INTERNATIONAL EDITION

Air Cargo World

NOVEMBER 2010

Boeing's freighter forecast

Caspian black gold

New SITA rival?

Uncertain forwarders

November, 2010
Volume 13, Number 10

contents

WORLD NEWS

32

DEPARTMENTS

Air Cargo World (ISSN 1933-1614) is published monthly by UBM Aviation. Editorial and production offices are at 3025 Highland Parkway Suite 200, Downers Grove, IL 60515; telephone 866-624-4457. Air Cargo World is a registered trademark of UBM Aviation©2010. Periodicals postage paid at Downers Grove, IL and at additional mailing offices. Subscription rates: 1 year, $80; 2 year $128; outside USA surface mail/1 year $120; 2 year $216. Single copies $20. Express Delivery Guide, Carrier Guide, Freight Forwarder Directory and Airport Direc tory single copies $14.95 domestic; $21.95 overseas. Microfilm copies are available from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Opinions expressed by authors and contributors are not necessarily those of the editors or publisher. Articles may not be reproduced in whole or part without the express written permission of the publisher. Air Cargo World is not responsible for unsolicited manuscripts, photographs or artwork. Please enclose a self-addressed envelope to guarantee that materials will be returned. Authorization to photocopy items for internal or personal use is granted by Air Cargo World, provided the base fee of $3 per page is paid directly to Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923, and provided the number of copies is less than 100. For authorization, contact CCC at (508) 750-8400. The Transactional Reporting Service fee code is: 0745-5100/96/$3.00. For those seeking 100 or more copies, please contact the magazine directly. Member of Audit Bureau of Circulations Ltd.

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

Air Cargo World

EDITOR
Simon Keeble
skeeble@aircargoworld.com • (770) 642-9170

ASSOCIATE EDITOR
Jon Ross
jon.ross@aircargoworld.com • (770) 642-9170

SPECIAL CORRESPONDENT
Martin Roebuck
jandmroebuck@btinternet.com
+44.(0)20-865-70138

CONTRIBUTING EDITORS
Roger Turney, Ian Putzger

COLUMNISTS
Brandon Fried, Gabriel Weisskopf

PRODUCTION DIRECTOR
Ed Calahan
Ed.Calahan@ubmaviation.com

CIRCULATION MANAGER
Nicola Stewart
Nicola.Stewart@ubmaviation.com

ART DIRECTOR
Central Communications Group
centcommgrp@comcast.net

PUBLISHER
Steve Prince
sprince@aircargoworld.com

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

DISPLAY ADVERTISING TRAFFIC COORDINATOR
Linda Noga
aircargoworldproduction@ubmaviation.com

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

WORLDWIDE SALES

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

Europe, United Kingdom, Middle East
David Collison
+44 192-381-7731
dci.collison@btinternet.com

Hong Kong, Malaysia, Singapore
Joseph Yap
+65-6-337-6996
Jospeh.imsa@pacific.net.sg

India
Faredoon Kuka
RMA Media
+91 22 6570 3081
kuka@rmamedia.com

Japan
Masami Shimazaki
wms-shimazaki@kve.biglobe.ne.jp
+81-42-372-2769

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

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

Australia, New Zealand
Fergus Maclagan
maclagan@bigpond.net.au
+61-2-9460-4560

Korea
Mr. Jung-Won Suh
+82-2785-8222
sinsegi@igroupnet.co.kr

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

UBM Aviation

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

For more information visit our website at www.aircargoworld.com

Air Cargo World

editorial

Growing a sustainable business

Simon Keeble
skeeble@aircargoworld.com

I'm grateful to Clements Beckman, former McKinsey consultant and now head of mail innovations at Deutsche Post DHL, for pointing out that Hans Carl von Carlowitz, a nobleman from Freiberg in Germany, is the first recorded champion of sustainability.

In his book *Sylvicultura Oeconomica*, published in 1713, von Carlowitz noted that timber for shipbuilding and pit props for the expansion of mining was consuming entire forests.

This unsustainable practice, he argued, should be replaced in a manner that struck a balance between deforestation and reforestation, so that the exploitation of timber would be "everlasting and continuous".

Beckman doesn't reveal whether von Carlowitz persuaded anyone to change their habits, but 300 years later the forest expert's observations seem to have struck a chord with the delivery giant.

Last year, the logistics industry contributed 10 percent or € 1 trillion ($1.4 trillion) to the European Union's GDP. In Germany, it employs 2.6 million people or seven percent of the workforce.

In 2009 the World Economic Forum calculated logistics is responsible for around 2.8 billion tonnes of greenhouse gas emissions a year — or 5.5 percent of the world's total.

In a 156-page study (see Europe news), Deutsche Post argues that such an emissions level is not sustainable, either in terms of the planet or profits, and expects the industry's future to reflect and include the following:

- Customers will place more importance on sustainability by creating demand for, and encouraging the production of, sustainable products and services.
- Investors will expect companies to adopt more sustainable business models by producing goods and services with fewer natural resources, or by demonstrating how they intend to manage the risk of future environmental and social regulations.
- Employees will be encouraged to transfer their sustainable behavior from the home to the workplace. And a company's sustainability performance will become even more important in recruiting and retaining employees.
- Political leaders will support stricter sustainability legislation to cover carbon accounting, use of biofuels and the restructuring of air traffic management.
- Industry alliances will be organized to set standards and promote subcontractor management, as companies become both customers of, and subcontractors to, each other.

As TIACA members gather in Amsterdam for the latest Air Cargo Forum this month, some industry executives still think making a profit by adopting "green" initiatives is optional.

However with the largest logistics company in the world echoing von Carlowitz and his quest for carbon-neutral renewable resources, such a view would appear to be unsustainable.

Air Cargo World

viewpoint

Open the nose, smell the opportunity

Airfreight is a crucial component of global commerce. While only one to two percent of world trade by weight, airfreight represents about 35-40 percent by value. But increasing global consumption, changing consumer habits and a better understanding about managing supply chains for enhanced profitability suggest that an opportunity to grow airfreight is knocking — and it's time to open the nose door.

Bill Flynn

Key global airfreight drivers are high-value, time-sensitive-to-market items; items with short shelf lives; products with significant security considerations; and products and supply chains with just-in-time or just the right amount of delivery requirements.

We believe that a closer examination of the opportunity costs associated with managing supply chain inventories has a beneficial impact on the bottom lines of manufacturers and retailers — and on the demand for airfreight.

Consumers no longer want to wait for "the next big thing". Three million iPads were sold during their first 80 days on the market compared with 350,000 DVDs that sold in the US in their debut year of 1997. Analysts predict that anywhere up to 45 million iPads will be sold in 2011. They will mostly be shipped by air. It's stunning to think about.

Consumers also don't want to look at "the same old thing". To drive consumer traffic in stores, forward-looking retailers are increasing the number of product inventory turns during the year — and are increasingly inclined to rely on time-definite airfreight delivery as they strategically manage their inventories for greater profit contribution.

By delving more deeply into the economics of supply chain inventory management — considering transportation lead times as well as transportation costs, and ordering just what they need closer to when they need it — retailers can better control the risks and costs associated with understocking or overstocking of products, the rate of price erosion, and the cost of capital in inventory.

As a leading provider of global airfreight assets and innovative, outsourced aircraft operating solutions, Atlas Air Worldwide Holdings and our customers are well placed to encourage and serve the expansion of international air trade. Our global scope and premium services create a compelling value proposition for freight forwarders, manufacturers and direct shippers to re-assess the management of their demand-driven supply chains.

IATA expects airfreight traffic to increase nearly 20 percent from 2009 to 2010 and forecasts that airlines will carry more than 44 million tonnes this year. Longer term, we see airfreight demand growing at 4.5 percent CAGR during the 2010-2019 period.

Recently, Atlas looked at where airfreight could unlock new value and focused on the apparel industry, which uses ocean freight as its main mode of transport. Only six percent of clothing moves by air, and it is driven by companies selling new collections with more frequent inventory turns to drive store traffic, or trying to minimize product obsolescence or to avoid selling at lower price points at outlet sources. Spain-based clothing company Zara, for example, says "every second counts" and delivers new styles to its stores twice a week in less than 48 hours.

