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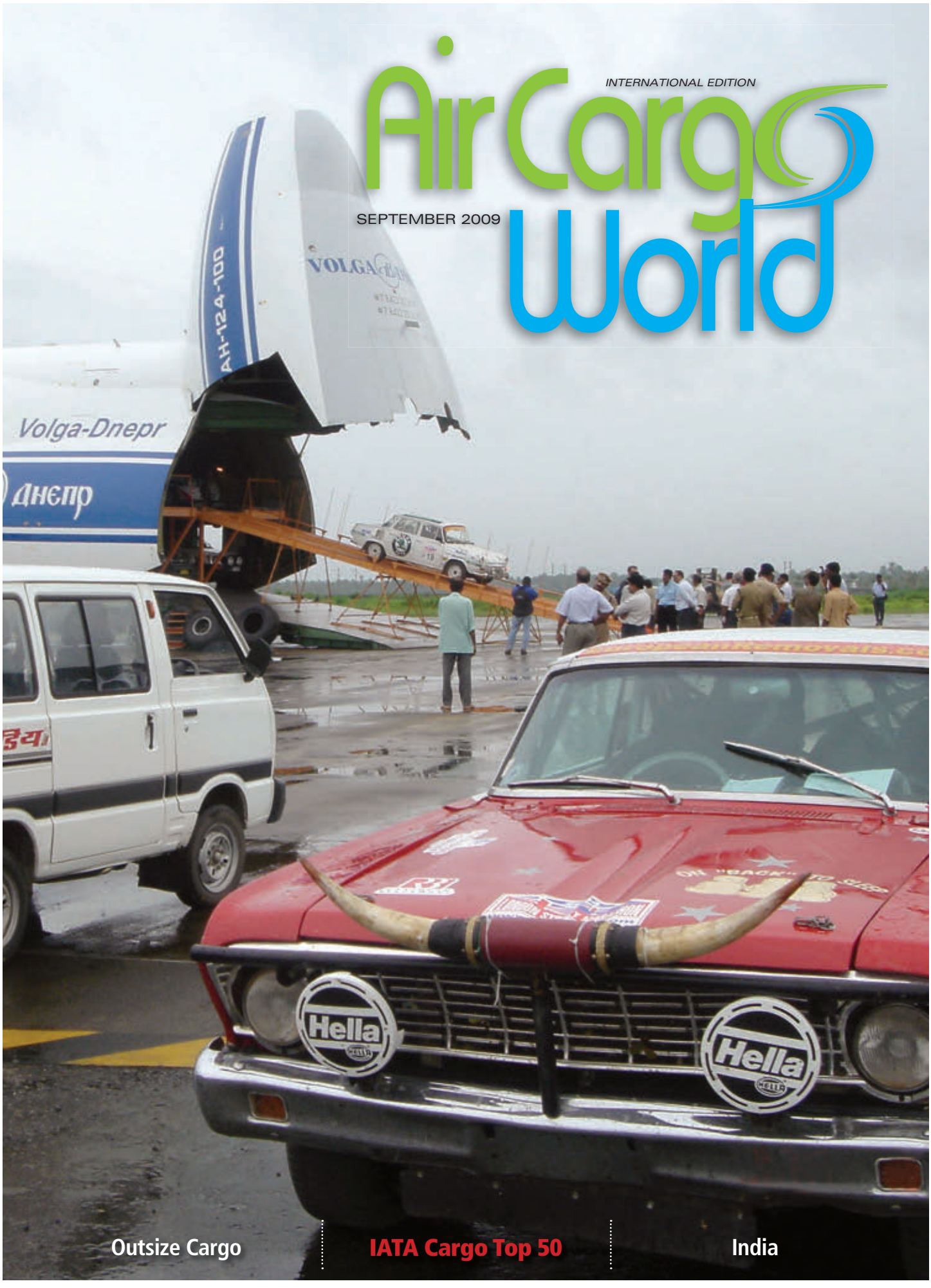

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editorial

With the U.S. unemployment rate near ten percent, treating people as commodities is obviously bad for business.

That few companies actually live up to the HR cliché, "our greatest asset is our people" is testament to the destructive obsession of performance reporting to Wall Street.

UPS Founder Jim Casey believed that people who owned a stake in his company would have a greater incentive to make it successful. Not an original concept, but certainly by the time the company went public in November 1999, the management and supervisor-owned business was extremely successful.

So it was no surprise that its initial public offering was oversubscribed. For the first time anybody could benefit from a business culture that hade survived and prospered despite two World Wars and the Great Depression.

UPS says its move from employee to public ownership was the need for additional capital to fuel growth. Today, after nearly a decade of public ownership, the growth is certainly evident, but at what cost to the culture? Only 30 percent of UPS is in the hands of current or former employees. Institutional investors now control 50 percent of the company. Private individuals own the remaining 20 percent.

While public ownership may be a recipe for profit, is it the best model to sustain a for-profit business? Both sides of the argument are well worn but obviously Jim Casey had view.

Despite 240,000 Teamster employees, UPS does not have specific stock plan for them. As individuals, Teamster members can participate via the company's 401K plan.

So after nearly two decades of "fair" competition as Integrators, is it mere coincidence that UPS and organized Labor have decided that a Democratic Congress and Administration is the right time to correct "a legal fiction" with FedEx?

According to a PR lobbyist working for the AFL-CIO, "the workers have a lot to say in support of UPS, and against the unfair advantage with which FedEx has operated for so long."

It is interesting to note that Southwest CEO Gary Kelly cited the risk to management-employee relations as the reason why the airline did not make a more aggressive bid for Frontier Airlines.

Unlike its peers, Southwest has relied on the good will of its employees rather than the opinion of Wall Street analysts. The result is over three decades of consecutive profit and a legendary corporate culture.

Maybe the Teamsters should take a leaf out of the Southwest employment playbook and spend their money on UPS stock instead of lobbying Congress.

Jim Casey saw employee ownership as the key to corporate responsibility and long-term stability. So why gamble over 100 years of corporate ethos to win a "legislative battle" that benefits one employee group at the possible expense of another?

Or is the oft-quoted "fairness" just about the Teamsters wanting a position of power at FedEx?

If so they should earn it, not legislate it.

Simon Keeble
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Air Cargo World

viewpoint

The skies over Europe have been much quieter since the European Union implemented ICAO's Stage 3 noise regulations in April 2002.

It meant an immediate ban on older, noisier aircraft that could not meet ICAO's new stringent standards on noise emissions.

Hushkit solutions were found for some aircraft, such as the B727, but for others like the IL-76 freighter, time was about to run out. It was deemed too expensive to re-engine and upgrade the aircraft to meet the new standards.

So a desperate rearguard action was mounted to exempt the freighter. But to no avail. The IL-76's fate, it seemed, was sealed. It would no longer be able to operate commercial flights within the EU. Exemptions would only be granted for government ordained operations, such as military or mercy aid missions.

With such a tough new noise regime in place, it was obvious that a longer-term solution was needed to find a replacement.

Volga-Dnepr made the bold decision to go back to the drawing board and work with Ilyushin Design Bureau, the IL-76's originator and TAPOiCH (the IL-76 production factory in Tashkent, Uzbekistan), to build a new version of the freighter. The new IL-76TD-90VD, fully Stage 3 and Stage 4 compliant, has now flown and the first aircraft entered commercial operation in May 2006. A second aircraft was delivered to Volga-Dnepr in July 2007, with a third due for delivery in October this year.

It has been an expensive and long-term commitment. But it does mean that the IL-76 freighter can once again operate over the skies of Europe as well as to other major markets in the US, Japan and Australia that have also remained closed to the older version.

There is only one problem. Those skies are already pretty crowded with older non-compliant IL-76 freighters.

What has happened since the EU issued its collective ban on such aircraft from operating within its airspace? Exemptions for the IL-76F within Europe, rather than the exception have become the norm, not just for government-ordered flights, but also for normal day-to-day commercial operations.

As of today, only two European states, namely the UK and Ireland, adhere strictly to the ban on non-compliant aircraft for all commercial and government operations. Others, including Germany and France, issue exemptions with the most meager of excuses.

Forwarders in these countries seem able to argue that no other suitable capacity is available. Smaller airports claim they will go out of business if they cannot accept IL-76 flights.

Even in the UK it is quite simple to avoid the ban. You simply truck your freight across the channel and pick up an IL-76 flight in a neighboring EU state.

Economically more stringent times, it may be argued, should allow for a more flexible approach, at least in the short term. But where does this leave the airlines and operators who have invested in more modern freighter fleets to remain compliant with ICAO standards?

This not only impacts the niche players in the air cargo market. Larger EU carriers, with extensive freighter fleets, much of which are currently grounded, are also seeing their business further eroded by these errant operations.

Volga-Dnepr would like to make further commitment to the IL-76TD-90 and introduce more of this modern freighter capacity to the European market. But what incentive does it have when others continue to ply their trade with older, "illegal" equipment? It seems all too easy to be able to turn the clock back for the sake of convenience.

The EU should reassert its position and insist that non-compliant states adhere to the ICAO Stage 3 noise standards. This could be achieved by establishing a defined time line for all operators to become fully compliant. In this way, the EU could achieve what it set out to do seven years ago. ACW

Dennis Gliznoutsa was born in Fergana, Uzbekskaya SSR and graduated from the Ulyanovsk branch of Moscow State University in 1995 with a diploma in Applied Math and Theory, Mechanic/IT Engineering and Programing.

worldnews

Wallenborn Goes Dutch With A Danish

Wallenborn Transports has bought Amsterdam-based Rutges Cargo and Haugsted AirCargo Services based in Copenhagen.

The acquisitions are designed to strengthen the Luxembourg-based company's position as a logistics provider in northern Europe and Scandinavia.

Rutges Cargo, with airfreight offices in Amsterdam, Brussels, Frankfurt, London and Paris was originally founded in 1886 to ship coal.

Haugsted AirCargo Services, whose origins go back to 1887, now specializes in air cargo distribution throughout Scandinavia.

Frantz Wallenborn, President of Wallenborn said, "Rutges is a very well known name and has a very strong customer base and distribution capability. We will strengthen our position in Benelux and Western Europe and particularly in the UK, which will become an important market for us."

Commenting on the Haugsted purchase, he added, "Haugsted's focus on full distribution services over a large geographical area complements the base-line approach we have – our focus is on full product integrity and capability over all of Europe."

Rutges, which is a member of the Technology Asset Protection Association (TAPA), has also announced the launch of a new secure express delivery service for aerospace, pharmaceutical, high-tech and luxury goods customers.

Bart Waals, a sales executive for the company explained, "We know that customers value our transport expertise and want a single supplier for all of their requirements. Security and quality during the delivery process are critical and these are areas where Rutges Cargo has invested significantly to stand out from the crowd of other companies. We are a TAPA accredited operator, the only trucking company member of Cargo 2000 and have most recently upgraded our quality certification to the latest ISO 9001:2008 standard." ACW

BACA Keeps Its Word

The frenetic world of air cargo charter remains at the sharp end of aviation business. Deals are done, flights are booked and cargo is moved on the back of a single, usually urgent, phone call.

Most major brokers today have a galaxy of technology and support systems in place, with offices around the globe, to ensure they provide an instant response at any time of day or night. There is no call back or another day in this line of business.

A far cry from 60 years ago when the forerunner of the Baltic Air Charter Association (BACA) was formed in London.

Known as the Airbrokers' Association, it was founded by members of the Baltic Mercantile and Shipping Exchange. Its purpose was to bring to aircraft chartering the same standards of integrity and professionalism for which the Baltic Exchange and the Institute of Chartered Shipbrokers had for so long been known and respected in the mercantile trade.

The Baltic Exchange in the heart of the City of London originates from the city coffee house of the same name where shippers and merchants met to conduct business in the early 18th century.

In 1976 membership was opened to include airlines and other non-members of the Exchange who could show they operated their aviation business to the same high standards set by the original association. It was at this time that the name change took place and BACA was created.

Advances in communications, certainly in today's computer-driven age, means that very little air charter trading now actually takes place on the floor of the Exchange.

But one person who can remember those early days is Markham Jackson.

"I joined a charter company as a junior broker and was sent onto the floor to conduct business," recalls Jackson. "It was a very simple and straight forward affair with a board showing available aircraft on one side of the floor and on the other side a board showing passenger and cargo contracts. It was very similar to the way business was conducted for the shipping trades in the same building."

The one vital point Jackson does recall is that all charter broking business was conducted on the floor of the Baltic Exchange by word of mouth and with a handshake.

"This was very much the time of, 'my word is my bond' which as a young broker was quite a daunting prospect," says Jackson. "If you mistakenly quoted a low market price you could not go back on your word, once you had shaken hands on a deal."

It is a business ethic that remained with Jackson throughout his charter broking career. Which is why, after his recent retirement, members of BACA have voted him to fill the newly created role of chief executive of the association.

"We felt the time had now come to give a stronger voice to BACA and its members," says Jackson, who previously has served as chairman of an association which now has 125 members which, as well as brokers, includes charter airlines, freight forwarders and consultants, among others.

"We have not been averse to lobbying quite hard at political level in the past," says Jackson. "But one of the main roles of the chief executive will be to carry through projects on behalf of BACA."

Recognized by both the UK Civil Aviation Authority (CAA) and the UK Department of Transport, it has previously taken strong stances on contentious issues that it feels could be negative for the industry.

"In 1999 we successfully campaigned against the imposition of the CAA Air Travel Organizers' License requirements on brokers and intermediaries," says Jackson. "BACA's view was that they should not be required to provide protection to the charterer, as no reciprocal protection was available to charterers when dealing with an aircraft operator directly."

More recently BACA called for a review of the decision by the CAA to permit higher landing charges at Heathrow and Gatwick Airports.

"These proposed charges are seen as widely detrimental to the aviation industry," charged Jackson when speaking as chairman of BACA.

He argued that when the Spanish-owned company Ferrovial purchased the BAA, in a move that left Ferrovial heavily debt-laden, the CAA indicated that they would not take into consideration Ferrovial's financials when determining the fees that the BAA can charge.

"Clearly this has been ignored with the decision to allow BAA to impose higher landing fees at Heathrow and Gatwick airports." stated Jackson.

Now serving as BACA's first chief executive Jackson already has a full agenda of issues to take up on behalf of the association's membership.

"We in the charter brokering business still have a lot of obstacles to face, including Fifth Freedom rights, the grave ATC situation in Europe and the threat of US carriers enjoying more rights than airlines in Europe," says Jackson.

The world's largest and most prestigious network for air charter professionals has recently crossed the North Atlantic to establish its first chapter in the United States, with Wayne J. Rizzi, president and CEO of Air Royale International Inc voted in as the first president of the U.S. chapter.

Rizzi clearly sees the establishing of a BACA foothold in the US as a means to improve the image and standing of charter brokers on his side of the Atlantic.

"The U.S. air charter industry is facing a series of problems between brokers and the U.S. Department of Transportation (DOT). Within the United Kingdom and Europe, BACA has been working to prevent the same regulatory difficulties currently stressing the U.S. air charter industry."

Rizzi is a firm believer that all charter broker companies should be transparent when conducting business with customers.

"It's important that brokers do not hold out as certificated air carriers, and that they state that they do not own or operate aircraft. The Federal Aviation Administration, along with the DOT, has made it clear that certificated charter operators must maintain operational control at all times. Charter brokers are a valuable part of the industry, and operating in an ethical, transparent manner is what we'd like to promote working through the BACA."

The US chapter is currently completing its air charter broker accreditation before becoming fully established enabling it to take on membership - just a short 60 years after BACA's origins in a London City coffee house. ACW

In The News...

