries. This is expected to generate up to one tonne of airfreight shipments a day and between four and six ocean containers in a month.

Also in June Air Charter Service opened a South Africa office in Johannesburg, the charter broker's first foray into Africa.

Forwarders in North America are feeling the gravitational pull from across the Atlantic. Direct links to Africa may still be scant, but connections over European gateways have multiplied, improving transit times, said Bob Imbriani, vice president of international operations at Associated Global Systems (AGS).

The U.S. forwarder is now trying to locate reliable partners in Africa. "In the past it was not so critical. We only did prepaid shipments," said Imbriani. Another reflection of the growing stature of the African market is the fact that now AGS has begun to include routes to Africa in rate agreements with airlines, he added.

Still, observers and forwarders wonder if the influx of capacity is caused by genuine growth potential or if it is more a matter of airlines trying to find alternatives to the over-served trunk routes between Asia, North America and Europe in a desperate effort to shore up their yields and to avoid having to park freighter aircraft.

Ram Menen, senior vice president of cargo at Emirates Airlines, embraces the latter interpretation. "Africa is also in negative growth territory; however, they are better off than other parts," he remarked, adding that a lot of the freighter capacity recently deployed in the African market might have been taken out of service were it not for the prospect of faring better there than on the major intercontinental sectors.

This is not to say that there is no growth in Africa at the moment. Hermann Zunker, regional director for Africa at Lufthansa Cargo, has seen good growth in imports to the continent's major markets. "Some countries are still enjoying their windfall from oil revenues," he remarked. "In Angola there is a lot of construction going on."

Unlike in North America or Europe, airfreight faces relatively little competition from trucking. If anything, shippers and forwarders are wary of lengthy surface moves. "You want to get as close as possible to destination and limit your inland movement," said Imbriani. He added that airfreight also benefits from the comparatively small size of many orders, which do not lend themselves well to ocean transportation.

Given its stature as the continent's strongest market, South

Africa is top in most operators' plans. While imports have remained strong, however, exports have suffered in recent months. According to Zunker, exports have shown a double-digit drop, driven largely by the woes of the automotive industry located in South Africa, which has seen downturns in excess of 50 percent. To a large extent, volumes have simply dried up, and more traffic has been diverted from air to ocean in order to save costs.

Egypt, on the other hand, has continued to enjoy growth in exports, which are dominated by perishables. Lufthansa Cargo has enjoyed double-digit growth there this year, Zunker said. In Kenya, another major economy on the continent, exports have been rather flat.

Nevertheless two European carriers — Lufthansa Cargo and Cargo B — have made Nairobi the focal point for their latest expansion moves. Cargo B, which flies three days a week from its home base in Brussels to the Kenyan capital with B747F aircraft, signed an interline agreement with Nairobi-based Astral Aviation. Lufthansa Cargo also expanded its reach into Eastern Africa through an alignment with Astral.

Zunker described the partnership as a strategic move to expand the German carrier's reach into East Africa. "We know there is demand in the neighboring countries, but we have no presence there," he said. By hooking up with Astral, Lufthansa gets connections to seven points in Eastern Africa, including Zanzibar, Entebbe and Kigali.

The two carriers have aligned their operations to allow tail-to-tail transfers in Nairobi. In addition, Astral is buying space on Lufthansa's flights between Nairobi and Johannesburg.

Would it make sense to apply a similar hub strategy through partnerships with African carriers in West and South Africa? Zunker sees merit in such an approach, but he is in no hurry to pursue it. "We have our operating standards. We don't just throw our cargo into the yard of another carrier. It takes time to develop this. We will see first how it develops with Astral, then we can have a look at further steps — in West Africa or a Jo'burg hub," he commented.

The rapid influx of capacity into Africa has taken a toll on yields. "The volumes are not increasing in the same way as they did in China, so a relatively small increase in capacity can tilt the balance," observed Imbriani.

"Yields out of Africa are under pressure. They have sunk by just about a double-digit rate year over year. Certain markets, like Nairobi, have significant overcapacity," commented Zunker.

"A lot of carriers see 'there's some freight in Africa, let's fly there'. They jump into the market with very aggressive rates," he added.

A return to healthier levels will not hinge on developments in Africa but on the major global trade routes. "The outlook depends on how North America and Europe develop. If they return to growth, there will be less excess capacity in Africa again. If not, then we will have to live with the situation," Zunker remarked. ACW


(photo courtesy of Priya Seshan)

More Than Just a C

amel

Once upon a time, moving stuff from A to B was a simple matter of trust.

Delivering your dates via camel in Mesopotamia was based largely on a personal relationship with the owner — if not the camel.

In today's global marketplace, we assume the transport mode is as reliable as it is impersonal. So there's much more focus on how it fits within a complex supply chain of buyers, sellers, intermediaries, governments and customers.

However we're still worried about security. Will someone steal our dates — or use them as a disguise to disrupt society in some violent manner? Or just eat them?

So in place of personal trust we now rely on complex IT systems to provide supply chain transparency. When the camel disappears out of sight, we can check on its progress via an RFID stuck in its ear.

This 24/7/365 access to real-time logistics data has created a flat earth. If a shipment is delayed or "interfered" with, we instantly know why and where and often how. And increasingly, we have become as wired as our camels.

However, what isn't as clear as our four-bar cell phone reception is how the dates have been grown. Increasingly consumers want to know whether the Kenyan beans on Lufthansa's MD-11 to Frankfurt have not only been grown organically with minimum or no environmental impact, but also whether the harvesters are exploited women and children.

