INTERNATIONAL EDITION

Air Cargo World

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Cash Blown to Euro-Ash

Best practice or bust

Russia's one-way bet

Chapman still buzzed

Air Cargo World

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Air Cargo World

editorial

Blowing hot air

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Commenting on the aftermath of the European volcanic ash chaos, IATA secretary general Giovanni Bisignani noted the problem hasn't gone with the wind.

After three decades of bickering, turf protection and post-WW2 hubris, the air above mainland Europe remains a patchwork of conflicting political interests.

"The decision to categorize airspace based on risk was a step in the right direction. Unfortunately, not all states are applying this uniformly. It is an embarrassing situation for Europe... the chaos and economic losses of the last week are a clarion call to Europe's political leaders that a single European sky is critical and urgent," Bisignani said.

While IATA says the airlines lost $1.7 billion, nobody has put an economic and environmental price tag on the 30 years of routing airplanes around proprietary European airspace and overlapping air traffic networks.

So as the number of perturbed passengers and pallets of perishables backed up at airports and warehouses respectively, not for the first time the Dutch, French and Germans began to question the competence of Europe's transport ministers for their apparent genetic inability to communicate, listen and act.

What should be forehead-smacking obvious even to the Brussels über-class is how global commerce is now totally interconnected with the air transport industry.

Grounded aircraft stress out dogs, cats and horses as much as humans. No flowers sold in Aalsmeer means no money for Kenya growers. Delayed pharmaceutical deliveries mean a premature death somewhere.

With politicians and heads of state — let alone the less favored — unable to go to funerals or return home by government jet, perhaps the only good to come out of this debacle will be a determination to avoid its repetition.

But citing an exploding volcano as an "act of god" and demanding indirect compensation from European customers and taxpayers stranded all over the world won't help the airline cause.

In acknowledging a contribution (although modest) to climate change, airlines cannot then pick and choose their responsibilities. To say they create CO2 but don't cause volcanoes to erupt is ethically disingenuous.

If nothing else is learned from Iceland's spectacular impact on Europe's economy, climate change means we're all connected.

Europe's transport ministers should clear the air once and for all — before the next catastrophe.

Air Cargo World

viewpoint

"It's so simple, it's hard to understand"

In the past few weeks, Southwest Airlines Cargo has been honored to receive several significant industry awards related to air cargo performance.

Our company is very humbled to be recognized with the Airforwarders Association's Carrier of the Year award; the Express Delivery and Logistics Association's Airline of the Year; and *Air Cargo World*'s top performing carrier in its annual Air Cargo Excellence survey.

Considering the fact that Southwest is primarily a point-to-point, narrow-body, US domestic carrier, and doesn't quite fit the traditional industry mold, these accolades have prompted some to ask, "What's the secret?"

I will gladly give credit where credit is due. Quite simply, the people of Southwest are unique to the air cargo industry and make a difference.

Wally Devereaux

Our people staff the vast majority of our cargo facilities and our people load all of our aircraft. From the employee at a cargo facility that accepts the shipment, to the ramp agent that loads it, to the customer care representative available to provide outstanding service, it's these faces and many others at Southwest that get the job done and thus deserve the recognition.

Throughout our 39-year history, Southwest has developed a company culture around the idea that happy employees produce happy customers. This is a management philosophy that is alive and well at Southwest today.

While it's not possible to do this topic justice in a few paragraphs, I do think there are a few rather basic key practices that have helped us maintain this culture successfully throughout our history.

The Golden Rule. Treat others as you want to be treated. This may sound a bit silly, but what works well on the playground is also appreciated in the workplace.

Communicate frequently and consistently. This practice is incredibly important in keeping employees informed in a very dynamic and changing environment, and also making them feel like they're part of the bigger picture. It's critical to "tell it like it is" to your employees by providing open and candid input, especially during times of uncertainty. This should be accomplished by talking with them, not at them. This practice also requires actively listening for a clear understanding. Utilizing multiple channels to communicate has also become vitally important due to generational gaps in learning preferences.

Set clear expectations. In order to be effective, your employees must know what their priorities and expectations are. The saying "if everything is important, then nothing is important" is absolutely true. Employees must be informed what is critical to reach success. Without this direction, employees may lack focus and your customers will not benefit from your strengths.

Work hard and celebrate successes. As easy as this might sound, many leaders may spend the majority of their time dealing with a few difficult employees and very little time engaging or thanking those that are responsible for the company's success. Dedicate time to express sincere appreciation for employee contributions and celebrate each milestone of an individual, a team or department, and the company. The dividends will be noticeable and plentiful.

To that extent, I am sincerely thankful to the employees of Southwest for their dedication and commitment to providing our valued customers with the service they deserve.

As air cargo becomes more complex and automated, I firmly believe that our customers ultimately want two things: their shipment to move from point A to point B on time and safely; and a friendly employee that wants to help if delivery does not go as planned.

You can't automate that.

Treat your people well, and in return, they'll treat your customers well. To quote a former president of Southwest Airlines, Colleen Barrett, "It's so simple, it's hard to understand." ACW

Wally Devereaux is director of sales and marketing for Southwest Airlines Cargo. He joined the cargo management team in 1999 as the national account manager working with Southwest's largest cargo customers. He took over his current role in August 2007. He is the recipient of the Airforwarders Association's 2007 James Foster Memorial Award and a 1991 graduate of the University of Texas at Arlington.

Cargoitalia gets ready for third MD-11

Expanding all-cargo airline Cargoitalia aims for further growth in China when its third MD-11 arrives in June. Scheduled operations will start to Shanghai, initially twice a week.

"We hope we can increase to three a week by the last quarter of 2010, to benefit from the peak season," commercial director Roberto Gilardoni said.

"New" Cargoitalia began flying at the end of September 2009 and Gilardoni said the Hong Kong market had been "robust in both directions" since day one.

The US has been a more difficult nut to crack. "The crisis hit there in a different way, and the market showed understandable caution to begin with. People asked, how will you be different from before?

"But we have had good feedback. We're happy with our setup at Chicago and JFK. Things have also started to improve, and yields are increasing."

It benefited Cargoitalia that other carriers had restructured transatlantic capacity. Lufthansa pulled its US freighter from Malpensa, and Cargolux, although retaining its service, was now returning from New York to Malpensa via Luxembourg. "This helped us. We are now the only carrier providing direct maindeck capacity from New York direct to Milan," said Gilardoni.

Canada was less successful. "We ran Toronto for four months until January but the market was not consistent. The load factor was OK, but we couldn't get the margin," he said.

Cargoitalia increased its schedule by 50 percent from mid-March, and now operates three US flights per week – from Milan Malpensa to New York and Chicago on Wednesdays, to Chicago only on Saturdays, and to New York only on Sundays.

The Hong Kong service has also gone to three a week, with one flight calling at Sharjah outbound. ACW

Changing charter landscape: Chapman Freeborn in action with the AN225

Charter brokers thrived, scheduled carriers bled

Whisper it quietly, but the cargo broker sector did not do too badly last year. While the rest of the industry was writhing around in agony the charter boys were doing quite nicely.

The major players report a minimal downturn in business volumes, and indeed increases in charter activity in some key sectors.

"It is the nature of the business we operate in, that we are traditionally not impacted by cyclical economic downturns," says Shahe Ouzounian, CEO of Chapman Freeborn Aircharter-ing. "Some of the small brokerage outfits, closely aligned to niche markets such as the auto industry, probably had a tougher time, but for the major brokers the key has always been diversification across a broad spectrum of charter opportunities."

But Ouzounian admits that this side of the global downturn, the landscape for the charter industry has changed considerably

"The Haiti earthquake disaster earlier this year proved to be a marker as to the status of the market," he says. "There appeared to be plenty of available capacity to bring in emergency aid, but at the time a lot of B747F charters were being operated from the US to Afghanistan, which were returning empty and thus able to pick up backloads, notably from the Middle East."

Since that time, he says, the market has tightened up considerably. "We would have had a tough time responding to the demands of the Haiti situation if it had happened a couple of months later."

The fundamentals of the market have changed, he says, as a direct result of the impact the downturn had on the scheduled carriers.

"Usually in any downturn it is passenger aircraft which get parked up

first. In this instance I have never seen so many freighters in such a short time heading for a desert parking space."

Ouzounian reckons that up to 25 percent of the global freighter fleet was parked up at one stage.

"What we are now having to absorb is the huge capacity outage which took place last year, with only a small proportion of freighters being put back into service. It is also a real shocker when you learn that major players like Japan Air Lines have announced they're withdrawing from the freighter business altogether."

Air Charter Service's commercial director, Justin Bowman, agrees that the dynamics of the cargo charter market have changed, but puts a positive spin on the situation.

"I think you will see a maturing of the cargo charter business to the extent that the three major players, Chapman Freeborn, ACS and Air Partner, are moving to the position of becoming global operators, much in the same way as in the freight forwarding business where there are a handful of truly multinational players."

The recent global downturn, he believes, has only served to speed up that process.

"Cargo chartering is mainly a cash up-front business. If a company has a sound financial footing and can easily be credit checked, there is less risk involved. So many customers now only want to use brokers with assured financial security."

By the same token, ACS is far more circumspect about the carriers with whom it chooses to do business. According to Bowman, the company now spends $130 million a year on cargo charters. "That is a lot of money to put up front every time, so we now run even tighter credit checks with all the operators we use and have adopted a policy where we don't over-expose ourselves."

A handful of global cargo charter players may well emerge, says Smith, but as with the forwarding sector, there will always be a place in the market for smaller specialists.

Cargo charters account for 24 percent of Air Partner's charter sales, and again, the company bucked the general market downturn and actually grew its cargo business last year.

"A lot of that was organic growth, but a lot of it was also about retaining our customer base and winning repeat business," says Richard Smith, group freight director.

He agrees that the dynamics of the cargo charter business are changing, particularly as a result of reduced freighter flying by scheduled carriers.

"Some balance is being restored to the market, but it quickly becomes exposed when we hit a peak in demand. Right now there is heavy demand out of Asia again and we are struggling to meet customer calls for B747F and MD-11F capacity."

If one thing has changed, possibly for the better, and on which all three majors are agreed, it is the inter-activity between scheduled carriers and charter brokers.

"It is the nature of the business we operate in, that we are traditionally not impacted by cyclical economic downturns."

"A few years ago a scheduled carrier would hardly answer the phone to a charter broker. Today, we're answering calls from them," Smith says.

The rules of engagement, it appears, have changed. "If there is one sure way of getting the attention of a scheduled carrier these days, it is the smell of money," says Ouzounian.

"These carriers have taken a look at the charter market and realised that this is a business where you get paid, before you even operate the flight and do not have to wait 90 days for the CASS system to filter payment through to you from the forwarder."

Which is why, he says, many scheduled airlines are putting their aircraft up for regular charter.

"You can go to the remotest of locations in Africa today and see a B747F belonging to a major Asian carrier parked on the tarmac, obviously undertaking charter work. For some of these carriers, it is almost a loss of face that they have to earn money this way." ACW

The day the sky fell in

IATA has estimated that the Icelandic volcano crisis cost airlines more than $1.7 billion in lost revenue during the six days that northern European airspace was closed.

"The scale of the crisis eclipsed 9/11," said Giovanni Bisignani, IATA's director general and CEO. "For an industry that lost $9.4 billion last year and was forecast to lose a further $2.8 billion in 2010, this crisis is devastating. It is hitting hardest where the carriers are in the most difficult financial situation. Europe's carriers were already expected to lose $2.2 billion this year."

As flights resumed, IATA welcomed the fact that airports such as London Heathrow and Dubai were waiving parking fees and not charging for repositioning flights. Bisignani said governments now needed to step in, and urged that "use it or lose it" slot rules be relaxed to reflect the extraordinary nature of the crisis. IATA also requested a temporary suspension of night flight bans.

During the crisis, airlines flew to Spain and other hubs in southern and eastern Europe that were less affected by the volcanic ash cloud, leaving forwarders to transfer goods to customers further north by road, rail and ferry.

British Airways World Cargo, for example, operated its three B747 freighters out of Zaragoza, Spain. Following the grounding of its 50 European planes, DHL also diverted import airfreight to Spain for onward trucking, and changed the centralized distribution system at its Leipzig hub so that it could serve regional sub-hubs.

Southern Europe was not a complete solution, as some authorities would not grant traffic rights to non-scheduled operations. Where regional airports stayed open, for example in southern France, they lacked the capacity and logistics capability to act as cargo hubs. With truck availability also an issue, Air France embargoed perishable freight, foodstuffs, live animal and pharmaceutical shipments after Paris closed.

With an estimated backlog of two to three weeks once flights resumed, perishable traffic was expected to take initial priority.

To help get freight flowing again, the UK Freight Transport Association called for a temporary lifting of the weekend trucking bans that apply in some European countries.

As they restarted intercontinental services, Swiss WorldCargo, Lufthansa Cargo, KLM Cargo and Air France Cargo were accepting only limited new bookings. They believed they could clear the export backlog in a few days, but imports from Asia were a bigger problem. Shanghai and Hong Kong airports were each estimated to be holding 15,000 tonnes of airfreight at one stage. Warehouses at staging posts such as Dubai and Abu Dhabi quickly filled up with electronic goods and garments.

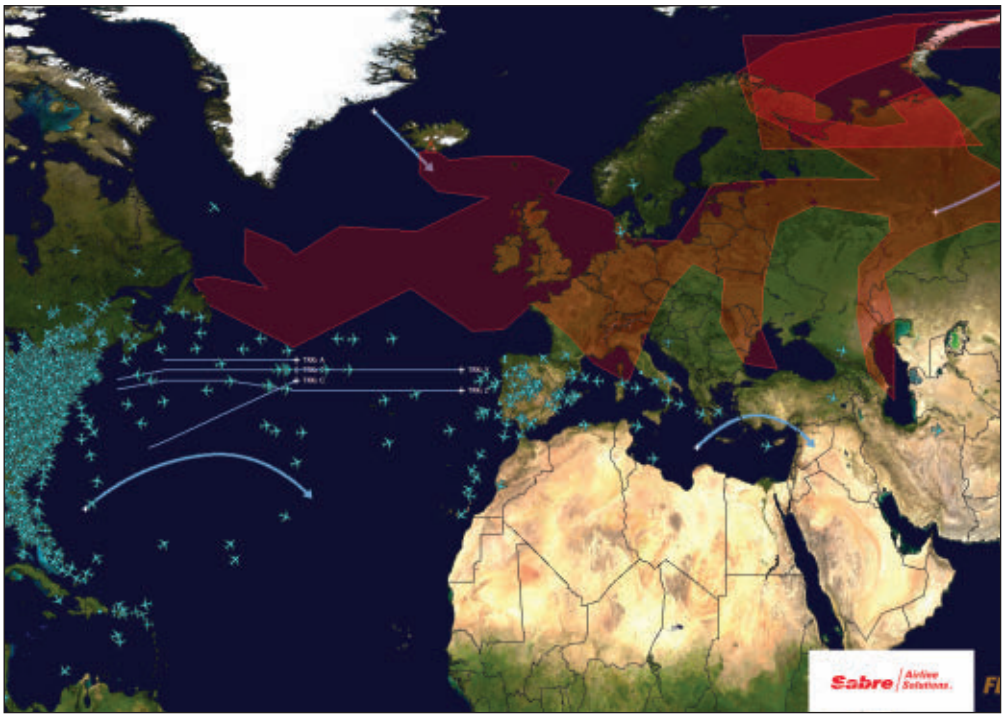
UK supermarkets quickly began to run short of tropical fruits and fresh flowers. Christopher Snelling, head of global supply chain policy at the Freight Transport Association, said: "Producers in Africa are being particularly badly hit - in some areas, 90 percent of fruit, flowers and vegetable exports to Europe are delivered by air."