AeroLogic, the Lufthansa/DHL joint venture, reports 90 percent load factors for its first month of operation. The Leipzig-based airline took delivery of a second B777F at the end of July. The two aircraft operate between Leipzig, Bahrain, Singapore and New Delhi during the week and between Leipzig, Tashkent and Hong Kong every weekend. Two more B777F are due for delivery at the end of the year…In a related move, **Lufthansa's** Baa3 rating, the lowest investment grade at Moody's, was placed under review for a downgrade after the airline reported a $310 million net loss for the first six months of 2009. Cargo traffic dropped 19.8 percent for the period to 788,000 tonnes carried with an overall load factor of 56.4 percent, a decline of 8.9 percent…**Air France** and **KLM** will combine their respective U.S. cargo operations from October 2009 to improve performance and lower costs. Despite a global integration move in 2005, U.S. anti-trust law has prohibited the two airlines from working together in the United States. Now, following the recent Department of Transportation partnership approval for **Delta**, Air France and KLM, the two European carriers say they will provide "access to a seamless worldwide connection via the two hubs – Charles de Gaulle, Paris and Amsterdam Airport Schiphol. These activities will be coordinated with Delta Cargo within the Air France-KLM-Delta financial joint venture on North Atlantic routes." Meanwhile a 17.2 percent decline in July cargo traffic for the airline group was matched by a 17 percent reduction in capacity leading to a load factor of 64 percent… **Cargoitalia** will be represented in Hong Kong by New Asia Capital Resources Ltd. Handling will be performed by HACTL. The carrier, which took delivery of its second MD11SF aircraft this month, is set to begin scheduled flights to Hong Kong

Sept. 9. The airline plans to add a third MD11SF in the coming months. **Heavyweight Air Express** will serve as GSSA in the United States. **Network Cargo Systems** International Inc. will market Cargoitalia's capacity in Canada. The airline has tapped the Dubai arm of Heavyweight Air Express for marketing in the UAE together with its strategic venture partner **Kargosistem**, Istanbul…A report from the **International Transfer Center for Logistics** and the Technische Universität of Berlin says there are serious security shortcomings in international air cargo transportation and the controls around it because of a lack of standardized regulations in air and freight security. About 56 percent of companies surveyed said the lack of consistency in this area is their biggest security challenge. And 61 percent of freight handlers cited a lack of security awareness among their staff and the staff of their service providers as a problem. The study found that the lack of security controls are a particular problem for small-and-medium-sized logistics service providers. While 82 percent of industrial companies that export a high proportion of goods regard security precautions as an integral part of logistical processes, only 59 percent of small-and-medium-sized service providers attach the same importance to this aspect, the report said. The study also found that the requirements of the strict EU security regulations delay urgent air freight with 80 percent of those surveyed claiming they drive costs up. In that vein, 77 percent of logistics service providers and 83 percent of freight handlers believe security requirements account for up to ten per cent of all logistics costs…The **Association of European Airlines** says freight tonne-kilometers (FTKs) dropped 20.7 percent in June over the same month last year. "The airfreight market showed no signs of revival," the industry association said, with both major traffic flows posting even more severe losses. Europe-Asia traffic remained the weakest in June with an overall drop of 24.9 percent. The North Atlantic continued to slide with minus 21.8 percent compared to June of last year. The bright spots were a strong 40.9 percent jump in FTKs to Africa and a 5.1 percent rise on Mid-East routes. Year-to-date figures show an overall drop of 22.1 percent in FTKs for AEA members with Europe-Asia posting an overall decrease of minus 27.1 percent for the first six months…**Frankfurt-Hahn** airport entered the Guinness Book of World Records last month when it handled a 189.9 tonnes generator aboard the world's only commercial AN225. Built by Alstom for a new thermal power plant in Yerevan, Armenia on behalf of the country's Ministry of Energy and Natural Resources, the 53ft x 14ft shipment was handled by General Transport AG and Pantos Logistics in conjunction with **Ruslan International**. In May 2009, Ruslan began a series of flights from Korea and Germany to Armenia on behalf of the power plant project leader GS Engineering & Construction. To date, six AN124 flights have moved generators, stators, rotors and transformers weighing up to 119 tonnes each. The Hahn-Yerevan flight was the first with the AN225 that has a maximum payload of 250 tonnes. A second flight later this month will deliver a transformer…**OAG** reports a 0.2 percent rise in airline capacity for August 2009, the first growth in 12 months. David Beckerman, vice president OAG Market Intelligence, said, "After a year of capacity cutbacks, it is encouraging to see positive numbers in the year on year comparisons. August is traditionally one of the busiest months and it will be interesting to see if the steady upward trend we have seen since May continues." However compared to August 2008, frequencies have declined two percent. Additionally, July saw a three percent drop in frequencies and one percent in capacity from the same month last year. Coincidentally, in July 2008 capacity and frequencies were up three percent and one percent respectively over the same period a year earlier. OAG is a leading brand of UBM Aviation, a global data and information business for the air transport industry…Echoing economic statistics that suggest Germany has moved out of a recession, **Dusseldorf** airport says cargo traffic rose 4.2 percent for the first six months of 2009 compared to the same period last year. The French and German gross domestic product (GDP) rose 0.3 percent during the second quarter of 2009 according to official data released on August 13. French Finance and Economy Minister Christine Lagarde commented, "The data is very surprising. After four negative quarters France is coming out of the red." The sentiment was echoed by her German counterpart Karl-Theodor zu Guttenberg, who cautioned, "There is still a long way to go before our economy regains its level of a year ago." Gerton Hulsman, managing Director of **DUS Cargo Logistics,** the biggest cargo handler at Dusseldorf said, "Being at the heart of North Rhine Westphalia, Germany's leading industrial and commercial region, accounting for around 32 percent of Germany's GDP, the airport is a key factor in this success story." DUS Cargo Logistics handles cargo for 53 airlines including an Emirates' B747 freighter. In September **Sun d'Or,** an **EL AL** affiliate, will begin a new once-weekly B737 service linking Tel Aviv with Düsseldorf…**EGSAC** – the independent cargo GSSA network – has appointed **Airspace Aviation Solutions** as its exclusive UK member. Founded in 2000, Airspace represents Air New Zealand, Air Transat, Austrian Airlines, Delta Air Lines, Sri Lankan, and TAP Air Portugal. The company is headquartered in Manchester. Says Airspace co-founder and Managing Director Nick Lawson: "We believe the current tough market creates as many opportunities as threats. Membership of EGSAC will help raise the profile of AirSpace Aviation Solutions." The EGSAC network comprises 32 members with 127 bases in 33 countries, collectively working with 150 airlines. ACW

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Emirates Denies Australian Competition Claim

Emirates Airlines is the latest cargo carrier to fall foul of the Australian Competition & Consumer Commission (ACCC) in its on-going investigation of an air cargo cartel in Australia.

First initiated in October 2008 against Qantas and British Airways, the two airlines were subsequently fined $16.6 million and $4.1 million respectively. Both airlines had to pay $166,000 in costs.

At the time the Federal Court in Sydney noted "British Airways has supplied significant information as to its own role and that of others which is continuing to assist the ACCC's ongoing investigations into the conduct of other airlines."

Since then the ACCC has added seven more airlines to its list. In February this year, the same court order Air France and KLM to pay $2.5 million each; Martinair $4.1 million and Cargolux $4.1 million.

Currently, Singapore Airlines Cargo and Cathay Pacific Airways are also subject to Federal Court proceedings.

In a statement the ACCC alleges, "that between 2002 and 2006, Emirates entered into arrangements or understandings with other international air cargo carriers that had the purpose and effect of fixing the price of certain fuel surcharges, security surcharges and rates that were applied to air cargo carried by Emirates and other airlines."

The Dubai-based airline says, "Emirates denies the allegations and will be defending the proceedings. It does not intend to make any further comment given that the matter is before the Court."

In April this year, The Federal Court in Melbourne dismissed a challenge by Singapore Airlines and Emirates Airlines to the validity of compulsory notices issued by the ACCC after both refused to produce documents sought by the Commission.

The ACC noted that none of the other airlines previously fined a total of $34 million "contended that the Act did not apply to their conduct." ACW

Indian Infrastructure Ripe For Renovation

This autumn, if you are stretched for time and can't afford to take those few days off from work, here's a suggestion to mix business with pleasure.

Try telling your boss that you are on a mission to scout for the next growth opportunity in India and for that you are heading toward rural India. By doing that, you will not only get a chance to meet snake charmers and do elephant rides, but also witness a multi-billion dollar opportunity waiting to unfold in the air cargo industry.

The urban centers of India — albeit the largest piece of the total cargo market — are almost saturated and air cargo companies increasingly are looking to tap into the country's rural hinterlands — or Tier 2 or Tier 3 cities — for growth.

This is all thanks to a shift in manufacturing bases into India's rural interior as more special economic zones (SEZ) and industrial parks are developed. Many manufacturers are setting up in these cities to take advantage of lower real estate and labor costs as well as tax benefits.

Now, the air cargo industry is extending its supply chain services to reach them.

The Indian domestic and international express cargo industry is among the fastest growing in the world and worth close to $2 billion. Over the last decade, it has witnessed a compound annual growth rate (CAGR) of 33 percent. The industry broadly comprises air express, courier and the door-to-door delivery market.

Of the three, air express accounts for around 68 percent of the total market size, followed by the courier and the door-to-door delivery segment. The express industry is facing strong tailwinds given the renewed buoyancy in the economy and the country's preferred destination for both manufacturers and service providers.

As a result, the cargo industry has evolved from a largely unorganized coterie of players to a world-class high-growth business that has caught the attention of investors.

Within the express sector, the door-to-door segment has witnessed growth

close to 35 percent per annum.

However there is no dominant player. Brand leaders include Blue Dart/DHL, GATI, AFL, XPS and UPS who control a little over 50 percent of the express segment and the remainder is accounted for by EMS Speed post, the express arm of the Indian postal service, plus smaller, regional companies.

The industry has been a beneficiary of the strong growth in the country's logistics sector now worth $90 billion and expected to hit $125 billion by the end of 2010, according to Northbridge Capital, a leading investment bank in the region.

Despite the strong growth, the industry must cope with its fair share of challenges. The biggest is obtaining incremental business from Tier 2 and Tier 3 cities such as Kochi, Nashik, Mangalore, Bhopal, Lucknow and Amritsar. Many of these are state capitals like Lucknow — the capital of Uttar Pradesh.

Close to 80 percent of India's airports are situated in such cities that have less than one million inhabitants.

While most express companies boast of strong networks across the country, document and parcel delivery to rural destinations has been a tough nut to crack since the transit time is much longer. Moreover, express companies rely on single service centers and do not have extensive touch points in many of the rural districts. This is because some rural centers may not be able to generate sufficient traffic to break even.

Building out their infrastructure is the obvious solution but express companies will then face the prospect of increased competitive intensity from India Post's EMS goliath. India Post is government owned and has 1,55,650 post offices — 80 percent of them in rural areas of the country.

Nevertheless, the major players have committed to increasing investments to build out and augment their networks. This opportunity has also attracted new entrants such as Deccan 360. According to CEO Jude Fonseca, a former UPS executive, the domestic express cargo opportunity is immense.

He adds that while it is possible to transport a parcel from Mordabad (a Tier 2 city) to New York in 24 hours today, it takes 48 hours to deliver a shipment between Mordabad to Coimbatore (another Tier 2 city).

This is where his company hopes to bridge the gap for a country that has access to world-class international services that are not replicated domestically. Most airports with the exception of the newer ones at Bangalore and Hyderabad lack modern ground handling facilities.

In a business where time is everything, the ability to be able to deploy own air capacity and facilities to reduce parcel lifecycles are key, according to Fonseca. He notes that current India ownership laws prohibit international express companies from deploying their capacity to serve the domestic market.

Currently, the most important hurdle to overcome is India's infrastructure that industry analysts expect to be resolved via further deregulation. This, says Fonseca, will enable the growth of a time-definite domestic delivery.

The air cargo industry has been pressing for integrated cargo hubs that could be accessed by all domestic express companies rather than leasing out airport facilities on an exclusive basis. So future success will be dependent upon who can own and deploy the captive infrastructure to improve service quality and provide time-definite services to Tier 2 and Tier 3 cities.

In the last few years express cargo has benefited from the explosive growth in retail, financial services and telecom — and India's e-commerce space is expected to become the largest online community in the world. All this should maintain current growth rates for the express industry.

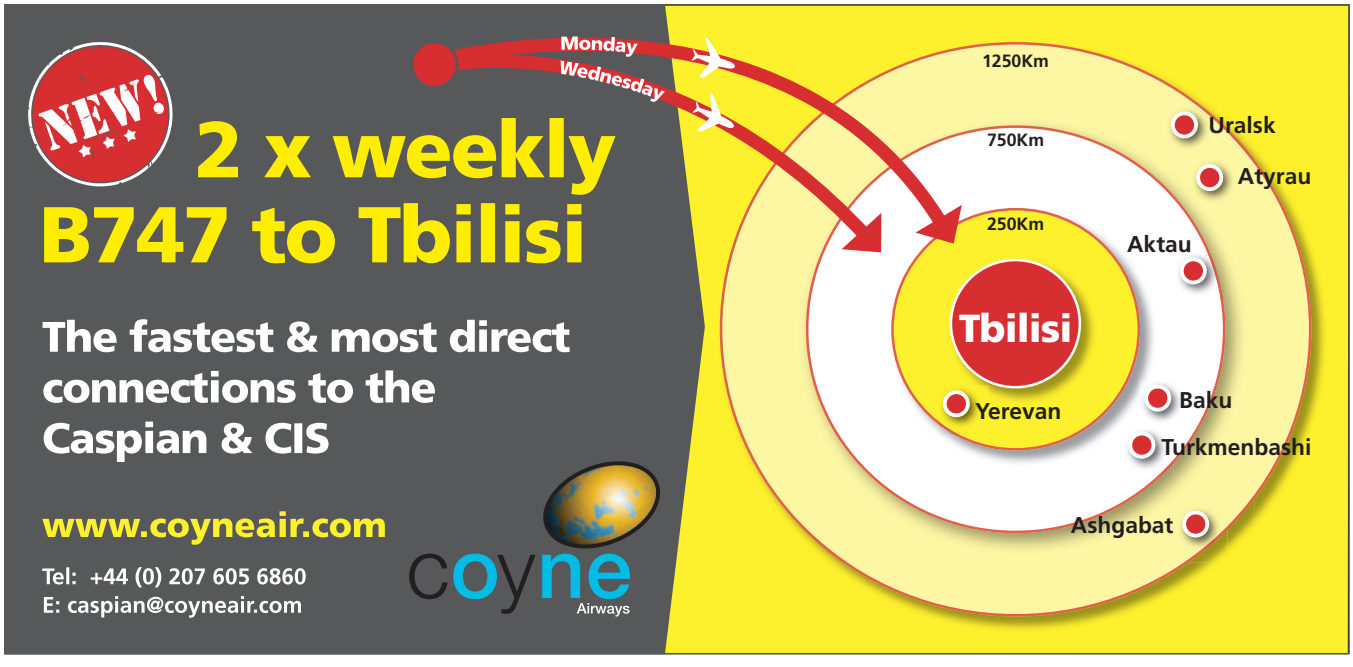
Indian growth rates are twice the global growth rates for the logistics industry at over 7.5 percent and the express cargo industry has benefited. Expenditures on logistics in India is among the highest in the world at close to 13 percent of GDP.

This figure is set to rise as more and more companies establish manufacturing bases in the country's hinterland and plug into global supply chain networks.

All the more reason to head to rural India for that elephant ride. ACW

In The News...

Dubai Airports reports a 1.9 per cent increase in July 2009 traffic compared to the same month a year ago. The airport handled 160,289 tonnes of freight in July compared to 157,253 tonnes a year earlier. Year-to-date cargo volumes total 1,035,118 tonnes compared to 1,038,807 tonnes in 2008, a marginal fall of 0.3 per cent. "The Middle East continues to demonstrate vibrant growth during the global economic downturn and Dubai International is at the epicentre of that growth," said Paul Griffiths, CEO of Dubai Airports. "Considering that airports around the world continue to record sharp decline in freight traffic, we have fared well." Griffiths said that although the outlook for the remainder of the year is positive, growth figures for August and September are likely to fluctuate, reflecting the annual movement of the timing of the Muslim holy month of Ramadan. According to latest figures from **Airport Council International** (ACI) Dubai is the 4th busiest airport for international cargo…New York-based **National Air Cargo** has added flights from next door **Sharjah International Airport** to Hahn, Germany, specializing in time-sensitive cargo destined for Europe and the United States. The Orchard Park-based company has been operating the DC-8 flight weekly from Sharjah, United Arab Emirates, to Ypsilanti, Mich., since March 2009. Cargo to be transported to Hahn will include garments, technology products and perishables. "With the increase of products being exported from China and the Middle East to Europe, the need for air transport is becoming more important everyday," said Alex Munro, National Air Cargo director, Middle East Sales...**Aramex** has signed an agreement with Vodafone Malta, the leading mobile telecommunications operator in the island, to manage its logistics. Under the agreement, Aramex will provide a range of services including express and freight shipping, inventory management and warehouse space within its logistics center at Mriehel Industrial Estate in Malta. "Our partnership with Aramex is in line with Vodafone's global strategy of partnering with leading service providers capable of providing flexible and customized logistics solutions to enable us to achieve our strategic business objectives," said William Borg, senior executive at Vodafone Inventory and Logistics Management. He added, "This is an important step forward for Aramex towards establishing itself as a leading company in logistics solutions on the island and across the Mediterranean basin"…Israel-based **CAL Cargo Airlines** has joined IATA's Cargo 2000 quality management program. The airline owns and operates two Boeing 747-200F aircraft operating a daily scheduled service between Tel Aviv to Liege as well as a twice-weekly route from Liege to New York. Founded in 1976, the airline is owned by the Nir Shitufi agricultural cooperative that represents the Israeli kibbutzim and moshavim. C.A.L. carries approximately 75,000 tons of cargo annually, exporting goods from Israel ranging from fresh agricultural produce and industrial materials, and importing heavy machinery, automobiles, sensitive and sophisticated industrial and scientific equipment, livestock and hazardous materials from all over the world… **Agility** made a net profit of $253.8 million for the first six months of 2009 – up three percent over the same period last year. Despite a nine percent drop in revenue to $2.78 billion, operating profit rose five percent to $282.3 million in the first half of 2009. Tarek Sultan, Chairman and Managing Director of Agility noted, "In the past we invested more than 60 percent of our capital expenditures in our logistics business in the emerging market and we are now seeing the returns on that investment as the Middle Eastern commercial logistics market continues to grow amidst this crisis. Our government business is also continuing to grow and acts as a further hedge during this downturn." Revenue from Agility's global integrated logistics group (GIL) dropped 15.8 percent to $1.6 billion compared to the first half of 2008 due to reduced trade volumes overall. However net revenue rose 1.2 percent to $520 million due to what the company describes as "ongoing success in procuring competitive rates through major suppliers." **Etihad Airways** and **American Airlines** have signed a codeshare agreement to coincide with the start of a three times weekly Etihad service to Chicago this month that will go to six times a week in November and daily from January 2010. The new non-stop service makes it Etihad's third North American gateway after New York and Toronto…The Abu Dhabi-based airline will also add Hyderabad to its network with a non-stop four times a week service from November 2009 and a daily frequency from the start of 2010. The addition of Hyderabad brings the number of Indian destinations served by Etihad to seven…Following **Qatar Airways**' addition to **IATA's** Environment Committee (ENCOM), the airline has marked its second year of U.S. operations with a new office in Manhattan's **Trump Tower** On Fifth Avenue. Commenting on the IATA move, CEO Akbar Al Baker said, it will "provide us with the opportunity to make a positive contribution to the on-going environmental debate on how to combat climate change and how to reduce global emissions." The airline will add six new destinations this autumn including the Indian cities of Amritsar and Goa; and in Australia, Melbourne and Sydney. ACW



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Cathay Consolidates As Cargo Bottoms Out

Economic growth in the Pacific region for 2009 is expected to grow 2.8 percent says a new study by the Asian Development Bank (ADB).