Zara, The Limited, Nike — the opportunity list is a long one. If the retail industry would look at airfreight as a strategic component of its supply chain and transitioned only 5-10 percent of the volume that is currently shipped by sea, it could have a significant impact on airfreight demand — we estimate an additional 1.2 to 2.5 million tonnes annually. And this methodology is applicable to other business sectors including high tech, automotive and general manufacturing.

This is not about changing the fundamental balance between ocean freight and airfreight, which our research indicates is mode inelastic. But even with airfreight up to 15 to 20 times more expensive on a weight basis, there is a substantial opportunity for airfreight growth driven by the combination of increasing global consumption, changing consumer habits, and a better understanding about managing supply chains for enhanced profitability.

It's time for a new understanding of how airfreight supplies and consumers demand. ACW

Bill Flynn is president and CEO of Atlas Air Worldwide Holdings.

Japan boost as Lufthansa brings back full fleet

Lufthansa Cargo almost doubled its freighter capacity to Japan from November 1. Frankfurt is now connected daily with Tokyo via an MD-11 service, and Osaka is served five times a week.

"Japan has traditionally been a strategically important market for us, and we want to take advantage of the market opportunities that present themselves there. Our customers will benefit from more frequent connections and greater flexibility on this key route," said Andreas Otto, Lufthansa Cargo executive board member responsible for product and sales. The carrier is also responding to Japan Airlines' withdrawal of freighter capacity.

The resurgence of airfreight volumes between Japan and Europe reflect high levels of demand from the electronics and entertainment industries, automotive manufacturers, engineering companies and the optical and photographic sectors. Lufthansa said there had also been an increase in the volume of solar technology products and components transported by air.

Eastbound to Japan, the market is dominated by engineering products, medical technology, vehicles and vehicle parts, pharmaceuticals and textiles.

Lufthansa Cargo reported a significantly improved performance for the third quarter of 2010. The carrier transported about 1.3 million tonnes of freight, up 19.4 percent year-over-year, and the tonne-kilometer increase was 22.8 percent.

Set against a modest expansion of 5.9 percent in capacity, the cargo load factor improved by almost ten percentage points to 71.1 percent.

"Lufthansa Cargo has so far made optimal use of the upswing this year," said chairman and CEO Carsten Spohr. He added that from November, the carrier would have all 18 of its MD-11s back in service after reactivating the last of the freighters that were parked in the Californian desert during the financial crisis. ACW

While trucks represent 20 percent of the DP-DHL vehicle fleet, they account for 80 percent of the group's road emissions

Logistics at center of low-carbon economy

A new Deutsche Post DHL (DP-DHL) study on sustainability is designed to highlight the role logistics should play in establishing a global, low-carbon economy.

There are at least two reasons why the report should be taken seriously by both the supply and demand side. First, with 500,000-plus employees, DP-DHL is the largest logistics organization in the world, and second, carbon emissions will soon come with a specific price tag.

Commenting on the results, CEO Frank Appel acknowledged that his (man-made) industry is a significant source of carbon emissions at a time when climate change is the "most pressing challenge we face, and if we don't start tackling it now, the cost will keep mounting".

The 156-page report claims sustainable business practices are already driving a greener, profitable logistics industry as some companies find no contradiction between economic growth and environmental protection.

Appel suggested logistics will be less and less of a commodity in future as companies, governments and financial institutions collaborate to find the most efficient way of achieving sustainability.

"Furthermore, the regulatory environment will evolve. CO2 labeling will become standard, providing transparency to consumers. Once carbon emissions have a price tag, it will be particularly important for policymakers to ensure a level playing field," he added.

If politicians failed to act decisively Appel said he expected

the development of a "patchwork of diverging regulations [that] will only lead to carbon leakage" as companies avoided compliance by registering in countries with little or no regulatory framework and lax enforcement.

DP-DHL's new study is the result of input from MIT, the Potsdam Institute for Climate Impact Research, the University of Singapore, Technische Universität Berlin and 3,600 customers including Fujitsu, Henkel, HP, Unilever and Walmart. Some 63 percent of DP-DHL's business customers believe that logistics will become a strategic lever for CO2 abatement.

According to the research, 84 percent of consumers in China, India, Malaysia and Singapore will accept a higher price for green products compared to only 50 percent in Western industrialized nations.

The sense of urgency regarding climate change is also strongest in Asia, particularly in India and China, where 70 percent of consumers rate it as one of the world's most serious problems.

The acceptance of higher prices and climate change is reflected in DP-DHL's GoGreen CO2 neutral shipments, which have risen from 145 million to 704 million between 2008 and 2009 despite a recession during the period.

The report also concluded:

- Companies rated best in class for environmental, social and governance practices outperform low-sustainability companies by up to eight percent;
- In 2009, the logistics industry generated roughly 10 percent of Europe's GDP;
- 253 million tonnes of packaging is used annually in the consumer industry — half paper, half plastic. Paper production requires seven million trees;
- Up to 80 percent of warehouse energy consumption is due to lighting;
- Starting in January 2012, aviation will be the first transport-related industry to be included in the EU Emissions Trading System;
- Additionally, the European Union's "Single European Sky II" package is expected to deliver carbon emissions savings of up to 12 percent;
- Out of 1.62 billion tonnes of European truck emissions, 25 percent is caused by trucks running empty — often due to legal requirements;
- Aerodynamic drag is responsible for 40 percent of the fuel consumption of heavy-duty trucks at motorway speeds;
- 38 percent of risk managers consider the availability and price of fuel and power as one of the top future risks for companies. ACW

ACS re-introduces managed fleet

Air Charter Service has brought back an aircraft of its own, a European-registered AN-26, after being forced by the recession to withdraw its managed fleet in 2008.

The aircraft is based at Birmingham International Airport in central England, from where it 0can be dispatched within two hours of confirmation. The rear-loading aircraft can take most pallet sizes and has a payload is more than five tonnes.

ACS said the aircraft has already hit its first-month target in one week, on ad-hoc charter business for several customers.

The company managed an AN-124 in Africa in the 1990s, and at one stage had a fleet of up to seven aircraft including AN-26s, AN-12s and AN-74s, IL 76 and a B707. These were based first in Ostend Airport, Belgium, then later in East Midlands Airport.

A reluctant decision was taken to suspend operations during the downturn until the market for just-in-time

production-related cargo, especially from the automotive sector, picked up again.

ACS group commercial director Justin Bowman said he was delighted with the initial response to the managed AN-124. "It's been a fantastic start. Earlier this year, we saw a significant increase in demand from our customers in regards to the capacity and fast reaction times, and reasonable costs required by industries, such as automotive, which often couldn't be met by the existing aircraft available on the market."

Following increased demand in the charter market in Germany, ACS has appointed the experienced Alex Hertle, who started with the company in 2006, to head up an expanded Frankfurt office.

ACS has moved back into a managed fleet operation with an AN-26

Managing director Tony Bauckham said: "We have a significant presence here and a large German client base already. We feel that now is the right time to expand our business reach in the country, and we plan to invest in personnel and infrastructure in the coming months." ACW

In the news...

Davies Turner was one of only two UK freight forwarders to appear in the latest Sunday Times HSBC Top Track 250 list, an annual league table of Britain's biggest mid-market independent companies. In its first ever appearance on the list, the company ranked 237th. The newspaper commended companies for their ambition, ingenuity, adaptability and sheer strength in tough trading conditions. Together, the 250 companies on the list generate turnover of £65 billion ($102 billion), equivalent to about 5 percent of UK GDP, and employ more than half a million people... UK-based all-cargo carrier **MK Airlines** is to be liquidated after a failed attempt at a second company voluntary arrangement (CVA). Liquidators were appointed in October after one of the airline's creditors successfully petitioned the UK High Court to set aside a CVA agreed in June. MK, which launched in 1990, completed an earlier CVA in February after entering administration in June 2008. The airline, which had eight B747 aircraft and three B727s, made its 360 employees redundant before entering liquidation... Ocean World Lines (OWL), a non-vessel owning common carrier and subsidiary of logistics group Pacer International, has opened an airfreight division to provide a single point of contact for air, ocean and overland freight solutions... **Iberia** has launched a service to Argentina's second city of Cordoba, the first European airline to do so. It offers three flights a week from Madrid using an A340-600... **Germany's Free Democratic Party** has denied a press report saying it would block a planned air traffic tax on passengers unless the measure also included a cargo tax. Lawmakers had been quoted as saying that exempting cargo traffic would violate European Union law. A notional payment of EUR1.23 per tonne has been proposed. The German parliament will vote on the passenger tax later this year...