Terry Leahy, chief executive of Tesco, said only one percent of the supermarket group's products were usually airfreighted and it had been bringing Kenyan fruit and flowers into Spain for onward trucking.

Zambia estimated its flower and vegetable industry was losing $150,000 a day because of the grounded flights. Kenyan growers

destroyed 10 million roses and other flowers destined for Europe, while farmers were feeding their cattle with asparagus, broccoli and green beans once their storage facilities were full. Pineapple growers in Ghana were badly affected as Accra airport has limited refrigeration.

Thailand airfreights 100-150 tonnes of fruit and vegetables a day to Europe. The Thai Fruit and Vegetable Producers Association said produce was being sold locally at low prices. Exports of Thai electronic goods, automotive parts and garments were also hit, though UPS and TNT were managing to ship some products from Bangkok to southern European airports without service guarantees.



The extent of the ash plume on April 19, showing air routes operating at 1pm and plotted using Sabre's Flight Explorer tool

With Europe's summer fashion season in full swing from March to May, more than 1,000 tonnes of Bangladesh-produced garments piled up at Dhaka airport, according to all-cargo carrier Bismillah Airlines. Garments represent 80 percent of Bangladesh's export earnings.

The European lockdown forced BMW to halt production temporarily at three German factories due to a shortage of parts. Pharmaceutical and hi-tech manufacturers also began to experience stock-outs.

In the reverse direction, the Japanese sushi industry normally sources 90 percent of its Atlantic salmon from Norway. Importers were forced to turn to New Zealand to make up the shortfall.

Forwarders have warned that airlines are already increasing freight rates. Panalpina said: "Additional capacity at higher cost will be required to clear the backlog. Consequently airlines are implementing a rate increase with immediate effect."

Kuehne + Nagel told customers: "The likely consequence could be a further increase in freight costs, in a market already short on capacity."

With warehouses and scheduled aircraft full, air charter operators were accused of profiteering from requests for urgent transfers of medical supplies and human organs. Capacity was tight even before the crisis and rates hardened as aircraft were forced on to longer southerly routes to avoid the fallout from the volcano. ACW

Etihad adds Chad, and builds its Iraq services

N'djamena has become Etihad Crystal Cargo's first freighter destination in central Africa. The carrier is operating an 88-tonnes payload MD11 freighter weekly from its Abu Dhabi hub to the capital of Chad.

With its fleet of two A300-600 and two MD11 freighters, Etihad now has 21 all-cargo destinations in the Middle East and Africa, and 69 destinations across the globe. Two A330-200Fs are scheduled to join the fleet in September and October.

Des Vertannes, Etihad's outgoing executive VP of cargo, said: "Trade and business ties between the UAE and Chad continue to grow and we look forward to developing our local partnerships and build a strong customer base in the country, which is widely considered one of the region's fastest growing economies. We are very pleased to launch Etihad's first services to Chad and assist in the development of the country's economy."

Etihad meanwhile launched passenger services from Abu Dhabi to Baghdad on April 26. It is operating five services a week using A320 aircraft, and hopes to add two services to Erbil, Iraq's fourth largest city in the north of the country, from June 1 subject to government and regulatory approvals.

James Hogan, Etihad Airways' chief executive, said: "We are committed to building and strengthening ties in our region and we are pleased that Etihad will be the first airline in the UAE to fly to Iraq. We launched a cargo operation to Baghdad in September 2009, and have recently commenced additional cargo flights to Erbil, which we expect will perform well."

Etihad began a codeshare operation out of Pakistan with American Airlines in March, improving connections between Karachi, Islamabad and Lahore and key destinations in the US, including Washington, Los Angeles, San Francisco, Dallas, Miami and Houston. Etihad Airways currently flies to three North American destinations — New York, Chicago and Toronto. ACW

Agility saw 2009 revenues decline despite major contract wins

Agility loses DLA contract as legal wrangle continues

The US Defense Logistics Agency (DLA) has named a new contractor for food and beverage support to US forces in Iraq, Kuwait and Jordan.

Dubai-based Anham is set to replace Agility as prime vendor by fall. Agility said it had been asked to continue providing services for six months to ensure an orderly and seamless transition as troops are redeployed and the new contractor beds in.

The six-year contract for Anham could be worth up to $6.4 billion. The company was set up by Arab Supply and Trading Co, based in Saudi Arabia, the Jordanian Munir Sukhtian Group, and HII-Finance Corp, a US-based investment group and international trade organization.

Agility was indicted last November on charges of conspiracy and fraud while operating contracts worth $8.5 billion to supply food to US troops in the Middle East. The case is now in a federal court and if the company is found guilty of overcharging the Department of Defense, it could face a substantial fine or be suspended from bidding for future contracts.

One former supplier claimed Agility had profited by $60 million by overcharging for fruit and vegetables. The company is also cited for failing to pass on discounts it obtained from US suppliers.

The company denies all allegations. It said in a statement it was continuing to discuss the issue with the US government but added: "There is no guarantee that the parties can reach a mutually agreeable settlement."

Agility's Kuwait-based parent company and legal entity is Public Warehousing Co (PWC). PWC Logistics, already a key player in the Middle East warehousing and trucking market, bought GeoLogistics, Trans-Link Group and US-based Transoceanic Shipping in 2005 to cement its position as the region's largest locally-based logistics company.

PWC rebranded as Agility the fol-

lowing year and, in addition to its expanding commercial operations, became the major provider of logistics services to the US military in the Middle East.

On April 12, the US Attorney's office in Atlanta extended an indictment against The Public Warehousing Company KSC to two PWC subsidiaries, DGS Holdings and DGS KSCc.

Agility said in a statement: "The decision by the US Attorney's office in Atlanta is regrettable. The indictment contains no new allegations, and simply adds two PWC affiliates as defendants. This move serves only to taint PWC subsidiaries that have a strong record of on-the-job performance and compliance with US law and federal acquisition regulations."

The company is currently pursuing a technicality and claims the US Justice Department, in attempting to serve a summons on the indictment, failed to follow US law. Rather than serve PWC through proper diplomatic channels in Kuwait, the US government attempted to serve a US subsidiary of the company. Under the US Federal Rules of Criminal Procedure, a company cannot be served with process on an indictment through service to a subsidiary.

In a further statement, the company said: "PWC's work on the food contract has been timely, reliable and cost effective. Its performance, under the most dangerous and demanding conditions, has been unparalleled. The prices it charges have been negotiated with, agreed to, and continually approved by the US government, which has found PWC's prices to be fair and reasonable."

The company added that it had a "strong, compelling legal case" and delayed the release of its 2009 financial results by a few days until April 11 in the ultimately futile hope of resolving the case out of court.

Finally reporting the results, Tarek Sultan, chairman and MD, said: "2009 was a mixed year for Agility. The company was able to report solid operational profits, continue to grow its emerging market footprint, and attract a number of important new customers around the world. On the other hand, Agility is facing a number of challenges, including the slower than expected recovery from the global economic recession, the troop drawdown in Iraq, and the ongoing legal issues."

Agility saw 2009 revenues decline by 7 percent as a result of decreasing freight volumes in its Global Integrated Logistics (GIL) business. Staff cuts and other cost control measures helped ensure an increase of 5 percent in operating profit and an 11 percent improvement in net profit. No provision has been made for a legal settlement.

GIL's revenue fell by 13 percent despite contract wins including Nokia,

Mattel, Formula One Management UK and Yas Marina Circuit. The division expanded its network in emerging markets through new facilities in Malaysia, Singapore and Saudi Arabia, and opened offices in Poland and Ukraine.

Acquisitions were made in Brazil and Mexico, and Agility signed a memorandum of understanding with Qatari-based logistics company GWC to "merge operations cost and cash management initiatives to align local business levels with customer requirements".

Agility's government contracting business, Defense & Government Services, increased its revenues in 2009 by 4 percent.

Sultan added: "It has been a tough year, for the global economy, for the logistics industry, and for Agility. Yet we have performed well in these challenging times. Agility is differentiated by a strong emerging market platform, specialized logistics capabilities, and complementary businesses that provide a competitive advantage as well as operating efficiencies. Our path forward will be focused on growing revenue organically, reducing our costs prudently, and maximizing yields on core operating assets."

Agility employs more than 32,000 but laid off 600 personnel in March and is expected to shed thousands more in the coming months. ACW

Three-pronged investment for Geodis Wilson

Geodis Wilson has opened a new airfreight office in Dubai. "Our pace of growth meant that we no longer had any spare capacity in the old office/warehouse, and as our business is increasing, particularly with Geodis Wilson's sea-air product, further warehousing space became essential," explained Sascha Geiken, MD of Geodis Wilson UAE.

Geiken: more space essential

The new facility will handle freight from up to 10 inbound flights daily, mainly from Europe and the Far East, as well as sea-air cargo originating as ocean freight from the Far East, which is switched from the nearby Jebel Ali port to air cargo on Dubai flights bound for European destinations.

Geodis Wilson also plans to open an Abu Dhabi office and a new regional headquarters in Jebel Ali this year. ACW

Consumer needed for Asia recovery

Asia's recovery from the effects of the global economic crisis is expected to continue through the next two years according to a new report from the Asian Development Bank (ADB).

The ADB forecasts overall growth of 7.5 percent in 2010 and 7.3 percent in 2011 as expansionary policies dissipate.

"Developing Asia's recovery has taken firm hold and a return to stronger and sustainable growth is now in sight if the region can meet the challenge of strengthening domestic demand," says ADB chief economist Jong-Wha Lee.

The bank expects private consumption to increase as income prospects grow and unemployment declines.

The ADB says the region faces several risks, including a slower global recovery if consumer demand is not enough to compensate for an expected reduction in fiscal stimulus.

Asia also faces the additional concern that its early and relatively strong recovery and higher interest rates are already attracting potentially volatile capital flows, complicating macroeconomic management.

In East Asia, overall growth is forecast to rise from 5.9 percent in 2009 to 8.3 percent this year as Hong Kong, Mongolia and Taipei recover.

Korea is expected to rebound with growth of 5.2 percent in 2010, driven by stronger private investment, consumer spending and the pickup in global trade.

In Southeast Asia overall, aggregate growth is forecast to rise from 1.9 percent in 2009 to 5.1 percent in 2010. The ADB cites a revival in global trade and investment.

South Asia will also pick up this year led by an expected 8.2 percent growth in India, 6.0 percent in Sri Lanka and 3.0 percent in Pakistan.

The ADB notes that the Central Asia region will average 2.7 percent growth in 2010 as higher oil prices and a recovery in the Russian Federation underpin economies. ACW

Thai International is now operating Southern Air B777 freighter capacity to Europe

Southeast Asia gets freighter fever

About of freighter fever has erupted in Southeast Asia, affecting carriers that had so far steered clear of the main deck business. Thai Airways is now in the market with two B777 cargo aircraft, and Garuda is poised to convert B737s into all-cargo configuration. Regional players are pushing into the business or expanding, while Malaysia Airlines has underscored its commitment to the freight sector with an order for two A330-200 freighters.

Thai opened fully-fledged maindeck service to Europe in late March, courtesy of a two-year block space deal with Southern Air for two B777 freighters. The aircraft have been deployed on routes to Frankfurt and Amsterdam, which are both served twice a week. As a prelude to the B777F venture Thai had used a B747 cargo aircraft from Southern Air since last year's peak season.

The airline's top brass had made noises about bringing freighters into the fleet for years, but all previous plans went nowhere. This time management seems intent on moving forward. It has signaled that more maindeck capacity may be brought in through further block space agreements if the B777 venture works out. The carrier's cargo executives are bullish. For this year Thai Cargo is projecting revenues to jump 31 percent to 12.1 billion baht ($373.9 million). Madhav Thapar, senior vice president, airfreight for the South Asia-Pacific region at DHL Global Forwarding, remarked that the timing of Thai's entry into the freighter business worked well. "They're coming into the market at a good time," he said.

He expressed surprise about Garuda's newfound interest in freighters, but observed that the Indonesian market has been going strong and is widely tipped to be one of the region's stars in the years ahead. The flag carrier is planning to covert a number of B737-400 aircraft into freighters. According to unconfirmed reports, management is looking at two, possibly up to seven conversions. Garuda has altogether 40 B737-400s in passenger service, which stand to be replaced with B737-800s.

Garuda is not the only player with all-cargo aspirations in Indonesia. Air Maleo, a start-up based in West Papua province, has acquired three F27 freighters from US-based Empire Airlines and intends to take off as soon as it obtains its air operator's certificate.

Last year two integrators launched flights to Indonesia. In the summer TNT started B737F flights from Singapore to Kalimantan, and DHL followed in December with four weekly flights between Hong Kong and Surabaya.

Thapar views the proliferation of freighter ambitions in Southeast Asia as a reflection of firming confidence in the market. "Up until Chinese New Year, people had a wait-and-see attitude, now they see the revival as a more established fact," he said.

He expects additional capacity coming into the market to be fully absorbed, as the rise in lift should fall short of growth on the demand side. Moreover, ocean freight capacity is still tight, which has led to more conversion of traffic to air, he added.

No one expects a deluge of fresh capacity, as airlines are cautious not to wipe out tender gains in yield from recent months. "Although yields have recovered, they are still below 2008 levels," a spokesman for Singapore Airlines Cargo pointed out. SIA has reactivated a 747-400 freighter it had parked up a year ago, but two of its aircraft have been returned to the lessor.

One of the new developments in the regional scene is right in SIA's own front yard. Malaysian all-cargo carrier Transmile started flights from Singapore to Kuala Lumpur via Kuching and Labuan at the end of April, operating six days a week.

Malaysia Airlines has not made any significant changes to its freighter schedule, but it confirmed its long-term ambitions at the end of March when it placed an order for 17 A330-200 aircraft, two of them freighters. The cargo planes are scheduled to join its fleet in September 2011 and in the second quarter of 2012. They will replace two leased 747-200Fs.

MASkargo has indicated that the aircraft will likely serve destinations in China and Europe, the latter in tandem with stops in markets like Ban-

gladesh or India.

Thapar would welcome additional capacity in Bangladesh. Some markets in the region, such as Bangladesh and Sri Lanka, have seen bottlenecks due to limited capacity, he reported. However, this may not tally with airlines' priorities. "People always look at Hong Kong and China first, because the yields are better. Southeast Asia is the poor cousin of north Asia," he remarked. ACW

In the news....