This has yet to show with Cathay Pacific and subsidiary Dragonair. The two airlines carried a total of 133,233 tonnes of cargo and mail in July, down 6.7 percent compared to the same month last year.

The overall cargo and mail load factor rose 6.6 percent to 72.6 percent in July due to a reduction of 12.6 percent in available tonne kilometers. Year-to-date tonnage has fallen 14.1 percent while capacity has dropped 13.9 percent.

Cathay Pacific General Manager Cargo Sales & Marketing Titus Diu said, "Our tonnage decline has seen successive reductions since the beginning of the year, and July's drop of 6.7 percent was the smallest year-on-year monthly drop so far in 2009. The indications now are that the massive slide in the air cargo market has bottomed out and we were encouraged to see an increase in demand out of our home market, Hong Kong. However, intense competition is still putting yield under considerable pressure."

In a related move, the boards of Air China, Cathay Pacific, CITIC Pacific and Swire Pacific have realigned their shareholdings in Cathay Pacific. The four companies say the changes will strengthen the existing relationship between Air China and Cathay Pacific and serve to further boost the position of Beijing and Hong Kong as key aviation hubs in the region.

Subject to government approval, CITIC Pacific will sell a 12.5 percent shareholding in Cathay Pacific to Air China for $817 million, and a two percent shareholding in Cathay Pacific to Swire Pacific for $133 million.

The result will increase Air China's stake in Cathay Pacific from 17.49 percent to 29.99 percent, and Swire Pacific's stake from 39.97 percent to 41.97 percent. ACW

New Heartland Express?

Airfreight operators are headed for China's interior as Beijing's stimulus package aims to boost development away from the coast.

On July 1 Kuehne + Nagel opened a branch in Chongqing in Sichuan Province. With a population base of 31 million, Chongqing is one of China's four provincial-level municipalities (beside Beijing, Shanghai and Tianjin).

"Previously we covered Chongqing from our office in Chengdu, but we wanted to be closer to our customers," said Jens Drewes, national manager for Central and Northern China. "We see opportunities in a number of sectors, like the automotive industry or air conditioning equipment."

Chongqing is China's third-largest center for automotive production and the largest for motorcycles. It has a diversified industrial base producing consumer goods aimed at the domestic market, but the local government aspires to turn the region into a high-tech manufacturing hub.

> "The infrastructure in and around Nanchang provides an excellent environment to put into effect multi-party operations."

During the Sino-Japanese war the Chinese government chose the city as its provisional capital, thanks to its remoteness from the coastal population centers. Today logistics operators view it as the first of several emerging markets in China's interior.

Jade Cargo Airlines, for one, is adding Chongqing to its network. Kay

Kratky, ceo of the Shenzhen-based freighter airline, pointed to the population base and the authorities' plans to develop high-tech production in the area. At the same time, Jade has more locations in its sights. "Chongqing is a start. We are looking at two to three other gateways in central China," Kratky said.

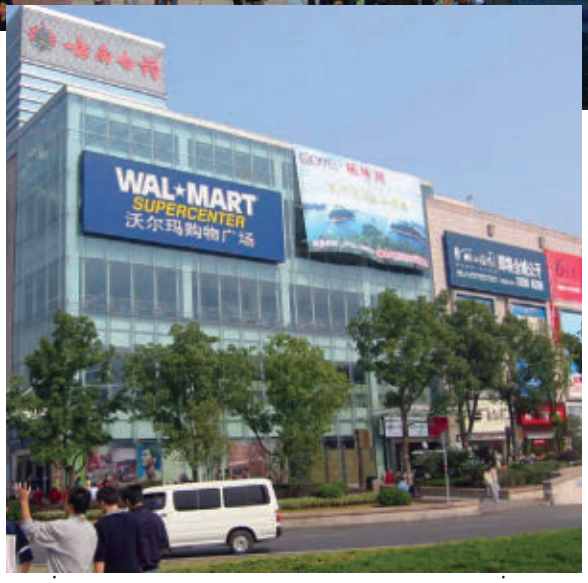
Likewise, Kuehne + Nagel is poised for further expansion away from China's coast. The logistics company is looking to open five or six new offices in the near future, all of them in the interior, Drewes said.

Already prior to the current global recession, the Pearl River Delta and – to a lesser extent – the Yangtzi River Delta had experienced a creeping migration of production towards lower-cost locations further inland. This trend has gained momentum from the downturn.

"We see more and more companies moving inland," Drewes observed

Another boost for the trek west comes from the Chinese government's massive economic stimulus package, which is putting much emphasis on developing the interior. As Drewes pointed out, this includes ample provisions for new airport development.

"We are seeing a structural change from the Pearl River Delta and also the Shanghai area to regions in central and western China," Kratky said.



Having concentrated so far on developing Shanghai into a cargo hub with connections to the United States, Qantas is also poised to push into central China. This spring it signed an agreement with Jiangxi Province Foreign Trade Assets Operation, JXABP Import and Export and Hong Kong-based CDSR Development Group to establish joint venture cargo airline, which will be based in Nanchang, the provincial capital. Jiangxi Fortune Airlines, as the venture has been called, is a key element in the Jiangxi air logistics hub project, a venture initiated by CDSR and the provincial department of foreign trade and economic cooperation.

"The infrastructure in and around Nanchang provides an excellent environment to put into effect multi-party operations," commented Stephen Cleary, group general manager of freight of Qantas.

"This is obviously a long term, strategic move for us and includes potential to develop and manage a new purpose-built intermodal terminal, ramp operations, express trucking operation and industrial and logistics park developments at Changbei International Airport. The AOC process for the airline is expected to be completed by 2011," he declared.

Drewes is following the developments at Nanchang with interest but Drewes stressed that it is important to take a long-term view. "You need demand and volume to make it work. The majority of the business is still on the east coast," he said.

By the same token, Kuehne + Nagel is not striving to develop domestic airfreight connections to Chongqing. "At the moment it is adequately covered from the traditional gateways," Drewes said. ACW

In The News...

Japan Airlines International (JALI) and **Nippon Yusen Kaisha** (NYK) are planning to launch a new company in April 2010 following a planned merger of JAL's cargo business and Nippon Cargo Airlines (NCA). A JAL statement cites "the collapse of the economy in the United States last autumn, the financial crisis that spread worldwide caused demand for air cargo transport to fall drastically and market situations to worsen," as the reason for the move. "Through a major restructuring of the cargo business and by combining the strengths of the two largest cargo operators in Japan to form the biggest solitary Japanese cargo transport provider, JALI and NCA foresee being able to secure profitability and raise the value of both companies," adds JAL. **NCA**, a subsidiary of **NYK Lines**, began a code share with Japan Airlines in March this year. In a related move, NCA has suspended its Narita-Frankfurt freighter service from September 12... The **Singapore Airlines Group** reported an operating loss of $222 million for its 2009/2010 first quarter ending June 30 compared to a profit of $239 million for the same period last year. Cargo and mail carriage dropped 19 percent for the quarter to 294,000 tonnes for an overall load factor of 64.6 percent and a yield of $0.19 cents - down from $0.28 cents last year. **SIA Cargo** produced a loss of $73.2 million compared to $3.5 million profit for the 2008 first quarter. The group says various cost-saving measures including wage freezes and staff reductions will save $40 million during the financial year. In a statement the company notes that air cargo carriage "has stabilized in the last few months, and industry indicators have shown some improvement. Still, the outlook for air cargo remains challenging, with yields expected to remain under pressure from excess capacity in the market." During the quarter, Singapore Airlines took delivery of two A380-800s and four A330-300s and grounded three B747- 400s. Services to Vancouver via Seoul were suspended, flights to Moscow via Dubai stopped in July as did services to Tokyo via Bangkok…Despite a 27.1 percent drop in turnover to $3.98 billion, the **Cathay Pacific Group** (including Dragonair) produced a profit of $104.7 million for the first half of 2009. This compares to a loss of $98 million for the same period last year. Cathay Chairman Christopher Pratt attributed the turnaround largely to fuel hedge gains of $271 million in the first six months of 2009 compared to losses of $980 million for the whole of 2008. "Cargo demand was very weak," he said. "The amount of freight carried by both airlines decreased by 15.3 percent compared with the first half of 2008 to 700,693 tonnes. The cargo load factor fell by a 0.2 percentage point to 66.2 percent. Capacity was reduced by 14.1 percent in response to the sustained fall in demand. Yield was under constant pressure for the whole six-month period and fell by 32.8 percent to $0.21 cents." Coincident with its first half results, the group has released its latest Sustainability report. Reflecting economic impact on society as a whole and based on earnings of $11.25 billion in 2008, $9.9 billion was spent on suppliers (including fuel) and $1.6 billion on staff salaries and benefits. $3.6 million was donated… **Singapore Airport Terminal Services (SATS)** will open Singapore's first on-airport perishables handling center in the first quarter of 2010. Built at a cost of $8.2 million it will have multi-tiered zones, with different temperatures ranging from -28°C to 18°C, to handle a wide range of commodities such as pharmaceuticals, live seafood, ornamental fish, meats, fresh produce and flowers. Located within SATS Airfreight Terminal 2, the facility will have an annual operating capacity of approximately 250,000 tonnes, with scope for expansion from the current 8,000 square meters to 14,000 square meters... Malaysian flag carrier **Malaysia Airline System** reportedly will suspend flights to New York later this month due to low demand... Australia's CSIRO's air cargo scanning technology team has been awarded the **Defense Science and Technology Organization** Eureka Prize for Outstanding Science in Support of Defense or National Security. The award recognizes science and technology innovation with the potential to develop solutions for Australia's defense or national security. CSIRO's air cargo scanning technology underwent successful trials at Brisbane airport and is now being commercialized in conjunction with Chinese security inspection specialist **Nuctech Company Ltd...** Australia-based **Qantas** said cargo revenue fell 20.3 percent in its fiscal year ending June 30 to $634 million with its air cargo business dropping at a sharper rate than passenger revenue. The global freight demand decline contributed to an overall profit drop of 87 percent, to $150.2 million. The Qantas Freight division showed a $20.8 million operating profit in the 12-month period, down 74 percent from the previous fiscal year. "Strong competition, particularly in Asia, resulted in yield reducing significantly from the prior year," the airline said in its report on the full fiscal year. Capacity cuts also contributed to the decline, the airline said...**Coscon Logistics,** the leading logistics provider in China, said it will begin real-time, GPS tracking and monitoring of shipper conveyances. The program, which it touted as the first large-scale commercial GPS-based tracking system in China, will provide shippers and customers with improved supply chain execution, efficiency and security. "As the leading integrated logistics provider in China, we intend to use Savi Networks' GPS network to extend our leadership position by providing our customers improved supply chain execution and decision capabilities that significantly reduce cost," said Lin Hongbing, General Manager of Coscon Logistics... ACW

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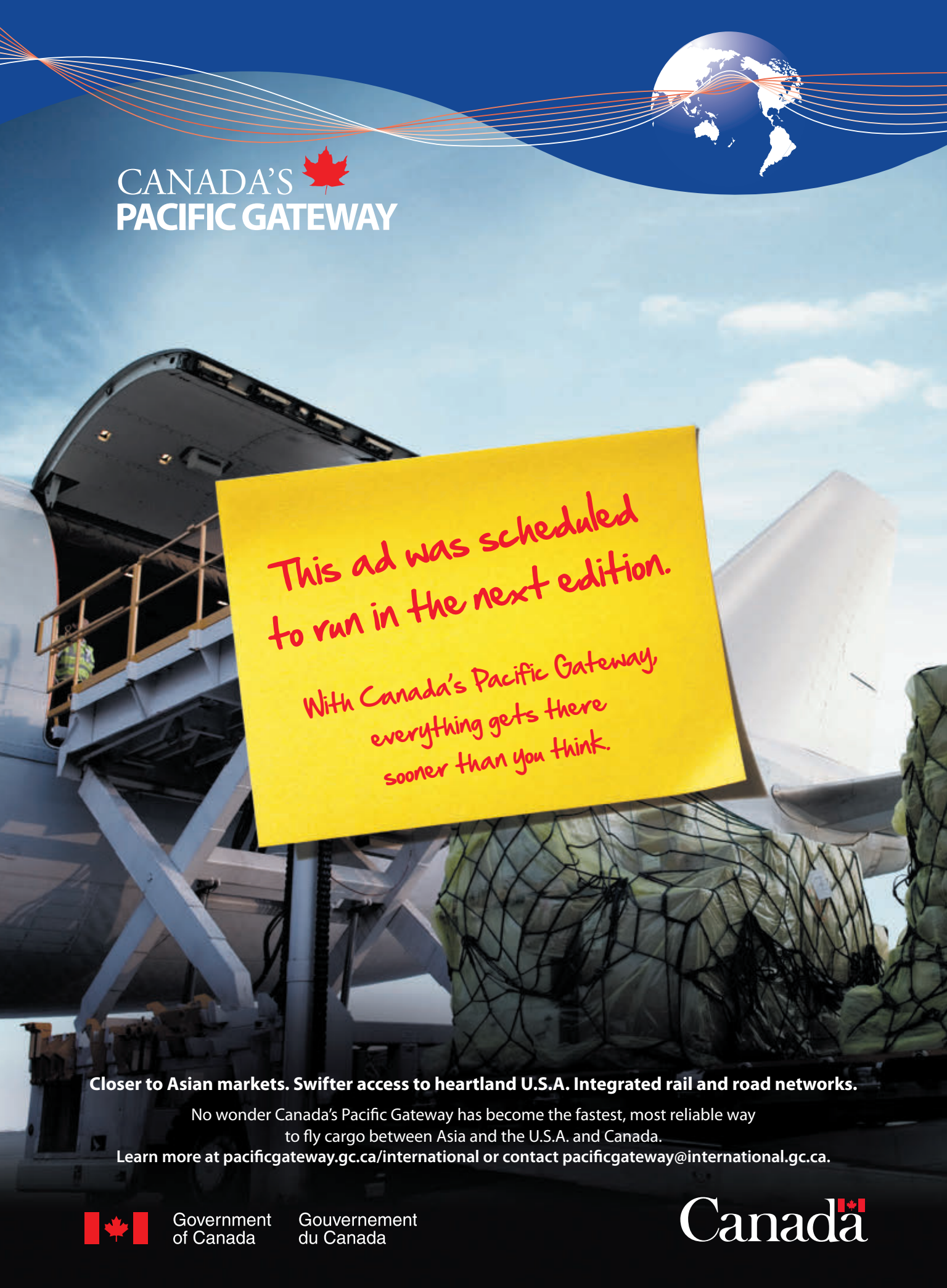
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Houston's Bush Airport Craves Bigger Cargo Role

Tradewinds Cargo Handling, owned by New Jersey-based Group One Investments, LLC, will operate a cold-storage air cargo facility at Houston's George Bush Intercontinental Airport this fall.

The company has signed a lease to process perishable imports at the facility starting Nov. 1, according to a statement from the Houston Airport authority. The new tenant will use half of the 61,484 square foot air cargo center there developed by Trammel Crow Company.

Edward Danberry, Group One Investments CEO, said: "We are excited about establishing Houston as a gateway for perishables, and we look forward to working with Trammell Crow Company and Houston Airports to turn this vision into reality."

Trammel Crow built the air cargo center to help establish Houston as a gateway for temperature and time-sensitive air cargo. A developer and real estate investor with offices in the U.S. and Canada, Trammel Crow had over $6.9 billion of projects in its pipeline as of March.

Houston Airport System interim director of aviation Eric Potts said: "This new cargo operation adds a needed dynamic to international and Houston-based importers and distributors of perishable products." Potts called the facility "the first of its kind in Houston in size and scope" and said it would allow airlines and logistics managers to better serve their customers.

Group One Investments named Kerry Galegher director of the new air cargo facility, which offers direct ramp access for airlines and is next to a consolidated Federal Inspection Services. The facility's proximity to the latter should speed up processing of imported products, the airport authority said.

Tradewinds plans to offer a range of services including pre-cooling and sorting imports, re-labeling imports prior to shipment to distribution centers or retail outlets and certified cargo screening for airlines, freight forwarders, consolidators and commercial shippers. ACW

UPS Waits For Labor Law Change

Members of Congress have plenty on their plate when they return from their August recess this month, including massive health-care reform and a high-stakes legislative battle over differences in the House and Senate versions of the FAA reauthorization bill that have pitted Federal Express against rival UPS.

The two integrators, their supporters and lobbyists have been butting heads over a provision in the FAA bill passed by the House that would reclassify FedEx Express package-delivery workers. There is no such provision in the Senate bill passed by the Senate Commerce, Science and Transportation Committee in July and awaiting action by the full Senate. A committee of House and Senate lawmakers will likely meet in September to work out differences between the two bills and try to fashion a compromise on this and other key issues.

Under current U.S. law, certain FedEx Express workers are governed by the Railway Labor Act, while UPS and other competitors' workers fall under the National Labor Relations Act. UPS and the Teamsters claim that the thousands of FedEx truck drivers and mechanics that have been incorrectly considered aviation workers for purposes of labor relations have thus been effectively denied the ability to unionize.

Under the House measure, certain FedEx Express employees would be covered under the Railway Labor Act while its truck drivers would be reclassified and move over to the National Labor Relations Act (NLRA) along with the other truck drivers in the package delivery industry. The move would allow for easier union organizing.

FedEx has portrayed the legislative provision championed by Rep. James Oberstar (D-Minn.) as a bailout

for UPS. FedEx also has said the proposed change would "force the world's most efficient airline to operate under trucking rules that have never applied to airlines."

"I'm not going to stake a position on what will happen on the provision but Rep. Oberstar believes in it, he supports it and he will fight for it," said Jim Berard, director of communications for the House Transportation and Infrastructure Committee. He added, "But negotiations are negotiations and this will have to be part of a compromise, so it is hard to predict."

"We have very strong support for the provision" on Capitol Hill, said Edward Wytkind, president of the Transportation Trades Department of the AFL-CIO. "This fiction that Fed Ex has been living under has to go away. It's about making sure the playing field is level," he said in an interview last month.