MK Airlines liquidated after a creditor petitioned

Egyptair has appointed **Globe Air Cargo** as its GSA in France on a two-year contract. The carrier operates daily A330 and A320 aircraft from Paris to Cairo and Luxor... An increased number of passenger and cargo flights between **Taiwan** and the **UK** will be allowed from March 2011 under a new air services agreement. Taiwanese carriers will be able to operate 14 flights from Taipei to London, up from 10, and Manchester will pen up as a new UK destination, with seven round-trip passenger flights per week. The number of cargo flights between Taiwan and London will remain at three per week, with cargo flights between Taiwan and Manchester increasing from three to 10... **Munich Airport** handled just under 200,000 tonnes of flown airfreight in the first nine months of the year, a new record and 29 percent higher than in the same period in 2009... **Frankfurt Airport** reported a 15.4 percent year-on-year increase in September to 186,111 tonnes – a new record for the month. In the first three quarters of 2010, Frankfurt saw a 27 percent increase to 1.6 million tonnes... **AirBridgeCargo Airlines** is extending its all-cargo flights from China with a twice-weekly B747-400 service from Zhengzhou to Frankfurt via Moscow. Its aim is to increase to four frequencies a week by the end of the year. Zhengzhou is in Henan province, the most populous province in China, which is attracting investment from major export-oriented manufacturers. ACW

THE AIRLINE THAT FLIES ABOVE THE ORDINARY

At Maximus when we fly, we fly above the ordinary. Whether it´s heavy lift or humanitarian; equestrian transportation or rapid response, as the specialist in ACMI and charter, we deliver the most comprehensive air cargo solutions. Which is perhaps not surprising with a name like Maximus. To find out more about flying above the ordinary, visit **www.maximus.aero**

Maximus Air Cargo
PO Box 35367
Abu Dhabi, UAE

T +971 2 447 4900
F +971 2 447 4901
commercial@maximus.aero

maximus
AIR CARGO

Erbil is open for business

Erbil, in the northern Kurdish region of Iraq, is set to stage a major airport and logistics event next April in a marker of the changing political climate in the country.

The Iraq Airport Expansion, Cargo Logistics Conference and Exhibition takes place on April 6-7. It aims to give companies in the aviation, airports, cargo and logistics sectors a better understanding the needs of the Iraq aviation industry as it continues its revitalization and rehabilitation.

More than $150bn worth of airport and related infrastructure projects are under study in Iraq. Erbil is said to offer a safe and secure, pro-business environment for foreign investments. The city will take the opportunity to showcase its $550 million international airport, including a new terminal and the fourth longest runway in the world.

Spokesman Raj Menon said the event would bring together government departments, airport contractors, equipment suppliers, airlines, cargo firms and logistics service providers who he hoped would develop partnerships and competitive business solutions.

• RUS Aviation has signed a four-year cooperation agreement with the Iraq government to bring Iraqi Airways' cargo operations up to international standard through the modernization of facilities, IT upgrades and management support. The agreement also includes sourcing and provision of capacity, and training of flight crew and ground personnel.

Coyne Airways has been appointed as the exclusive sales agent in the UK and Ireland for RUS Aviation, giving freight forwarders direct access to an extensive route network into Iraq. Coyne launched an Iraq service in 2004 and has worked with RUS as its preferred airline partner since August 2009.

RUS flies A300 and IL-76 freighters from Dubai and Sharjah twice weekly to Baghdad, Erbil, Sulaimaniyah and Balad, with Iraq's other major airports available on request. ACW

Emirates' massive orders of A380s and other aircraft have led to unease among competitors in Canada and Europe

Emirates on the attack over Canada air rights

Dubai Airports CEO Paul Griffiths has robustly defended Dubai's aviation policy following continuing allegations by Air Canada of government subsidies and preferential treatment of Emirates Airline.

"The only thing Dubai is guilty of is providing an environment that actually supports aviation. The UAE's open skies policy, and the attractiveness of Dubai as a business and leisure destination, is why we have 130 airlines operating into one of the fastest growing airports in the world," Griffiths said.

He was responding to escalating tension between Canada and the UAE over traffic rights. What began as a commercial dispute acquired a military dimension when Dubai said it would evict Canadian forces by November 2 from Camp Mirage, a forward base for air services to Afghanistan for the last nine years.

Canadian officials said tonnes of military gear would have to be flown to Kandahar by air, probably using commercial uplift if military flights were banned. An alternative may be for Canada to use alternative Middle East airports used by allied forces.

For the past two years, the UAE has been pressing its case for four additional slots per week each in Canada for its two major carriers, Emirates and Etihad. Emirates is currently restricted to three flights a week between Dubai and Toronto, but would like to serve the city daily and eventually double-daily, as well

as adding services to Calgary and Vancouver. Etihad is also limited to three weekly services.

According to market research commissioned by Emirates, increased services would create more than 2,800 jobs and earn Canada $480 million a year in economic benefits without jeopardizing Air Canada's international traffic. This has been greeted with derision by Air Canada, whose CEO, Calin Rovinescu, has complained repeatedly that there is limited demand on the proposed routes to western Canada and that Emirates is seeking to dump capacity.

Rovinescu has made wider criticisms of Emirates and Etihad, suggesting the government-owned airlines' rapid growth is a result of unfair subsidies and a determination by the UAE to squeeze out competition. Air France and Lufthansa have made similar comments in recent weeks.

Middle East carriers are expanding at an eye-watering rate. Emirates has announced plans to buy 120 A380s in addition to 90 existing A380 orders, and further B777s are in the pipeline. Abu Dhabi-based Etihad also has massive numbers of widebodies on order from Airbus and Boeing.

Air Canada is backed by its national government, which believes the UAE stands to benefit unilaterally from a liberalized air agreement between the two countries, but provincial governments in British Columbia, Alberta and Ontario support Emirates' campaign for greater access.

Griffiths: drawing a distinction between ownership and subsidy

Defending Dubai's position, Griffiths repeated many of the comments he made in an outspoken presentation to the UK Aviation Club in London in June. "With a GDP of $82 billion, an estimated 25 percent of which comes directly from aviation-related activity, the development of the aviation sector in Dubai has been treated as a strategic imperative. Rather than smirking at sensationalist fiction, governments and the industry would be better advised to observe and to learn from Dubai," he said.

Griffiths said Dubai International's ambitious 20-year growth plan highlighted the contrast between "the single-minded approach we take in the Middle East" and "the fractured silos of the aviation sector in most parts of the world".

Dubai International's continuing development and the opening of Dubai World Central, just 35 kilometers away, were "what happens when you join together all the elements to form a modern, efficient aviation enterprise where all the moving parts are working in harmony," Griffiths said.

"The Government's recognition of the considerable economic and social benefits generated by aviation and its inclusion in the strategic plan for Dubai is in sharp contrast to the approach seen elsewhere.

"Some countries continue to espouse an outdated bilateral system that restricts market access, prevents much-needed consolidation and ultimately supports growing industry debt and a future of diminishing returns. This is nursing the dinosaur," Griffiths said.

"It's the alignment of national ambition, coupled with liberal government policies and a lack of intervention in the commercial operations of the companies in the sector, that has created the environment for tremendous growth.

"Yes, many components of the aviation supply chain are government owned — but let's draw a clear distinction between ownership and subsidy. The former, certainly, the latter, most certainly not," Griffiths affirmed.

"As a result of this policy, Emirates, Dubai Airports and all the other associated businesses can be run

efficiently and profitably. And these profits can then be directly reinvested into the infrastructure growth necessary to generate still more profits."

Referring to a number of debt writeoffs and injections of capital received in past years by European carriers such as Olympic, Alitalia, Air France, Lufthansa and British Airways, Griffiths said: "Any cry of 'foul' at the Dubai model seems rather harsh, especially as it produces such spectacular results that are then reinvested within the sector.

"The only thing Dubai is guilty of is providing an environment that actually supports aviation."