The **Australian Competition and Consumer Commission** (ACCC) took **Malaysia Airlines** and its cargo subsidiary to court in late April alleging price fixing. The airline is the 13th carrier to be taken to court by the ACCC for alleged cartel behavior. The commission claims that between 2001 and 2006, Malaysia Airlines Cargo "entered into arrangements or understandings with other international air cargo carriers that had the purpose, or effect, of fixing the price of a fuel surcharge and a security surcharge that were applied to air cargo carried by them and other airlines"... **Singapore Airlines** has begun daily A380 services to Zurich. It is the carrier's third A380 destination in Europe, joining London Heathrow and Paris Charles de Gaulle. The airline also has increased its Munich/Manchester service to five times a week with a B777-300ER aircraft. In a related move, Singapore investment firm **Temasek Holdings**, which owns 55 percent of SIA, has acquired a 1.18 percent stake in Chilean carrier **LAN Airlines**. In 2011, the Santiago-based company will become the first airline in the western hemisphere to get the B787. SIA is also scheduled to receive its first B787s next year... Indian all-cargo carrier **Aryan Cargo Express** (ACE) began services to China and Hong Kong in April. The carrier said it is obtaining slots at additional airports in Japan, Thailand, the UAE and Italy. ACE will deploy five aircraft during its first year of operation, and is projecting revenue of $21 million. It has received three leased A310-300s from Air India. Joining its fleet in June and August will be two MD-11s from Boeing Capital... **Qantas Freight** is joining the **Cargo 2000** airfreight quality management program as an associate member. The carrier aims to progress to full membership over the next 12-18 months... **Transmile Air Services (TAS)** has begun scheduled cargo services linking Kuala Lumpur with Singapore, Kuching and Labuan in East Malaysia. Based in Subang, Malaysia, TAS started operations in 1993 with one B737-200F and one Cessna Grand Caravan. Its largest shareholder, Trinity Coral Sdn Bhd, is part of the Kuok Group that owns the Hong Kong-based **Kerry Logistics Network**... **All Nippon Airways** (ANA) is to merge its cargo operation, ANA & JP Express Co (AJV), into another subsidiary, Air Japan Co (AJX) with effect from July 1. ANA's restructure follows its acquisition of the AJV shares held by **Japan Post Service**, **Nippon Express** and **Mitsui OSK Lines**. It had already owned 51.7 percent of AJV. The carrier said the merger was aimed at streamlining the company and developing a more flexible operating structure. The company has revised its performance forecast for the financial year to March 31, 2010 and is predicting an operating loss of 61 billion yen ($652 million), triple the figure it had estimated at the end of October... All airlines from the Philippines were excluded from European Union airspace in April following publication of a new blacklist. **Philippine Airlines** (PAL) said it was "gravely concerned" over the ban, which resulted from a downgrading of the Philippine government's aviation safety rating that disregarded its own safety record and compliance with internationally accepted safety standards. PAL, the only IOSA-certified Philippine carrier, claimed the European Commission's ban dated back in the first instance to a decision by the FAA in January 2008 to reclassify the country's safety rating as Category 2. The EC Air Safety Committee said it was ready to visit the Philippines to audit individual carriers as well as the regulators. PAL said it welcomed this and pointed out that the FAA still allows it to operate up to 33 flights a week to Los Angeles, San Francisco, Las Vegas, Honolulu and Guam. The PAL fleet is maintained by **Lufthansa Technik.** ACW

Sustainability will impact on logistics

According to research company Datamonitor, the global logistics and express market will be worth $4 trillion by 2013, up from a current $3.5 trillion.

Despite the 2008/09 global recession, logistics and express spend as a proportion of global GDP is forecast to equal its 2008 peak of 9.3 percent in three years.

The company believes sustainability and cost-effectiveness will drive the industry's development to 2013. This will result in a modal shift with airfreight losing ground to rail, road and sea.

Erik van Baaren, senior logistics and express analyst at Datamonitor, said: "Sustainability measures will have a significant impact on shipping and transport companies' services and costs. A holistic approach must be adopted which takes into account all aspects of sustainability and associated supply chain costs. However, these strategies need to take into account the inherent risks of reducing the performance of the industry for the sake of sustainability."

The company expects North America and Europe to lose a 2.2 percent and 1.5 percent share respectively by 2013 as demand shifts to the emerging markets of Latin America, the BRIC region and the Middle East.

"The logistics and express market saw $300 billion of its value wiped out in 2009 alone, and even if the industry has started to enjoy a recovery in volumes, changing customer preferences, modal shifts, technological advancements and environmental concerns have fundamentally changed the landscape," added van Baaren.

The effects of these trends on the overall value and volume of the global logistics and express market as well as the geographical, modal and sector variance were determined by Datamonitor's analysis of 60 countries worldwide. ACW

Lufthansa Cargo's sameday courier time:matters was one of many companies that managed to work around Europe's recent airspace closure with zero carbon emissions

Europe's southern skies solved access problem

Commenting on the six-day Europe shutdown, the US Airforwarders Association said: "Many of our members have been creatively working around the issue by flying shipments to southern Europe and then trucking goods into the continent. Since most offer ocean forwarding services, their shippers are beginning to use this option an alternative until transatlantic flights begin operating normally again."

UPS was back in the air on April 20 with four flights out of Cologne after routing Europe-destined shipments via airports in Spain and France from both the US and Asia.

US Airways reported a "quite large" backlog in FRA, CDG and LHR. Todd Anderson, managing director of cargo sales and service, said it was "too early to determine the cost of all this to the US but we are sure that there are shippers who have resorted to surface or ocean transportation due to the uncertainty".

The US Postal Service has been busy despite the crisis: "We've been working around the clock with the European posts and our air carriers to keep the mail moving," said Mike Nappi, executive director of international operations for the USPS global business unit.

Jenni Smith, who oversees sales in the UK and Europe for American Airlines Cargo, commented: "While

schedules are still somewhat fluid overall, everything is now working very well in London, with eight flights away already today – it's almost business as usual. Backlogs should be cleared from the UK by the end of the weekend."

Cargoitalia continued to operate by moving its hub operation to Brindisi in southern Italy, which had remained outside the no-fly zone

Wholesaler AMI turned to trucks during the six-day stoppage. Sharon Wright, AMI VP Europe, noted: "Airlines – particularly freighter operators – need to look at ways of working around a problem like this by quickly adopting alternative gateways outside the no-fly zone, which we could then feed by road. On a government level, there must be a Europe-wide contingency plan in place, should such a situation ever arise again." ACW

3PLs increase sustainability programs

A new study by Northeastern University and Emerson College published on Earth Day says many 3PLs have increased their sustainability programs despite the global recession.

According to authors Robert and Kristin Lieb, "a corporate desire to do the right thing" was cited by most of the CEOs interviewed as the most important reason to commit to sustainability. Customer pressure was ranked second.

Sustainability programs produced positive results said 28 of the 35 CEOs surveyed, including reduced operating expenses, positive impacts on company employees and substantial savings in fuel costs.

Six CEOs reported that their company sustainability efforts led to increased business with both existing and new customers. However, despite these investments, most CEOs noted that sustainability was rarely a determining factor in either extending existing contracts, or securing new 3PL business.

"Compared with other industries, 3PL service providers are ahead of the game," commented Robert Lieb. "They appear to be planning for the long-term by recognizing emerging customer preferences and providing services consistent with them, even in the current market downturn."

Sponsored by Penske Logistics, the report also identified short-term challenges in order of importance: balancing sustainability efforts with customer expectations for low-priced

3PL services; identifying appropriate environmental benchmarks/targets; establishing sustainability priorities within a company; generating accurate company information related to current sustainability practices; and developing an organizational sensitivity to sustainability issues.

Respondents included the CEOs of DHL Exel Supply Chain, Genco Supply Chain Solutions, Kuehne+Nagel, Landstar, Menlo Logistics, Panalpina, NYK, Penske, Ryder Integrated Logistics, Schenker, Schneider Logistics, Transplace, UPS Supply Chain Solutions, UTi, Caterpillar, CEVA and Wincanton.

In a related announcement, FedEx has taken the next step on its sustainability journey with the launch of EarthSmart: "A more formal structure that will allow us to engage team members, customers, shareowners and community stakeholders to help us achieve our environmental goals," according to Mitch Jackson, FedEx vice president of environmental affairs and sustainability.

The program was developed with the help of Yale professor Dan Esty, author of *Green to Gold*, and covers business solutions, workplace culture and community outreach.

In addition to introducing EarthSmart, FedEx has released its 2009 global citizenship report that highlights an 8.33 percent reduction in aircraft emissions against a 2005 baseline; a 14.1 percent improvement in vehicle fuel efficiency since 2005; and procurement of 25,000 MWh of renewable energy credits as it continues to install solar electric systems that have a current capacity of 3.92 MW.

The company has set a goal to reduce aircraft emissions and increase vehicle efficiency 20 percent by 2020. ACW

In the news....

Southwest Airlines has terminated its agreement with **WestJet** to offer connecting service between the US and Canada. Southwest executive vice president of strategy and planning Bob Jordan said: "We remain interested in exploring the possibility of one day offering service to Canada. That would not rule out future codeshare relationships with Canadian carriers, or flying north of the border ourselves"... **UPS** reports net income for the first quarter of 2010 was reduced by $175 million as a result of a $98 million pre-tax restructuring charge from the reorganization of its package segment; a $38 million pre-tax loss on the sale of a supply chain unit in Germany; and a $76 million non-cash charge to income tax expense resulting from a change in the tax filing status of a German subsidiary. UPS also has announced it is the first carrier to offer customers an assessment of their shipment packaging based on environmental standards verified by **Société Générale de Surveillance** (SGS). Customers will have their packaging processes evaluated in three areas of sustainability: damage prevention, right-sizing and packaging materials... The supply side-based **International Air Cargo Association** (TIACA) is inviting its customers to join for free. TIACA's membership offer defines shippers as a manufacturer, wholesaler/distributor, retailer, importer or original exporter. The Miami-based association said shippers will be offered the opportunity to actively participate in its events, starting with the next bi-annual International Air Cargo Forum & Exposition in Amsterdam due to take place on Nov. 2-4 this year... **Volga-Dnepr**

Airlines has completed 36 humanitarian aid flights to Haiti on behalf of the Japanese and Canadian governments. The initial cost of recovery from the Jan. 12 earthquake that claimed more than 220,000 lives and made 1.3 million people homeless is estimated at $11.5 billion. One of the latest donors is US regional carrier **SkyWest Airlines**, which collected $184,000 for the American Red Cross in less than a month... **Evergreen International Airlines** has filed a $175 million lawsuit against **Boeing** for breach of contract. In Dec. 2005 the McMinnville, OR-based company won a contract from Boeing to operate and maintain the B747 Large Cargo Freighter (LCF) "Dreamlifter" fleet. In its complaint filed in a Seattle court on April 1, Evergreen alleges Boeing has "committed bad faith and breached its contractual promises to conduct its business fairly, impartially, and in an ethical and proper manner when it wrongfully canceled its long-term LCF contract with Evergreen and entered into a secret replacement deal with Atlas Air for the purpose of offsetting Boeing's nearly billion-dollar liability to Atlas resulting from delays on the B747-8 program"... **TIACA** says a new US Department of Transportation rule on how lithium batteries are carried on aircraft cannot be implemented in 75 days and will have a negative impact on the air cargo industry and its customers. ACW

Aiding and abetting disaster

Is there a correlation between climate change and logistics? And if there is, what has it got to do with air cargo?

Quite a lot if you were trying to get your shipment in and out of northern Europe in the middle of April, a week before Earth Day.

As a result of billowing ash from an Icelandic volcano, British Airways made history on April 15 with the grounding of its entire fleet. Other airlines soon followed and the collective loss became $1.7 billion.

The Association of European Airlines called for a coordinated response as "the damage that results to the western European economy is huge".

During the same week, India and Bangladesh were hit by a deadly storm; the Qinghai province of China was devastated by a 6.9 earthquake and Rio de Janeiro suffered more than 300 landslides in torrential rain.

Between 2000 and 2009, the US Agency for International Development spent $1.8 billion responding to natural disasters in Afghanistan, Georgia, Iraq, Lebanon, the West Bank/Gaza, Yemen, Albania, Bulgaria, Greece, Hungary, Macedonia, Kazakhstan, Moldova and Tajikistan.

According to the latest UN figures, $2.7 billion and $120 million respectively has been pledged to help Haiti and Chile recover from recent earthquakes. From a supply-side logistics perspective, the top five humanitarian aid donors this year are the US, private individuals and organizations, Japan, the UK and Canada.

The aid business is growing says Tim Smith, Kuehne + Nagel's (K+N) US-based vice president for emergency and relief (ER). Begun in 1990, the company's ER unit now has 60-70 people coordinating logistics solutions for UN, government and non-profit organizations worldwide. Panalpina and Deutsche Post DHL have similar operations.

Sabine Schultz, a McKinsey consultant who completed her PhD at Berlin's University of Technology, agrees with Smith in her book *Disaster Relief Logistics* published by the Kuehne Foundation.

Schultz acknowledges the growing disaster trend and calls for more efficient and effective handling of relief operations: "Since logistics accounts for up to 80 percent of the total relief expenditures of humanitarian organizations, it represents one of the main levers to achieve improvements in terms of cost, time and quality."

Noting that humanitarian organizations focus less on cost aspects and more on lead time and quality, Shultz suggests more should be done to replace "humanitarian service providers by commercial enterprises".

From an air cargo industry perspective, gauging the size and potential of an outsourced "HuLog" market is similar to predicting the weather. It can vary from year to year depending on the number of disasters. Aid money is raised by UN agencies from governments, from numerous philanthropic foundations or direct by charities. The cash is then dispersed to aid organizations and subsequently to logistics companies.

Left: Reykjavík, Iceland. Above: Ash replaces cash as Europe's airline industry is grounded.

One indication of the disaster opportunity comes from the Washington DC-based Hudson Institute Center for Global Prosperity. Philanthropy from developed to developing countries increased to $49 billion in 2007 (the latest available data) while family remittances in the same period totaled $145 billion and government aid was a further $103.5 billion.

So worldwide humanitarian aid in all its forms totaled nearly $300 billion in 2007. Using Schultz's reckoning, the logistics supply-side opportunity could be a conservative $150-200 billion a year. By comparison, research company Datamonitor valued the total airfreight market at $93.6 billion in 2007.

There's obviously money in disaster relief – and climate change suggests more will be needed soon.

Which is good news for the air cargo industry, but bad news for governments and aid agencies that have to find the money. Not to mention those affected by a catastrophe.

Ray Anderson, founder and chairman of iconic sustainability-driven carpet maker Interface, suggests there is a way to reverse the negative (cost) cycle of climate change-catastrophe-humanitarian aid relief. He advocates a best practice that reduces the chance and financial impact of natural disasters, improves the global economy, and enhances the lives of most of us.

However, he says there's only 20 years left to do it. By 2030, if companies haven't adopted a new form of carbon-less capitalism, apparently Boeing and Airbus won't need to do an annual air cargo market forecast.

Writing in his book *Confessions of a Radical Industrialist*, Anderson says corporations have the leadership ability to implement a new 21st-century industrial revolution that's based on renewable energy resources rather than oil or coal.

"I know that bringing our companies, our universities, our governments, our families, and ourselves into balance with the earth's natural systems is a huge challenge. But the payoff is nothing short of survival – while earning a solid, honest, ethical profit," he says.

In 1994 Anderson realized his billion-dollar, oil-based carpet company was "engaging in business practices that destroy the very conditions upon which the practices depend". In a word, they were unsustainable.