Berard, Wytkind and other industry observers acknowledged U.S. lawmakers are knee-deep in a contentious debate over health-care reform but said influential House and Senate aviation lawmakers have signaled they will push to get a compromise bill out of the conference committee.

"Our conversations with committee members have been very productive," said Wytkind, who added that he didn't buy the proposition that the showdown over the future of U.S. healthcare would sideline work on the compromise FAA bill.

" I know there will be a hard push on the House side to get a bill to conference committee," he added. "They are serious about trying to get a bill done."

For both UPS and FedEx, September will be an interesting month. ACW

Burbank To Ban Integrators?

The Burbank-Glendale-Pasadena Airport Authority's application to impose a night curfew on virtually all flights at Bob Hope Airport would "set a damaging precedent" and hit FedEx and UPS said the International Air Carrier Association (TIACA).

In a filing with the Federal Aviation Administration, TIACA said the proposed 10 p.m. to 7 a.m. curfew would be a blow to the many businesses that depend on airfreight shipments at the airport in Los Angeles County and "would not adhere to the 'balanced approach' recommended by the International Civil Aviation Organization."

TIACA Secretary General Daniel Fernandez said, "The only aircraft currently operating at Burbank during the proposed curfew period are all-cargo carriers. Imposing the curfew would therefore have a discriminatory effect on all cargo-operations." Rivals Federal Express and UPS would both be affected by the ban.

According to Fernandez, there are many legitimate and important reasons for operating aircraft during overnight hours. They include overall fleet and flight structure; infrastructure constraints; timing efficiencies, and customer needs with respect to drop-off and delivery, he said in a statement issued by TIACA last month.

In February, the Burbank airport authority commission adopted by unanimous consent the so-called Part 161 Application for the curfew prepared by Jacobs Consultancy, concluding a study process that lasted over eight years and cost more than $6.5 million. Its application marked the first Part 161 Study seeking a restriction on operations by Stage 3 aircraft since passage of the Airport Noise and Capacity Act of 1990.

The airport is owned and operated by the Burbank-Glendale-Pasadena Airport Authority and controlled by the governments of the three cities in its name. The airport, which has two runways and is close to Hollywood, was renamed in 2003 after the legendary comedian Bob Hope, a longtime local resident.

In its submission to the FAA, the Burbank authority said its goal is to "eliminate or to significantly reduce night-time aviation-related noise at the airport, now and in the future, to provide meaningful night-time noise relief to the communities it serves."

The FAA published a notice in June soliciting comments on Burbank's application to impose the curfew at the airport, located less than 20 miles from Los Angeles International Airport (LAX). Interested parties had 30 days to submit their comments. FAA will review the comments and make a decision by Nov 1.

In its application, the Burbank authority noted that UPS and FedEx each have one arrival currently scheduled during curfew hours, four days per week. FedEx has two flights and UPS one flight during non-curfew hours, the authority told FAA.

Without a curfew, "it is anticipated that the frequency of these flights would increase to five per week by 2015," the authority said in its study. With the full curfew, both UPS and Federal Express would probably remain at the airport but would likely shift flights affected by the curfew to LAX, the authority said.

However, TIACA argued that the current night-time operations could not be easily shifted elsewhere, telling FAA that any shifts would have "significant economic and environmental consequences."

Moreover, the few airlines that operate there during overnight hours contribute only marginally to the Burbank airport's noise and traffic because they are a small part of its daily activity, TIACA said. However, these airlines do contribute "significant jobs, rents, and taxes to the airport and surrounding community, and the cargo shipped supplies many local businesses," according to TIACA.

Because their activities take place during relatively low-traffic hours, TIACA said, deliveries "can be made more efficiently, contributing to the overall economic and environmental health of the area." ACW

In The News...

United Cargo has started a program covering shipment of healthcare and pharmaceutical products requiring temperature controls and monitoring. Known as Temp Control, the launch follows "a well-received pilot program" the Chicago-based carrier ran in select markets, said Kyle Betterton, vice president of United Cargo. United is offering different temperature ranges and providing proactive shipment temperature notification 24 hours a day. **Envirotainer** is assisting in providing the carrier temperature-controlled air cargo containers...Houston-based **Crane Worldwide** said it is on track to meet its target of racking up $1 billion in revenue during its first five to seven years despite the global economic meltdown. The logistics company said it has established 47 offices in 17 countries and swelled to 500 employees since its inception last August. Crane also reported pulling in "dozens of leading global corporations." Recent customers include **AirTran Airways**, which has begun a cost savings initiative to enhance its supply chain, and aerospace and defense company **ATK**... Transportation consulting company **Cambridge Systematics** has released research that ties transportation efficiency, greenhouse gas (GHG) reduction strategies and consumer savings to overall GHG reduction goals. According to the company, reducing transportation-related GHG emissions will be critical to meeting national goals. Currently transportation contributes 28 percent of the United States' total GHG emissions. Between 1990 and 2006 transportation GHG emission growth represented 47 percent of the increase in the country's total GHGs. The report concludes that advances in both vehicle and fuel technologies will play a critical role in reducing the future transportation carbon footprint although continued population growth will offset some of the gains...The **Air Transport Association of America** (ATA) says eight of its members will buy 1.5 million gallons a year of renewable synthetic diesel fuel from **Rentech** and **Aircraft Service International Group** (ASIG). **Alaska, American, Continental, Delta, Southwest, United, UPS** and **US Airways** will use Rentech's "RenDiesel" to power ground handling equipment at Los Angeles airport from 2012. The renewable RenDiesel will be produced primarily from urban woody green waste such as yard clippings. Rentech CEO D. Hunt Ramsbottom said, "We expect this agreement to serve as a model for future supply relationships at other airports and for other fuels, including Rentech's synthetic jet fuel, which was recently approved for commercial airline use."...The **U.S. Postal Service** (USPS) reports a drop of $1.6 billion in revenue and a net loss of $2.4 billion for its third quarter ending June 30 and says it might need $700 million in cash by September 30. Despite $6 billion in cost reductions USPS expects to lose more than $7 billion by the end of its current fiscal year. The result is compounded by its obligation to pay up to $5.8 billion annually in retiree health benefits. The organization has recorded net losses in all but one quarter for the past three years. The fiscal 2009 year-to-date net loss is $4.7 billion, compared to a loss of $1.1 billion in the same period last year. USPS has seen mail volume fall by nearly 20 billion pieces in 2009 compared to the first three quarters of last year. Third quarter mail volume totaled 41.6 billion pieces, down 14.3 percent compared to a year ago — the largest consecutive three-quarter drop in total volume since 1971...The **Air Transport Association** voiced support for passage of a new specification that will permit the use of synthetic fuels in aviation. The move by an **International Committee on Petroleum Products and Lubricants** of the **ASTM**, one of the largest standards-development organizations in the world, was hailed as an important step by the airline industry group. ATA President and CEO James C. May said, "The unanimous passage of this specification is significant for all consumers of jet fuel. For the airline industry specifically, this brings us one step closer to our aim of widespread production of cleaner, alternative fuels that will help the industry meet its environmental goals while enhancing the security and competitiveness of its energy supply." Pennsylvania-based ASTM publishes voluntary consensus technical standards and supports thousands of volunteer technical committees with worldwide members...U.S. start-up **Baltia Air Lines** has executed a letter of intent for a Boeing 747 to begin scheduled services between New York and St. Petersburg, Russia. The company, which purchased the aircraft from California-based **Logistics Air**, plans to take delivery of the 747 last month. Company officials plan to add planes every three to six months for up to five or six aircraft. Baltia has not veered from its vision of becoming a leading player in the trans-Atlantic market to niche Eastern European cities in Russia, Latvia, Ukraine and Belarus. Its latest plan calls for non-stop passenger and freight service to begin by the first of the year from New York's JFK Airport to St. Petersburg…ACW

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IATA's Top 50 Cargo Carriers

As the global recession forces air cargo planners to bend near- and long-term business strategies, a handful of airlines plying niches are making surprising inroads by rewriting the old playbooks.

Indeed, carriers with non-traditional low-cost airline business models such as Air Arabia and JetBlue are increasingly grabbing market share as they focus on hubs shunned by mainstream carriers and use aircraft better suited to their markets.

JetBlue Airways, now a big kid on the block at New York's JFK, is taking steps to leverage its presence through alliances with key international partners. Across the globe, Air Arabia is making a splash at its new hub in Morocco, embarking on a growth phase that will open up new markets in Europe.

In a recent analysis, MergeGlobal's Brian Clancy said integrated carriers are more favorably positioned to capture traffic relative to other carrier segments in the industry. The key question facing belly carriers, he said, is will post-recessionary premium traffic growth fully recover? As for the rest of the carrier universe, ACMI carriers are in for a wild ride and freighter carriers (either pure play or mixed freighter/belly) are studies of a fleet plan in flux.

Against this backdrop are regional players that gained ground despite the unraveling global economy as well as established airlines with strong domestic networks such as Finnair and Vietnam Airlines, which even now appear to be holding their own in tough times, according to IATA's 2008 World Air Transport Statistics.

Finnair came in at No. 44 on the list for FTKs, up two spots from 2007. And Vietnam Airlines has emerged as the twenty-eighth largest domestic cargo carrier after failing to make the list a year earlier.

Among the up and comers are Jet Airways, which vaulted to No. 48 for freight tonnes carried in 2008, up from No. 70 in 2007. (See the accompanying chart of the Top 50 cargo carriers based on freight tonne-kilometers (FTKs). A second chart shows scheduled freight tonnes carried. All numbers in parentheses reflect the carrier's rank in 2007).

The top tier of carriers mirrors last year's list with one exception — No. 4 Cathay Pacific and its Dragonair subsidiary swapped places with Lufthansa, which dipped to No. 5. Federal Express, UPS and Korean Air retained the top three positions, respectively, although all three saw steep trade and traffic declines in 2009.

The second tier also stayed intact though China Airlines slid to No. 10 from the seventh slot one year ago. Emirates vaulted from No. 9 in 2007 to the seventh spot behind No. 6 Singapore Airlines and Cargolux moved from No. 10 to No. 9 in 2008. Air France held on to the No. 8 spot.

Chicago-based United Airlines is still among the top five carriers for tonnes carried although down at No. 19 in FTKs. Northwest Airlines, which came in at No. 22, and Delta, at No. 28, still would only come in between Eva Air and Air China, ranked 14 and 15, respectively, if their figures were combined, showing the magnitude of the Asian market.

Dallas-based Southwest Airlines, whose cargo business has been soft in 2009 but appeared to be showing some signs of stabilization, had 221,347,200 FTKs in 2008. Against the latest Top 50 FTK list, that places the low-cost U.S. carrier between No. 15 Sichuan Airlines and No. 14 Shenzhen Airlines reflecting the growth of the Chinese domestic market.

A subjective ACW snapshot of up and coming carriers making waves in the Indo-Gulf sector as well as airlines bucking trends in other key regions includes the following:

Air Arabia

From its main base at Sharjah International Airport, Air Arabia is cutting a new path in the international airline business as the Middle East and North Africa's leading low-cost carrier.

Its growing cargo business mirrors the Middle East region's impressive traffic growth amid a nasty economic crisis as Sharjah recorded a gain of 16.9 percent in 2008, according to IATA world airport traffic data.

Started in 2003 as the first low-cost carrier in the MENA region with a fleet of two aircraft flying to five destinations, Air Arabia currently operates a fleet of 16 Airbus A320 aircraft to 46 destinations across the Middle East, North Africa, Europe, CIS, South and Central Asia.

Its main base at the international airport in the UAE is situated strategically in terms of quick access to Dubai. This infrastructure also offers the carrier low congestion, skilled airport staff and access to many other commercial carriers served by the airport.

Fashioned after leading American and European low-cost airlines, Air Arabia says its success in becoming a global budget airline brand will hinge on these factors: low fares; growing its business profitably; building motivated multi-functional teams; demonstrating high operational standards — and managing costs ruthlessly.

In a statement about the carrier's finish as the world's best low-cost carrier in a recent industry study, Adel Ali, Group CEO said the showing "demonstrates the industry's confidence in the airline's strong business fundamentals.

"The recognition is especially significant as it underscores Air Arabia's financial fitness in these challenging times for global economies and the aviation sector in particular," Ali added.

Citing the creation of its new hub in Morocco, Ali said that Air Arabia had embarked upon "another growth phase." As the carrier expands its network and makes international air travel in the region more affordable, "we will continue to offer compelling value-for-money travel options" in the Middle East, North Africa, Central Asia, Indian subcontinent and Europe, he said.

In June, the carrier announced a regional cargo pact with global logistics provider Aramex covering shipments within the Middle East, Africa, Indian subcontinent and CIS. Under the pact, Aramex will have access to Air Arabia's cargo facility in Sharjah to operate a sorting hub for express shipments.

Osama Fattaleh, Aramex Chief Operating Officer, said, "The agreement with Air Arabia and the opening of our new hub in Sharjah is in line with Aramex's strategic focus on enriching its service offering to customers by mobilizing express consignments in the most competitive transit time and at reduced costs."

Through this agreement, he continued, Aramex will be able to provide its express customers across emerging markets outstanding interregional connectivity and reliability "by utilizing the extensive network and cost-efficiency of the economic carrier."

Jet Airways

India's Jet Airways, the first private airline of India to fly to international destinations, has quickly carved a niche for itself as a leading carrier in the Indo-Gulf sector.

The Mumbai-based carrier, which began commercial operations in 1993, currently operates daily flights to 20 international destinations. The carrier's cargo product services range from carriage of fresh flowers, household pets, life saving drugs, valuables and other general goods as well as a special care service for human remains.

With the recent introduction of the carrier's second daily service to Saudi Arabia, Jet Airways now flies to eight cities in the Gulf, including Kuwait, Bahrain, Muscat, Doha, Dubai, Abu Dhabi, Jeddah and Riyadh.

Jet Airways also operates two low-cost airlines including JetLite (formerly known as Air Sahara) and Jet Airways Konnect.

CEO Wolfgang Prock-Schauer, called Saudi Arabia "a very important market for Jet Airways on account of the large volume of traffic to the Gulf Kingdom, to and from India, and an important addition to the airline's growing Gulf network."

Citing the carrier's further expansion plans, he said that management is "confident of further reinforcing our position as among the leading carriers on the Indo-Gulf sector."

Last month, Jet Airways planned to add new daily service to Dubai from Hyderabad, its fifth daily service to the Gulf emirate and second from Southern India. It also expected to launch its second daily service to Bangkok from Mumbai. And the carrier was to launch new Kochi-Sharjah service in September.

Other ventures of Jet Airways include its Konnect service on key domestic routes. Designed to meet the needs of the low fare segment, Jet Airways Konnect links five major metros — Mumbai, Delhi, Chennai, Bengaluru and Kolkata — with several destinations across India — and operates over 130 flights daily.

JetAirways' wholly owned JetLite subsidiary was acquired in April 2007 as an all-economy airline offering low-cost service to 28 domestic and two international destinations, Kathmandu and Colombo.

Vietnam Airlines

Positioning itself as a modern carrier with an internationally recognized brand, Vietnam Airlines provides a host of cargo services with a variety of aircraft with different configurations.

In 2007, the airline along with the Vietnam Aircraft Leasing Company (of which Vietnam Airlines was an initiator and founder) signed orders for 12 Boeing B787s, 10 Airbus A350-900, 20 Airbus A321 and fiveATR72-500 aircraft.

Unlike other air cargo operators in the country, Vietnam Airlines flies directly to 24 on-line destinations in Asia, Australia and Europe.

The carrier, which signed a preliminary membership agreement in April with the SkyTeam Alliance, also offers connections to hundreds of off-line destinations through its partnerships with Cathay Pacific, Korean Air, China Airlines and Taiwan-based Eva Air.