"It seems to be somebody else's fault that the airline industry has lost $50 billion since 2001. But if the industry looked outside for examples of best practice it would become immediately apparent that much of this issue stems from serious shortcomings in the structure of the industry — regulation, outdated bilateral agreements, costly labor agreements and poor supply chain integration." ACW

FedEx goes next-day across the UAE

FedEx Express has announced the launch of a next-business-day domestic express service in the UAE to complement its existing international express services.

Hamdi Osman, senior vice president, FedEx Express Middle East, Indian Subcontinent and Africa, said: "With one of the highest GDP rates in the Gulf Cooperation Council countries, the UAE continues to develop rapidly, both on a regional and international scale.

"FedEx is committed to providing customers in the region with faster connectivity and unparalleled access to both domestic and global markets during this exciting period of growth in the region."

Customers can now send time-critical shipments to any address in the UAE, backed by online tracking and tracing and a money-back guarantee. Additional features include:

- FedEx Standard Overnight: a time-definite, Customs-cleared, door-to-door service for all domestic shipments of up to 68kg per package;
- FedEx 1Day Freight: a time-definite, Customs cleared (where required) delivery service for heavyweight shipments between 68kg and 1,000kg per piece.

The new domestic service for the UAE follows similar full domestic service launches in India, China, Mexico and the UK, together with the launch of a domestic express service in Switzerland. ACW

In the news....

The **Dubai Logistics Corridor,** formally inaugurated in October, links Dubai World Central (DWC), site of the new Al Maktoum International Airport, with Jebel Ali, the world's sixth largest container port, and Jebel Ali Free Zone, now host to more than 6,500 companies. By bringing together for the first time in the Middle East all of the components needed to create a true multimodal logistics platform, the corridor would facilitate increased and more efficient trade flows in the UAE, said Sheikh Ahmed bin Saeed Al Maktoum, president of Dubai Civil Aviation Authority... **RAK Airways**, based in Ras Al Khaimah, UAE, has relaunched scheduled services with four flights per week to Jeddah, Saudi Arabia, and to Calicut, India. Chairman Sheikh Omar Bin Saqr Al Qassimi said the rebirth of the airline would play a pivotal role in the promotion of the emirate as a destination in its own right... **Royal Jordanian Airlines** and **Malaysia Airlines** have signed a code-share agreement covering flights from Amman to Kuala Lumpur, which resumed in June after a seven-year break in services between the two countries. RJ operates three flights a week between the capitals using its new A330s... **Momentum Logistics**, the Sharjah-based third-party logistics provider and subsidiary of international port management company Gulftainer, has opened an office in Erbil, the hub of northern Iraq's oil industry. Erbil is Momentum's fourth office to open this year, following Abu Dhabi, Dubai and Zakho, also in northern Iraq... **Move One Logistics**, **UPS**'s service contractor in Iraq, has opened a UPS Express Center in Erbil... **Saudi Arabia's General Authority of Civil Aviation** has announced plans to build two new airports in Jazan and Taif, as part of plans to spend up to $20 billion on developing and upgrading airports by 2020... Bahrain-based **Gulf Air** has launched services to Aden, the commercial capital of Yemen. Deputy CEO Maher Al Musallam said: "Aden is well positioned to grow as a hub of manufacturing, real estate/land development, transhipment and tourism." The carrier has also added Colombo, Basra and Isfahan, while another new destination, Addis Ababa, joins the network on December 6... **DHL** joint venture **Danzas AEI Emirates** is now operating cargo charter flights from Al Maktoum International Airport. The company has committed to three plots of land at DWC, reserving 155,000 sq meters with a 75,000 sq meter option for a new logistics centre, plus another 45,000 sq metres for airfreight operations... **British Airways** is now operating B777-300ERs between London Heathrow and Dubai, the first Middle Eastern destination to welcome the fuel-efficient aircraft... **Boeing** is set to open a fully-fledged facility in Doha following the significant increase in the number of its aircraft used by **Qatar Airways**. The carrier has 60 B787s and 32 B777s on order as well as 80 A350s and 24 A320s. QR has added a third daily flight to Bangkok and will introduce scheduled services to its fourth destination in Germany from March. Stuttgart will be served three times a week, while frequency on the Doha-Munich route will increase from daily to 11 flights a week using A330s. ACW

Turkish adds A330 freighter to Hong Kong

Turkish Cargo, part of Turkish Airlines, began twice-weekly A330 freighter flights between Hong Kong and Istanbul on October 15.

The additional capacity will strengthen the organization's long-haul freighter service to the China market while meeting growing demands for transit between Asia and Europe.

Huseyin Ceyhan, director of Turkish Airlines in Hong Kong noted: "Hong Kong, being the second-largest cargo hub in the world, is a very important market for us. The expansion of Turkish Cargo will further enhance our local presence and our penetration into the Asia-Pacific market."

From Istanbul, the airline said it can reach destinations in nearly 50 countries within 2-3 hours including Tbilisi, Damascus and Maastricht.

"Despite the recent global economic downturn, we continue to observe steady demand from Hong Kong, which posted an 8.3 percent growth in local exports over the first two quarters of this year," said Abdullah Soner Akkurt, senior vice president of Turkish Cargo. "Thus, expansion into greater China is a strategic move for us," he added.

The airline subsidiary reported a 60 percent increase in revenue and a 42 percent growth in tonnage during the first eight months of 2010. In addition to the new freighters, Turkish Cargo said it is expanding cargo terminals and improving infrastructure to support further cargo growth.

Turkish Airlines has also taken delivery of the first of four B777-300ER aircraft purchased new from Boeing. The other three will be delivered by the end of the year as part of the company's planned expansion of its Asia network. ACW

Abdullah Soner Akkurt, senior vice president of Turkish Cargo (left) and Huseyin Ceyhan, director of Turkish Airlines Hong Kong

China has been the main focus of ANA's freighter expansion

ANA moves to fill JAL Cargo capacity void

Predictably, All Nippon Airways has stepped up its freighter flights in the Asia-Pacific region. In October it added two weekly B767F flights on the route to Shanghai, bringing the frequency to six per week.

The same month saw a boost in frequency on the Taipei sector, which was to be doubled from previously three to six weekly rotations.

China has been the main focus of ANA's freighter expansion. The carrier added a fourth southbound Hong Kong flight and established a direct all-cargo link between Tokyo and Dalian. In addition, ANA management has signaled plans to open direct services from Tokyo and Osaka to Dalian, Tianjin and Qingdao.

Two existing China routes (from Tokyo Haneda to Beijing and Shanghai Hongqiao) gained in cargo lift as the 767-300 aircraft deployed there were replaced with B77-200 equipment.

Next year, ANA is looking to boost its bellyhold capacity elsewhere in Asia as it lays on new passenger flights. Daily service from Tokyo Narita to Manila with B767-300ER aircraft is scheduled to kick off next March, following the resumption of

767 flights to Jakarta in January after a three-year hiatus.

ANA's aggressive expansion was only to be expected as rival JAL got ready to wind down its freighter operations by the end of October.

That decision had been made back in the spring, with further cuts looming in the restructuring plan due this past summer. JAL management had to postpone its release by about one month, but by the end of August it was finally ready to submit the plan to the Japanese authorities.

Besides the disposal of two-fifths of the fleet and the elimination of four aircraft types (including the entire B747 fleet), a reduction of the workforce by one-third and the sale of several subsidiaries and business interests, JAL will be faced with the suspension of one in eight international routes and about a quarter of its domestic routes.

While the magnitude of JAL's debt was the main driver behind these far-reaching cuts, the impetus was also fueled by management's intention to return to profitability in the current financial year, which runs to March 31, 2011.

The company is shedding its hotel business, has agreed to sell its JAL Logistics subsidiary to Hamakyo Rex, a Japanese logistics company that grew from its launch four decades ago with one truck and three staff into a firm with annual revenues of 78 billion yen ($947.5 million), and is walking away from ground handling activities in Osaka and Nagoya.

In Nagoya, JAL is bowing out of cargo as well as passenger handling, whereas it retains its cargo handling at Osaka's Kansai airport, a step that bodes well for the retention of cargo handling at Tokyo's Narita and Haneda airports.

"While we will be ending the freighter operations, we will still have a need for cargo handling because we intend to focus that business using the belly service," commented Shinya Nagayasu, cargo planning manager for the Americas.