Since then he and his 4,000-plus co-workers have been putting into practice a new business model that is not based on the 19th century idea of "taking, making and wasting" from the planet.

"If you measured honestly, you'd discover that the overall efficiency of American industry is plain pathetic. Ninety-seven percent of all the energy and material that goes into manufacturing our society's products is wasted. We are operating an industrial system that is first and foremost a waste-making machine," he claims.

Interface now assumes the financial and ecological cost of transportation as it implements its seven sustainability steps to doing no harm to

the planet and taking from it nothing that cannot be renewed naturally and rapidly.

After 16 years, the company is by most measurements at least two-thirds the way to realizing a new business model that is based on:

- Zero waste
- Benign emissions throughout the supply chain
- Renewable energy use only
- Closed-loop recycling
- Corporate "ecosystem" with co-operation replacing confrontation
- Redesigning commerce to accurately reflect and measure total costs and prices
- Resource-efficient transport – from commuting to logistics to plant location

In 2005, Interface's success at "doing well by doing good" attracted the attention of Wal-Mart. Then CEO Lee Scott declared that the world's largest retailer would be supplied by 100 percent renewable energy, create zero waste and sell products that sustain its resources and the environment. By 2015, Wal-Mart aims to slash 20 million tonnes of CO2 from its global supply chain.

"Visiting Interface and seeing the creativity applied to establish more sustainable practices made it undeniable that the rest of us can do the same. We don't have to spend time wondering if we can do something. Instead, we can move on to figure out how," says Doug McMillon, CEO of Wal-Mart's Sam's Club.

Wal-Mart's efforts since then have been well documented, but one fact is worth acknowledging as it relates to logistics. By 2008, the company had reached a goal of only selling concentrated liquid laundry detergent throughout its North American stores. The cost saving to the company, its consumers and the planet by 2011 is expected to be 400 million gallons of water, 95 million pounds of plastic and 125 million pounds of cardboard.

That's also a lot of weight that won't be added to its logistics bill. Multiply the figure by 100,000 suppliers and millions of product lines in 8,000 stores in 15 countries and the global logistics industry can expect a drop in chargeable weight and volumes.

Now add General Electric, Pepsi, Toyota and Subaru and some 200 CEO-led members of the World Business Council for Sustainable Development. Pretty soon, the global business community will reach a tipping point in the transition to a sustainable business model.

In March this year a 21st-century road map for corporations was set out by Ceres, a network of investors, environmental organizations and public interest groups whose mission is to integrate sustainability into capital markets for the health of the planet. Ceres also manages the Investor Network on Climate Risk to identify the financial impact of climate change. In 2003 it had a membership of 12 representing $600 billion in collective assets. Today the group has over 80 members and $8 trillion.

Because investors are mandating change, Ceres expects companies will minimize their sustainability impact by enhancing the resiliency of their logistics and "prioritize low impact transportation systems and modes, and address business travel and commuting."

The organization says companies will develop transportation criteria that incorporate distance requirements from site to market and establish decentralized and localized distribution networks; review their logistics requirements and prioritize low-impact transportation modes; and reduce CO2 from business travel and employee commuting by 50 percent from a baseline of 2005.

Interface has already begun to relocate its carpet manufacturing closer to customers in order to shorten the supply chain and reduce costs to itself and the planet.

Anderson explains: "Common sense told us that sending products out by truck had to use less energy than sending them by air. But when we ran the numbers we were surprised at just how big the difference was." A switch from truck to rail has reduced its logistics-related CO2 emissions by 75 percent per tonne mile and reduced costs by 50 percent.

A study by the US federal Bureau of Transportation Statistics has calculated it takes about 31,000 BTUs of energy to move a tonne of freight by air. By truck it falls to 2,300 BTUs and by rail, a mere 370 BTUs per tonne mile.

UPS and the other integrators have already realized their customers' trending to less packaging and less carbon. "We found such tools as UPS's CO2 calculator to be extremely helpful. Using its EPA SmartWay transport program, it quantifies the carbon impact for our parcel freight shipments in the US and across the world," explains Anderson.

He adds that from 2005 to 2008, Interface was able to reduce its parcel freight CO2 impact by 23 percent and lower shipment costs: "We averaged close to $14 per package in 2005, that number has fallen to just over $12 today."

Tim Riordan, Interface's vice president for supply chain management, adds succinctly: "When you take out the carbon, you take out the costs."

Meanwhile, K+N's ER unit continues to combine a proactive role in support of UN aid programs with a reactive stance for climate-related emergencies. Sabine Shultz adds that as the total "cooperation benefits" outweigh the expected increase in immediate transactional costs, NGOs and donors should investigate further "inter-organizational cooperation" with service providers such as K+N.

While this may be good news for the logistics industry in the short term, without a move to sustainable business practices promoted by Interface and its peers, Europe's recent volcanic ash problem suggests humanitarian aid could become more than just another supply-side revenue source in the future. ACW

Planes are not glamorous for people at the cutting edge

Key link not involved enough

Alan Wright, Swissport International's manager of cargo network development, made an eloquent plea for greater involvement of handling companies in the air cargo supply chain at the IATA World Cargo Symposium in March.

Wright outlined where things can go wrong, why general handling agents (GHAs) are a crucial link in the chain, and how his own company is trying to do it better.

Sadly, he may have been preaching to the converted. Although the session was well attended, his audience included just one carrier and no freight forwarders.

There had been much discussion of e-freight earlier in the event—possibly too much, Wright said. "All we hear about is e-freight. Maybe we need to get a few other things right before we can expect customers to sign up to that."

He emphasized: "I want e-freight. I'm ready." The physical process would not change, however, and if handlers were failing to deliver quality, going paperless would not of itself resolve the issues.

"The biggest problem is that our industry doesn't make enough money," Wright said. "If the industry is not making money, the handler is not making money. I'm not talking about 2009, but the last 10 years."

There were powerful, highly competitive players in airfreight, but businesses were failing and consolidating. Short contracts and opportunist purchasing were typical, and when seeking quotations, clients tended to overstate their likely volumes, Wright said.

Invoice settlement was poor and "millions" were owed above handlers' standard terms. "We're treated like a bank. It all puts a squeeze on you. If you start at a low margin, it doesn't take much to put you into loss. Then you can't get out, so you take on more business to offset your overheads. You take people out and fail to invest," Wright said.

"Staff retention is poor because you're paying the minimum wage. People move for a few cents an hour. Forget the glamour of planes – it's manual labor. It's not a nice place to work and you suffer high rates of sickness. Then you run into service issues and customers get annoyed."

To set up at a new airport, a handler usually had to secure a warehouse on a 15-year lease, Wright said. "But your contract can be terminated in 60 days. The carriers say 'that's the industry standard'. What other industry has its service offerings defined so rigidly?"

The problem was that GHAs could not plan ahead. "The carrier buys planes on a 10-year plan, and plans its routes two years ahead. We'd like to know," Wright said. "Finding a box at an airport, then trying to fill it is unscientific."

He admitted that even Swissport was prepared to steal business to help fill new facilities, but said the company was trying to lock customers into three or five-year service level agreements to increase stability.

Standard ground handling agreements across the industry had laid the foundations for conformity and compliance, "so we're all talking the same language". But this had eliminated differentiation. Rate-cutting as GHAs fought to defend market share had resulted in a downward "commodity spiral".

Wright said bonus-malus (reward-penalty) schemes were becoming more common, but leaned more towards "malus" than "bonus".

Other factors impairing quality in the industry included off-schedule movements, poor forwarder relation-

ships, lack of communication, and inability to measure service providers in a mixed environment, he commented.

The GHA rarely saw the airline. "The people we see are truckers. They don't directly pay us, so it can become complacent. It's the same with shippers and forwarders. Do we talk about doing things better?"

Measurement was crucial. Cargo 2000 aimed to set quality benchmarks for the whole industry, but had "many flaws" and the objectives the organization had set out for itself when it launched in 1997 remained elusive.

The downside of extending its membership so widely—Cargo 2000 now embraces 28 airlines, 15 forwarders, 15 handlers, two airports, one trucking company and 12 IT providers—was the difficulty companies with differing interests had in reaching consensus.

"We're only halfway there," Wright said. "There's no one within the group to address the components of quality quite yet from a GHA perspective." Yet Cargo 2000 was "the best we've got" and without it, there would have been no move towards e-freight.

Wright, who chairs the GHA working group within Cargo 2000, insisted Swissport remained committed to the organization's goals. The company was the first handler to certify individual stations, and aims to get another 20 stations accredited this year. It is meanwhile implementing internal quality measurements in those areas where it can influence the success or failure of a shipment.

"I can't be measured from scheduled time of arrival, wheels down or first ULD off the aircraft - only from when the first stuff hits the warehouse," Wright said.

The problem with existing measurement tools was that definitions of quality varied, and stakeholders were rarely completely involved in process improvement. Meaningful measurement required definitions, system integration and resource.

Swissport has set a number of quality objectives for this year:

- continue and expand the analysis it was forced to do in 2009
- take its "data warehouse" concept to a second level
- interact formally with all quality stakeholders, not just those in a direct commercial relationship
- improve customer retention by delivering quality and offering free reporting and analysis.

The company's future strategy involves providing the client with automatic or customized reports using real-time data to analyze its performance against key performance indicators.

Outputs can be supplied in tonnage, air waybills, full-time equivalent staff, paid hours, overtime hours or level of claims. Ratios can be produced showing import/export split, warehouse utilization, productivity per hour, per month, per square meter or per employee, total labor cost or temporary labor cost as a proportion of total revenue, and overall yield.

In the next phase of the program, Swissport will be able to monitor profitability by warehouse and performance by customer, and extrapolate trends against budgets and rolling forecasts. ACW

Case study: When even a market leader gets it wrong

Swissport is present at 179 airports in 38 countries and employs 32,000. It handled 3.5 million tonnes of cargo in 2009 and posted revenue of $1.69 million.

Alan Wright told the Vancouver conference that while Ryanair has grown from three stations in 1998 to 36 worldwide today, Swissport, more quietly, has expanded from three stations in 1997 to 176 in 2010.

This phenomenal growth curve has occasionally highlighted quality issues and Wright described one case where Swissport was not meeting the exacting standards of one of the world's major airfreight carriers. The company had been misled by internal management into believing that all was well, when a glamorous frontage to its premises in fact concealed serious systemic problems.

Wright described how immediate consultation with the primary customer and other stakeholders was initiated, processes were reviewed and senior management changes made. Investment in infrastructure was also necessary. Within three months, service levels had been restored, and relationships with the customer and staff had improved.

The "Swissport Formula" was put in place, but the work is not finished because there is never an end point to the process, Wright said.

Some of the figures are nevertheless startling. Sickness at the facility was running at 25 percent. Now it's down to five percent through better communication, backed by a series of simple working improvements such as providing "a coffee machine and a place where they can keep their kit".

Wright said that most customers want 89-90 percent performance against agreed criteria. This particular client demands 97.5 percent. "It's a killer, although they're prepared to pay for it," he said. Swissport's local team is now regularly beating 99 percent.

Defining the Swissport Formula, Wright said it was "not a project", but had involved a fundamental redesign of the company's business, with new solutions developed to take the guesswork out of handling performance.

The crucial initiative was "measurement of ourselves", he said. "Don't wait for others or the industry as a whole to define our future."

The goal is profit, sustainability and differentiation through deep-rooted cultural change, Wright concluded. Improving quality may cost money, but it saves money too.

RUSSIA

One-way market still dictates strategy

Carriers strengthen bridge between Europe and Asia

AirBridgeCargo Airlines (ABC), the scheduled subsidiary of Volga-Dnepr Group and Russia's largest international cargo carrier, added its fifth and sixth Boeing 747-400 freighters in April. This takes its total fleet to nine 747s, including two B747-200s and one -300.

ABC says the move will enable it to meet continued demand on key routes of its network and helps overcome the delay in the delivery of its new B747-8Fs. Volga-Dnepr Group has five of these on order. Boeing had been due to deliver the first of them this year, but it won't now arrive before February 2011.

Tatyana Arslanova, ABC's executive president, says: "By the end of last year, we could see there were markets such as Shanghai that required increased capacity. We were operating nine times a week there, but the additional aircraft will enable us to increase our Shanghai frequency to double-daily."

ABC increased its liftings by more than 20 percent last year, carrying more than 150,000 tonnes of cargo and improving its load factors despite conditions that remained difficult through the first eight months. "We saw the market boom from September and tried to add capacity from October. We couldn't do it until this year, but the upturn has continued strongly," Arslanova says.

The carrier's main Moscow hub is Sheremetyevo, but it also operates three services a week to Domodedovo Airport, improving connectivity with passenger airlines. It has a secondary hub in Krasnoyarsk, opening up Russia's Far East.

Arslanova (left): Russian regional airports still need work
Becker (right): import-export imbalance rose to 80:20 in the recession

The first two European airports on the schedule from Moscow were Frankfurt (from where ABC also operates a direct Krasnoyarsk service without reloading) and Amsterdam. Last year a second Dutch airport, Maastricht, was added along with Zaragoza in Spain and Milan Malpensa.

ABC also flies to Shanghai, Beijing, Hong Kong and Tokyo, and is increasing its services to the CIS republics. Last year, twice-weekly services were introduced to Almaty, Kazakhstan, and weekly flights to Atarau, Kazakhstan, and Bishkek, Kyrgyzstan.

ABC works closely with its sister carrier, Volga-Dnepr Airlines. The group's one-stop shop philosophy is best exemplified by the service to Afghanistan ABC added last summer, the first scheduled commercial flights since military operations began there in 2001. It now serves Kabul via Bishkek each week, leveraging Volga-Dnepr's 10 years of experience through its An-124 and IL-76 charters.

In Europe, Wallenborn was appointed to look after ABC's distribution needs beyond its main hubs since January. The company scheduled trucking services to around 100 airports across Europe and its role looks set to grow, since Arslanova says ABC is looking to add new European destinations to its network following the latest expansion of its fleet.

The idea increasingly is to transit Moscow, rather than rely on it as an O&D market. Development of routes linking Europe, Moscow, central Asia and China not only helps cor-

rect Russia's longstanding airfreight imbalance, but also enables ABC to deploy its 747 Classics, which have higher fuel and maintenance costs, more efficiently on the shorter European routes.

The imbalance in Russia's external trade is significant for airlines because its main exports are unsuited to air transport. In the longer term, Arslanova believes Russian manufacturers can switch towards high-tech goods – "not mobile phones, but products like automotive and aviation parts". But poor regional airport infrastructure and outdated systems continue to hamper domestic development.

"Regional Russian airports are not ready to handle transit or export cargo. Volumes internally are 10 times less than in the US or Europe," Arslanova says.

"We're trying to build relationships with other carriers, but if you're going on from Krasnoyarsk to the oilfields of Sakhalin, for example, you have to charter because it can't handle 747s.

"If you need to move cargo through Ulyanovsk or Samara, handling and Customs procedures mean you can be almost as fast by truck as by plane. Russian airlines need to take risks, talk to potential customers and try to attract business from road, rail and even the rivers."

Russian flag carrier Aeroflot returned to the freighter market in March after its cargo division was reintegrated into the passenger airline in January. The original plan was to extend the freighter fleet but the economic crisis forced a re-evaluation.