Uzbekistan is a case in point. Since gaining independence from the Soviet Union in 1991, the country's government has increased its reliance on forced child labor to harvest cotton.

Uzbekistan is one of the "Big Five" countries that dominate global cotton production — the other four are China, the USA, India and Pakistan.

However, unlike China, India and Pakistan that use most of the cotton they produce, Uzbekistan has a limited capacity for domestic textile production. As a result over 75 percent of its cotton — around 800,000 tonnes — is sold on the world market every year, making Uzbekistan the third biggest cotton exporter in the world.

According to UN data, the major destination for Uzbek cotton is Europe. With a " Main Street" value of $350 million per annum it used to end up as clothes for Tesco, Walmart, Target, Levi Strauss, Gap, Limited Brands and Marks and Spencer.

Now all these retailers have agreed to ban Uzbeck cotton from their supply chains until the practice of forced child labor is ended.

But according to a new report from the International Labor Rights Forum (ILRF) this could take some time. Despite signing two International Labor Organization (ILO) conventions against child labor as a result of international pressure, the ILRF says the Uzbek government still closes schools during the cotton harvest and forces children as young as nine to "perform dangerous work in the cotton fields."

The ILO estimates 12.3 million people are subject to forced labor worldwide. Another term, of course, is slavery.

Lufthansa's recent publication of its latest Sustainability report acknowledges human rights issues in the supply chain. In 2002, it was the first airline to sign up to the UN Global Compact — which encourages companies to voluntarily align their operations and strategies with ten universally accepted principles of human rights, labor, environment and anti-corruption. The UN says that by doing so, businesses can help ensure that markets advance in ways that benefit economies and societies everywhere.

By 2008, 5,000 companies based in over 135 countries, including TNT Express and Deutsche Post, had signed up — with 1,473 in the last year alone. Interestingly, in the same period, the UN threw out 404 companies to avoid accusations of Greenwash. "Removing 'free riders' from the initiative remains an effective method for insuring the value of engagement in the Global Compact for the thousands of companies that are committed," says the UN.

In Istanbul last month, the UN launched a GE-funded, web-based "Solutions Forum" to address human rights challenges for multinational corporations.

The forum investigates human rights issues affecting business operations and supply chains in emerging markets, weak governance zones or in countries — such as Uzbekistan — where there

are substantial human rights challenges.

The online discussion site launched with a set of 30 human rights themes, including child labor, non-discrimination, privacy and access to water. "The Solutions Forum provides business with a unique opportunity to improve its understanding of human rights and participate in a real-time dialogue on solutions with other stakeholders," commented Ursula Wynhoven, Head of Policy and Legal at the UN Global Compact Office.

To help companies in tracking and tracing their cotton products through complex supply chains, the Environmental Justice Foundation (EJF) has produced a guide called "Somebody Knows — Unraveling the Cotton Supply Chain."

Whether it is cotton, cars or cocoa, the EJF suggests all supply chain actors should use this ten-point plan to ensure human rights adherence:

- Who makes your product?
- Set up group supplier meetings
- Ask each primary supplier to identify his or her supplier
- Hold group meetings with secondary suppliers
- Identify who is supplying the fabric (raw material) in your product
- Make it your business to know
- Use the Web
- Talk to merchants
- Onsite inspections
- Show your customers what you know

The UK-based Ethical Trading Initiative (ETI), an alliance of unions, companies and non-profits, has spent the past decade campaigning to improve working conditions in global supply chains. Says spokesperson Julia Hawkins, "The issues around ethical trading are complex but more consumers are becoming interested in how the workers who made their clothes are treated. So we've put out some new guidance to show what consumers can do ranging from simple steps like checking what ETI member companies sign up to, to asking tough questions of retailers."

The ETI claims that last year member companies reported over 50,000 separate improvements to working conditions for over six million employees.

One member that won't be doing so any more is Alliance Boots — Europe's largest pharmacy chain owned by private equity firm KKR. The retailer's recent withdrawal from the ETI has prompted criticism from unions and campaigners who suspect the highly leveraged company will be less than strict in upholding its supply chain labor codes.

Dan Rees, director of the ETI, said: "We are deeply disappointed that Boots have taken this decision, particularly at such a crucial time for the world's most vulnerable workers, who are bearing the brunt of the global downturn. The days when high-profile businesses could consider ethical trade as an optional extra are now gone."

Against a Business Case for Human Rights

There is a tendency to discount the importance of actions that cannot be explained or justified in economic terms. But not everything can or should be explained using the notion of human beings as rationale economic actors.

Few of us calculate the costs of injury, insurance premiums, and risk factors as we wait at a red light. There may be a way to explain this behavior in economic terms, but economic calculations hardly motivate the behavior.

So too, we should resist the temptation to recast human rights into an economically focused discussion around wages, working conditions, fair trade and a host of other real and important business operations issues.

If anything were ever more than the sum of its parts, it is our singular and collective right as human beings to be treated with dignity, respect, and equality.

But why, reasonable people will ask, must business concern itself with human rights – something governments across the globe are bound to protect? Is it not enough to make a product or provide a service that people need, to employ people, to help people and organizations carry on with their lives and work?

Must business also become responsible for such amorphous concepts as human rights – subscribing to the policy framework of the UN Human Rights Council to "protect, respect, and remedy"?

These are not unreasonable questions, even if politically incendiary. While businesses operate according to laws and regulations, market capitalism obliges businesses to maximize profit and reduce costs. And directors, in fact, have fiduciary responsibilities to shareholders to protect and grow their investments. Powerful incentives drive people to hoard proceeds, operate at least cost, and pay as little as possible to people who have little bargaining power.