JAL's route cuts affect 10 international sectors, the only one across the Pacific being the Tokyo-New York-Sao Paulo route, which was pulled at the end of September. The retirement of JAL's entire B747-400 fleet has little impact on the Americas. After the demise of the Sao Paulo route, Vancouver is the only point in the Americas that JAL is still serving with 747 aircraft, having switched to B777s earlier on all other North American routes.

The slimmer JAL Cargo organization is aiming its diminished capacity at market segments that generate higher yields. This was signaled in the summer with the introduction of two more refined offerings that can be tailored to individual clients' requirements, J-Solutions Pharma and J-Solutions Art.

Previously JAL had moved pharmaceutical traffic under its J-Cool service, which had been introduced in 2001. On the basis of discussions with pharma shippers, JAL developed a new offering that features dedicated standard operating procedures for each business vertical as well as extended service options and gives customers full visibility airport-to-airport. The service covers the cool chain from acceptance of the cargo at JAL's facility to delivery at destination.

To support its new product, JAL is working on an expansion of its active temperature control equipment. In addition to the larger C-Safe and Envirotainer units, it is preparing for the introduction of smaller containers with new cooling technology called "ice battery" that gives greater accuracy than dry ice. This allows temperatures settings between -20 and +8 degrees Celsius.

The push for more premium traffic should also benefit from the opening of Haneda airport to international flights. Not only does this mean shorter transit times to/from downtown Tokyo, it also opens up possibilities for perishables headed for other destinations in Japan.

Historically, perishables landing at Narita had to enter plant quarantine at the airport. Routing them over Haneda will enable customers to defer quarantine to the final destination airport, where some perishables importers have their own facilities, Nagayasu said. ACW

Pakistan food aid continues to fly

The Asia Development Bank and World Bank said the Pakistan floods have caused an estimated $9.7 billion in damage — almost double the amount caused by an earthquake that hit the country in 2005.

Two million houses have been damaged or destroyed and six million acres of farmland devastated. The United Nations said its $2 billion emergency appeal is only 33 percent funded.

By October, UN agencies and their humanitarian logistics partners had delivered almost 170,000 tonnes of food to 21 million people affected by the floods. One of the latest was 110 tonnes of Plumpy'Doz, a peanut and vegetable fat infant food supplement that can feed 330,000 children for a week.

In October, TNT donated the cost of a 747-400 freighter flight to Karachi on behalf of the World Food Programme

Produced in France and trucked to TNT's hub in Liege, Belgium the food was flown to Karachi on World Food Day for distribution throughout Pakistan.

According to the UN, an estimated eight million flood-affected people had food aid in October and five million people received medicine. In addition, over 260,000 tents and 413,000 tarpaulins were distributed, enough to shelter 467,000 households — but only 25 percent of those in need.

Meanwhile, the UN World Food Programme has launched an interactive web-based tool called "global mapping of emergency stockpiles" that displays information on emergency relief warehouses managed by international humanitarian organizations.

The aim of the tool is to help affected countries and aid agencies identify and send emergency relief items in response to crises. Information: *www.humanitarianinfo.org/stockmap*. ACW

In the news....

Hong Kong Airlines has ordered 10 A330-200 with delivery beginning in 2012. The carrier also has converted an existing order for 15 A330s to A350 XWB aircraft for delivery in 2018. The airline will use the planes to develop routes linking cities in North America and Europe to Hong Kong… Taiwan-based **China Airlines** has pleaded guilty in a cargo-rate fixing conspiracy and is expected to pay a $40 million fine and assist the US Department of Justice's (DOJ) ongoing investigation. The DOJ found the airline illegally fixed air cargo rates to and from the US between Jan. 2001 and February 2006… **China Cargo Airlines** has began services between Bangkok, Shanghai Pudong and Singapore Changi. The Shanghai-based airline — a joint venture between China Eastern Airlines and China Ocean Shipping — will operate 12 weekly flights with B777-200F and MD-11F aircraft and will help increase the number of all-cargo flights between Singapore and China to approximately 90 per week according to the airport authority… For the first eight months of 2010, Singapore's Changi cargo traffic rose 15 percent compared to the same period in 2009 with some 1.19 million tonnes handled. In the same period, cargo traffic between Singapore and China grew 25 percent… **BDP Project Logistics**, a subsidiary of privately-held BDP International, has won ISO Certifications 9001:2008 (Quality); 18001:2007 (Occupational Health and Safety); and 14001: 2004 (Environmental Management Systems). Aaron Chen, regional director of BDP Project Logistics Asia Pacific said: "The ISO certifications are particularly important as the company works on some of the largest and most challenging logistics jobs anywhere in the world"…. Following the delivery of **AeroLogic's** seventh B777 freighter, **DHL Express** has launched a new service from Hong Kong to Leipzig. The company has also added Bangkok to its Leipzig-Singapore-New Delhi and begun a new service from Brussels to Bahrain… The **Singapore Institute of Materials Management** (SIMM) and the **Transported Asset Protection Association** (TAPA) have launched training courses on how to implement, comply and audit the TAPA security standards. The first course is the Certificate of Competency on TAPA FSR Management. Other courses including the Truck Security Requirements and the TAPA Air Cargo Security Standards will be added. ACW

Aerologic now has seven B777 freighters

China hub will be 'game changer' for St Louis

City officials in St Louis have taken the first steps to restructure the area's Foreign Trade Zone, a move that is meant to boost the region's air cargo industry and help create a Midwest-China hub at the Lambert-St Louis International Airport. The trade zone would enhance business opportunities with all nations, but officials are specifically targeting China.

St Louis County Executive Charlie Dooley and Mayor Francis Slay singed a letter addressed to the US Department of Commerce that asks to expand the city's trade zone under the Alternative Site Framework option, which streamlines the process. The trade zone currently encompasses the airport and a few industrial parks.

"It could be a game-changer for us, quite frankly," Dooley said during a press conference. "What the railroads did for Chicago, the Midwest-China hub can do the same for the St Louis metropolitan area and the Midwest as a whole."

This is the latest step in creating a multi-state commercial outpost for China, a task that has been the work of an organization composed of Missouri and St Louis government officials, the Midwest-China Hub Commission. Formed in January 2009, the commission was tasked with, among other things, increasing the volume of air cargo flown between the United States and China, and promoting Midwest-based businesses in Asia. The goal is to convince China to make St Louis the country's entrance into the Midwestern US. The group most recently took a trip to China this fall.

"We're looking for opportunities to sell United States goods abroad, and we're looking at ways to create jobs and investment," Slay said at the press conference. "If we engage in international trade and start doing more things with China, that helps us in terms of our international image, and I hope someday that will translate into some passenger flights to and from China and other places in the world." ACW

United customers will have more cargo products to choose from, while users of Continental services will benefit from greater geographic reach

United across continents — the real work begins

The merger between United and Continental will no doubt create a carrier capable of capturing a large portion of the market. But for the foreseeable future, Robbie Anderson, the new president of United Cargo, has the complicated job of blending two separate entities into a new and improved cargo division.

Anderson spent the past five and a half years working as the staff vice president at Continental's Cleveland hub, and he worked for a total of 21 years with the carrier. At Continental, cargo meant a focus on niche product offerings and careful attention to branding. There are a few redundancies among the airlines, though; for instance, Continental's Quickpak domestic program is similar to United's SPD service. The carrier also offered unique products, like an international Quickpak program and PetSafe, a carefully developed live-animal offering, that will likely be carried under the United banner.

"Although we don't have the amount of lift [as United], we take full advantage of what we have. I think our customers appreciate that we're able to get pretty creative because we were a lot smaller operator on the cargo side, so we had to get creative in how we met their needs," Anderson said.

United customers will experience these new programs, and Continental users will benefit from a much larger reach in the industry. United is known for its presence in the Asia-Pacific region, but it also has a large hold on Europe. Combined with Continental's European connections out of its Newark hub, the new airline is prepared to expand its capabilities in the international shipping market. This expansion won't include new products. Be-

yond the services Continental already offered, there are no current plans to pursue new projects, Anderson said. He's confident United Cargo is in sync with customer demand, but pledges to evolve the company if customers shift their expectations.