Forwarder Schenker says it has returned to utilizing Aeroflot's three existing MD11s from Frankfurt Hahn through Moscow to Shanghai, Beijing and Hong Kong, as well as on routes to and from Japan and Korea.

For a few weeks freighter traffic rights were lost when Aeroflot had to re-apply for them under its new status, but the service is "still good", Schenker reports.

Although the recession "touched Russia less than Europe", Christian Becker, regional director Russia and CIS for Lufthansa Cargo (LC), says the market still experienced a decline of more than 20 percent last year, with exports hardest hit.

The import-export imbalance increased to 80:20 at the height of the crisis, with consumer demand staying surprisingly resilient. LC still had good business flying flowers from South America and Africa into Moscow's Domodedovo Airport on passenger narrowbodies, for example, though Becker says load factors "could still be better".

Moscow-based Transaero Airlines begins twice-weekly flights to Beijing with 747-400s from June

He expects the imports and exports to revert to their more traditional 70:30 ratio by the third quarter as Russian industry recovers and automotive and aviation-related shipments start to pick up.

LC lost a good deal of capacity as schedules on both the passenger and cargo sides of the business were adjusted partly in response to the downturn. A freighter connecting Frankfurt with Moscow Sheremetyevo, returning to Germany via Istanbul, was redeployed on more lucrative routes from April 2009.

A passenger A300-600 that ran daily from Frankfurt to Moscow was also lost as Lufthansa decided to phase out older aircraft in favour of the A320 family. "The service was well utilized westbound; we could get five tonnes on it and could load containerized cargo," Becker says. "Now we are limited to loose cargo."

Extra import capacity for Russia was achieved by building Sheremetyevo into the Frankfurt-Tokyo freighter routing, although capacity to Moscow is limited since most of the space is allocated to Tokyo, which generates a higher yield. "It took time to convince customers and was not well utilized [for Moscow] to begin with, but has developed well," Becker says.

This service returns via Krasnoyarsk in Siberia, now LC's chosen technical stop on its westbound flights back from the Far East. The carrier switched from Astana, Kazakhstan, and could broaden its role at Krasnoyarsk by servicing the oil industry and other customers in eastern Russia, Becker believes.

A useful westbound option back into Frankfurt or Leipzig from Moscow is DHL Aviation's daily Tupolev-204 freighter from Sheremetyevo, the bigger of the city's two main airports for cargo and home to most of Moscow's airfreight forwarders in Moscow.

This partnership looks set to continue since Aerologic, the joint venture formed by DHL Express and Luf-

thansa Cargo, has no immediate plans to operate into Russia.

"We would not have the economies of scale for a weekly full freighter [between Moscow and Frankfurt]," Becker says. "But as one of the top DHL customers we get first refusal on this highly reliable service. We complement one another well, as they use the service primarily inbound and we need more capacity outbound."

Overall capacity available to the Lufthansa group in and out of Russia will depend on how the sensitive issue of Austrian Airlines' flight rights is dealt with. Lufthansa formally completed its acquisition of Austrian Airlines last September.

Although Lufthansa is more than 10 times the size of Austrian in cargo terms, Russia is significant to Austrian. It operates 44 passenger flights a week to six Russian airports and also has a codeshare arrangement with Transaero Airlines, which operates 14 flights a week between Domodedovo and Vienna.

LC and Austrian will merge their global operations from July 1. They will harmonize their product portfolios and processes, and will look to optimize cargo flow through their Frankfurt, Munich and Vienna hubs. Outside Austria, the Lufthansa Cargo brand will be exclusively used.

The Russian Ministry of Transport has awarded temporary traffic rights to Austrian until July. It has yet to make a permanent decision after demanding clarification that the carrier is still Austrian-controlled. The only country served by Austrian to query existing bilaterals, Russia said the information the carrier provided last year was incomplete.

Forwarders boosted by continued consumer spending

Russia has seen financial crises before. Markus Ruulio, sales and marketing director for Kuehne + Nagel there, has been through one of them, on a previous tour of duty in 1998. So the problems of the last two years have been nothing new.

"People live one day at a time, so you didn't see the depression here that maybe you saw in the West. They're still consuming fashion goods and cosmetics," Ruulio says.

K+N is focused on fast moving consumer goods, retail, industrial markets (including aerospace and oil & gas) and high-tech, and is developing in fashion logistics. So in a couple of its target segments, at least, the latest downturn was less painful than it might have been. Clients in the construction and automotive industries were more heavily affected, Ruulio admits. "But that business now seems to be coming back."

Oil and gas business and turnkey projects have developed steady, and here airfreight plays a major role. "Oil and gas clients often need logistics decisions tailored to specific nonstandard demands and the deadlines are tight. Speed is essential from the forwarding agent, especially for spare parts deliveries," Ruulio says.

One of the first international forwarders to establish a presence in Russia, K+N serves a steadily growing client base, consisting of Russian enterprises as well as large international corporations.

Nutzinger: not holding his breath on new customs procedures

Contract logistics business operates through almost 100,000 sq. meters of warehouse space in Moscow, St Petersburg and Rostov. The company also has offices in Murmansk and Sakhalinsk for the oil and gas sector, and in Sochi where it is building up for the next Winter Olympics. Where K+N is not directly present, it has an network of agency airfreight forwarding offices.

Moscow may be well to the west, 10,000 kilometers from Russia's Far East, but 85 percent of goods are still imported through there. Importers and service providers are based at the city's airports and most freighter services call there.

Airport infrastructure outside Moscow is underweight for such a large market and needs more investment, Ruulio says. "There are cities of one to two million people that lack adequate facilities," he says.

"Domestic distribution is an issue here, from dairy products right through to spare parts. How do you distribute given the distances and the severe weather? For clients such as Benetton, we want to go all the way to the shelf without local distributors taking their margin.

"People who don't understand the number of large cities in Russia may be surprised, but Benetton has 80 stores here. We need airfreight for this. There is demand but it needs infrastructure."

Most garments go through a long, complex supply chain to reach those stores. Typically, they will be consolidated in Hong Kong or Shanghai,

shipped to St Petersburg and trucked to Moscow before domestic air services kick in. Benetton sources some items closer to home in Italy, from where shipments are trucked direct to Moscow. Only for particular fashion ranges, or for retail chains that change their rail every one to two weeks, will garments fly all the way.

The airfreight process will theoretically become more efficient when new Customs rules are introduced later this year, allowing clearance at the airport for onward shipment. Customs posts in downtown Moscow are closing and moving out to points of entry, including land borders with Finland or the Baltic states as well as seaports and airports.

"They will have to strengthen the setup at the borders," Ruulio says. "The ports should have been ready from March but this has been postponed to October. The infrastructure and IT is not ready to cope with the volumes. Airfreight is probably ahead of the ports and land borders right now."

There is more of a tendency these days to import direct into Russia. Security has improved and neighbouring countries like Ruulio's native Finland, which once warehoused transit goods in a safer, more traceable environment, play a lesser role now.

Yet Customs is not much more transparent or predictable than before. K+N has its own national Customs clearance licence, but it is so crucial to have the correct documentation and meet the Customs authorities' requirements point by point, especially for shipments originating in the US, that it can be wise to involve local brokers.

"Otherwise you can get stuck for weeks or months," Ruulio says. And under-the-counter payments are not an option for multinationals. "We do only 'white' Customs clearance, and local companies are increasingly going this way too."

Schenker is growing its distribution business from facilities like this Moscow warehouse

For Schenker, Russian business has moved ahead even through the last two years. "Our growth has wiped out the negative effects of the financial crisis," says Karl Nutzinger, CEO Europe. "We picked up additional accounts and have become involved in new activities, mainly in warehousing and distribution."

"Customs clearance is still a major issue, and you've got to know how to handle the system," Nutzinger confirms. "

The company has offices in 20 locations, mainly in the industrial western third of the country, together with 60,000 sq. meters of warehouse space. It claims the only corporate network for groupage distribution and owns 250 tilt trailers, driven by local hauliers.

"A lot of individual routes are served by local providers but no-one, either international or local, has a complete network. There is no one-stop shop solution," Nutzinger says. "Our policy is to develop our own offices and infrastructure. That's our backbone, and gives us the information flow and track-and-trace ability we need. But we have no motivation to be in every village in Siberia."

Gains on the ground were partly offset by a decline in airfreight flows in 2009, both on regular and project business, according to the company's senior vice president airfreight, Thomas Mack. "We saw a strong recovery from November and 2010 looks promising, with a better flow into Asia."

The Russian airfreight market is 75 percent inbound for Schenker, driven by clothing, perishables, communications devices and spare parts. Mack says the lack of suitable back traffic is as much a challenge for forwarders as it is for carriers, because of how block space relationships are structured.

The priorities for Schenker are to have guaranteed space into Russia and back out of the Far East. "The cost is influenced by the whole rotation, so we try to manage traffic flows with our partners to minimize the emptier Moscow-China leg."

Internally within Russia, Schenker is a major customer of ABC's freighters. Away from the big airports and from specialist charter operations, bellyhold space provided mainly by Aeroflot is adequate. But Mack agrees

with K+N's Ruulio that airports still fall short of requirements, with only Moscow, St Petersburg, Novosibirsk and Ekaterinburg truly acceptable from a cargo viewpoint.

"Customs clearance is still a major issue, and you've got to know how to handle the system," Nutzinger confirms. "We work with blue-chip manufacturers of cars and electronic goods, so good paperwork and full compliance is essential. But guaranteeing overnight delivery can be dangerous."

He is sceptical about the promised Customs changes. Eliminating brokerage in city centres and migrating it to point of entry "is wanted, and has been decided politically, but the exact procedures are not yet fixed," he diplomatically puts it.

The view from China: Customs issues still daunt carriers

Russia's airborne trade with the Asian Pacific rim economies is on the rise, but formidable obstacles are still inhibiting direct services.

Spring is bringing fresh airfreight capacity between Russia and its biggest neighbor. On March 22, Air China Cargo inaugurated flights from its home market through Novosibirsk en route to Frankfurt. Its freighters call three days a week at Novosibirsk's Tolmachyovo Airport.

AirBridgeCargo Airlines responded to last year's downturn by reduced its Beijing frequency but stepped up flights to Shanghai and Hong Kong, maintaining its overall capacity. ABC is now upping its Moscow-Shanghai frequency from 11 to 14 flights per week and Moscow-Beijing is now going back up from three to five flights a week, with a sixth rotation to be added in May.

Belly capacity is also poised to rise. In May, Cathay Pacific is due to launch three flights a week from Hong Kong to Moscow using A340 aircraft. Moscow-based Transaero Airlines begins twice-weekly flights to Beijing with 747-400s from June.

The influx of lift continues a familiar pattern. According to Li Wenjun, head of airfreight for China of DHL Global Forwarding, capacity has gone up in excess of 30 percent every year thanks to strengthening economic ties between Russia and China over the past five years.

"We grew 33 percent in volume on our flights from China to Russia overall," says Maxim Ivanov, manager of marketing and business development for the Asia-Pacific region at ABC. China has become Russia's largest trade partner, but he reckons a sizeable portion of that trade is not captured in official statistics.

Russia imports a full range of commodities from China, with a growing portion of more sophisticated electronics, computers and IT products. "International companies like Sony are now sending a lot of cargo from their facilities in China to Russia. We didn't see that in the past," Li observes.

For air carriers plying routes between the two countries this is an encouraging trend, as much of China's air export volumes to Russia remains out of their reach. "We can only capture a fraction of the total volume. The majority of the goods go indirect," Ivanov says. "We can capture only those flows that go direct to Moscow and that are cleared there."

In the main, this is high-yield traffic of large companies like Toshiba that have stable flows to Russia and employ their regular Customs brokers at destination who navigate through the opaque maze of Russia's tax and duties levied on imports. Even these are not fully protected from upsets in the clearing process, Ivanov says.

For small and mid-sized companies that have no regular Customs brokers on the ground in Russia, the direct route is usually not an option. Rather than transit times and other performance issues with carriers, Customs clearance is the key factor for their choice of route.

"People structure their business around Customs to find the best way to get their goods cleared," Ivanov says. "In Russia, Customs rules are not always clearly defined, so you get a lot of regional variation in how officials interpret the rules. Sometimes we get requests to re-route cargo, for example from Domodedovo to Sheremetyevo, because Customs are less rigorous when they are dealing with peak time flows."

"There are several hundred charters a year taking Chinese cargo to Russia. In the peak season we had a huge backlog," says Li.

Abrupt changes in stance up to the highest level of the Russian government add to the confusion and uncertainty. Its strong-arm tactics that led to Lufthansa Cargo switching its Asian transit hub from Astana in Kazakhstan to the Siberian city of Krasnoyarsk last year came out of the blue. The German carrier was faced with the threat of a ban on overflying Russia that would have added transit

time and prohibitive fuel costs on its Asia-Europe traffic.

"It would be easier for more capacity to come into the market if these issues were resolved," Li says.

In lieu of sending their cargo into potential oblivion in the maze of the Customs warehouses at Moscow's airports, small and mid-sized shippers in China typically opt for all-inclusive packages covering airfreight and Customs clearance from agents that use other routings. Freight rates make up 30 percent or less of those packages, which can cost $15 per kilo – and Customs processing rather more.

A large portion of China's air exports to Russia enter the market via Central Asia, Turkey or European points like Frankfurt, Vienna or Tallinn, and are trucked to final destination. "If there were no issue with Customs, we would see a manifold increase in our volume. Until then, we can only target certain sections of the market," Ivanov says.

The bizarre paradox is that operators on direct routes have stable and even rising volumes, but not enough to fill their aircraft. Given the distances involved, they have to deploy widebody freighters, but they cannot find enough cargo headed to Moscow to fill them. At the same time, exporters clamoring for lift have to take charters to third countries.

"There are several hundred charters a year taking Chinese cargo to Russia. In the peak season we had a huge backlog," says Li.

ABC ran charters during peak season, but most of the year its yields are diluted through Chinese exports to Europe. Unable to generate enough Russia-bound cargo to fill its freighters, it maximizes loads with beyond traffic. "We carry as much cargo to Russia as we can find. The rest is cargo to Europe," Ivanov remarks.

In the opposite direction, cargo originating to the west of its home market is even more crucial. "Usually freighters coming in load up with cargo from Europe before going to Moscow," Li says. ABC has some cargo from Russia, such as equipment for power stations, but no stable flows of traffic, says Ivanov.

Cathay is braced for this. "We expect good support ex-Hong Kong – mail, express and general cargo. The challenge will be to generate return cargo. We will be selling Moscow to the world, connecting with our whole network over Hong Kong. Trade flow is very unbalanced, so our sales team in Moscow are interested in connecting Moscow on any of Cathay's online passenger or freighter destinations," says James Woodrow, general manager, cargo for mainland China and Hong Kong at Cathay.

The prospect of little backhaul cargo, and limited payloads even westbound, has deterred most Chi-

ABC is increasing capacity from Moscow to Shanghai and Beijing

nese carriers from mounting freighter flights to Russia. Customs regulations, flying licenses and lack of facilities are additional deterrents. "Europe is easier for them," Li says.

Asiana and Korean Air are able to run freighters from Seoul to Moscow thanks to fifth freedoms allowing them to fly onwards to European, just like ABC and Aeroflot, Ivanov says.