But businesses, corporations in particular, are legal fictions – the contrived creations of a legal system that allows for the organization of work to be structured in ways that appear to be mutually beneficial for the societies governed by those laws. While business seems to be central to our lives today, while work seems to dominate most of our waking hours, the Universal Declaration of Human Rights, the United States Declaration of Independence, and hundreds of other defining documents at the local and global level make clear that what is sacred is people not work.

Very few of us will, on our death bed, gasp that we only wished we could have had a bit more time to write another memo or attend another meeting. Even if hard to remember on a daily basis as we become absorbed in our jobs, our humanity transcends our work.

As people in business each of us needs to attend to human rights not for near-term economic reasons, but because without human rights the fabric of social existence frays.

Whether your supply chain is short and mostly in North America, or long and winding across regions and nations and all manner of tribal traditions and languages, business operations are completely dependent on a very delicate and carefully constructed web of social interactions. That fabric is bound together by trust, respect, and a wide-ranging set of common assumptions and ingrained traditions.

Absent this critical social, political, and economic infrastructure, business operations would grind to a halt.

While we have come to see work as the purpose of life - and for millions in or on the edge of poverty, mere survival is the work of every day - the core notion of human rights lifts us beyond the notion of work to honor the core spark of humanity, grace, and beauty that it is to be human.

It reminds us of the social context of business. And while the UN Global Compact, the OECD, the Fair Labour Association, Amnesty International, and hosts of companies from HP and Epson to Starbucks and Nike have labored mightily and well to design practical tools needed to guide corporate action in the area of human rights, we should not lose sight of the driving force behind human rights declarations.

These declarations are not, fundamentally, about business but rather about people.

And at the end of the day, of course, business too is about people. For without people, call them workers and customers if you will, there are no profits.

Jonathan J. Halperin is Executive Director of the Campaign for Climate Stability, Ecosystem Restoration and Poverty Eradication, www.eempc.org. ACW

For the logistics industry, also gone is the notion that somehow it is only involved in looking after its camels. Once upon a time, as long as the dates got delivered, nobody cared who grew them and how. Not any more. That's why customers call it managing a supply chain.

One facilitator of this process is the Global Reporting Initiative (GRI) — the Amsterdam-based sustainability reporting framework supported by many FTSE 350 and Dow Jones 100 companies. The organization has just joined forces with the Austrian Development Agency (ADA) to promote transparency and sustainability in the supply chain.

The target group is Austrian companies with suppliers in emerging markets in Eastern Europe and Near-Asia that react to the consumer's need for transparent business relationships. Educating suppliers gives them better insight into risks and challenges in their supply chain and the capacity to measure and report sustainability performance.

The move was prompted by the success of a recent pilot project between the German Development Agency (GTZ) project and the German Federal Ministry for Economic Cooperation and Development (BMZ). The scheme brought Puma, Daimler, the Otto Group and Telefonica together with 12 of their suppliers across six countries to teach them to understand, monitor and report on their sustainability impacts.

"ADA is committed to helping Austrian companies embed sustainability and transparency throughout their international supply chains," said Gunter Schall, Head of ADA's Private Sector and Development Unit. "We are impressed with the way that the GRI Supply Chain Network helps to enable this, ensuring that supplier companies in emerging markets are supported in measuring and publicly disclosing their performance on a range of critical sustainability issues," he added.

Members of the GRI include Air France-KLM, Asiana, Cathay Pacific, Deutsche Post World Net, Iberia, Korean Airlines, Qantas, and UPS.

So not just any old camels. ACW

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

PRINCIPLE 1-Businesses should support and respect the protection of Internationally proclaimed human rights.

PRINCIPLE 2-Make sure that they are not complicit in human rights abuses.

PRINCIPLE 3-Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

PRINCIPLE 4-The elimination of all forms of forced and compulsory labor.

PRINCIPLE 5-The effective abolition of child labor.

PRINCIPLE 6-The elimination of discrimination in respect of employment and occupation.

PRINCIPLE 7-Businesses are asked to support a precautionary approach to environmental challenges.

PRINCIPLE 8-Undertake initiatives to promote greater environmental responsibility.

PRINCIPLE 9-Encourage the development and diffusion of environmentally friendly technologies.

PRINCIPLE 10-Businesses should work against corruption in all its forms, including extortion and bribery.

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Charters Vie For Position In Vibrant UAE Market

Air cargo charter business in the United Arab Emirates is proving a fiercely competitive arena as both local and foreign operators fight for market share.

It's a market that was thrown into disarray earlier this year when the General Civil Aviation Authority of the UAE banned the AN-12 freighter from local airspace over safety concerns after a number of serious incidents.

The ubiquitous AN-12 had become the region's workhorse, particularly for charters serving Iraq and Afghanistan, with more than a dozen operators flying out of UAE airports. Service providers quickly turned to alternative capacity sources, such as the larger IL-76F. But with more space to fill, rates took a tumble, and a relatively well-ordered market has become intensely competitive.

The AN-12 ban has also tempted local operators to fill the void with Western aircraft capacity.

UAE cargo carrier, Midex Airlines, based at Al Ain airport in the UAE, operates a fleet of six A300 freighters and a single B747-200F. Since its inception 18 months ago, the airline has been operating scheduled cargo services to Europe via the Lebanon.

But with the current global economic crisis reducing loads, the airline decided to establish a charter division and offer its capacity in the local market, according to Director General Jassim Albastaki.

"We have been operating charters from the UAE to Iraq and Afghanistan with some considerable success for the past three months now," confirms Albastaki. "But it is a very competitive market and by no means a level playing field."