The new organization will include more than 150 widebody planes operating from more than 10 hubs. In addition to their current holdings, Anderson said both companies have the top airline-on-order portfolio in the industry. Continental has 25 firm orders for 787s, and United has a comparable amount, he said. This fleet will help United Cargo reach more than 370 worldwide destinations. "We will be not a major player in terms of total cargo," he said of the European region, "but will be able to have some significant lift in very strategic markets."

Fully merging two different systems will take time, and Anderson has sketched a rough game plan for the next 18 months. His work starts with product harmonization, which is expected to be complete by the end of the year, when he will concentrate on integrating the companies' differing technologies. He hopes to have a full overhaul of the technology platform by June 2012. On a more short-term scale, organizational structure will be sorted out in the coming months. Anderson plans to announce key leadership in November; the remaining personnel announcements will follow by the end of January.

The merged carriers will aim to build on United's best-in-class record for flying on time

In the near term, Anderson has a lot of transition work to do. Even with his deep-seated history with Continental, he's looking forward to building a bigger and better cargo division under the United name.

"I see the merger as a tremendous amount of opportunity for us given our newly combined global network," Anderson said. "[United is] the number one North American carrier in on-time performance, and it pains me to say that coming from Continental, but now that I am United, I can be proud of that track record." ACW

Airport real estate ready for rebound

A report by facilities management company Jones Lang LaSalle (JLL) said US airport real estate is "still poised for take off" in 2011.

The report noted that some airport markets such as JFK in New York and the Newark, New Jersey, region have remained buoyant due to their proximity to dense populations. These airports have been insulated from the drop in consumer demand, and industrial real estate in the area has maintained a high occupancy rate despite the recession. As in all varieties of commercial real estate — be it apartment complexes, retail buildings or office towers — vacancy has been the industry buzzword for the past two years.

"It's no secret that the decrease in global cargo volumes has negatively affected the demand for logistics and warehouse space around airports," said John Carver, head of the JLL port, airport and global infrastructure group. Carver added that recent IATA cargo statistics that illustrate a fall in cargo volumes since August 2009 make it unlikely that growth will "bring the market back to life this year".

JFK has the lowest vacancy rates at 3.3 percent despite the highest asking rent of $13.30 per square foot (psf). Other dominant markets include Anchorage with a 4.5 percent vacancy rate ($11.28 psf) and LAX at 5.5 percent vacancy ($10.59 psf).

Despite Memphis remaining the world's leading airport in terms of tonnes handled, real estate remains unchanged; the airport is being dragged down by a 15 percent vacancy level, and rental rates have plummeted to a meager $2.18 psf. Dallas/Fort Worth, which is the largest hub for American Airlines, has experienced the highest vacancy rate at 19.4 percent.

The JLL study noted that with a recent surge in cargo volumes coupled with heavy investment in intermodal facilities and strong leasing activity, the real estate market surrounding Memphis airport is expected to rebound in the next three to six months.

Las Vegas-based real estate developer Marnell Properties is meanwhile moving forward with the McCarran International Airport master plan despite the sluggish economic picture. The developer recently opened the 200,928-square-foot Marnell Air Cargo Center, a two-building property located on 19 acres next to the airport's 14-gate Terminal 3 project.

Major tenants have already signed up at McCarran International's new cargo center

Marnell started construction on the center last November. FedEx, UPS and Southwest Airlines have already signed up as tenants in the development. Airport officials hope to process 100,000 tonnes of cargo annually once the center is running at full capacity. Marnell has also built an office complex at the airport and has nearly finished a 75-acre retail project, McCarran Marketplace.

Large projects like the one in Las Vegas will be part of the airport real estate market moving forward, the study finds. This trend echoes the pre-recession rush for large mixed-use spaces in US cities — developments that incorporate residential, office, retail and hotel components in one shiny package. These live-work-play environments — dubbed "air cities" by JLL — are finding their way to airports all over the world.

"Air cities are economic engines predicated on both a diverse layering of trade and commerce requirements as well as a vital connectivity network to and from an airport," JLL writes in the report. "These factors are so influential that a 'city' emerges to serve both cargo and passengers passing through, in addition to stimulating the metro areas in proximity to the airport."

Air cities are more than just a few buildings. To successfully link many different components into a cohesive community and its nearest urban center, developers also need to think about transportation infrastructure. Transit systems like high-speed rail go hand-in-hand with these airport centers. The report points to Amsterdam's Schiphol, London's Heathrow and airports in Dubai and Singapore as shining examples of the new face of aviation real estate. JLL finds that Atlanta, Dallas/Fort Worth and Memphis are currently looking into this new way of developing their airports.

"The most successful airports in the future will likely expand their focus to include more multimodal capabilities and partner to create new development that spotlights integrated logistics or distribution functionality," commented Aaron Ahlburn, head of industrial research at JLL. Once an airport is truly successful at achieving this wide focus, it can influence economic stability in the adjacent areas.

Ahlburn noted that vacancy levels are cresting in major US airport industrial markets, but said true growth may not be realized until late 2011 if consumer demand falters and air cargo numbers continue to fall. "Regardless, 2010 is proving to be much better than 2009, with more indicators pointing toward long-term optimism even if the short run outlook is somewhat unstable." ACW

In the news...

Trapped Chilean miners, the beneficiaries of **UPS**-transported drill bits, emerged from the earth last month after 66 days underground. Thirty-three miners had been trapped half a mile underground after a portion of the San Jose Mine near Copiapo, Chile, collapsed. UPS's Humanitarian Supply Chain devised logistics strategy for transporting drills totaling 26,500 pounds from their manufacturer in Bethlehem, Penn., to Chile. UPS trucked the cargo from Pennsylvania to Miami, where it was shipped to Santiago, Chile, on **LAN Chile Cargo**, a UPS contractor. UPS then transported the drills via truck to Copiapo. The entire journey took three days... Once representatives from the United States and Japan sign an open-skies aviation agreement, the US Department of Transportation will allow **American Airlines**, **Japan Airlines**, **United Airlines**, **Continental Airlines** and **All Nippon Airways** greater flexibility when operating in transpacific markets. The agreement, which was first introduced in December, would grant anti-trust immunity to the carriers. If the decision goes through, cargo users would benefit from more routes, increased services and reduced connection times... **Southwest Airlines** can expect a boost to its cargo business after buying out **AirTran Airways**. Announcing the AirTran acquisition, Gary Kelly, chairman, president and CEO of Southwest Airlines, said it represented "a unique opportunity to grow Southwest Airlines' presence in key markets we don't yet serve and takes a significant step toward positioning us for future growth." The deal extends Southwest's extend its network into Atlanta, the largest domestic market it does not serve, as well as Washington DC via Ronald Reagan National Airport. "The acquisition also allows us to expand our presence in key markets, like New York LaGuardia, Boston Logan, and Baltimore/Washington," Kelly added. Southwest's freight revenue was $33 million in the second quarter, up from $29 million in Q1 2009. AirTran was not latterly active in cargo... Effective Jan. 3, 2011, **FedEx Express** rates for US domestic and international shipments will be increased by an average of 3.9 percent. The company actually raised rates by 5.9 percent, on average, but will offset this increase by adjusting the threshold at which the fuel surcharge takes effect, thus reducing the surcharge by two percentage points... **Boeing** has shifted the first delivery of its 747-8 freighter, which was to be shipped later this year, to the middle of 2011. The schedule change is due to the discovery of a low-frequency vibration during flight and an under-performing aileron actuator, which will further delay certification...Transportation and logistics group **Greenbriar Equity** will acquire **Dynamex** for approximately $210 million. The sale, which is subject to shareholder approval, is expected to close during the fourth quarter or the first quarter of next year. Dynamex's presence as a same-day air and ground carrier in the US and Canada was attractive to Greenbriar. Dynamex has until the end of November to pursue other suitors. If it accepts a higher acquisition offer from another company, Dynamex would have to pay a termination fee of as high as $6.3 million to get out of the current deal. ACW

Boeing bullish over airfreight prospects

In its latest cargo forecast, Boeing says the number of airplanes in the world's freighter inventory will grow by more than 66 percent in the next 20 years as demand for air cargo services more than triples compared to the depressed level of 2009.

Over the next 10 pages, Boeing analysts outline how the percentage of large freighters will climb from 27 percent in 2010 to 33 percent by 2029, helping carriers meet the projected tripling of demand without adding a proportionate number of airplanes.