With few exceptions, scheduled traffic headed for Russia goes direct to Moscow. The capital has 15 million people, three times as many as St Petersburg, the country's second-largest city. Novosibirsk and Ekaterinburg are distant third and fourth with populations of 1.4 million and 1.3 million. Muscovites have the greatest buying power, and political power and Russia's transportation network is centered on Moscow.

The Russian Far East, with its rich resources, generated a fair number of charters from Southeast Asia as well as Europe to Sakhalin to develop the oil business there, but this slowed to a trickle after a row erupted between the Russian government and investors.

China's traditional gateways of Shanghai, Beijing and Hong Kong dominate airfreight flows to Russia. The authorities' efforts to develop production in the central and western regions of China are bearing fruit and ABC is studying emerging gateways like Chengdu, but for now, Ivanov says the existing hubs are adequate.

DHL Global Forwarding ships most IT products out of Shanghai, while Tianjin/Beijing generates more goods like garments. Urumqi has also emerged as a gateway for garment exports, while airports in the Pearl River Delta handle a broad mix of products, Li says. The company is pushing customized multimodal solutions to expand its market share.

Most of China's exports to Russia still move by rail and water, but George Gahribian, airfreight and aviation logistics manager of Kuehne + Nagel Russia, says airfreight has benefited from problems at these rival modes. He describes rail as too unreliable and unsuitable for high-tech equipment due to speed and security issues.

Seafreight has been a more formidable competitor but recently suffered from capacity issues and slow steaming – and users have face the same challenges of dealing with Russian bureaucracy. The ports of St Petersburg and Vladivostok, which once enjoyed a reputation for relatively smooth clearance processes, have undergone massive changes, in the former case the wholesale dismissal of 40 officials from the regional Customs administration. ACW

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"NO DROP IN DEMAND DESPITE DOWNTURN"

The air cargo charter market has proved resilient to the worst excesses of the recent global downturn. That is largely because of its ability to react quickly and deal with adversity on a daily basis.

For most operators if has provided an opportunity to evolve new strategies and develop closer ties with the end customer.

In the heavyweight division of the cargo charter market Polet Cargo Airlines continues to provide a fleet of Antonov AN-124-100 aircraft capable of undertaking a range of heavy lift and project charters in a various theaters of operation across the globe. The airline has come a long way from an aircraft leasing partnership to one of the world's major aviation companies, which owns and operates the unique AN-124-100 aircraft.

Says Maxim Kloushin, sales manager, Polet Cargo Airlines: "Time has proved that our feasibility and market studies have turned out to

be accurate and risks have paid off to achieve the market position we now hold." He adds: "At the present Polet enjoys a well-deserved position among the outsize and heavy cargo operators and with the right management the airline is confident of gaining a bigger market share every year." Polet's current cargo fleet consists of four Antonov AN-124-100 aircraft.

According to Kloushin, the company's continued success in the heavy lift charter market is also due to developing long-term relationships with clients and customers. "The company's reputation has helped us attract reliable partners and devoted customers and our steady success is largely due to the efficient, reliable and high-quality service we offer. In all the years of the company operation there has never been a case of a broken contract."

The opening of a sales office at Munich airport in Germany, he adds, has helped put the airline in closer contact with its European customer base. In October last year Polet Airlines became the first airline in the world to acquire the new IL-96-400T freighter, to add even greater diversity to the company's contribution to the air cargo market.

The airline has taken delivery of three of the new aircraft, each with a payload capability of around 90-tonnes. Polet has initially made the aircraft available for full charter loads on behalf of major forwarders, with flights operating mainly between Asia and Europe. But the airline has also been flying the aircraft within the Russian domestic market, with some success.

But these current activities with the IL-96-400T are a prelude to the carrier putting the aircraft into full commercial service later this operating schedule flights, in the first instance, between Asia, Europe and Russia.

Volga-Dnepr Airlines is widely recognized as a prime provider of AN-124-100 capacity in the global cargo charter market. But it is quickly winning renewed accolades for bringing the

AVIALEASING

Avialeasing Aviation Company delivers expert Antonov An-12 Air Cargo Solutions to the Americas and Pacific region from its Miami (MIA) base of operations. 2009 ushered in growth for Avialeasing with new strategic alliances entered with US 121 Carrier Amerijet International, Ukrainian An-12 carrier Aerovis and US GSA's Lift Management to expand and solidify their unique market niche. Avialeasing's An-12 workhorses deliver expert support for the movement of outsized and heavy cargo. Used extensively in the aftermath of the Haiti and Chile earthquakes to deliver relief supplies, the Avialeasing An-12's proved invaluable. Sought out for the movement of pipe and outsized oilfield equipment, and deliveries of AOG aircraft engines, marine industry spares , electrical grid equipment and other oversized and urgent international shipments, the Avialeasing An-12's are seen connecting Houston and other source points with destinations in Canada, the Caribbean and throughout Latin America. Recent connections have included flights to and from Bermuda, Brazil, Canada, Czech Republic, Chile, Columbia, Ecuador, Guadalupe, Haiti, Iceland, Mexico, Trinidad and Venezuela to name a few. The alliance with An-12 experts Aerovis, enables Avialeasing to seamlessly connect An-12 movements to Europe, Africa and the Middle East. Working closely with charter brokers and freight forwarders, worldwide, Lift Management produces an ever expanding role for the Avialeasing An-12's in support of client ad hoc charter requirements, and short and long term wet leases to facilitate specific project support. The favored expression of Lee Burt, President of GSA's Lift Management and Sergey Petkov, General Manager for the new management group is " Any load at any time and any destination".

much-revered IL-76 freighter back to life. A third new generation IL-76TD-90VD freighter joined Volga-Dnepr Airlines' commercial fleet in April 2010, taking the company's investment in the modernized aircraft to over $90 million.

Volga-Dnepr Group predicts its investment in the 50 tonnes capacity ramp loading freighter is likely to double as more new aircraft join its fleet to meet global demand for the IL-76TD-90VD's unique operating capability. The airline has already signed a contract for a further two aircraft which are scheduled for delivery in 2011.

Unlike old versions of the IL-76 that have been banned from Europe's skies since 2000 after failing to meet strict noise and emissions requirements imposed by the International Civil Aviation Organization (ICAO), the new IL-76TD-90VD was approved for global operations in 2006. It now frequently operates to major markets in Europe, the United States, Japan and Australia. The IL-76TD-90VD has proved to be both a commercial and environmental success. A 7-9 percent more efficient fuel burn over old IL-76s increases its operating range to 6,300 miles.

Dennis Gliznoutsa, Group Commercial Director (Charters) for Volga-Dnepr, says: "Our investment in another IL-76TD-90VD is welcome news for our customers around the world that want to take advantage of all of the operational and commercial benefits the aircraft offers." The new aircraft, he says has exceeded all expectations of the airline.

"It has proven to be a highly cost efficient cargo aircraft that is ex-

tremely popular with customers, particularly in Europe and the US, with the ability, for example, to operate a direct flight from Europe to Kabul in Afghanistan. It was also the only aircraft capable of delivering urgently-needed relief supplies from the USA and Canada to Haiti in the immediate aftermath of the recent earthquake."

The unique capabilities of the smaller AN-12 freighter have been made available to the US market through a remarkable collaborative between several players in the charter market.

Last year US carrier Amerijet International took an ownership interest in Avialeasing, an Uzbekistan based AOC with US and Canadian foreign air operator authority. A new management group was subsequently formed known as Air Cargo Solutions, which includes Fort Lauderdale-based Lift Management acting as general sales agent.

A wet lease and management agreement now has been signed with Ukrainian carrier Aerovis to provide AN-12 capacity to operate in the Americas.

According to Lee Burt, president of Lift Management two AN-12 aircraft have been positioned at Miami and Houston airports. "These first two aircraft have been used primarily for aid relief flights, oilfield support work and for general cargo business, such as the movement of heavy machinery. They both flew extensive missions for the recent earthquake disasters in Haiti and Chile."

He explains that under the terms of the foreign operator authority the aircraft are not permitted to operate within the US domestic market, but this has left plenty of scope for work flying out of the US and Canada.

"There is a significant demand to fly oilfield support equipment to Columbia, Venezuela and the Caribbean," says Burt. "The AN-12 with

CHARTERS

an uplift of 10-20 tonnes and with its ramp loading capability, is ideally suited to this kind of work, as it is virtually self-sufficient allowing it to operate to remote airfields and rough landing strips."

Burt says the AN-12 can be equated in capability terms with the Hercules aircraft, which once carried out much of this type of work. "The Herc though, is becoming an old and very expensive aircraft to operate and the AN-12 is often just the size of aircraft the customer needs for single pieces of urgently needed equipment." The success of the venture can be gauged from the fact that it is now planned to position a third Aerovis AN-12 in the US to meet with the constant demand for this aircraft.

The alliance with AN-12 experts Aerovis, also enables Avialeasing to seamlessly connect AN-12 movements to Europe, Africa and the Middle East, working closely with Lift Management in support of client ad hoc charter requirements.

UK charter broker Air Partner re-

AIR PARTNER FREIGHT

Air Partner Freight continues to expand its worldwide presence to meet the needs of its growing client base. Offices recently opened in Turkey and Hong Kong to supplement those already operating in the UK, USA, France, Germany, Japan and Dubai.

Aircraft of every size, from the giant Antonov 225 to private jets and turbo props (which can be airborne within an hour), are chartered to fly cargo anywhere whatever its weight, value, size or shape.

Air Partner Freight, an established 'go now' specialist in the competitive world of urgent and outsize airfreight, provides a 24/7 service to meet every need - from ad hoc flights and charter series to longer-term programmes often lasting more than six months. Comprehensive logistical backup includes continuous feedback on the status, progress and delivery of shipments. Dedicated account managers (www.airpartner.com) supply a bespoke, speedy and confidential personal service. Advice is offered on the most efficient, dependable, cost-effective and flexible solutions to meet requirements based on aircraft location, size and availability.

Air Partner Freight is a division of London Gatwick-based Air Partner, which has been providing aviation services to industry, commerce, governments and individuals for 49 years and has 190 specialists in 20 offices globally.

The Group's real-time database features global aircraft availability, costing structures and operational characteristics plus information on aircraft capabilities and airfield infrastructures, even in isolated areas. Surface transfers are minimised by identifying the most suitable and closest airports to departure and destination points to ensure the smooth and punctual delivery of loads.

ports that whilst the global general cargo market is down between 10-15 percent, its freight division has continued to perform robustly in difficult market conditions. "We have succeeded in achieving good sales, along with a growing client base," says Richard Smith, group freight director. "This is as the result of winning repeat business and long-term government related contracts, with enquiry levels currently at an all time high."

The company has just reported half-year sales figures of $35 million for its freight division. But Smith warns that the market remains very competitive and margins have been adversely affected. "There is very little slack in the market right now and on particular trade lanes it can become very difficult to access capacity."

Air Partner is a leading player in the global passenger charter market with a network of offices around the world. This says Smith, provides an ideal springboard to extent the reach of the company's freight charter activities.

CHARTERS

In its own right the freight division has recently opened a new office in Hong Kong, which is expected to play a strategic role in the company's activities in Asia. "Hong Kong is renowned as a strong market for air cargo and our presence there bolsters our existing freight departments in the UK, France, Germany, USA and the Middle East," says Smith. "In response to a short peak period late last year, we operated a series of charters from Hong Kong which underlined there is demand in the region which we can now capitalize on. Now, we can offer clients a high quality service with local expertise."

In Hong Kong Air Partner is represented by WAI Asia, a leading Hong Kong GSA.

Proof that the charter business is moving with the interactive times is evidenced by the launch of Fly-A-Charter, an internet based air charter bid / auction website. The company has been developed for the purpose of using a bidding system of qualified carriers to match air charter clients with the right size aircraft at the least possible cost.

The company comes with the

POLET AIRLINES

Established in 1988 **Polet Airlines** has come a long way to be one of the major cargo aviation companies, well known as a heavy-weight operator.

Operating with Antonov 124-100, Ilyushin Il-76 and Ilyushin Il-96-400, company has seen a steady growth over the past decade and gained valuable experience in transportation of extra heavy and unique shipments.

AN-124 - capable of transporting up to 120 tons of cargo or 750 cubic meters of cargo - twelve 20 foot or six 40 foot standard sea containers. Capable of kneeling on the nose wheel or main undercarriage in order to bring the sill height to within 1.4M of the ground and operates in every geographical location.

Polet's client database includes more than 1000 official organizations and companies representing all areas of industries, as well as providing services to numerous Ministries of Defense.

Polet Airlines has international licenses for all markets and the reputation of a serious and reliable partner offering services of the highest standards and remaining an important player in the air cargo market for many years.

With the Air Launch Aerospace Corporation program, Polet Airlines is developing a space transportation system for spacecraft insertion into the near-Earth orbits using launch vehicle ejected from the Antonov AN-124-100 aircraft.

Additional to cargo and Air Launch program, with SAAB-2000 Polet Airlines is increasing every year market share in passenger transportation section as well. With strong coverage of Russian network, new international destinations are constantly introduced.

CHARTERS

strong pedigree as, after four successful years as a subsidiary of Kalitta Charters, based in Ypsilanti, Michigan Fly-A-Charter division was sold in its entirety to Josie Kalitta in February 2009. Fly-A-Charter subsequently became a stand-alone air charter bid /auction site in Sept. 2009.

According to business development manager Colin Handlon, Fly-A-Charter recognized an opportunity to provide clients access to aircraft at extremely competitive rates with over one hundred air carriers in the database of the interline system at any one time. "We wanted to put customers directly in touch with the carrier database, which we are able to provide and constantly update," says Handling.

"Importantly, we also wanted to make the systems as transparent as possible. There are no hidden costs and the customer gets to make the choice he or she wants by utilizing the bid-auction system available to them," he adds.

Fly-A-Charter, he confirms, neither owns nor operates aircraft for commercial use. But flights booked through the Fly-A-

Charter website are all conducted by FAA certified operators. "For safety purposes, quality records are maintained on all interline air carriers, including trucking and ground handling vendors to support door-to-door services, says Handling. "If carriers do not meet FAA standards, they will not become part of the carrier base. As a direct result, Fly-A-Charter has the safest, most qualified fleet of interline air carriers in the business."

Most business generated through the website is currently generated in the US, Canada and South America, but Handling says the concept is expanding and being readily accepted with a growing client base in Europe.

But is this the end of the personal relationship between broker and customer?

"We are always on the end of the phone to further advise a client should they need us," says Handling. "But one of the great efficiencies of this system is that it enables a customer to track their charter from start to finish, without the need

VOLGA-DNEPR AIRLINES

Волга Днепр

Volga-Dnepr Group is the global leader in the outsize and heavy air cargo segment, and the largest air cargo operator in Russia. The Group's core businesses are chartered air cargo services with AN-124 and IL-76 aircraft (Volga-Dnepr Airlines) and scheduled air cargo operations with Boeing 747Fs (AirBridgeCargo Airlines). The fleet of aircraft operated by Volga-Dnepr Group comprises 10 AN-124-100 super-heavy freighters, 3 IL-76 freighters (two of which are upgraded IL-76TD-90VD versions built under airline's special order) and 9 Boeing 747 freighters (including 6 of the latest Boeing 747-400).

The Group employs a 3,000-strong International team of highly qualified specialists in various fields.