Maximus Gains Muscle In Middle East

Abu Dhabi based MAXIMUS AIR CARGO is the largest all cargo aircraft operator in the Middle East, specializing in moving outsized cargo and leasing out its aircraft to other operators.

By operating a fully owned fleet now comprising Antonov An124-100, Airbus A300-600RF, Ilyushin IL-76TD and the Lockheed L-382G Hercules cargo aircraft, MAXIMUS AIR CARGO not only has the ideal aircraft for just about any air cargo requirement, it has also rapidly gained a strong reputation for its 'first-class-approach' to the regions air cargo charter market.

MAXIMUS being granted an Air Operators Certificate (AOC) in accordance with CAR-OPS by the UAE's General Civil Aviation Authority (GCAA), the company is fully adhering to the stringent UAE Civil Aviation Authority standards, comparable to EU OPS-1.

Established in 2005, the company with its qualified and highly skilled 160+ member strong workforce is focusing on superior customer care when managing air transport requirements and logistics solutions to Royalty, governments, multinationals, humanitarian & relief organizations alike. Maximus operates regular scheduled cargo services on behalf of airlines including Etihad, Iberia, Air France, and Sudan Airways, and is also the exclusive air relief support partner for the UAE Red Crescent.

During 2008, non-scheduled flight hours grew from 3,687 to 8,744 (compared to 2007) with freight-ton kilometers flown up from 136 million to 348 million. Future plans provide for further expansion of the Maximus all-cargo aircraft fleet as well as adding aviation support services to the company's portfolio.

maximus

flying above the ordinary

"It is a very competitive market and by no means a level playing field."

It is difficult to compete with foreign operators on rates, he says, "when we have to account for investment in compliance with local safety regulations" and they can operate more freely within the UAE.

Albastaki added that he has heard the GCAA is also considering imposing a ban on the IL-76F, a move he says he would welcome.

In fact, it would appear that the GCAA is about to move in the opposite direction and release the AN-12 from its UAE restriction.

According to Stuart Smith, Dubai-based cargo sales director Middle East for charter broker Air Charter Service, the AN-12 could soon be back in UAE airspace.

"I understand that AN-12 aircraft are now being allowed to make technical stops at UAE airports, without picking up cargo, which would seem to be a prelude to allowing them back with full operating authority."

New Safety Demands

Smith says he understands that the GCAA has imposed tough new safety demands on all AN-12 operators.

"It will probably mean that we will see the return of the Russian and Ukrainian AN-12 operators, but other carriers from

former Soviet satellite states will probably stay away."

ACS, he says, is involved in the Iraq and Afghanistan markets to the extent of operating full charters out of the UAE. "The Iraq market is now maturing into a more stable consumer market, whilst Afghanistan is still very much in rebuild mode."

The AN-12 ban certainly had its effect on airports in the emirates.

According to Charles Hajdu, Fujairah airport's manager strategic business development, the airport had no less than 25 AN-12's grounded at the airport when the ban was first imposed.

"They had the stark choice of flying out empty, or gaining the necessary certification to remain in the UAE," says Hajdu. "All have since left or are in the process of complying with the new regulatory requirements."

Hajdu describes Fujairah as a low-cost airport with high priority given to cargo operations.

"That means that on any given day we can have 80-90 aircraft parked on our aprons," he says. "Some aircraft are parked up for maintenance, but usually a third are on turnarounds and waiting their next load."

The Iraq market is maturing into a more stable consumer market whilst Afghanistan is still in rebuild mode

Lower landing and parking fees, he adds, encourage operators to use the airport, because they can "park-up" for one or two days to wait for cargo without incurring high fees.

Although heavily involved in the Iraq and Afghanistan markets, Fujairah also reports strong traffic flows between former Soviet states and Africa, with return loads moving out of the UAE.

"Many of these flights, such as to Kazakhstan are carrying high value goods such as Porsche cars and flat screen televisions," says Hajdu.

The return of the AN-12 will be welcome at the airport, says Hajdu, but even before its ban he was seeing a differing trend in business.

"We are now beginning to see increasing numbers of larger capacity Western freighters, including B747Fs," says Hajdu. "It is an indication of the growing volumes and maturity of cargo charter business now moving through the emirates."

Players, Offerings Abound

The UAE cargo charter market is also maturing to the extent that there is a growing source and variety of capacity available at local level.

And there is certainly no greater source of variety on offer than at Abu Dhabi-based carrier Maximus Air Cargo. It operates a fleet of one AN-124, three IL-76TDs, two L-382 Hercules and two Airbus A300-600 freighters.

It is an eclectic mix that has quickly allowed the airline to develop into a full-fledged charter carrier.

"Up until last year 45 percent of our business was generated from government entities in the UAE. Today, commercial

Fujairah International's Future Bright

Fujairah International Airport is strategically located on the east coast of the United Arab Emirates and is keen to invite all airlines, operators and aircraft owners to discover the quality, ease of access as well as the competitive pricing of all our services and take advantage of the close proximity to Dubai and all the conurbations of the Northern Emirates.

Any operator wishing to base their business at Fujairah International Airport should contact the Business Development Manager to secure their space and to benefit from streamlined facilitation services.

Fujairah - Discover an Arabian Jewel

The Cargo facilities offer fast and efficient freight turnarounds and is fully equipped to handle bulk cargo as well as containers.

The close proximity (10 minutes door to door) of the Port of Fujairah is an additional benefit for sea – air freight shipments.

Fujairah is currently only 90 minutes from Dubai but the new highway will reduce the travel time to just 45 minutes. There are excellent road connections to the freezones, business and industrial areas in the region.