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IATA's Top 50 Cargo Carriers

Scheduled Freight Tonnes Carried								
International			Domestic			Total		
Rank	Airline	Thousands	Rank	Airline	Thousands	Rank	Airline	Thousands
1	Federal Express (1)	1,891	1	Federal Express (1)	5,021	1	Federal Express (1)	6,912
2	UPS Airlines (3)	1,603	2	UPS Airlines (2)	3,345	2	UPS Airlines (2)	4,948
3	Korean Air (2)	1,438	3	China Southern Airlines (3)	688	3	Korean Air (4)	1,616
4	Emirates (8)	1,382	4	Japan Airlines (5)	498	4	United Airlines (3)	1,494
5	Cathay Pacific Airways (6)	1,339	5	Air China (4)	467	5	Emirates (8)	1,382
6	Singapore Airlines (7)	1,274	6	China Eastern Airlines (6)	444	6	Cathay Pacific Airways (6)	1,339
7	United Airlines (4)	1,257	7	All Nippon Airways (7)	435	7	Singapore Airlines (7)	1,274
8	Lufthansa (9)	1,157	8	United Airlines (8)	237	8	Lufthansa (9)	1,188
9	China Airlines (5)	1,086	9	Hainan Airlines (12)	182	9	Japan Airlines (10)	1,177
10	Cargolux (11)	794	10	Shanghai Airlines (9)	180	10	China Airlines (5)	1,086
11	Air France (10)	786	11	Korean Air (11)	178	11	Air China (11)	896
12	EAT - European Air Transport (13)	733	12	Shenzhen Airlines (16)	156	12	China Eastern Airlines (12)	866
13	British Airways (15)	708	13	Northwest Airlines (10)	154	13	Cargolux (15)	794
14	EVA Air (12)	681	14	Qantas Airways (15)	135	14	China Southern Airlines (13)	793
15	Japan Airlines (14)	679	15	Sichuan Airlines (17)	133	15	Air France (14)	792
16	Asiana Airlines (16)	672	16	American Airlines (13)	129	16	All Nippon Airways (18)	764
17	KLM (17)	604	17	TAM Airlines (19)	124	17	EAT - European Air Transport (17)	733
18	Thai Airways (18)	536	18	Xiamen Airlines (18)	122	18	Asiana Airlines (20)	717
19	LAN Airlines (19)	503	19	Delta Air Lines (14)	120	19	British Airways (19)	709
20	Malaysia Airlines (21)	468	20	Garuda Indonesia (23)	107	20	EVA Air (16)	681
21	Air China (20)	429	21	Jet Airways (20)	93	21	KLM (22)	604
22	China Eastern Airlines (23)	421	22	Air India (22)	78	22	Thai Airways (23)	584
23	Qatar Airways (25)	402	23	Vietnam Airlines (–)	77	23	LAN Airlines (25)	524
24	Northwest Airlines (22)	345	24	China Cargo Airlines (28)	66	24	Malaysia Airlines (24)	509
25	American Airlines (24)	336	25	Philippine Airlines (25)	63	25	Northwest Airlines (21)	499
26	All Nippon Airways (27)	329	26	Shandong Airlines (29)	58	26	American Airlines (26)	465
27	Etihad Airways (30)	309	27	Saudi Arabian Airlines (26)	57	27	Qatar Airways (29)	402
28	China Cargo Airlines (26)	307	28	Air Canada (30)	50	28	Qantas Airways (27)	385
29	Nippon Cargo Airlines (29)	300	29	Alaska Airlines (33)	50	29	China Cargo Airlines (28)	373
30	Saudi Arabian Airlines (32)	281	30	Continental Airlines (27)	49	30	Saudi Arabian Airlines (30)	339
31	Dragonair (28)	272	31	Thai Airways (35)	48	31	Etihad Airways (35)	309
32	Qantas Airways (31)	250	32	IBERIA (32)	47	32	Delta Air Lines (31)	303
33	SWISS (35)	216	33	Asiana Airlines (34)	45	33	Nippon Cargo Airlines (34)	300
34	Virgin Atlantic (34)	213	34	Malaysia Airlines (37)	41	34	Dragonair (33)	272
35	TNT Airways (36)	202	35	South African Airways (36)	39	35	SWISS (41)	220
36	DHL International (46)	187	36	PIA (38)	35	36	IBERIA (36)	217
37	Delta Air Lines (39)	183	37	Turkish Airlines (39)	34	37	Virgin Atlantic (40)	213
38	IBERIA (37)	170	38	Siberia Airlines (42)	32	38	TNT Airways (38)	202
39	Turkish Airlines (44)	157	39	Lufthansa (40)	31	39	Air Canada (39)	194
40	Air Canada (41)	144	40	Aeroflot Russian Airlines (41)	30	40	Turkish Airlines (45)	192
41	Continental Airlines (43)	139	41	US Airways (46)	28	41	Hainan Airlines (43)	191
42	Gulf Air (42)	135	42	AVIANCA (45)	22	42	Shanghai Airlines (32)	189
43	Volga-Dnepr Airlines (88)	124	43	LAN Airlines (44)	21	43	Continental Airlines (42)	189
44	Air New Zealand (45)	116	44	Aeromexico (43)	21	44	DHL International (55)	187
45	El Al Israel Airlines (40)	111	45	Transaero Airlines (54)	15	45	Jet Airways (50)	186
46	China Southern Airlines (47)	105	46	Safair (–)	13	46	Shenzhen Airlines (52)	159
47	C.A.L. Cargo Airlines (52)	93	47	TransAsia (50)	13	47	Air India (44)	158
48	Jet Airways (70)	93	48	Mexicana (47)	13	48	Garuda Indonesia (56)	149
49	South African Airways (48)	93	49	UT Air (–)	12	49	Gulf Air (47)	135
50	Finnair (56)	89	50	Iran Air (48)	11	50	Sichuan Airlines (59)	133

Source: IATA World Air Transport Statistics 2008

In April, Vietnam Airlines began offering Vulnerable Cargo Service "in accordance with a strictly controlled process" on domestic flights to Noibai, Haiphong, Vinh, Hue, Danang, Quy Nhon, Cam Ranh, Tan Son Nhat and Can Tho. Cargo includes cameras, laptops, personal digital assistants, valuable electronic equipment and mobile phones.

Vietnam Airlines also launched in April its Quick Delivery Service at Noibai and Tansonnhat airports for shipments on its international flights from South Korea and Japan to Vietnam.

Scheduled Freight Tonne-Kilometres								
International			Domestic			Total		
Rank	Airline	Millions	Rank	Airline	Millions	Rank	Airline	Millions
1	Korean Air (1)	8,822	1	Federal Express (1)	8,540	1	Federal Express (1)	15,122
2	Cathay Pacific Airways (3)	8,245	2	UPS Airlines (2)	5,687	2	UPS Airlines (2)	10,977
3	Lufthansa (2)	8,194	3	China Southern Airlines (3)	1,058	3	Korean Air (3)	8,890
4	Singapore Airlines (4)	7,486	4	Air China (5)	788	4	Cathay Pacific Airways (5)	8,245
5	Federal Express (5)	6,582	5	Northwest Airlines (4)	614	5	Lufthansa (4)	8,206
6	Emirates (8)	6,013	6	China Eastern Airlines (6)	598	6	Singapore Airlines (6)	7,486
7	Air France (7)	5,817	7	Japan Airlines (10)	443	7	Emirates (9)	6,013
8	Cargolux (9)	5,334	8	All Nippon Airways (9)	425	8	Air France (8)	5,820
9	UPS Airlines (10)	5,289	9	American Airlines (8)	406	9	Cargolux (10)	5,334
10	China Airlines (6)	5,261	10	United Airlines (7)	381	10	China Airlines (7)	5,261
11	British Airways (13)	4,696	11	Delta Air Lines (11)	296	11	British Airways (14)	4,702
12	KLM (12)	4,646	12	Hainan Airlines (13)	291	12	KLM (12)	4,646
13	EVA Air (11)	4,076	13	Shanghai Airlines (12)	246	13	Japan Airlines (13)	4,286
14	Japan Airlines (14)	3,843	14	Shenzhen Airlines (14)	240	14	EVA Air (11)	4,076
15	Asiana Airlines (15)	3,309	15	Sichuan Airlines (17)	185	15	Air China (15)	3,396
16	Air China (16)	2,608	16	Continental Airlines (15)	156	16	Asiana Airlines (16)	3,326
17	Malaysia Airlines (17)	2,406	17	Qantas Airways (18)	155	17	American Airlines (19)	2,557
18	LAN Airlines (21)	2,305	18	Xiamen Airlines (19)	150	18	Malaysia Airlines (20)	2,444
19	Thai Airways (19)	2,258	19	TAM Airlines (20)	144	19	United Airlines (17)	2,404
20	American Airlines (20)	2,150	20	Aeroflot Russian Airlines (22)	119	20	China Eastern Airlines (21)	2,379
21	Qantas Airways (22)	2,051	21	Air Canada (21)	114	21	LAN Airlines (24)	2,346
22	United Airlines (18)	2,023	22	Garuda Indonesia (26)	110	22	Northwest Airlines (18)	2,330
23	Nippon Cargo Airlines (25)	1,796	23	Siberia Airlines (27)	94	23	Thai Airways (22)	2,289
24	China Eastern Airlines (24)	1,781	24	Jet Airways (23)	94	24	Qantas Airways (23)	2,206
25	Northwest Airlines (23)	1,716	25	Transaero Airlines (33)	91	25	All Nippon Airways (26)	2,068
26	Qatar Airways (30)	1,653	26	Air India (24)	86	26	Nippon Cargo Airlines (27)	1,796
27	All Nippon Airways (28)	1,643	27	China Cargo Airlines (32)	85	27	China Southern Airlines (25)	1,709
28	Virgin Atlantic (27)	1,518	28	Vietnam Airlines (–)	82	28	Delta Air Lines (29)	1,675
29	Delta Air Lines (31)	1,379	29	Shandong Airlines (28)	76	29	Qatar Airways (32)	1,653
30	China Cargo Airlines (29)	1,365	30	Corsair (25)	73	30	Virgin Atlantic (30)	1,518
31	Saudi Arabian Airlines (32)	1,313	31	Alaska Airlines (29)	70	31	China Cargo Airlines (31)	1,450
32	Etihad Airways (37)	1,277	32	Saudi Arabian Airlines (30)	70	32	Saudi Arabian Airlines (34)	1,383
33	SWISS (33)	1,140	33	Korean Air (31)	68	33	Etihad Airways (38)	1,277
34	Volga-Dnepr Airlines (73)	1,046	34	IBERIA (34)	58	34	Continental Airlines (33)	1,191
35	Air Canada (35)	1,044	35	US Airways (38)	55	35	Air Canada (35)	1,157
36	Continental Airlines (36)	1,035	36	Philippine Airlines (36)	48	36	SWISS (37)	1,140
37	IBERIA (34)	1,033	37	South African Airways (35)	43	37	IBERIA (36)	1,091
38	Air New Zealand (38)	851	38	LAN Airlines (37)	42	38	Volga-Dnepr Airlines (79)	1,047
39	South African Airways (40)	695	39	Malaysia Airlines (39)	38	39	Air New Zealand (41)	851
40	China Southern Airlines (41)	650	40	PIA (40)	35	40	South African Airways (39)	739
41	El Al Israel Airlines (39)	590	41	Thai Airways (41)	31	41	Jet Airways (55)	634
42	EAT - European Air Transport (50)	587	42	Aeromexico (42)	28	42	El Al Israel Airlines (42)	590
43	Finnair (44)	542	43	Vladivostok Air (44)	27	43	EAT - European Air Transport (51)	587
44	Jet Airways (60)	540	44	Continental Micronesia (43)	23	44	Finnair (46)	543
45	Turkish Airlines (49)	516	45	UT Air (–)	19	45	Turkish Airlines (47)	533
46	SAS Scandinavian Airlines (43)	515	46	Asiana Airlines (46)	17	46	Air India (45)	527
47	TNT Airways (51)	487	47	Turkish Airlines (47)	17	47	SAS Scandinavian Airlines (44)	519
48	Air India (52)	441	48	Mexicana (45)	15	48	TNT Airways (53)	487
49	Austrian (46)	432	49	Rossiya - Russian Airlines (48)	15	49	Austrian (49)	432
50	Gulf Air (47)	421	50	Safair (–)	13	50	Gulf Air (48)	421

Source: IATA World Air Transport Statistics 2008

Finnair

Established in the 1920's, Finnair is one of the world's oldest airlines offering freight and passenger transport between Europe and Asia via Helsinki.

In addition to A320 and Brazilian-built Embraer 170s and 190s, its strong growth in Asian traffic has led to a long-haul fleet renewal with Airbus A340 and A330 aircraft. And the carrier expects to introduce the Airbus A350XWB aircraft to its route network in 2014.

During calendar year 2008, the airline carried 102,144 tonnes of cargo and mail.

As a major player between Europe and Asia, Finnair's destinations include Seoul in South Korea; Delhi and Mumbai in India; Beijing, Shanghai and Hong Kong in China; Tokyo, Osaka and Nagoya in Japan, and Bangkok in Thailand.

In an interim financial statement issued last month, Finnair

President and CEO Jukka Hienonen acknowledged the deep crisis facing the international airline industry and its impact on his carrier.

"Finnair, too, has suffered from the fall of average prices caused by the decline in air travel. Turnover has been undermined by reduced demand and weaker price levels," he said.

The Finnair Group's income fell by more than 20 per cent in the first half of 2009 and cargo traffic echoed the slump.

Despite volume stabilization by August, yield pressure continues due to overcapacity in the market with a resultant negative impact on overall costs.

As part of an ongoing efficiency and operational development program, Finnair said it would make an organizational change in early autumn "to remove overlapping functions and make production planning and implementation more efficient." The change will also achieve synergy benefits between different units.

JetBlue

New York-based JetBlue Airways, which credits itself with creating the "value airline" category based on service, style and cost, has altered the landscape at East Coast hubs such as Boston and New York.

The carrier, which operates primarily on point-to-point routes with a fleet of A320s and Embraer 190 aircraft, began operations in 2000. It boasts the most fuel-efficient fleet of any major U.S. airline and currently serves 56 cities with 600 daily flights.

JetBlue has alliances with international airlines including Aer Lingus and Deutsche Lufthansa AG that leverage its large presence at New York's JFK airport. JetBlue issued approximately 42.6 million shares of common stock to Deutsche Lufthansa AG for approximately $300 million, net of transaction costs, in January of 2008, according to an SEC 10-K filing.

The airline also entered into an agreement with Lufthansa Consulting GmbH in July 2008 pursuant to which it paid approximately $200,000 for consulting services tied to "the implementation of the company's cargo standards and procedures," the filing said. Also, the carrier said it was eyeing a five year agreement with Lufthansa Consulting whereby it would pay approximately $290,000 in 2009 for consulting services related to "the implementation of the company's cargo standards and procedures, with subsequent years subject to negotiation."

JetBlue, which offers a variety of cargo services, was set to begin new service to Baltimore this month. And plans called for the carrier to launch service to Barbados, Saint Lucia and Kingston, Jamaica in October.

Serving destinations such as Puerto Rico, Mexico and five countries in the Caribbean and Latin America, most of the carrier's flights have as an origin or destination one of its focus cities: Boston, Fort Lauderdale, Los Angeles/Long Beach, New York/JFK, or Orlando.

The airline recently received the highest honor in airline customer satisfaction among low-cost carriers for the fourth year in a row by J.D. Power and Associates in its 2009 North America Airline Satisfaction Study. ACW

India Poised for Air Cargo Revolution

Traditionally, air cargo in India has been a much-neglected segment with most of the domestic cargo moving primarily through rail and road.

A highly regulated air transport sector with an inefficient, state-run monopoly of Air India and Indian Airlines have been key impediments. This coupled with serious infrastructure constraints and high taxation of the industry stifled growth in the industry for four decades until 1992.

But things began to change through the 1990s and 2000s. Gradual liberalization of the air transport sector created an influx of private air carriers in the passenger air transport segment.

New business models like the low-cost carrier model evolved. Airports were privatized and new greenfield airports were developed with Public Private Participation (PPP). With this, the country witnessed a revolution in air transportation at the turn of the century, though the air cargo segment did

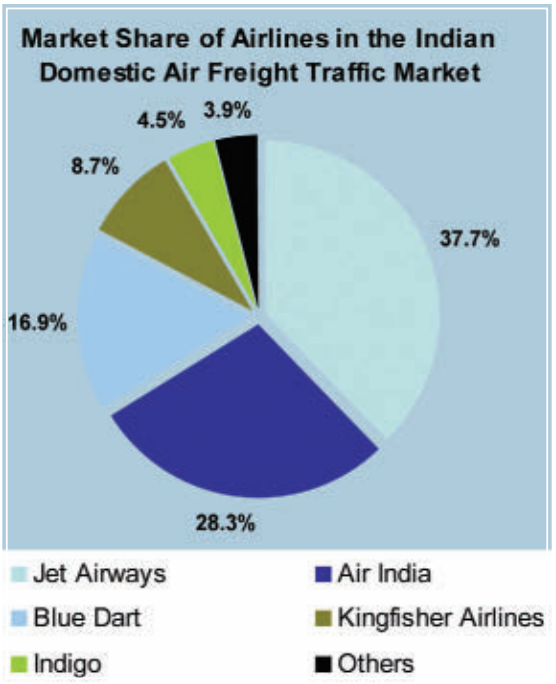
not enjoy the limelight as much as some other segments.

However, between 2002-03 and 2007-08, the Indian air cargo industry witnessed a CAGR (Compound Annual Growth Rate) of 12.6 percent in terms of total tonnage uptake. While the market shares of national carriers, Air India, Indian Airlines and their low-cost subsidiaries have been dwindling, the market shares of private carriers such as Jet Airways, Kingfisher Airlines and their peers have been rising.

Blue Dart, which is an end-to-end logistics service provider operating dedicated freighter aircraft, has been performing exceedingly well, registering revenue and profit growth in excess of 20 percent over the last 3-4 years.

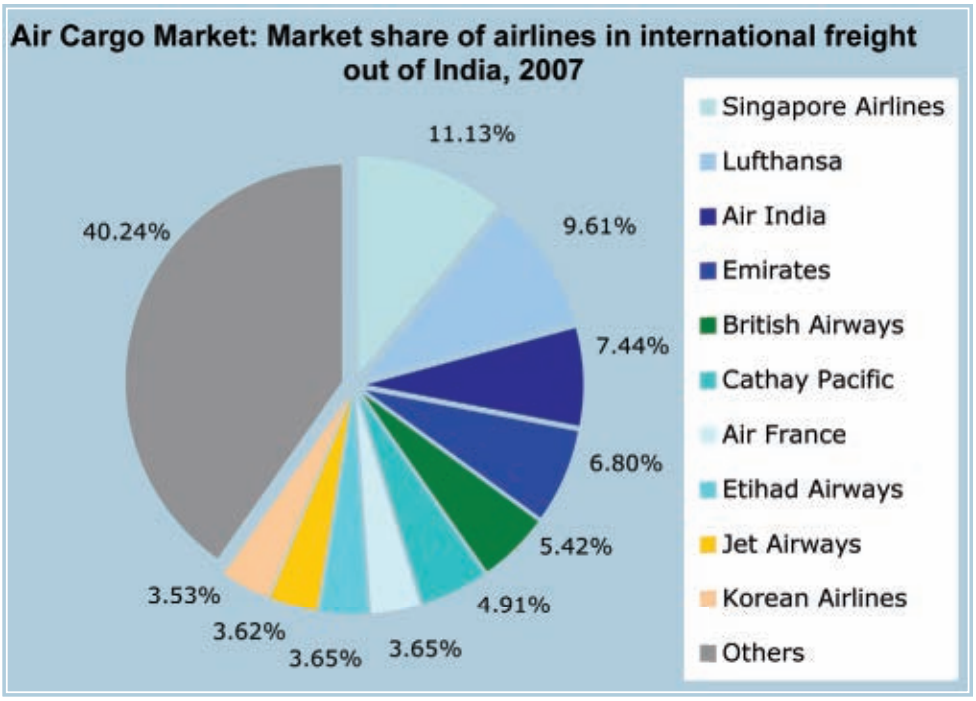
But despite strong growth in the sector, even today, the share of air cargo in the Indian domestic logistics sector as compared to other modes is negligible by global standards. Most of the air cargo is still transported as belly cargo on passenger aircraft and therefore becomes merely an ancillary source of revenue for airlines and not the primary line of business. Of these, Jet Airways and Air India carry the most belly cargo with 37.7 percent and 28.3 percent market share respectively (in terms of traffic carried). Kingfisher Airlines has a share of 8.7 percent. Blue Dart currently enjoys a monopoly in the air express delivery space. It has seven freighter aircraft and has about 17 percent market share in terms of traffic carried.