The Volga-Dnepr Group's client base includes government agencies of the world's biggest nations, as well as International Organizations (EC, UN, Red Cross) and leading global corporations, including: The Boeing Company; Embraer; Exxon Mobil; Lockheed Martin; British Petroleum; General Electric; Volkswagen; General Motors; BMW; and many others.

Volga-Dnepr Airlines has been voted 'Best Cargo Charter Airline of the Year 2009 by the Baltic Air Charter Association (BACA).

This year, AirBridgeCargo Airlines, the scheduled cargo business of Volga-Dnepr Group, won the prestigious 'Wings of Russia Award' for 'Airline of the Year – Cargo Carrier Operating in Domestic and International Air Lines'.

to constantly call a broker for an update."

Is there still room for the small independent charter broker in today's global marketplace? Certainly, argues Michele Wilkinson who founded Tailwind International Air Charters, located near Dallas, Texas, just over 20 years ago. That followed an already extensive career in the aviation business including working for cargo carriers, Flying Tigers and Evergreen International, as well as forwarders such as Emery Air Freight.

"Having seen the freight business from more or less all angles I thought there was a real opportunity for a niche charter operator to play a more active role in putting the forwarder in contact with charter capacity," says Michele Wilkinson, president and CEO of Tailwind International.

Today, Tailwind International seeks to provide access to charter capacity largely in the executive jet range of aircraft. But when the call comes the company is equally adept at organizing charters requiring B747F capability.

"We have direct access to a source of Falcon 20 jets which are excellent aircraft for immediate dispatch of small vital machine parts and other urgent shipments," says Wilkinson. "Our location place us in a prime position to service the needs of most of the major US auto manufacturing

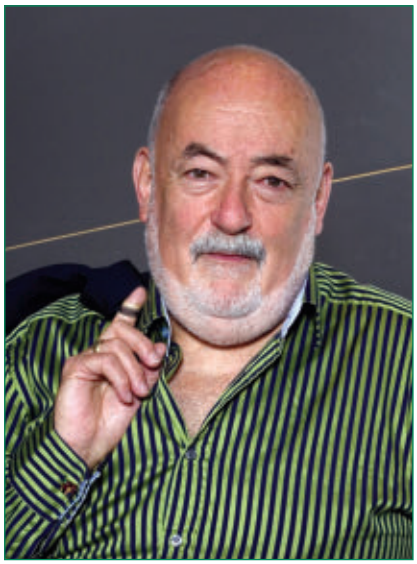
plants, which keeps us pretty busy."

Executive jets may sound small beer in the business of cargo charter, but sometimes "thinking small" pays dividends. "We had a recent request to move an urgently needed piece of natural gas equipment from Dallas to Miami in time to reach a scheduled flight to Aruba in the Caribbean," says Wilkinson. "Most brokers would probably have considered larger capacity aircraft to accommodate the 11ft long crate, but we managed to fit the shipment into a Learjet and made it to Miami in under two hours, in plenty of time for the onward flight." At other times Tailwind International staff have used the ingenuity of a small knowledgeable team to make a charter happen.

"We were called on to move urgently needed communications equipment from Plano, Texas to Haiti," says Wilkinson. "We decided to fly a B727F aircraft into Addison airport, just minutes away from Plano and thereby avoid the congestion of Dallas-Fort Worth airport." According to Wilkinson the company is actively seeking to access a range of small turboprop aircraft in order to provide an even greater choice of cost competitive solutions.

"Right now we are looking closely at the single-engine Pilatus PC-12NG, which offers good payload and range, but has the cost benefit of being a single pilot aircraft," he said. ACW

Coping with our less tolerant times



Chapman: open door policy

At the age of 68, and active in airfreight since he was 17, Chris Chapman can claim as long a career in this industry as anyone alive.

The chairman of charter broker Chapman Freeborn now puts in a slightly shorter working week than he has done through most of that 50-plus years. "But I still get an enormous buzz from all this," he says.

"People trust and accept us. We grew by 25 percent in 2009. It's possible we could do that again this year, though it may be slightly less. You don't really know what's around the corner."

Speed of communication is probably the single biggest change the industry has seen during Chapman's long tenure. On the morning of our interview, the Chinese earthquake has taken place more than 5,000 miles away and Chapman Freeborn is already mobilizing its forces on behalf of search-and-rescue organizations and charities.

It's literally a world away from the days when a turboprop or piston-engined aircraft would make an 11-hour journey from Southend in southeast Engand to Athens, with a leisurely lunch in Nice and a further stop in Brindisi. "You would wave goodbye to the plane for five days if it was going to Asia," Chapman says.

He grew up in north London and entertained dreams like most boys of becoming a pilot, especially after meeting British Airways' forerunners, BAE and BOAC, at a careers exhibition.

"I wrote loads of letters but I was only offered an accountancy job with Silver City Airways," Chapman says. Finally he got a start at Southend-based Tradair, primarily a passenger airline. "There was very little cargo, but occasionally we had ship's spares to transport," he says.

Tradair founder Eric Hanks had previously worked with the pioneering airline British Eagle, and eerily prescient of more recent business cycles, Tradair ran into trouble by overextending.

"It had a Royal Viking fleet but bought Viscounts to try to get ahead of the market," Chapman says. "Most of the rest of the industry was still operating Vikings and Dakotas."

The switch to Viscounts took the airline from 36 to 60 seats and travel tour operators were unable to commit to what then seemed a massive step up.

At Tradair, Chapman had no desk, "just a seat next to the Telex machine". As soon as he had familiarized himself with this alien equipment, "I was asked if I could do the traffic rights for this year. I had no idea what this meant but I was given a handbook published by the Ministry of Transport & Civil Aviation and had to send telegrams to officials in Spain or wherever to obtain these rights."

From there, he became involved in working out handling arrangements, then his job grew even wider when Tradair set up its own air terminal near London's Euston railway station. "I ran a shift right through the weekend bussing passengers to Southend, in addition to my day job. So I was now doing traffic, ops and commercial duties."

When Tradair went bust, Hanks, the first of two major influences on Chapman's leadership style, moved into air charter broking at H Clarkson.

"People were bad-mouthing Eric unfairly after Tradair, but I owed him a lot. He was honest and fair, didn't shout, and gave you credit for what you did. I rang him up and went to work there," Chapman says.

Almost all air charter brokers were then based in the UK and were offshoots of long-established shipping groups. They operated through the Baltic Exchange on the basis of "my word is my bond", Chapman recalls.

"There were only three of us in Clarksons' air charter broking department to begin with, working on seven and a half percent commission. We would charter aircraft for the likes of Esso, and would arrange to fly ship's crew from Southend to Rotterdam, Hamburg and the like. We graduated from passenger to cargo and became the biggest charter broker globally,

with offices all over the world under the Clarkair name," Chapman says.

When DC6s and 7s came in, brokers had access to aircraft with an unprecedented 10 to 12 tonnes capacity, and they were faster than before. Scheduled passenger airlines had no freighters in their fleets and all-cargo airlines were still a rarity, which made broking highly competitive. "You'd fight like fury" to ship those early giant computers for companies such as ICT, a UK equivalent of IBM, Chapman remembers. "If we got business like that to Australia, it made us for a month."

It was a more tolerant era. "Clients would get upset if you didn't take the load, but they almost expected things to go wrong. There would be more of a kerfuffle now – from the press, too. Time was not so critical then. Telex itself was slow."

Chapman left Clarksons "because the politics started getting to me. I was managing situations I didn't believe in."

In a short spell with Airmark, Chapman marketed capacity for the likes of Pacific Western, which had bought Hercules aircraft to supply the Canadian oilfields. "We found them a lot of work. At one point they offered me my own plane!" he says.

The idea of forming his own company arose when another carrier, Interior Airways of Alaska, needed support. Interior's Neil Bergt had bought two Hercules to service the Trans-Alaska Pipeline, but it was heavily delayed and this was enough to drive the airline into Chapter 11.

"Neil was happy with me running my own company as long as there was no conflict of interest. I set up with Mike Freeborn, who worked with me at Tradair, Clarkair and Airmark," Chapman says.

Interior was reborn as Alaska International Air and Chapman Freeborn deployed its fleet of up to five aircraft on ad-hoc charters and longer-term contracts in Africa, The Middle East and later globally.

Chris Chapman — the biography

1958 Leaves school aged 16 with three O levels. Joins shipping and forwarding agent Thomas Meadows, form-fillling for Customs, then moves on to Com prehensive Shipping

1959 Works in the City of London as commercial assistant for Tradair, coordinating traffic rights into Europe. Tradair later goes into receivership and is taken over by Channel Airways

1962 Joins Tradair founder Eric Hanks at H Clarkson Air & Shipping Services, whose air division later becomes worldwide charter broker Clarkair

1971 Joins Airmark, finding work for large cargo aircraft owned by companies such as Pacific Western

1973 Chapman Freeborn Airmarketing founded to market Alaska International Air's fleet of Hercules freighters. The cargo charter department expands into moving urgent cargo, peacekeeping equipment and humanitarian supplies, heavy and outsize pieces, high-value commodities, dangerous goods and AOG parts. Relief organizations, governments, NGOs and other aid providers use the company's expertise in transporting relief goods and organizing personnel evacuations

1978 Chapman buys out Mike Freeborn owing to his partner's ill health. The company sells off its cargo GSA operation to focus exclusively on charter (now 75 percent cargo, 25 percent passenger). Two subsidiaries are later set up – Air Dispatch International providing outsourced airline representa tion and Paragon Global Flight Support offering flight operation services

2001 9/11 ends plans for an MBO, but Chapman is aware of the need for succes sion planning. His four children have not followed him into the business. A new entity is subsequently formed and acquires all Chapman Freeborn shares. Five directors hold equity and Chapman is no longer majority shareholder

2010 Chapman Freeborn is now the world's leading charter broker, employing more than 250 personnel at 32 offices in 22 countries. It is reponsible for more than 5,000 cargo and passenger charter contracts a year, in addi tion to coordinating many ACMI, wet-lease and dry-lease arrangements

"I got free rein to run my own planes and we had 10 great years until the crews starting making unreasonable demands over their terms and conditions," Chapman says.

He identifies Bergt as the second individual who shaped his own approach to business.

"Eric taught me how to be a nice guy and Neil, how to stay open to ideas and make yourself available to talk to people with a genuine open door. He persuaded me you have to be flexible enough to reward people who are doing a good job. I had a fixed idea about this particular member of staff but he said, pay her what she's asking. With what she's bringing in, she will pay you back ten times over."

Chapman has retained the principle of accessibility to this day. "If you close the door for a meeting, people grow more inquisitive. If it's open, everyone just gets on with it."

During our interview, which takes place in an open seating area, there are warm greetings for every member of staff who walks by. He takes care to note each one's contribution to the business. You feel he knows them personally.

The corporate organization reflects this personal, hands-on approach. "We have a flat structure, not a pyramid of department managers, country managers, regional managers. Anyone can call me. They don't often do it – but they can."

Chapman Freeborn loses senior managers like any company, but its staff churn is low.

"I'm proud of that," Chapman says. "You don't clock-watch or hassle someone if they're five minutes late. If they're sick or a member of their family is sick, you want to support them."

A number of Chapman Freeborn personnel have worked for other brokers but Chapman does not have the impression the majority are looking at the situations vacant column for future moves. "My people tell me when headhunters come along."

The company does not pay commission, preferring to reward people at the end of the year by division rather than creating internal competition.

The ultimate expression of rewarding long-term came when Chapman decided to restructure. Carol Norman, who started as a secretary more than 30 years ago "but told me I didn't need one" is now a shareholder. "Carol opened Germany and made profit from year one," Chapman explains.

Also now with a stake in the business is Russi Batliwala, who has clocked up more than 20 years on the team. "He took us into key markets in the Middle East and the US, and was responsible for a lot of our international development. These people carry respect," Chapman says.

He admits there was no strategic plan, no "vision" in the early days of the company. "My plan was to pay the mortgage and feed the kids. It was almost back to Tradair – I was involved in operations, flight planning and buying fuel as well as selling charters.

"I still get an enormous buzz from all this."

"I found airlines to service. In addition as always charter airlines, often US based such as Southern Air Transport and Trans International, were looking for work and we were able to put enquiries to them. Big clients such as Hyundai were using us as a broker because we knew where the equipment was.

"To survive, you have to keep reinventing yourself. It's no good saying, that's the way we've always done it. If you make long-term plans, you're liable to trip over yourself."

"Sometimes, you have to go where the wind takes you. We're in 22 countries today. We got into markets early and without always having the business to support it. You can open an office with two or three people, though you can't pull staff off a tree. Your culture may not be familiar to them – nor theirs to you."

Despite such an obviously successful model, Chapman has not made it happen every time.

"We have gone into marketplaces and worked hard to do things our own way. We're fully funded, privately owned and not indebted, but sometimes the level of expectation is ahead of what can be achieved.

"There are political and language differences, national likes and dislikes you have to accommodate to. We pulled out of Russia many years ago because the chemistry was wrong.

"We opened in Brazil two and a half years ago as our first toehold in South America. We're achieving something there, and making progress in the Spanish-speaking countries in the region, but we must try to adjust. We're optimistic about what can be achieved out of Sao Paulo, but maybe we need to open at other locations or hire more people."

Chapman Freeborn "stood still during the financial crisis" and was forced make layoffs at one subsidiary, but otherwise did not have to cut back.

"Now we can look to expand again," Chapman says, enthusiastically. He may have had half a century in airfreight, but does not give the impression of hanging up his boots any time soon. ACW

Yellow Page Directory

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

PALLETS

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AIRLINES

Des Vertannes, executive VP cargo at **Etihad**, is leaving the carrier to take over as global head of cargo at **IATA**. Vertannes will be based in Geneva and takes up his new position in June. He replaces **Aleks Popovich**, who has been senior VP, industry distribution and financial services, since October 2009 but had stayed on in the interim as acting head of cargo. Vertannes had spent three years heading up Etihad's Crystal Cargo division.

Air Transport Services Group has appointed industry veteran **Rich Corrado** as group chief commercial officer of ATSG and president of its aircraft leasing and global aviation solution company, **Cargo Aircraft Management.** Corrado comes to ATSG from recent roles as chief operating officer of **AFMS Logistics Management** and president of **Transform Consulting Group**. He has also held senior marketing positions with **DHL Express** and **Airborne Express.**

Alaska Airlines has realigned its marketing, sales and online commerce groups. **Joe Sprague**, a 10-year veteran at the carrier, has been named VP of marketing. He will retain responsibility for Alaska Air Cargo, a division he has led for the past two years. Sprague began his aviation career more than two decades ago as a customer service agent at a commuter airline in Juneau, Alaska, and flew as a commercial pilot in the state. He joined Alaska Airlines in 2000 as a regional sales director, served as managing director of government affairs in Washington, DC, and led the public affairs and inflight divisions before moving to cargo. **Steve Jarvis**, formerly Alaska Airlines' VP of marketing, sales and customer experience, will assume the new role of VP of customer innovation and alaskaair.com.

Aloha Air Cargo has promoted **Paul Apuna** to Honolulu station manager — ground operations, from his previous post as an operation supervisor. He will oversee the cargo ground operation in Honolulu, working with Neighbor Island management and personnel to ensure the effective handling and deployment of operational service standards.