Recent Airport Developments

The Apron Alpha expansion plan will see the current apron more than double in size permitting increased operational effectiveness.

Additional aircraft parking areas are being created for the many operators who wish to have a safe and secure location to park their aircraft.

Fifteen new workshop, office and storage facilities are planned for construction during 2009/10. These workshops will be adjacent to Apron Bravo providing purpose built facilities for specialist component repair, overhaul and storage.

Fujairah International Airport

contracts account for 75 percent of hours flown," says Thomas Bommer, the airline's marketing manager.

"It also means that we are not locked into any one market segment of the charter business, with the ability to offer heavy outsized capacity with the AN-124 through to more adaptable capabilities with the Hercules and IL-76 aircraft."

The AN-124, although originally purchased outright by the Abu Dhabi Government, remains on the Ukraine register and is operated by Ukrainian crews. The aircraft, says Bommer, has recently undergone an extensive 3,000-hour maintenance check, is now back in service and should be in strong demand.

Maximus admits it has had more difficulty in finding a niche in the charter market for its two A300 freighters.

It also wrestled with the option of offering the capacity on short-term ACMI contracts as line-haul support to scheduled carriers and even considered starting its own scheduled cargo operations out of Abu Dhabi.

The Airbus freighters have been put to good use operating short-term line haul contracts on behalf of such carriers as Iberia, Air France and local national carrier Etihad Airways. It is a choice that appears to have paid off for Maximus Air Cargo.

"We can now confirm that we are about to sign a long-term contract with a major UAE carrier which will take up the capacity of both the A300Fs," says Bommer.

But according to Bommer, it leaves the airline with a further dilemma.

"It now means that we will not have any A300F capacity available on our books for short-term contract work."

The solution for Maximus would appear to be simple. "It seems likely that we will soon acquire a third A300F aircraft in order to maintain our flexibility," says Bommer. ■

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AIR FREIGHT BUSINESS OPPORTUNITIES

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.**

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AIRLINES

American Airlines Cargo has named **Jennifer Smith** regional manager of Cargo Sales for Northern Europe. She replaces **Roger Samways,** who is now Managing Director Global Accounts and Strategy. Smith will lead the team of European sales, customer service and general sales agents from the AA Cargo London Heathrow office. Smith previously worked for an international carrier and served in multiple regional and global account management positions.

British Airways World Cargo announced a reorganization of its commercial team across Africa, the Middle East, Asia and Pacific regions. **John Cheetham,** previously regional commercial manager, Middle East and South Asia (MESA) has been named regional commercial manager for Asia Pacific. **Mark Stubbings**, formerly global key account manager, has been named regional commercial manager for Africa. He replaces **Patrick Fehring,** who joins the passenger business. **Matt Preiss** is appointed regional customer services manager Middle East, Africa, Asia and Pacific, an expansion of his previous role of customer services manager Asia and Pacific.


CHEETHAM

Mat Burton, previously area manager, India and Nepal is appointed regional commercial manager for Middle East and South Asia. **Johnny Rubio,** previously area commercial manager, Middle East, Central Asia, Pakistan, Bangladesh and Sri Lanka becomes business manager Africa, Middle East, Asia and Pacific. **Chris Chan** returns to the business as area commercial manager, China, Hong Kong, Philippines and Taiwan following a period of absence, and will report to John Cheetham. **Gurmeet Kalra** previously area commercial manager, Hong Kong, Taiwan and the Philippines, will serve as area commercial manager India and Nepal, reporting to Burton.

Polar Air Cargo has named **Dan Battle** Regional Sales Manager, US & Southeast, based in Atlanta. He has extensive sales experience in the southeast market, the company said.

ASSOCIATIONS


NEUMANN

Thorsten Neumann, Head of Security Central Europe, Middle East & Africa for **Nokia**, has been re-elected Chairman of the **Transported Asset Protection Association** for the Europe, Middle East and Africa (EMEA) region. **TAPA** EMEA has elected a new Board of Directors who will also serve two-year terms. **David Reid** of **TNT** was re-elected Vice Chairman and **George Wiessing** of HP will continue in the role of Treasurer. **Marcel Saarloos** of HP will continue as Lead for the Freight Security Requirements and **Paul Linders** of **Ceva Logistics** will focus on TAPA Air Cargo Security Standards. **Luc Van Herck** of Nike becomes Standards lead for Truck Security Requirements and Parking Security Requirements and **Jason Breakwell** of **Rutges Cargo** assumes additional responsibility for Board strategy in addition to his existing role of PR lead. **Gilad Solnik** of **DHL Express** will continue to handle **TAPA's** Incident Information Service. **Tony Kavanagh** of Sandisk, a newcomer to the Board, will lead Training. **Mark Schwarz** of **Eurowatch** will continue to lead conferences.