The 747-400 still accounts for more than half the world's total freighter capacity

Air cargo traffic declined precipitously during the worldwide economic crisis of 2008 and 2009. Freighter utilization was drastically reduced — even many of the newer airplanes in the fleet were temporarily grounded, and older freighters were retired early.

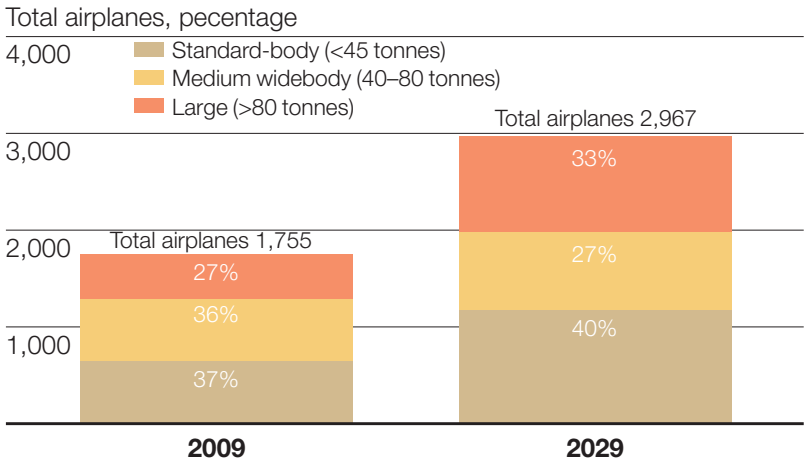
Roughly 30 percent of the "Classic" 747 freighters in the fleet were removed from service, with few expected to return. In the long run, however, the fleet will benefit from the removal of surplus capacity and the replacement of older freighters with more efficient airplanes.

By the end of 2009, the number of freighters in the world fleet had declined 10 percent to roughly equal the number of airplanes in the fleet at the end of 2001 — a year also beset by a record drop in traffic.

The declining numbers masked a significant industry-wide shift toward larger freighters. The retirement rate for older freighters picked up markedly in 2009, while the delivery rate for widebody freighters remained fairly constant.

Although detailed comparison of the 2001 and 2009 fleets is complicated by our incorporation in 2007 of data on CIS-built freighters, the widebody share of the fleet grew from 39 to 63 percent during the eight-year period.

Freighter fleet increase reflects traffic growth



Freighter fleet increase reflects traffic growth

The industry's oft-demonstrated resilience is projected to prevail over recent adverse pressures, with demand for air cargo services tripling by 2029 compared to the record low levels of 2009.

This demand growth will spur the world freighter fleet to expand by more than two-thirds, from the current 1,755 airplanes to nearly 3,000 airplanes by the end of the forecast period. Considering that the number of grounded freighters rose from 15 percent of the fleet to a high of more than 20 percent in the two years between 2007 and 2009, the 20-year growth projection is particularly impressive.

Nearly 2,500 freighters will join the fleet by 2029. About 1,300 of these will replace retiring airplanes, with the remaining 1,200 meeting fleet growth requirements.

More than 70 percent of the deliveries will be freighter conversions. About 750 new-production freighters will be delivered, with a total value of $180 billion in 2009 US dollar terms.

During the next 20 years, the share of cargo capacity measured in available tonne-kilometers supplied by dedicated freighters will rise steadily against lower-hold cargo capacity to reach nearly 50 percent of overall availability.

Yet, even as the number of freighter airplanes grows, the freighter share of the total commercial fleet will fall slightly from nine to eight percent. The number of freighters will not grow in parallel with projected growth in demand for air cargo services because the average size of freighter aircraft will increase significantly, and the newer, more efficient airplanes joining the fleet will facilitate higher utilization and load factor.

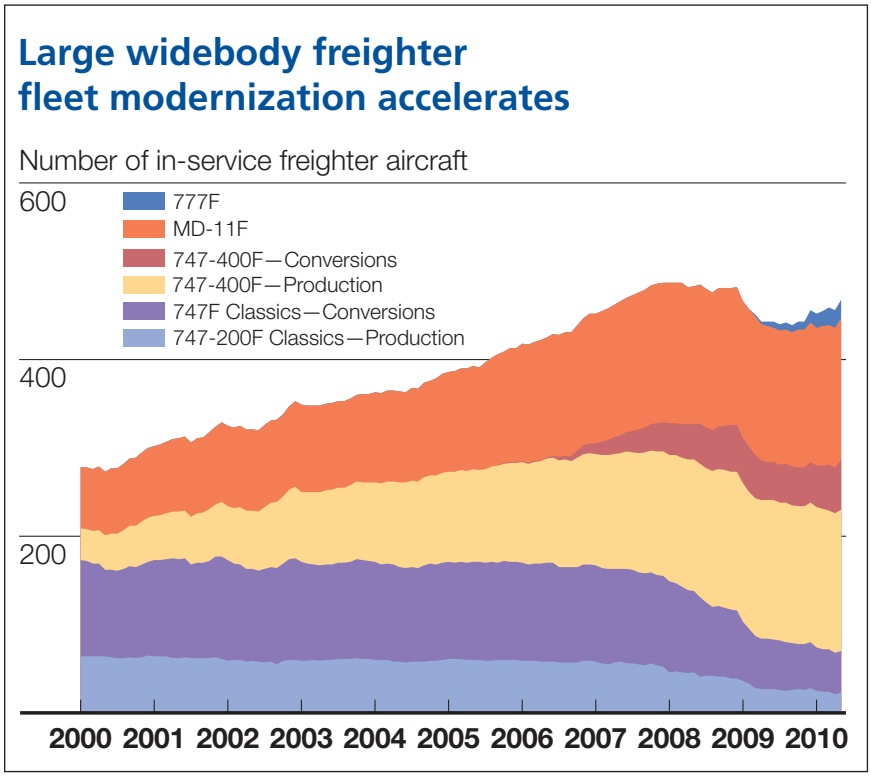
Significant developments and trends

Near-term events can exert contrary pressures on long-term freighter market growth. For example, higher fuel costs increase pressure on airlines to replace aging airplanes, which boosts demand for new freighters. Yet the resulting higher trip cost makes cargo rates more expensive, which weakens demand for air cargo services and, therefore, for additional freighter capacity.

Large widebody freighter fleet modernization accelerates

Several factors, including some that exert conflicting pressures, affect world freighter fleet growth:

- The air cargo industry will rebound from its two-year slide as the world economy recovers. The below-trend performance figures from base year 2009 make the 20-year growth projection appear uncharacteristically high, masking an overall



FedEx is gradually replacing its aging MD-11 fleet with 777 freighters offering 16 tonnes more payload

reduction in freighter lift requirement. The freighter lift requirement will be further challenged by an increase in lower-hold cargo capacity because passenger traffic did not decline to the same extent as cargo traffic.

• Three major new-production freighters (777F, A330F and 747-8F) are entering the market during the two years beginning in early 2009. The current widebody order backlog stands at about 200 airplanes, 70 percent of those in the large freighter category. Remarkably, there was little erosion of the huge backlog, even when air cargo traffic was at its lowest during the slowdown in 2008 and 2009. While resurgent traffic and the need for greater efficiency will keep the backlog solid, new orders will be light in the near term as the fleet absorbs the capacity currently on order.

• Rising and uncertain fuel prices accelerate freighter retirements, which enhances the value of newer airplanes that offer higher operating efficiency. Aging first-generation widebody freighters (747F "Classics" as well as older A310Fs, A300Fs and DC-10Fs) were among the major casualties during the recent market decline. This fleet transformation is expected to continue.

• Regulatory pressures on noise, emissions and aircraft aging drive carriers to accelerate evaluation of their fleet requirements.

• Increased cargo security requirements for lower-hold cargo erode the pricing advantage of passenger airplanes, along with customer demand for service improvements that favors freighter operations.

• Growth of lower-hold cargo capacity will continue to lag behind rising cargo demand, despite the proliferation of widebody passenger airplanes that can carry more revenue cargo with a full passenger load than the aircraft they replace.

• Passenger carriers continue to emphasize the revenue potential of cargo. Airlines that also operate freighters typically enjoy 20 percent higher cargo load factors in the lower-hold of their passenger airplanes than airlines that don't operate freighters.

• Regional freighter fleet growth will concentrate in a few large express carriers and developing markets where geography or lack of cost-effective ground transport alternatives favor air transport.