High GDP growth and exponential growth in imports and exports are key drivers for growth in the air cargo sector. Increasing globalization, integration of the world economy and evolution of India as a major IT service provider resulted in a rapid growth of the Indian economy. This has hiked the aggregate demand and is the single most important driver for air cargo services.



India to US	1Q07	2Q07	3Q07	4Q07	2007	1Q08
Freight	2,053,453	1,549,419	1,774,250	2,528,242	7,905,364	3,296,296
Mail	25,734	11,386	15,000	13,444	65,564	3,274
Total	2,079,187	1,560,805	1,789,250	2,541,686	7,970,928	3,299,570

US to India	1Q07	2Q07	3Q07	4Q07	2007	1Q08
Freight	898,727	1,258,014	1,551,186	2,377,242	6,085,169	2,417,769
Mail	121,128	136,988	174,971	204,080	637,167	199,808
Total	1,019,855	1,395,002	1,726,157	2,581,322	6,722,336	2,617,577



For international air cargo, the government has already enacted an Open-Sky Policy, which essentially means that there is freedom of pricing and that there are no bilateral restrictions on tonnage carried or number of operators allocated on international routes. As a result a large number of international carriers currently fly air cargo in and out of India.

Although foreign airlines are not allowed to carry air cargo on domestic routes within India, recent relaxations in Foreign Direct Investment (FDI) limits have allowed foreign airlines to acquire requity stakes of up to 74 percent in Indian cargo airlines. This is likely to bring in the much-needed foreign capital and global best practices to the air cargo industry, which in turn will drive further growth.

Due to the open-sky policy, the international airfreight market is a highly fragmented one with intense competition from various international airlines. The market leaders are national airlines of India's biggest trading partners such as Singapore, Germany, the U.A.E and the U.K. The dominant airline in terms of market share is Singapore Airlines with only 11.1 percent share of traffic. Others such as Lufthansa, Emirates, Air India, and British Airways, all have market shares between five and 10 percent.

Part of the reason for this fragmentation is because of the way air transport is structured globally. Given that freight originates and terminates in India, it is only natural to expect an Indian airline to become the market leader. However, this is not the case. Despite Air India's natural advantage in this market, it has a market share of only 7.4 percent. This indicates the inability of Indian carriers to compete with their global peers and also perhaps the absence of a level playing field.

Among the commodities exported by air, garments and textiles form the major part, almost 36 percent of total exports. They are mostly sent to the US and Europe. This is followed by perishables that form about 17 percent of total exports. Perishables are sent mostly to the Middle East, particularly the Gulf countries with a large Indian community, and Europe.

The rest of the air export market consists of engineering goods, chemicals and pharmaceutical products, leather items and handicrafts.

The total airfreight traffic in 2007-08 was 1.77 million metric tons of which the domestic airfreight was about 0.62 million tonnes and international airfreight the balance of 1.15 million tonnes. For a country with a billion plus people and a trillion dollar economy, these penetration levels are quite low.

Going forward these numbers are expected to rise significantly in the coming decade. In the near term, over the next three to four years, the impact of the global recession is expected to constrain air cargo demand growth, since the recession has significantly impacted trade growth with most of the developed econ-

2Q08	3Q08	4Q08	2008	1Q09	% Change 2007 to 2008
6,055,915	7,052,714	6,096,223	22,501,148	1,870,857	184.6%
7,727	2,470	1,612	15,083	1,435	-77.0%
6,063,642	7,055,184	6,097,835	22,516,231	1,872,292	182.5%

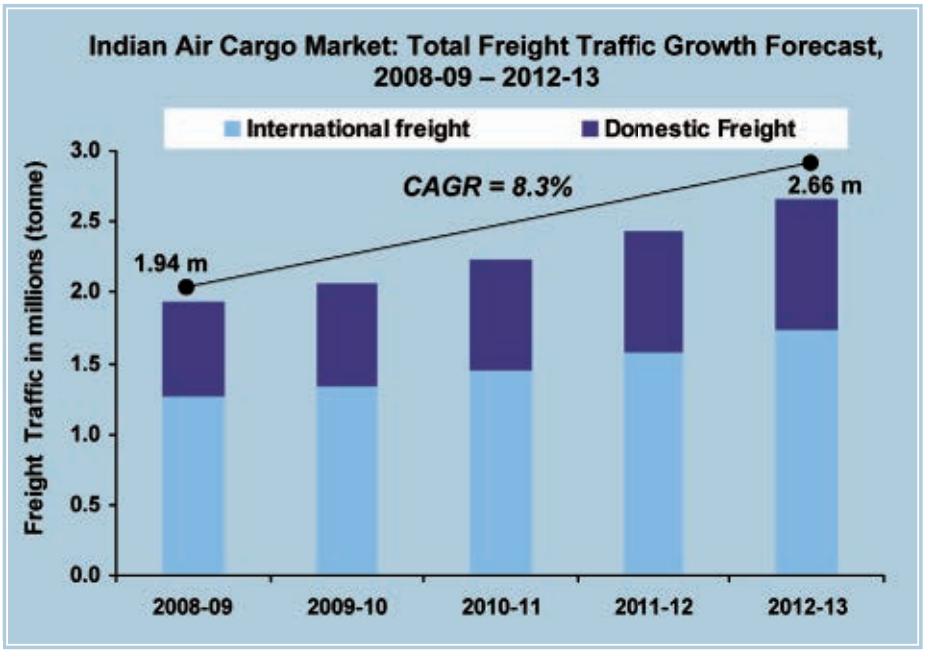
2Q08	3Q08	4Q08	2008	1Q09	% Change 2007 to 2008
3,550,315	4,104,170	3,360,992	13,433,246	887,569	120.8%
243,086	235,476	254,962	933,332	76,670	46.5%
3,793,401	4,339,646	3,615,954	14,366,578	964,239	113.7%

Source: OAG.

omies registering negative growth.

With the Indian economy slowing from 8-9 percent growth levels to 6-7 percent, air cargo is expected to register a CAGR of 8.3 percent up to 2012-13, which is good given the circumstances. However, the demand should begin to pick up strongly in a post-global economic recovery.

Regardless of the economic scenario, it is a fact that air cargo penetration levels in India are much below the potential and are constrained by various infrastructural, economic and regulatory issues that need to be addressed. On the regulatory front, the relaxation of FDI limits is a welcome step, but this alone may not produce the desired results.



The key to establishing a dynamic and well developed, private sector-led domestic air cargo network in India lies in the implementation of a carefully drafted policy document aimed at tackling various issues faced by the growing industry.

Firstly on the infrastructure front, it is necessary to establish multi-modal air cargo hubs in the country that are required for operators to establish efficient hub-and-spoke distribution networks. This will result in lower costs, greater economic viability of operations, and the ability to compete effectively with cheaper alternative modes of transport such as rail and road.

Focus is required on the development of cargo complexes, warehousing and storage facilities and improved aviation facilities for cargo handling. This may be done with private participation in investment through effective PPP (Public Private Participation) models.

The MIHAN (Multi-Modal International Hub Airport) project at the Central Indian city of Nagpur is a step in the right direction. Nagpur is strategically located in the center of the country to set up effective hub-and-spoke distribution networks.

Focus is also necessary in developing cargo complexes and facilities in all the major airports, particularly the new greenfield airports that are coming up. That, alongside development and upgrading of smaller regional airports and unused airstrips across the country, some of which are already under development by the Airports Authority of India (AAI), will automatically make feeder network operations with smaller freighter aircraft feasible.

This will enable air cargo operators to establish effective door-to-door air express delivery networks. Such feeder networks are expected to be particularly important for the transport of perishables and time-sensitive cargo and also in hilly terrains such as in India's Northeast region, where rail and road networks are poor and extremely inefficient due to the nature of the terrain.

On the regulatory front, the Indian government can ease customs and regulatory procedures that would allow easy movement of goods on international routes. It is important to ensure that regional cargo feeder operations are economically viable. This may be done through specific targeted incentives such as relaxation of taxes on fuel as well as lower landing and parking charges for small freighters.

The spillover benefits of this connectivity will be immense for Indian industry, consumers and the economy as a whole.

The outlook for the future of the air cargo business in India looks bright, despite the current slowdown due to the exceptional economic climate.

In the international air cargo segment, certain key routes between India and the GCC region or India and China are expected to fuel future demand while free trade agreements and aviation liberalization will also help to increase trade growth.

In the domestic air cargo segment, the fast-growing air express segment, where Blue Dart enjoys a monopoly currently, is beginning to see some competition with new players like Avicore Aviation, QuickJet and Flyington Freighters.

Deccan Express Limited, an air cargo venture floated by Capt. Gopinath, the architect of India's LCC revolution and founder of the erstwhile Air Deccan, has already begun operations and has generated some buzz in industry circles.

So just as 2003 saw the beginning of a revolution in India's air passenger transport business, a revolution in the air cargo industry might be just around the corner.

How well the country takes advantage of the opportunities, and structures its policies to ensure a stable, growing and sustainable environment is another matter. ACW

Author Arun Narayanan is a Research Analyst for consulting company Frost & Sullivan. He specializes in aerospace and defense in South Asia and the Middle East.

Air Cargo World

Air Cargo SECURITY SOLUTIONS

Getting the TSA Mandate Right

Security is on the minds of shippers, forwarders and all parties in the supply chain today. Given the threat of terrorism, explosives, narcotics and myriad other dangers, national security issues top the list of priorities for governments worldwide.

To this end, the U.S. Transportation Security Administration (TSA) requires that all cargo riding on narrowbody passenger aircraft must be screened. As the August 2010 deadline looms for the screening of all domestic and international cargo on widebody passenger aircraft, the security ante is upped for logistics providers and their customers.

A number of technology advances involving cargo screening are aiding the security effort. Among the four major ways to screen cargo — X-ray screening, explosive trace detection (ETD), physical searches and approved canine searches — great advances have come with X-ray and ETD technology. Involving X-ray and ETD technology for air cargo screening, few providers of this screening equipment exist in the world today to serve forwarders, carriers and airports.

Certainly speed of screening all the parcels, pallets and air freight containers as well as the cost of screening to the TSA mandate, are critical issues for supply chain providers today. Rapiscan Systems and Smiths Detection are a couple of these providers that serve the air cargo community with TSA-approved equipment. *(Continued on page 35)*

Rapiscan® systems

An OSI Systems Company

Rapiscan Systems – The Air Cargo Inspection Leader

When security, throughput and reliability are crucial, freight companies around the world depend on Rapiscan Systems. Our air cargo screening solutions meet the most demanding requirements, with advanced, multi-view technology.

The Rapiscan 638DV (Dual-View) ULD type, ISO standard, lower deck and large cargo pallet type freight inspection system is the latest Rapiscan product to be placed on the TSA Air Cargo "Candidate Technology List". Now deployed at many of the world's leading freight companies, the 638DV provides dual-view X-ray imaging and advanced threat detection capabilities in a cost effective system.

With 15 years experience, a global installation base and a worldwide service and support network, Rapiscan Systems can meet your most demanding requirements – on time and on budget.

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ONE COMPANY - TOTAL SECURITY

(Continued from page 33)

"The TSA air cargo screening requirement is a broad mandate," says Andrew Goldsmith, vice president of global marketing at Rapiscan, a solutions provider of cargo screening equipment in Torrance, California. "You have a lot of companies try to comply with the law and need to figure out how to do it."

"The TSA is very methodical in what they do. It's important for them and the cargo community to make sure it's the right equipment for the right application. From machine parts to cut flowers, everyone has types of cargo that has to be screened quickly and effectively," says Mark Laustra, vice president of the homeland security division at Pine Brook, New Jersey-based Smiths Detection, a cargo screening solutions provider.

Goldsmith says, are transmission X-ray equipment. "Transmission X-ray allows you to see items of interest or potential threats throughout the entire container rather than just the surface of near the surface," Goldsmith says. Unlike backscatter X-rays that do not fully penetrate objects, transmission X-rays reveal everything inside, regardless of where the item is in the container and whether or not it is shielded by other objects.

Advances in X-ray Technology

Four of Rapiscan's advanced cargo X-ray systems have been placed on TSA's approved Qualified Technology List and several more of its solutions are under evaluation by TSA. "Our systems have been well received by the U.S. air cargo community since having these systems put on the TSA candidate technology list," said Rapiscan's Goldsmith.

At the heart of technology advances,

Similarly, the TSA requires the use of "dual view" technology which provides a side view and top view of the cargo using strong X-ray beams. TSA-approved Rapiscan systems use dual view technology to accommodate break bulk package screening, pallet cargo (ULD

(Continued on page 36)

Just-in-Time Delivery Requires Just-in-Time Security.

Trust Smiths Detection to be your partner as you prepare to meet the August 2010 deadline of the TSA 100% Air Cargo Screening mandate.

Customers depend on you to deliver their cargo on time and within budget. As you prepare to meet the August 2010 deadline of the TSA 100% Air Cargo Screening mandate, trust Smiths Detection to deliver reliable X-ray inspection systems and explosives trace detectors that lets you continue to satisfy your customers.

smiths detection
bringing technology to life

- Pine Brook, NJ, 25 June 2009 – Smiths Detection today announces its HI-SCAN 100100T-2is X-ray system has been placed on Transportation Security Administration's (TSA) List of Candidate Air Cargo Screening Technologies. With a total of seven systems on the list, including explosives trace detectors and X-ray systems, Smiths Detection offers airlines, freight forwarders and indirect air carriers more approved security screening solutions than any other company.
- Pine Brook, NJ, 29 April 2009 – Smiths Detection today announces Concordia International Forwarding Corporation has chosen Smiths Detection's explosives trace detectors to protect its customers' merchandise to meet the Transportation Security Administration (TSA's) air cargo screening mandate.
- Pine Brook, NJ, 1 April 2009 – Smiths Detection today announces Commercial Freight Services, Inc. (CFS) of Romulus, Michigan, has selected the company's trace detection and X-ray solutions to meet Transportation Security Administration (TSA) air cargo screening mandate deadlines.

Visit www.smithsdetection.com, call 1-800-626-2440 or email USinfo@smithsdetection.com to learn more about our air cargo screening solutions and extensive training and support options.

Gate Safe Offers Specialized TSA Compliance Solutions

Gate Safe is a highly specialized, third party provider of TSA-regulated services to 90 customers in the aviation industry, operating at nearly 40 U.S. airports, including all of the mainland U.S. cargo gateways.

The company offers airlines, Indirect Air Carriers, cargo handlers and Certified Cargo Screening Providers a complete lineup of efficient, cost-effective TSA-regulated compliance solutions for aircraft and air cargo. Gate Safe provides all aspects of chain of custody activity, including aircraft access control, aircraft cabin search and cargo screening.

Gate Safe was formed immediately following the tragic events of 9/11. In response to increasingly stringent TSA security directives to the global aviation environment, the company has focused its people and practices on delivering regulatory compliance solutions to those airlines operating at U.S. airports. Gate Safe continually updates the necessary training and tools to conform to the ongoing revisions in federally mandated airline and airport regulations.

Today, Gate Safe has proven expertise in TSA-regulated airline ground and flight operations. Its quality processes are both rigorous and cost-effective in keeping customers, crew and equipment safe. For more information, please visit our Web site: www.gate-safe.com, or contact +1 (770) 991-4531.

Gate Safe is a member company of gategroup, the leading independent global provider of onboard services.

(Continued from page 35)

type) freight as well as air freight containers. For example, parcels can easily be screened with Rapiscan's 620 DV system. The unit features a 24.2 inch by 16.9 inch tunnel opening to provide a complete view of the parcel, reducing the need to reposition and re-scan parcels.

For large parcels and LD-3 containers, Smiths Detection's HI-SCAN 180180-2is unit is designed to meet the variable needs of airports, customs facilities and air carriers. Using dual view technology and with tunnel dimensions of 71 inches by 71 inches, the unit allows for the efficient inspection of pallets and LD-3 air freight containers. "A larger commercial freight service operator has used this particular model which is upgradeable quite successfully. The dual view technology means you don't have to break down palletized or skid cargo," Laustra says, noting that entire pallets or lower deck containers can be scanned with large-aperture X-ray equipment when the cargo is all the same (homogenous). Otherwise, the shipment has to be broken down for individual X-ray or inspection.

Laustra advises forwarders, carriers or other logistics providers that are considering an equipment supplier to seek knowledge and expertise that comes from working closely with the TSA. And obviously the investment in cargo C-ray and ETD equipment can be considerable, running up to hundreds of thousands of dollars or more for a single piece of X-ray equipment. While C-ray screening equipment typically has a lifecycle of approximately seven to 10 years, the ability to receive software upgrades on X-ray equipment is imperative. "We're continually improving our software to help operators look for new threats," Smiths Detection's Laustra says.

CCSFs Are Critical Link

Certified Cargo Screening Facilities (CCSF) are another solution allowed by the TSA that allows forwarders, shippers and other third parties to have their facilities inspected and certified by the TSA for the screening of air cargo.