THIRD PARTIES

Aeronet, an integrated logistics solutions company, has named **Gloria Wong** International Operations Manager in the San Jose, California area. She had been affiliated with New Jersey-based **Yusen Global Logistics**. Wong will report directly to **Bob Turner,** General Manager of the San Jose Station. The company also appointed **Marcos Iniguez** Business Development Manager for the Los Angeles area. Iniguez was previously affiliated with **Lloyds Global Logistics** in California. Also, **Dave Starnes** will serve as Business Development Manager for the Dallas-Ft. Worth area. Starnes had been affiliated with **CEVA Logistics.**

Aberdeen-based oil and gas logistics company **ASCO** has entered the Asia Pacific market with the opening of a Freight Management base in Singapore. Neil Johnson will lead the new business that will provide project freight services for the energy, infrastructure and related sectors. Billy Allan, ASCO chief executive said, "Our plan now is to build out from our three regional hubs. In the short term, we expect to establish operations in Stavanger, Baku, Calgary and Kuala Lumpur. "

YRC Worldwide Inc. has named **John Garcia** Executive Vice President and Chief Sales Officer. He will be responsible for sales strategy and results across the YRC and the regional operating companies. His appointment is part of a new structure involving numerous senior leadership moves, the company said. **Mike Smid,** President of YRC Inc. and Chief Operations Officer, will assume responsibility for the operations of all YRC Worldwide regional and national networks including his current role. **Tim Wicks,** currently Executive Vice President and Chief Financial Officer, will lead a newly consolidated organization comprised of all strategic and operational finance activities across YRC Worldwide companies. **Sheila Taylor,** currently Vice President, Finance and


GARCIA

Advertiser Index

Investor Relations, will also assume the role of Treasurer reporting to Wicks. **Greg Reid,** Executive Vice President and Chief Marketing Officer, will lead a consolidated marketing effort, including brand and business development initiatives, supporting all YRC Worldwide companies. **Mike Naatz,** Executive Vice President and Chief Information and Service Officer, assumes responsibility for YRC Worldwide Information Technology, YRC Customer Service and the strategic direction for the Regional customer service functions. **John Carr** assumes the role of President for YRC Logistics, leading the YRC Worldwide global logistics management company focused on transportation, distribution and global services for clients. Previously, Carr was Chief Operating Officer for YRC Logistics and President for the Americas and Europe.


IRIGOYEN

Logistics company **OHL** has appointed **Bert Irigoyen** as President and Chief Operating Officer and **Frank Eichler** as Chief Administrative Officer and General Counsel. In addition, the Tennessee.-based company has elevated **Paul Stone** to Chief Financial Officer. Irigoyen, who has been with OHL for two years, previously served as CFO. Eichler was formerly Executive Vice President and General Counsel at OHL. Stone joined OHL in 2008 from **Sitel**, a global customer care company.


EICHLER


STONE

Supply chain solutions company **Seko** has opened a new facility in Sweden. The operation was launched by Nordic logistics veterans **Jacob Schultz,** managing director, Seko Denmark and Managing Director, Seko Sweden, **Bjorn Rosenlund**. The new office, in Malmo, could lead to further expansion into Gothenburg and Stockholm, the company said. ACW

events

JULY 13-14

Washington, DC: The American Association of Airport Executives 2009 Summer Legislative Issues Conference will focus on FAA reauthorization legislation, annual funding bills and security policy changes. The conference offers airport executives and industry leaders the opportunity to learn the latest on critical issues during presentations by industry experts, congressional staff, administration officials and lawmakers that address key aviation issues in Congress. All sessions will take place at the Renaissance Mayflower Hotel.

JULY 26-28

Montego Bay, Jamaica: Aviation and airport issues and challenges in the Western Hemisphere will be discussed at the 2009 Airports Conference of the Americas that brings together officials from more than 15 countries. Airport and government officials and industry suppliers can network with colleagues from the Caribbean and Latin America and attend business sessions on topics such as airport privatization, safety and security, enhancing airline/airport partnerships, reducing airport energy costs and revenue enhancement. The conference will also feature two panels on air cargo, one focusing on cargo development and the other on cargo clearance, screening and security issues. The conference will be held at the Rose Hall Resort & Spa and is co-sponsored by the U.S. Federal Aviation Administration, the Ministry of Tourism of Jamaica, the Ministry of Transport and Works of Jamaica, American Association of Airport Executives (AAAE), the South Central Chapter AAAE and the International Association of Airport Executives (IAAE).

SEPTEMBER 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.*

SEPTEMBER 9-11

Mexico City: 5th IATA Cargo Claims and Loss Prevention Conference will present information on practical solutions for efficient processing of air cargo claims. The conference offers the latest on best practices in air cargo claims management and an opportunity to network with others in the field.

SEPTEMBER 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 business and employees during the challenging economic times. For more information, visit *cscmp.org*.

OCTOBER 11-14

Austin: ACI-NA 18th Annual Conference and Exhibition Committing To the Future: Transforming Ideas Into Actions ill be held at the Austin Hilton. Featured sessions include NextGen: It Starts and Ends With Airports, Reputation Management: Maintaining Your Airport Brand in Challenging Times, Airlines and Airports: Working on the Relationship, Turbulent Times Call For Savvy Strategic Planning and Climate Change: Is It Getting Warm In Here? For more information, visit *http://r.listpilot.net/c/acina/3r0kg7a/1qpmn*.

NOVEMBER 4-6

Miami: Air Cargo Americas International Congress and Exhibition will feature discussions on surviving and growing business in tough economic times. More than 4,000 international aviation and business executives from 45 countries are expected to attend the air cargo trade show. It will be held at the World Trade Center in Miami. For more information, visit *www.aircargoamericas.com* or call (305) 871-7910.

NOVEMBER 10-12

Vienna: The IATA Aviation Fuel Forum brings together airline representatives, fuel suppliers and strategic partners to discuss the industry's priorities and agree on actions that enhance efficiency and productivity. The event designed for member airlines and strategic partners only will be held at the InterContinental Hotel Wein in Vienna, Austria. ACW

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.

A Sectoral Deal for Aviation

In recent months there have been calls by IATA, ICAO and the Aviation Global Deal for a sector-based approach for aviation in the post-2012 climate change architecture. This month I investigated what this means for aviation.