APUNA

UPS has appointed **Mark Khambatta** as country manager of India, responsible for its express and supply chain operations. He was previously country manager for the company's supply chain operations in India, and before that held similar positions in the Philippines, Guam and Saipan. **UPS** has also appointed **Vikram Mansukhani** as operations manager for its joint venture. Prior to his current position, he was industrial engineering manager for **UPS Jetair Express** in India.

Oman Air has appointed **Ejaz Khan** as regional manager, Gulf, Middle East and Africa, based in Muscat. Prior to this posting he was working as country manager for the carrier in Pakistan.

AIRPORTS

James Bennett has been appointed as CEO of **Abu Dhabi Airports Company**. He has been president and CEO of **Metropolitan Washington Airports Authority** since 2003 and will take over from acting CEO **John Stent** on June 1.

THIRD PARTIES

Chris Fahy has been appointed as global development director for Australian-headquartered logistics service provider **Toll Group** after acting in an advisory role for several months. Fahy was former CEO of **DHL Global Forwarding** and left the organization two years ago in a management restructure.

Sebastiaan Scholte, former head of marketing and special projects at **Cargolux Airlines**, is taking on a new role as CEO of **Jan de Rijk Logistics,** the Dutch provider of transportation and distribution services. He will overlap with current CEO **Willem Heeren** until later this year, when Heeren becomes chairman of Jan de Rijk's supervisory board. Scholte previously worked at a senior management level for **Aero-mexpress** in Mexico and Europe, and for Cargolux in Latin America and Europe.

Edgar Urrutia has joined **Damco** as country manager for Panama, replacing **Fredrik Grill.** Henning Malmgren, president of Damco Latin America, said: "Urrutia has superior knowledge of the Colon Free Zone and its dynamics, which will allow us to become better at assisting our customers with their needs and challenges." Urrutia brings more than 17 years of experience in the logistics and freight forwarding industry to Damco, having worked in Spain, Mexico and Panama for **Panalpina**.

Aviation ground services provider **Swissport International** has appointed **Simon Messner** as VP and head of operations, a newly-created position, with effect from July 1. He joins from **McKinsey & Co** in Frankfurt. Swissport has also appointed Andreas Keller as VP and head of its Aviation Security business segment, succeeding Stefan Roschi. Keller was general manager of Swissport subsidiary **Checkport Switzerland** and continues in that role.

ADVERTISER INDEX

Transportation and logistics service provider **Schneider National** has named **Duane Gingrich** as VP sales and marketing for its Dedicated Services business. Gingrich's 30-year career in the industry included 16 years in various business units of **UPS** and **UPS Supply Chain Solutions.**

Chapman Freeborn Airchartering has appointed **Gavin-jon Deeks** as president of its US operation. He will oversee the global aircraft charter specialist's cargo and passenger teams in Fort Lauderdale, FL. Deeks, previously Chapman Freeborn's VP sales and marketing in the US for three years, takes over from **Carol Norman**, who was recently appointed deputy chairman of the group. He has also held commercial positions at **Cathay Pacific, Lufthansa, Antonov Design Bureau** and **GFX**.

Rob Wrigley has been appointed VP government affairs for **Airbus Americas.** He joined the then Airbus North America as director of government affairs in 2001 and previously served as deputy assistant administrator for government and industry affairs for the **Federal Aviation Administration** and later as senior policy advisor to the deputy administrator.

OHL, the global 3PL, has hired **Greg Sanders** as president, transportation services, in its North America Transportation business unit. He was at **Schneider National** for 12 years, most recently as VP within its STM brokerage group. He has also worked at **Landstar** and **Intermodal Transport Co.**

Ceva Logistics has appointed **Denise Carrion** as director of freight management in Brazil. She has worked with the company in various management positions since 1995, most recently responsible for developing its Century Account program in Brazil. **Eduardo Rampani**, who previously held the role, will remain with **Ceva** as part of a global project team focusing on operational excellence.

Performance Team has hired **John Hurst** as VP contract logistics. He has previously held key positions for **APL Logistics**. **David Casey**, previously in sales and sales management positions at **APL**, the **NOL Group** and **Newell Rubbermaid**, is Performance Team's new director of business development. ACW

events

MAY 5-7

Scottsdale, AZ: Regional Air Cargo Carriers Association Spring Conference, featuring the 2010 Cessna Caravan Operators Conference. For more information visit: *www.RACCAonline.org*

MAY 12 -15

Las Vegas, NV: 23rd Annual Convention and Exposition of the Messenger Courier Association of America. Members of the same-day delivery industry will hold the industry's largest annual meeting at the Red Rock Casino, Resort and Spa on the theme of "pinpointing your keys to success". There is a discount for those registering before April 9. For more information or to register, visit: *www.mcaa.com.*

MAY 24-28

Cape Town: Aviation Outlook Africa takes place at the BMW Pavilion Conference Centre. The event includes a separately bookable airport development day. For more information, visit: *www.terrapinn.com/2010/aviationza*

JUNE 6-8

Berlin: The World Air Transport Summit and IATA general meeting brings together leaders of the world's leading airlines, their alliance and business partners to debate the issues shaping the industry's future. Attendance is expected to be more than 600. For more information, visit: *www.iata.org/events/agm.*

JUNE 8-10

Shanghai: The Air Cargo China 2010 Exhibition and Conference takes place at the Shanghai New International Expo Centre. The last event two years ago attracted more than 11,000 visitors from 72 countries. For more information, visit: *www.transportlogistic-china.com*

JUNE 15-16

Brussels: The Air Cargo Handling Conference "Providing Quality & Retaining The Margin" will address the thorny issues of succeeding in building both volumes and relationships in challenging market conditions. The forum will include airline and handler speakers and seek to address airline needs, practical solutions and the future for air cargo handling. This event will be held at the Crown Plaza Brussels Airport. For more information, visit: *www.evaint.com* or *e-mail conferences@evaint.com.*

JULY 7-8

Beijing: Aviation Outlook China, at the Shangri-La Kerry Center Hotel, discussing China's fast-changing civil aviation market. For more information, visit: *sg.terrapinn.com/2010/avchina*

AUGUST 10-12

Beijing: The 3rd China Beijing International Logistics Expo 2010 takes place at the China International Exhibition Center. The last event attracted more than 400 exhibitors and 32,000 visitors from 61 countries. For more information, visit: *www.ci-le.com*

SEPTEMBER 26-29

Hong Kong: World Cargo Connections is a multimodal networking event, co-organized by the Chinese International Freight Forwarders Association and the WCA Family of Logistic Networks, that aims to give air, land and ocean transport companies a platform to meet customers, partners and suppliers in a pre-scheduled, one-on-one format. For more information, visit: *www.worldcargoconnections.com*

NOVEMBER 2-4

Amsterdam: The International Air Cargo Association's Air Cargo Forum and Exposition will bring together all segments of the industry in one place at one time. This biennial event, which attracts thousands of senior executives and hundreds of exhibitors from across the globe, will be hosted by Amsterdam Airport Schiphol. For more information, visit: *www.tiaca.org.*

Dr. Gabriel Weisskopf is the CEO of Switzerland-based Softair AG. He is an expert on cargo industry requirements for IT and software solutions.

Therapy for the cargo dysfunctional

Recently professor Pfaffenbacher, the world-renowned psychiatrist, invited me to one of his group therapy sessions.

Seated comfortably in his wood-paneled study, sipping herb tea, were senior executives from airlines, forwarders, integrators and shippers. "In today's session we will try to identify the participants' understanding of their own and each other's roles in the industry", the professor explained.

Within minutes, everyone shed what had obviously been a rather brittle veneer of civility to partake in a highly animated exchange. "At least you've dropped the idea of running the world without me, but I still don't feel like your best customer," one forwarder declared to an airline.

"Oh, get over it, disintermediation died a decade ago and you still bear a grudge. How about your role as my agent? The instant I turn my back, you are flirting with another carrier or convincing shippers to switch to maritime transport. I carry the heaviest financial risk and burden and you just camp on my doorstep asking for lower prices", the carrier executive retorted primly.

"Ever heard of supply and demand? Still dream of sitting in a smoky room in Geneva and fixing prices with your pals? Show me another business that has a book full of fictitious prices," another forwarder replied hotly.

Somewhat self-righteously I felt, an integrator representative interjected with the observation: "We would never do that, we even supply our clients with free packaging."

Spluttering with indignation, the forwarder snapped, "Don't take that holier than thou attitude with me; at the prices you charge you can easily afford the odd box. What's more to the point is why you encroach on our turf."

And so it went on for the next hour. The shipper, ignored by everyone, fiddled with his BlackBerry.

Eventually Pfaffenbacher spotted a lull in the squabble and held up his briarwood pipe. "Gentlemen, conflicts are found in any multi-party distribution channel. Classical conflicts relate to mutually exclusive or competing objectives. Air cargo, with its endless permutations of how distribution levels are integrated, inserted and bypassed, provides more opportunities and a broader range of conflicts than most industries."

Hardly taking a breath, the professor continued: "Wherever principals deal with clients both directly as well as through intermediaries, participants have conflicting perceptions of their own and each other's roles. This generates expectations that cannot be met and leads to conflicts.

"Airlines may have abandoned the illusion of a 'forwarder-free' world; they however still find it difficult to accept that they are not the epicentre of the transportation universe. But this is slowly changing, as witnessed by TIACA's decision to invite shippers to join their club."

As Pfaffenbacher paused to re-light his pipe, the integrator mouthed inaudibly. For a moment I wondered whether it was an expletive but was quickly distracted as the professor went on:

"The tendency for carriers to unilaterally impose technical standards that are driven by their inability to adopt modern technologies in a timely manner is another source of needless friction, but these are just some of the symptoms. It is in the nature of every relationship that each party overestimates its own contribution."

With a theatrical flourish he drew a large pocket watch from his waistcoat and opened its back cover. "Ask any watchmaker to name the most important part of this watch and he will answer, 'all of them, even the tiniest part must function to make the whole watch work'. Integrators were initially able to avoid many conflicts by building and operating every part of their watch. The jury is still out on their efforts to expand their universe into the forwarders' turf, but they appear chastened by their experience to date."

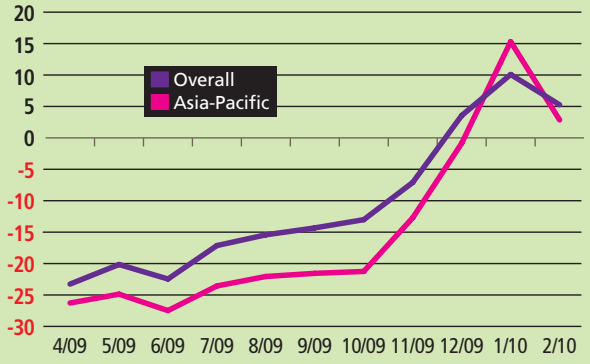
As if reminded, the professor paused and exclaimed: "Looking at my watch, gentlemen, I notice we have run out of time. Let's check our agendas to fix our next session."

Later, as he walked me to the door, I expressed my surprise at how pleased he seemed with the session. "Of course," he chuckled. "This industry will keep me in business until I retire."

Leaning slightly too close, Pfaffenbacher pointed at the group with his pipe and murmured, "Actually I am thinking of franchising it. What do you think — quarter of a million a year too much?" ACW

CARRYING EUROPE

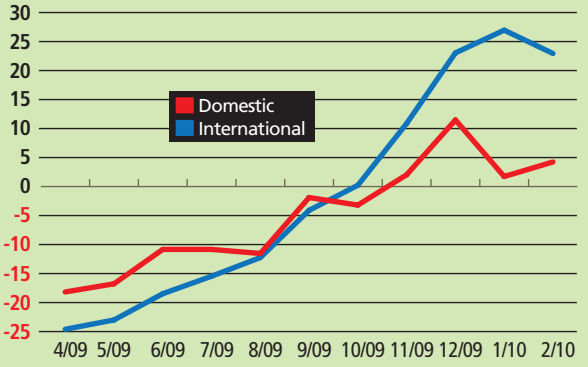
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

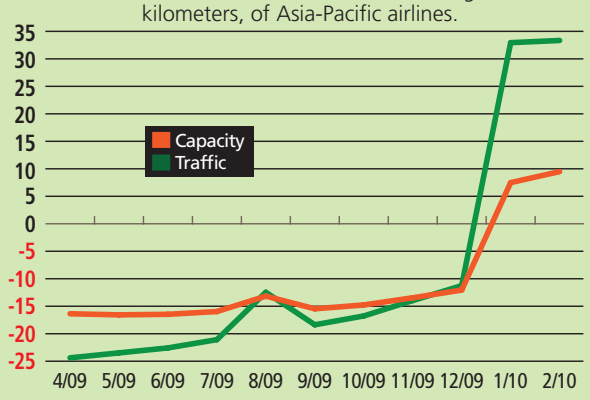
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

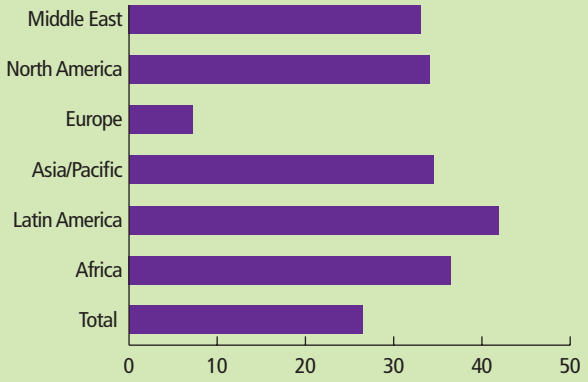
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

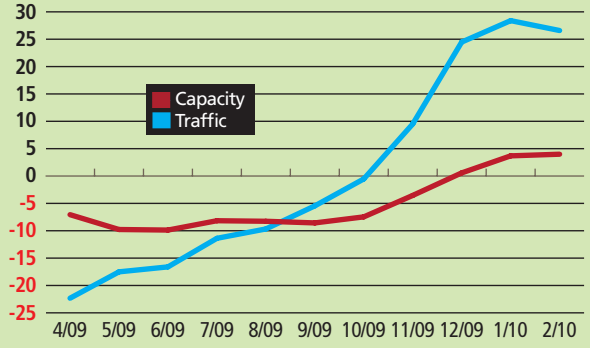
International air cargo year-to-date change for February 2009 vs. February 2010



Source: IATA

CARRYING INTERNATIONAL

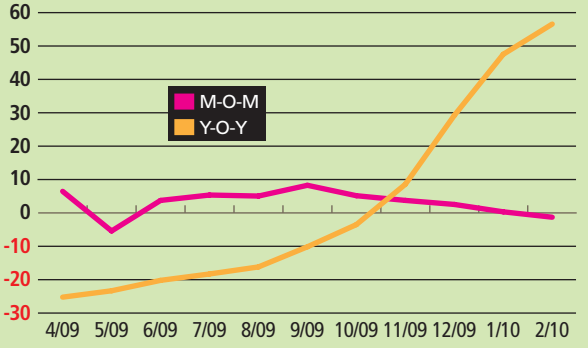
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight tonne-kilometers and available tonne-kilometers.



Source: IATA

SEMI CONDUCTORS

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



Source: Semiconductor Industry Association

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