One such TSA-approved CCSF is run by National Air Cargo, an operator providing freight forwarding and air cargo lift for military industrial customers based in Orchard Park, New York.

(Continued on page 38)

smiths detection
bringing technology to life

because air cargo **can't wait for security**

Just-in-time delivery needs just-in-time security.

Customer's depend on you to deliver. Trust Smiths Detection to be your partner as you prepare to meet the August 2010 deadline of the TSA 100% Air Cargo Screening mandate. We deliver so you can.

Aviation security, federal agencies and the military depend on Smiths Detection's security systems because of their reliable operation and our company's strong commitment to training and support.

HI-SCAN X-ray inspection systems feature
- Large selection of tunnel dimensions
- Dual- and multi-view availability
- Advanced software for image interpretation assistance

IONSCAN 500DT ETD features
- A wider range of explosives detection capability with its unique dual tube design
- Preferred reporting functions
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For more information email **USinfo@smithsdetection.com** or call **1 800 626 2440**.

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Airdex Products Provide Unparalleled Value

AIRDEX INTERNATIONAL, INC. makes the "world's lightest pallets!". Ultra-lightweight at 7-11 pounds (depending on coating, density and strength capacities) and strong, carrying up to 3500 pounds; worldwide-patented AIRDEX pallets' incredible strength-to-weight ratio is unmatched in the industry.

AIRDEX INTERNATIONAL

...world's lightest pallets!™

Manufactured without adhesives, chemicals or deforestation, AIRDEX Pallets are "sustainable" and truly "green". They are fully recyclable through AIRDEX' international collection and recycling network, and are also repairable for reuse.

AIRDEX PALLETS LEAVE ZERO CARBON FOOTPRINT!

AIRpallets™ are designed to dramatically cut cargo costs by replacing heavier wood and plastic pallets in airfreight. Composed of a super-compressed-molded EPS core, coated with a full jacket of High Impact Polystyrene, AIRpallets™ use a 9-leg design featuring 4-way entry and custom undercarriage, enabling 6 AIRpallets™ to fit on an airfreight PMC cookie sheet. AIRDEX' design and weight virtually eliminates cargo damage and worker injuries. They will not harbor pests and are sanitary and washable.

AIRDEX provides JIT deliveries to both foreign and domestic airfreight users, including manufacturers of high-tech computer and consumer electronics products. All "cold chain", and "high value" retail product shippers can benefit from using the thermal insulting, shock absorbing, waterproof AIRpallet™. Airlines and freight forwarders alike are rapidly embracing AIRDEX as a major cost and environmental savings strategy.

The AIRDEX Value Proposition promises "To provide ultra-lightweight, sustainable, shipping products that entirely pay for themselves in a single airfreight journey, while returning positive cash, and/or the free advantages of increased cargo capacity, human and environmental benefits."

Go GREEN and save GREEN today – call AIRDEX!

(Continued from page 36)

National Air Cargo is also certified to the Customs-Trade Partnership Against Terrorism (C-TPAT) program. C-TPAT is a voluntary U.S. Customs and Border Protection initiative to build cooperative relationships that strengthen and improve international supply chains and US border security.

"We see the utmost importance to screen all cargo riding on passenger aircraft. National Air Cargo fully complies with the rules and regulations set forth by the Department of Homeland Security and the TSA," says Cory McAllister, safety and security manager at National Air Cargo.

National Air Cargo's CCSF is strategically located at the Willow Run Airport in Ypsilanti, Mich. to grow with the needs of the metropolitan Detroit area. Off airport cargo screening is allowed by the TSA. In addition to screening air cargo out of Willow Run, the location of the Willow Run CCSF, just minutes away from Detroit Metropolitan Airport, offers convenient, off-airport screening which relieves congestion from the city's main airport, McAllister says.

The Willow Run CCSF is housed within a 7,000 square foot warehouse and dock facility operated by National Air Cargo. The CCSF features complete 24/7 surveillance and other state-of-the art security measures and fully adheres to the stringent documentation requirements by the TSA. McAllister says: "All our cargo screeners are staff provided and are professionally trained by a qualified third-party vendor."

People Make the Difference

One growing third-party provider of highly trained cargo screening personnel is Gate Safe. The College Park, Georgia-based company offers airlines, forwarders, cargo handlers, CCSFs and other parties in the air cargo supply chain a complete lineup of TSA-regulated compliance solutions.

"Knowing all the nuances of the TSA regulations is our forte," says Kevin Didion, Gate Safe CEO. "Gate Safe is highly qualified as provider of air cargo screening personnel. We provide the manual screening and backup where the customer may not have all its processes in place or seeks the help of trained cargo screening specialists."

Gate Safe offers a full range of air cargo and airport-related services and is part of the Gategroup companies which includes the world's leading independent airline caterer. In addition

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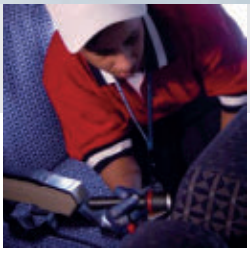


Cargo Screening

Gate Safe, Inc. is a highly specialized, third party provider of TSA regulated services to over ninety customers within the aviation industry, operating at nearly forty US airports, including all mainland US Cargo Gateways.

Our company offers Airlines, Indirect Air Carriers, Cargo Handlers and Certified Cargo Screening Providers a complete lineup of efficient and cost-effective solutions to evolving air cargo inspection requirements including cargo screening with advanced technologies, cargo warehouse monitoring, and passenger and freighter aircraft access control.

A proven provider, Gate Safe's strict adherence to customer-approved, TSA-compliant procedures and processes, backed by a very stringent internal auditing process, provide the foundation for our exemplary record of service excellence and customer satisfaction.

For more information, please access our website www.gate-safe.com, or contact +1(770) 991-4531.

(Continued from page 38)

to placing air cargo screening specialists on site at the nation's airports and cargo facilities, Gate Safe offers cargo warehouse and aircraft monitoring, aircraft cabin and ramp inspection services as a well as a screening of aircraft service personnel.

As Didion points out, the burden on cargo handlers in particular is tremendous given the responsibility of processing cargo in the receiving, storing, handling and delivery of freight. Now the cost and responsibility of ensuring cargo is screened properly per TSA requirements adds another cumbersome layer to the mix. "At the point it becomes cost effective for those in the air cargo community to consider a third-party provider, we have the reputation and processes in place to effectively and efficiently serve these

customers," Didion says.

Already some 90 customers in a variety of functions across nearly 40 U.S. airports use Gate Safe personnel to ensure their catering, onboard supplies, duty-free goods and air cargo is fully screened. "This means personnel are trained to the TSA requirements as well as trained to the individual type of screening equipment used at the particular facility or airport per the manufacturer's requirements," Didion says.

Pallet Technology Advances

Shipping materials from containers to pallets and wrapping materials also play a critical role in security screening. Many people forget the importance

— and the headaches — associated with the lowly wooden pallet.

Vance Seagle, CEO of Airdex International, a Henderson, Nevada-based provider of secure, lightweight AIRpallets which are resistant to both tampering and bacteria, notes plastic pallets are here to stay. "We're bringing brand new technology to a market that's been virtually unchanged for 60 years. Wood pallets have over 90 percent market share but it's onerous on the industry if you have to scan at the box level or break down an air cargo pallet for screening."

AIRpallets come in a range of sizes and applications and are fully customs compliant. Considering the skyrocketing costs associated with transportation, including fuel, Airdex pallets are ultra-lightweight and thereby offer a cost-saving alternative to heavier wooden pallets. In addition to these savings, the Airdex pallet solution means less injury, less spoilage in the supply chain and a whole lot more piece of mind.

"From the safety point of view, a primary advantage of our product is it's fully wrapped with a safe coating that can't hurt anyone, unlike wooden pallets where pieces of wood, nails or fasteners can break off and hurt people, cargo or the aircraft interior," Seagle says.

Seagle says in addition to food safety and quality concerns associated with wooden pallets that can carry bugs and other disease-born substances, AIRpallets eliminate the fumigation required with wooden pallets. Food, agricultural products and pharmaceuticals transit out of harm's way. "The AIRpallet is fantastic thermal insulator," Seagle says. "Our pallets are thermally insulated and prevent heat transfer from the ground up." Because spoilage often occurs in the bottom layer of product that is exposed directly to a wood pallet, using an AIRpallet eliminates the need for thermal wraps, thus adding to the savings from the elimination of spoilage from an unprotected bottom layer.

AIRpallets also greatly reduce the chances of tampering and pilferage because the need for the break bulk process is often eliminated. "Our pallets don't block X-rays or RFID tags. The pallets shoot right through automatic screening, eliminating the need to unpalletize and repalletize," Seagle says. Considering all the bumps and bruises that go into a typical journey of palletized cargo, AIRpallets offer a shock-absorbent alternative to wooden pallets which is especially important for delicate cargo like high-value electronics. "Best of all," says Seagle, "we promise that our AIRpallets will pay for themselves in a single, weight-based air freight journey, making them free to the user."

As these cargo products, services and solution providers illustrate, there are innovative ways to ensure safety and security in the air cargo pipeline, while improving efficiencies in the supply chain. Stay tuned for further developments in cargo screening technology and shipping practices. ACW

RAPISCAN SYSTEMS

The Leader in Air Cargo Screening Solutions

Rapiscan Systems is an established leader in the air cargo security market, with long-standing, successful relationships with both commercial firms and government agencies around the world. With over 15 years experience providing air cargo screening, we understand the challenges posed to this market and make it our mission to be fully engaged with regulators and customers around the world to develop solutions that meet today's and tomorrow's requirements. Specific market segments include:

Global Commercial Freight Companies
Throughout the world, we have integrated pallet-screening machines in both stand-alone configurations and gravity-fed freight automation systems that expedite shipping for major commercial freight companies.

Airline Cargo Screening
In addition to passenger screening, we provide air cargo screening systems to the global airline industry. Our teams have installed air cargo pallet and air container screening systems throughout the United States, Caribbean, Europe, Middle East, Africa and Asia.

Freight Forwarders
We provide solutions for air cargo inspection for small and large independent freight forwarding companies, specifically state of the art solutions that enable the highest possible threat detection and throughput at the lowest total cost of ownership.

Meeting Global Screening Standards
Several of the our solutions have been placed on the Transportation Security Administration's (TSA) Candidate Technology list and secured the elite "approval for use" status from the United Kingdom's Department for Transport (DfT).

For more information, visit http://www.rapiscansystems.com/air-cargo-screening/air-cargo-security-systems.html.

Outsize Cargo Convergence In Central Asia

Centuries ago the flow of goods from China to the Middle East and Europe created flourishing centers of commerce and learning in Central Asia. Today cities like Bokhara or Samarkand are mere shadows of their former glory, but new transit points are taking shape in places like Navoi in Uzbekistan, which is vying to establish itself as a logistics hub.

Navoi International Airport has a powerful external backer — Korean Air, in recent years the world's leading international air cargo carrier. It brought B747-400 freighter service to the airport in September of last year, as a stopover en route from Seoul to Milan, and increased the frequency eight months later. On the passenger side, Korean launched B777-200 flights from its home base to Tashkent and on to Cairo last September, which run three times per week.

The airline's involvement in the development of Navoi goes way beyond slotting freighters through the airport. Last year it signed an agreement with the Uzbekistan government to jointly turn the airport into an airfreight hub. The Korean carrier has provided technical support and assumed a leading role in the construction of the cargo terminal and its operation.

Korean is also working with Uzbekistan Airways and has championed the smaller carrier's aspirations to join the SkyTeam alliance. Two A300-600 freighters, which Korean had originally secured with the intention of deploying them in its joint venture Chinese cargo airline for domestic and intra-Asian routes, have been leased to Uzbekistan Airways.

In neighboring Kazakhstan, Almaty has established itself as a major transit point between Europe and the Far East. UK-domiciled freighter operator Coyne Airways, a long-standing operator in Central Asia, examined the viability of flying into the country's former capital and largest economic center but found Almaty airport thick with international operators. A year ago the tally stood at 49 widebody stops per week, recalled company founder and chief executive Larry Coyne.

Even Afghanistan is attracting operators. "From a cargo point of view there is a lot of activity. We're seeing increased activity there," said Ram Menen, senior vice president of cargo of Emirates Airlines. The Middle Eastern carrier operates 747-400 freighter flights into Afghanistan in tandem with ACMI provider Atlas Air. According to Menen, the flights carry "anything from perishables to general cargo to automotive traffic."

Lately two US operators have moved to position themselves for expansion in Central Asia. UPS has formed a joint venture with the owner of its agent in Turkey to manage and expand its small package, forwarding and contract logistics across the Middle East and parts of Central Asia. The venture covers 21 countries, including Kyrgyzstan, Kazakhstan, Tajikistan, Uzbekistan, Turkmenistan and Azerbaijan.

A week prior to that announcement, Miami-based Amerijet, which runs a fleet of B727 and 767 freighters, acquired SRX Transcontinental. The latter focuses on ground handling activities in Central Asia, while its subsidiary Avialeasing was certified in Kazakhstan. Holding a Part 129 authority from the U.S. Department of Transportation, Avialeasing can operate cargo flights out of Miami as well as Tashkent, according to Amerijet.

"Amerijet believes this acquisition will complement its cargo operations and support our energy sector customers both in the Americas and worldwide. It will also support our effort toward establishing regional cargo operations throughout Central Asia, a market Amerijet believes capable of substantial growth throughout the next decade," commented Chief Executive David Bassett.

Emirates' flights may carry a gamut of goods into Afghanistan, but outbound they are empty. The airline makes money by combining the Afghan route with a stop in Pakistan, where it loads up for the return trip to Dubai. By the same token, the 'stan' countries are one-way markets in terms of traffic flows.

"These are pure import markets. There is no export industry as far as airfreight is concerned," observed Dirk Steiger, principal of Frankfurt-based airfreight research and consulting firm Aviainform. "They are strong in commodities, which has given them a relatively stable income basis in recent years. The big question is: how is this income reinvested? How are they going to develop?"

Other than the oil and gas business, Coyne has not seen much industrial development in the region. "When the oil price reached $140 (per barrel) last year, people looked at new development, but that slowed down again with the oil price going down," he said.

For the most part, international carriers have been using airports in the region as tech stops between the Far East — notably China — and Europe, thanks to its strategic location and the availability of cheap kerosene. Hence, rates have been relatively low. "Carriers go on to China. They can bring in freight at low cost," Coyne remarked.

Kazakhstan poses the additional dilemma of a geographical

split. The oil and gas industry is largely in the western part of the country, whereas the population bases with their increasingly affluent consumer markets are in the east.

Away from the main population centers the terrain gets challenging for western operators. Many airports have low pavement classification numbers, which makes them unsuitable for western aircraft. As a result, the infrastructure is geared toward Russian cargo aircraft.

"If you can't get western freighters in, there is no point in having high loaders, dollies etc. You still have to use the Russian aircraft, so you don't need to spend $600,000 on a high loader," Coyne said.

Several western operators that were eyeing the region for opportunities have ended up at the major gateways for lack of viable alternatives, he added.

His outfit is using 747s on long-haul sectors, but in the region it employs Russian freighter aircraft. Coyne started out in Central Asia with flights to Baku and subsequently set up a hub in Tblisi. Later it added three points in Kazakhstan as well as twice-weekly flights to Turkmenistan. It is the only freighter operator serving the latter country, carrying large items that do not fit into passenger planes.

"It's not a consumer market. Demand is quite low. If another competitor came into the market, we'd have to think seriously about staying," Coyne said.

For the foreseeable future he has no plans to expand into any of the other 'stans.' Coyne is mildly interested in Uzbekistan, which has some oil reserves, while Kyrgyzstan and Tajikistan are too small to support scheduled operations, the carrier's preferred modus operandi.

Coyne has been active in Afghanistan for nearly three years with twice-weekly freighters to Kandahar and Baghlan, with trucking connection to Kabul. Volumes have climbed, but the obstacles have also gone up. Iran revoked overflying rights a while ago, forcing the carrier to fly around its airspace. With fuel prices in Afghanistan three times the level of other countries, Coyne decided to sacrifice payload, so its Ilyushin-76 on the route carries a mere 28 tons.

"Our cost is up 50-60 percent. It's difficult to recover that in the market," Coyne said.

To add to the challenges, the authorities in the United Arab Emirates recently changed their regulations. Concerned about stowaways, they decreed that planes arriving from Afghanistan have to go through Kabul to be checked. On top of all this, the military operations in the country have made slots scarce.

"It's been very difficult," Coyne said.

Afghanistan is not the only country in the region where operations have been disrupted by neighbors. Lufthansa Cargo can testify to that. The German carrier had developed Astana into a hub for freighter flights between the Far East and Europe, when the Russian authorities, citing a disagreement over fees, abruptly scrapped its overflying rights in October 2007, disrupting 49 connections between Frankfurt and Astana. After protracted negotiations Lufthansa agreed to move its Asian hub from Astana to Krasnoyarsk, which finally took place this summer.

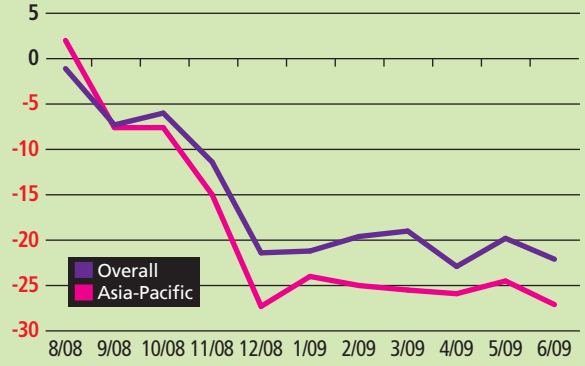
Menen recalled his airline's decision to pull out of Azerbaijan. "We got out of the market at the same time as BA, KLM and Swiss," he said. "Everything was challenging. It was not worth the trouble."