Aviation is not the only one asking for a new deal. The 2005 Kyoto Protocol was the first run at reducing GHG emissions using a comprehensive reductions plan setting national targets and leaving the particulars of reduction strategies to states. This was politically efficient as it didn't require negotiating details of global reduction methodologies.

However, there are grave concerns with Kyoto. For one, national regulation has the problem of unilaterally affecting a sector's competitiveness. Energy intensive industries in the EU have argued that the costs of the Emissions Trading System could make them uncompetitive and business and jobs will leak out of Europe to countries with less costly carbon regimes. Some energy intensive industries, such as cement, steel and aluminum argue that global sectoral agreements will be more effective at reducing emissions without leakage. For another, there is a divide between developed and developing countries, and who is to bear the burden for reducing emissions.

International aviation and maritime shipping were carved out of the first Kyoto agreement because of an inability to agree on the attribution of emissions to individual countries.

A sectoral agreement would effectively treat the aviation industry as a separate entity. There would be emissions targets set for the sector by experts: intensity goals – e.g. IATA's goal of a 25 percent improvement in fuel efficiency by 2020 over 2005, fixed emission goals – e.g. 50 percent absolute reduction in emissions by 2050 over 2005, and technology-based sectoral objectives such as using 10 percent alternative fuels by 2017. Standard methodologies would be used to measure and verify emissions reductions. Emissions would be calculated based on fuel purchases, and allowances would be granted to airlines based on their carbon emissions. Incentives would promote the use of new technologies such as biofuels and encourage the transfer of technologies from aviation in developed countries to developing countries. Carbon trading in a global market would be used to offset emissions that can't be reduced to meet targets.

As expected, there are advantages and disadvantages of a sectoral agreement.

One advantage is potentially easier negotiations. There are few producers of aircraft and ICAO already represents the industry in the UNFCCC, so coordination is easier than in other sectors. The final coordination costs will depend on how the UNFCCC involves states and industry in the Copenhagen agreement, and how linkages are established between sectors and the comprehensive framework. Who monitors the sector will also matter. Self-monitoring will be viewed skeptically, so a new monitoring body will have to be created.

Aviation emissions based on fuel consumption are relatively easy to measure - another plus. While there is scientific uncertainty about the impact of aviation emissions, particularly radiative forcing and high altitude emissions, measuring fuel used is straightforward. Using fuel consumption also solves the attribution problem of emissions in international territories.

A sectoral agreement may also be better for the environment than under a comprehensive agreement. A sector-based solution could capture a much higher percentage of emissions than under Kyoto by involving more nations. This is certainly true for international aviation. However, because a comprehensive agreement encourages reductions worldwide and sector-based agreements are focused on one sector, a sectoral agreement may not reduce emissions as much as a strong comprehensive agreement. The WWF argues for solving the attribution of emissions problem and including aviation in a comprehensive framework and skipping a sectoral agreement.

By having the aviation industry under one roof, the playing field can be leveled for all airlines, reducing concerns of leakage. In practice this will depend on how incentives are implemented, and how linkages are created with other sectors, particularly maritime.

Technology transfer between developed and developing countries is another concern. How developing countries are treated in a sectoral argreement could be a major sticking point. They bear the brunt of climate change and currently have no emissions reduction obligations. Placing emission constraints on airlines in developing countries will be unpopular. However, a sectoral approach might be used to better spread the costs of R&D and encourage technology transfer from developed to developing countries. Having a global sector for aviation could create rapid economies of scale for new technologies and biofuels.

A sectoral agreement has its attractions but it will be a hot debate in December. One thing is certain; the global temperament is such that any agreement coming out of Copenhagen will not insulate business models in international aviation from change. ACW

Air Cargo World

profile

Tim Bradley's

Tim Bradley, Chief Executive Officer of AirClic

knack for growing sales is paying off in his latest venture as chief executive officer of a mobile business solutions company making inroads in the air cargo industry.

The CEO of Pennsylvania-based AirClic, who joined the sales ranks fresh out of college after obtaining a degree in computer science, has not looked back. That decision "served him well."

Bradley got his start as a sales trainee with the Massachusetts-based computer company Wang Laboratories, a household name at its peak in the 1980's with annual revenues of $3 billion.

The Delaware native says he joined one of Wang's last sales trainee groups, transitioning into large account technology sales before the company went "bust."

That first opportunity proved fruitful because the computer field exploded during the next 20 years. Good training and a "work hard, work smart" approach gave Bradley the footing to build relationships with clients and evolve with technology.

The graduate of Dickinson College, a liberal arts school in Pennsylvania where he applied his "somewhat limited" baseball and football skills, says he found the idea of focusing his "talents and competitive fire" in the technology field equally appealing.

Bradley moved on to oversee regional sales at the Canada-based software company, Cognos, an up and comer in the emerging business intelligence market. Sales climbed quickly and he later led nationwide sales for the company that was recently acquired by IBM for $5 billion.

That stint and Cognos' acquisition of planning software maker Adaytum was a "game-changer" for Bradley, who landed the top job at AirClic in March 2005.

Founded in 2000, AirClic's bumpy management and product ride has stabilized since Bradley took control.

For Bradley, the AirClic move was a no-brainer: the company's web-based tracking and reporting applications are "the next big thing."

High quality, real-time information about events "that can make or break businesses has been elusive," he says, but AirClic has made that "a day-to-day reality."

A mobile platform targeted to applications on both the passenger and cargo side "is helping airline customers improve their experience," says Bradley. "So, it's been a dream come true as a sales guy."