Despite lively commercial activities between the Middle East and Central Asia, Emirates has not moved into the 'stans,' apart from occasional charters. Management will look seriously at the area over the next couple of years, Menen said. While it is riding out the current economic storm, the airline has no appetite for the adventure.

"The region has many challenges. I have to ask myself: can I do better somewhere else?" Menen commented. ACW

CARRYING EUROPE

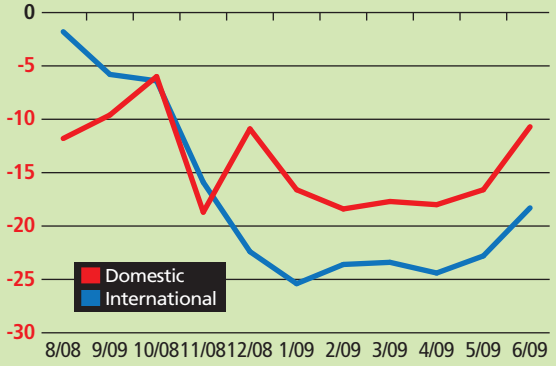
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

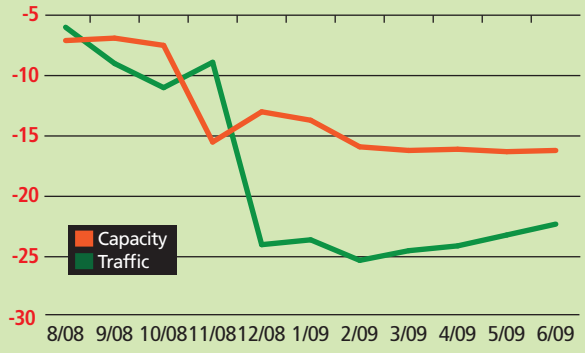
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

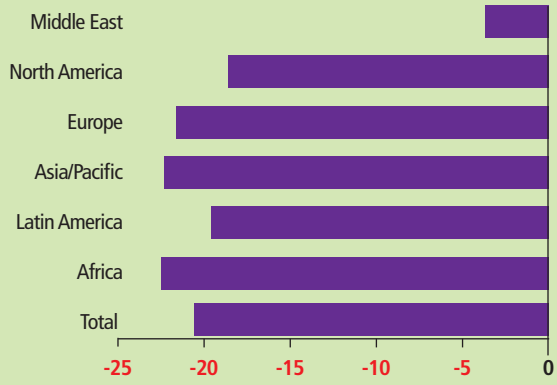
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

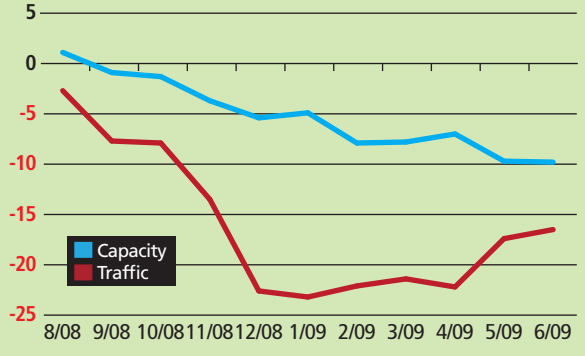
International air cargo year-over-year change for June 2009 vs. June 2008



Source: IATA

CARRYING INTERNATIONAL

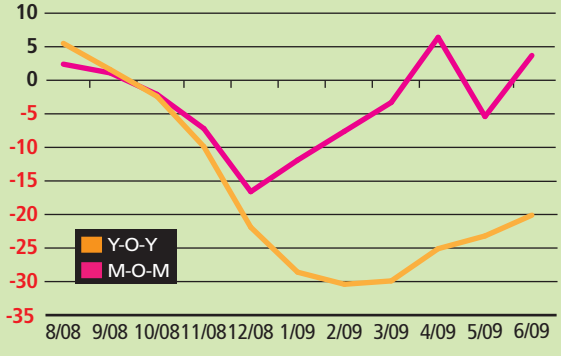
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight tonne-kilometers and available tonne-kilometers.



Source: IATA

SEMI CONDUCTORS

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



Source: Semiconductor Industry Association

AIRLINES

Delta Cargo has announced the promotion of **Danita Waterfall-Brizzi** to Director of Cargo Sales and Service EMEIA (Europe, Middle East, India and Africa) Region. She will be responsible for all Delta cargo sales and customer service activities in the region and lead coordination efforts associated with the joint venture with Air France/KLM Cargo. Waterfall-Brizzi will be based in Frankfurt and report to Ray Curtis, Managing Director of Global Sales.

Leif Rasmussen has returned to the **SAS Group** as SAS Cargo's new President and CEO, following the departure of Kenneth Marx. Leif, who has an extensive background in the airline industry, has held leading positions with SAS including Vice President of SAS Denmark.

ASSOCIATIONS

The **Baltic Air Charter Association** (BACA) has **appointed Markham Jackson** as it first Chief Executive. Jackson, who started his career with BOAC (now BA) in Europe, the Middle East and West Africa, later launched his own air broking business. BACA, a member of the **City of London's Baltic Exchange**, is dedicated to promoting integrity and ethical business practices in air brokerage.

Cargo 2000 has appointed **Thorsten Lafleur** Technical Director with responsibility for the global development, maintenance and industry-wide adoption of the overall business process and standards of the Cargo 2000 effort. Based in Miami, he will work out of the CNS/IATA office for the Americas.

LAFLEUR

THIRD PARTY

Aeronautical Engineers Inc. says the Civil Aviation Administration of China has amended its B737-300 passenger-to-freighter conversion supplemental type certificate to add the B737-400. "This approval allows AEI to serve Chinese airlines, aircraft owners and operators with high-quality, cost-effective conversion services that allow for the reallocation of their assets," said David McDonald, VP Operations, AEI.

SCHIEF

Karen R. Schief has been named manager of operations for **Airline Network Services** by **Jens Tubbesing**, chief executive of the New York-based General Sales Agency. Schief, whose airline career began at **Pan American World Airways**, was actively associated with the production of Pan Am's Worldwide Marketing Horizons publication for promoting cargo sales. Her experience in marketing, claims and customer service includes positions at the **International Air Transport Association** and **Cargo Network Services**, where she assisted in planning and production of the annual Partnership Conference

Peter Weir, Senior VP of airfreight wholesaler **AMI**, is relocating from the UK to Dallas. Weir, who will retain the same position and global responsibilities, will seek to raise AMI's profile and educate the market about the airfreight wholesale concept. The company plans to expand its U.S. business, which now makes up about 16 percent of its total business, to 30 percent within two years.

Pennsylvania-based **Evans Network of Companies** has announced the promotion of two executives. **Chris Giltz,** who joined the company in 2002, has been promoted to Senior Vice President of Operations. In addition, **Kim Lorimer** has been named Vice President Safety and Compliance.

Hong Kong Aircraft Engineering Company Ltd. (HAECO) has appointed **Kenny Tang** as Director, Corporate Development. Tang previously served as Chief Executive Officer of Hong Kong Dragon Airlines Limited. Tang, who joined **Cathay Pacific Airways** in 1979, was promoted to General Manager of Corporate Finance in 1994. He later served as Chief Operating Officer of freight carrier Air Hong Kong and as Cathay Pacific's General Manager of Cargo. He was appointed Managing Director of Taikoo Motors in 2004.

Relcor has appointed **Kimberly DeOrsey** Director, Business Development, reporting to Paul L. Fattori, president of the Florida-based company. DeOrsey will be responsible for new business development by applying business, marketing and sales strategies relating to high security seals for the transportation industry.

UK-based **SBS Worldwide Group** has appointed **Geoff Gillo** as a non-executive director and **Doug Overett** as its first UK Country Manager. Chairman Steve Walker said the company is strengthening its management team as part of its strategic global development plan. SBS, launched in 1983 and with offices in the UK and North America, is targeting new areas for growth including Asia. Gillo, a chartered accountant, has many years of experience in logistics including European Finance & Commercial Director of

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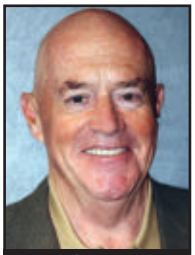
Tibbett & Britten Group until its acquisition by Exel. He is an equity director of **Keswick Enterprises Ltd.**, a privately-owned company focusing on logistics and supply chain activities. Overett will have overall responsibility for running the UK business. He has over 30 years industry experience in both the UK and USA in sales and operational roles with leading forwarders, including **MSAS/Exel** (now **DHL**) and **Hellmann Worldwide**.

Seattle-based **TransGroup Worldwide Logistics** has opened a new station in El Paso, Texas. TransGroup-ELP, located near the U.S. Mexico border, provides domestic (including TransBorder Mexico) and international transportation logistics services as well as local warehouse services. Managing the station is **Richard Ibarra.** He brings more than 20 years of transportation and logistics experience, including expertise with transborder shipping into and out of Mexico.


HICKMAN

Brendan Hickman, founder and managing partner of **Transportation Management Group**, has joined **UBM Aviation** as Chief Commercial Officer. Based in Chicago, he will oversee global sales and marketing of UBM Aviation's portfolio for the air travel and transport industries, including the OAG data business. He will also lead the company's corporate marketing initiatives. Hickman has developed, managed and sold business and technology solutions to the transportation and logistics market for more than 30 years. His background includes 20 years with **Continental Airlines** and its technology subsidiary, **SystemOne**.

Swissport International has appointed **Stefan Roschi** as the new head of its aviation security business. He succeeds Louis Seliner. Roschi, who has been involved in Swissport's aviation security business for a number of years, has extensive experience in both the airline and the ground handling sectors, including COO of Customer Ground Service AG and general manager of **Checkport Schweiz AG**. He will be responsible for a business line that offers airport and airline security services at 30 stations in 12 countries with plans to expand. ACW

events

SEPTEMBER 15-17

Seattle: Cargo Facts 2009 15th Annual Aircraft Symposium will be held at the Seattle Sheraton Hotel. The event attracts more than 500 decision-makers from the passenger and cargo airline industries and features presentations from airlines, manufacturers and their suppliers. For more information or to register, contact Marquita Fortner at (206) 587-6537 or *mfortner@cargofacts.com*

SEPTEMBER 20-23

Chicago: Council of Supply Chain Management Professionals Annual Global Conference will be held at the McCormick Place West in Chicago. 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 *www.cscmp.org.*

SEPTEMBER 29- OCTOBER 1

Hannover: Post-Expo/Courier and Parcel Logistics Expo 2009. The world's largest fleet operators, courier and supply-chain professionals will attend this exhibition and congress for the international postal industry. This event will feature a World Postal Business Forum along with Operations Conference and Technology Workgroups. For more information, visit *www.postexpo.com* or *www.cpl-expo.com.*

OCTOBER 1-2

Seattle: The third annual Naverus PBN (Performance-based Navigation) Summit will feature air traffic management leaders including Nancy Graham, director of the ICAO Air Navigation Bureau, Hank Krakowski, COO of the FAA Air Traffic Organization, and Greg Russell, CEO of Airservices Australia. For more information, visit *www.pbnsummit.org* or contact Ken Shapero at 1 (253) 867-3955 or e-mail: *kshapero@naverus.com.*

OCTOBER 4-7

Dubai: Air Traffic Control Optimization Summit Middle East 2009 will address major challenges and issues, from airspace congestion and safety of ATC operations. The summit will feature a two-day conference and two days of workshops. For more information, contact Eileen Espelita +971 4 364 2975 or e-mail: *enquiry@iqpc.ae*.

OCTOBER 5-8

Singapore: SCM Logistics World 2009. Leading supply chain and logistics professionals from major brands and leading institutions will convene to discuss real supply chain challenges and issues at a time when the world is facing one of the worst economic recessions in history. The conference will be held at the Raffles City Convention Centre. For more information, contact Debby Lim at +65 6322 2710.

OCTOBER 11-14

Austin: ACI-NA 18th Annual Conference and Exhibition Committing To the Future: Transforming Ideas Into Actions will be held at the Austin Hilton. Featured sessions include NextGen: It Starts and Ends With Airports; Airlines and Airports: Working on the Relationship, Turbulent Times Call For Savvy Strategic Planning. For more information, visit *http://r.listpilot.net/c/acina/3r0kg7a/1qpmn*.

OCTOBER 27 - 29

Beijing: Aviation Outlook Asia 2009, co-organized with the Beijing Capital International Airport, will draw global aviation leaders to discuss and business issues and challenges and initiatives to successfully navigate their aviation business through a period of changing economic and market paradigms. The conference will be held at the Ritz Carlton Financial Street. For more information, call +65 6322 2771.

NOVEMBER 3-5

Dallas: 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. For more information, contact Ajay Pande at *pandea@iata.org*.

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 industry priorities. The event, which is designed for member airlines and strategic partners only, will be held at the InterContinental Hotel Wein in Vienna, Austria. For more information, visit *www.iata.org/events*. ACW

profile

Swiss World Cargo's Oliver Evans developed a passion for travel while growing up in France and making frequent visits to other countries including England, his father's birthplace.

Those trips gave him an early taste for different environments and a strong desire to broaden that experience after leaving university in the mid-1970's.

So Evans sought a career where he could parlay his fondness for diversity into a job where he was assured access to people and dealings with different cultures.

An opportunity to join the shipping business fit that bill, and Evans ended up staying in the logistics field until joining the airline business in the late 1980's.

Evans, who is fluent in French, English, German, Dutch and Italian, worked with KLM Cargo in a range of management functions in the U.S., Singapore, Germany and the Netherlands from 1987 to 2001.

During a subsequent stint at BAX Global, Evans was contacted by a headhunter about an opportunity too good to pass up. He quickly agreed to apply his international know-how in the cargo business with Swiss International.

Oliver Evans, Swiss World Cargo

Evans says the switch was influenced in part by Pieter Bouw, the Swiss chairman and former KLM CEO, for whom he had "a lot of respect." Other pluses were the challenging nature of the job and right time, right place aspects for a move to Switzerland.

Evans describes his latest venue as "the kind of environment that is very congenial to me." As "someone with a lot of hobbies outside of the office," he rows regularly on a lake near Zurich, enjoys hiking in the mountains and is a keen swimmer.

Swiss World Cargo went into business in April 2002. The idea was to generate profits by targeting niche markets and providing state-of-the-art logistics technology.

Evans, now Chief Cargo Officer, has overseen the continued development and targeted expansion of Swiss World Cargo. As part of the Lufthansa Group and a member of the Star Alliance, his division has stuck to its game plan and is on its way to becoming a global leader in niche markets, Evans says. In addition to its general cargo business, the organization operates Swiss X-Presso, Swiss Valuables, Swiss Mail and Swiss Perishables.

The company has taken aim at care-intensive markets where the transport of valuables and value-added services "are appreciated and valued by the customer." Says Evans: "We are leveraging our strengths to become a global leader in those markets."

He foresees a "big shakeout" in the industry where several strong airlines will emerge as dominant regional players in a global business. He sees a strong European-based group of two or three companies and thinks the same shakeout will happen in North America and Asia.

While the air cargo industry remains a relatively small community, Evans has seen it expand in the past 30 years. "Of course it has grown hugely and is somewhat less personal than in the past."

Indeed, those incredible stories of air cargo incompetence have mostly disappeared thanks to advanced processes and technology, he says. But while there are "far fewer horror stories," the industry's sophistication brings with it a less personal dimension, he adds.

Yet it still holds allure for people like Evans whose zest for work and people includes conquering the newer tests of time. "One challenge is that we are still personal in our relationships," he says.

Married to a woman from Northern Ireland whom he met in the United States, Evans has two grown children for whom he shares a hopeful outlook about the future. And he says he is optimistic about the industry for the same reasons.

"We are learning a lot about ourselves and an awful lot about our environment, and the industry offers endless terrain to exercise this kind of thought and exploration. So as long as we are learning, and as long as we are striving to improve things, I think we can be optimistic." ACW

trish.williams@aircargoworld.com

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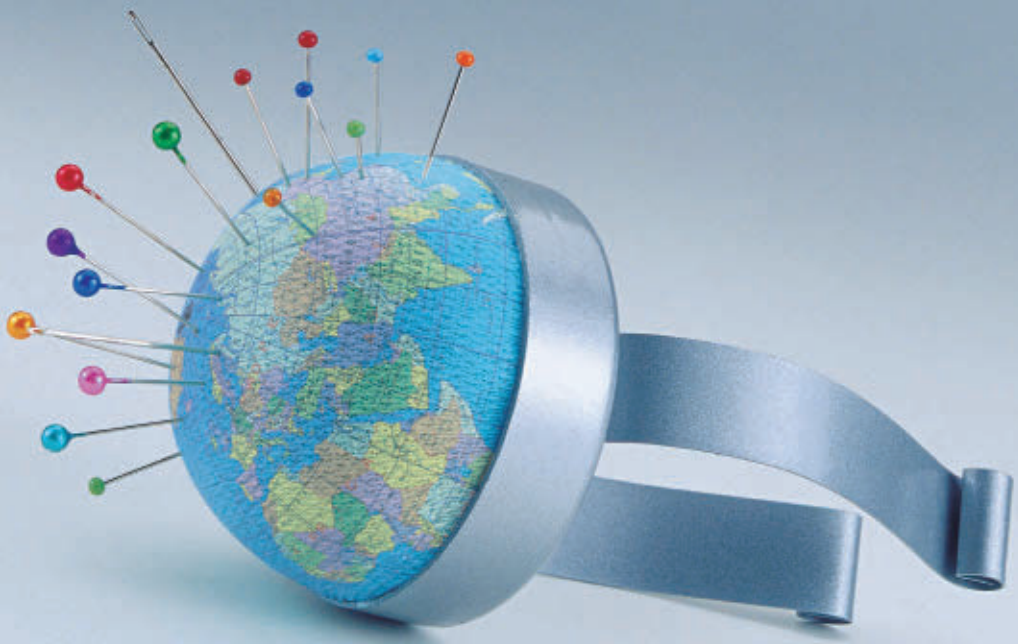

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