Customers include Alaska Airlines, Delta Air Lines and Southwest and AirClic recently signed up United, Bradley says. The company's cargo tracking and reporting solution was touted in a recent Cargo 2000 statement about AirClic joining a key pillar of IATA's e-freight program. AirClic will support airlines and other logistics companies in the Cargo 2000 program designed to improve the process for managing shipments in a paperless environment.

What does Bradley like most about his job? The chance to put his stamp on the company. AirClic, which does not reveal its revenue, plans to expand into the global market soon. That path fits with Bradley's grand plan. "I've always been one that loves making a market."

While the mobile applications business category has been talked about a great deal, Bradley says, "no one has cracked the code." The father of three, who travels often but still finds time to coach youth hoop and football teams, take family ski trips and hit "the Jersey shore," sees AirClic "emerging as a clear leader in the space."

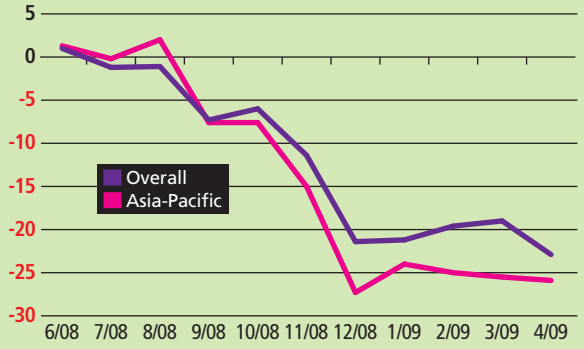
The company's aim is to bring technology to the air cargo industry at a price point where companies can leverage their investments to enhance their processes and fatten bottom lines, he says.

Industry officials have impressed Bradley with their enthusiasm to address security and other issues during the global financial crisis. Says Bradley: "Leaders are stepping up and there is a lot of momentum in the face of fierce economic challenges." ACW

Trish Williams, trish.williams@aircargoworld.com

CARRYING EUROPE

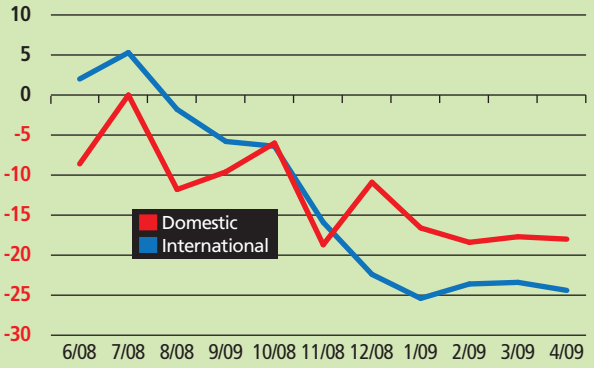
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

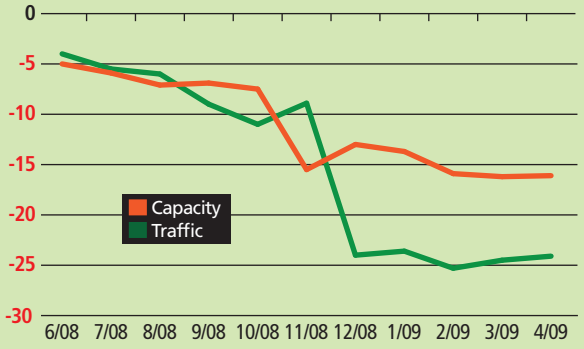
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

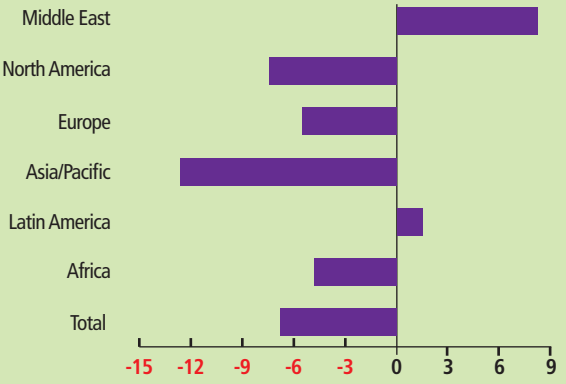
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

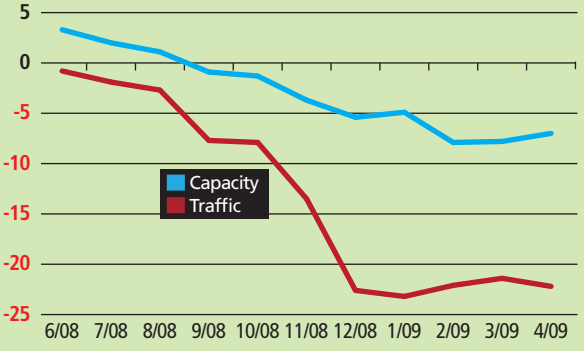
International air cargo year-over-year change for April 2009 vs. April 2008



Source: IATA

CARRYING INTERNATIONAL

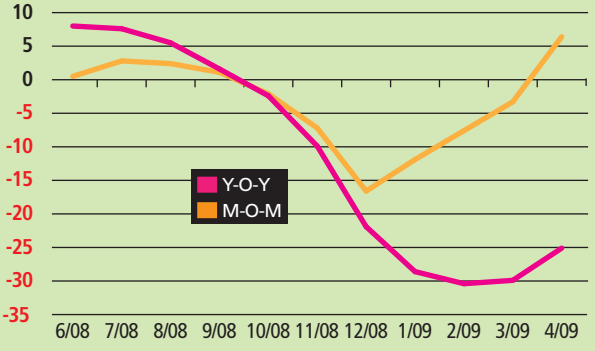
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight tonne-kilometers and available tonne-kilometers.



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

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