World freighter fleet by category

The model mix within the three freighter payload categories will remain about the same as projected in the 2007 *World Freighter Fleet* forecast, even as new production and conversion freighter models enter the fleet.

The current and projected fleet is divided into three payload categories by fuselage width and payload capability, regardless of range or presumed service markets. The three payload categories are standard-body (less than 45 tonnes) with no defined subcategories, medium widebody (40 to 80 tonnes), and large (greater than 80 tonnes).

The forecast includes both general and outsize freighters manufactured in the CIS. The 777 freighter is noteworthy because conversions of the major model type, currently a Boeing development study, cross category thresholds. The 777-A is a medium widebody, while the 777F production and 777-200ER conversion freighters are in the large category.

Integrated top-down/bottom-up forecast methodology

Our approach combines a thorough analysis of macro trends in the industry with detailed consideration of regional and operator-specific information, trends and strategies.

We begin with a top-down analysis of worldwide air cargo flows and traffic. Next, current and projected lower-hold cargo capacity (adjusted for passenger baggage requirements) is subtracted from total air cargo demand, developed for the *World Air Cargo Forecast*. Analysis from the companion Boeing publication *Current Market Outlook* is used in evaluating available lower-

Freighter fleet grouped into size categories

Standard-body (<45 tonnes)	Medium widebody (40–80 tonnes)	Large (>80 tonnes)
BAe 146	767*	MD-11
DC-9*	A300*	747*
737*	A310*	777
727*	L-1011SF	A350
Tu-204	DC-10*	A380
707*	787	IL-96T
DC-8*	A330*	AN-124
757-200	777-A SF	
A320*	IL-76 TD	
MD-80*		

*Represents a series.
Production and conversion (SF) models assumed for each type unless otherwise specified.

hold lift for each carrier by region. More recent developments, such as the imposition of checked baggage fees and restrictive security requirements on lower-hold capacity are also factored in.

The freighter fleet lift requirement is calculated from the difference between total demand for air traffic services and supply of revenue cargo capacity provided by passenger fleet. Remaining air cargo traffic is apportioned to regional domiciles.

Freighter fleet forecast methodology

After identifying the likely nature and timing of future freighter offerings, an assessment is made of airplane capability, performance and availability.

At the regional domicile level for each airline (or from the bottom-up), such variables as fleet type and age, airplane size, retirements, utilization, load factor, market share, service and market strategies are included.

The exhaustive top-down/bottom-up analysis is rounded out by balancing these variables with total air cargo lift, traffic and availability of passenger aircraft for conversion.

Freighter fleet forecast methodology

World Air Cargo Forecast Projected traffic	Total cargo **Demand**
minus	–
Current Market Outlook Passenger and combi airplane forecast	Lower hold lift **Supply**
equals	=
Freighter airplane requirement	Needed freighter lift **Supply**

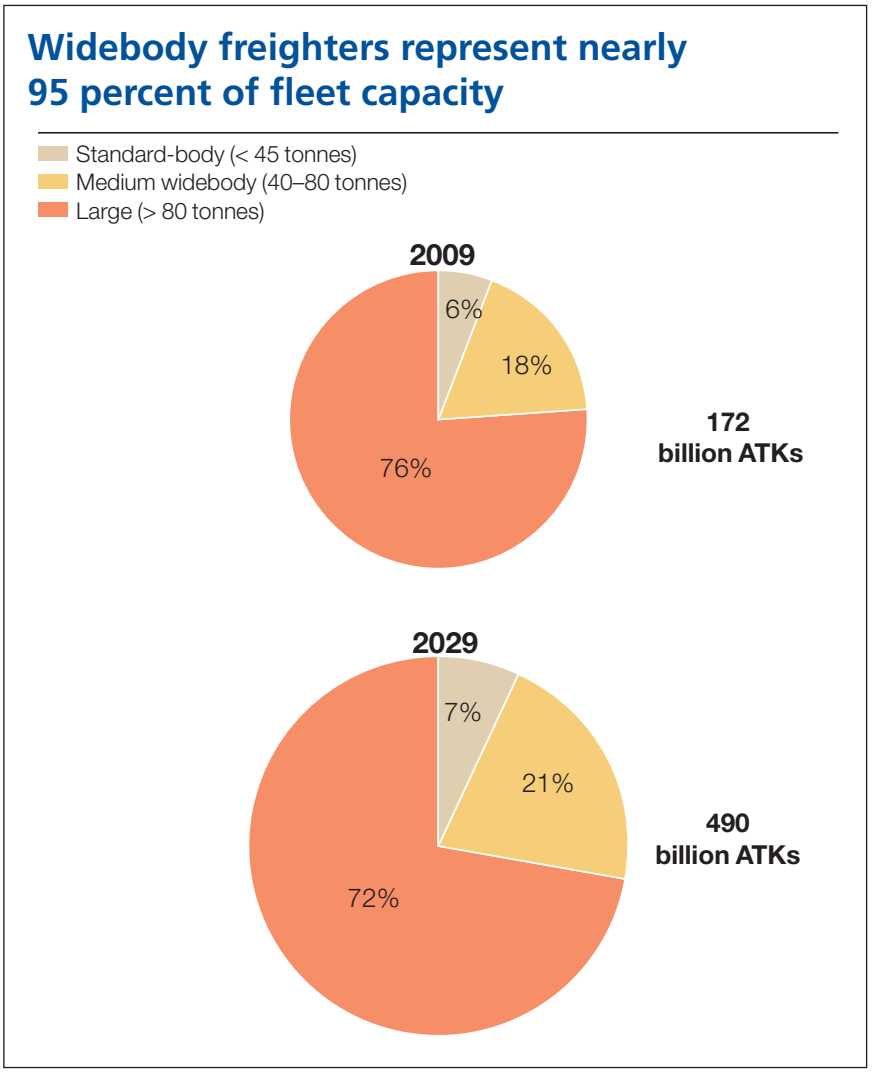
Freighter fleet development

Widebody freighters will continue to supply nearly 95 percent of the world's freighter capacity. The number of large freighters will grow, and increasing numbers of medium widebody conversion freighters will join the fleet.

Widebody freighters will account for about 60 percent of the airplanes in the freighter fleet by 2029. The widebody share is sustained by a long-standing trend toward large freighters, which drove the large freighter share from 22 percent in 2001 to 27 percent today. The large freighter share will rise even higher to 33 percent by 2029.

Given their higher payload capability and greater economic efficiency, it is not surprising that widebodies account for the dominant share of capacity in the freighter fleet. In particular, the large freighter share of fleet capacity has grown from 66 percent in 2001 to more than 75 percent today.

Widebody freighters will account for about 60 percent of the airplanes in the freighter fleet by 2029



Widebody freighters represent nearly 95 percent of fleet capacity

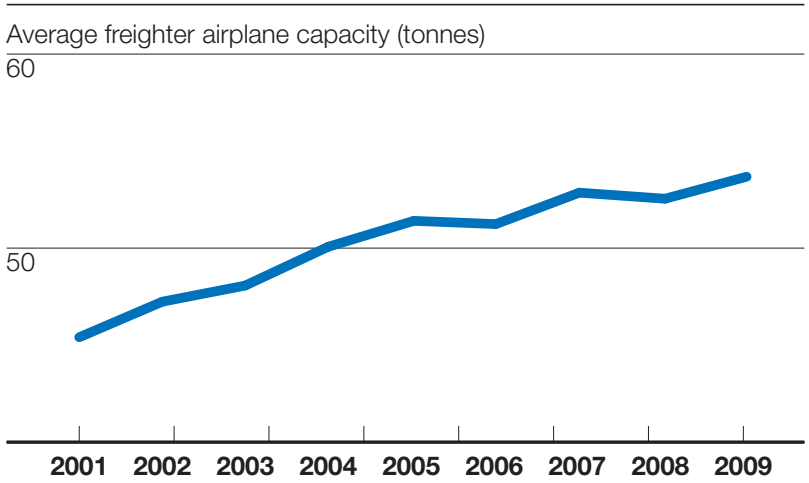
The 747 freighter illustrates how strongly airplane size affects capacity share in the overall fleet and helps explain the continuing dominance of the large category.

The largest line-haul freighter in service, the 747F, represents only 18 percent of the freighter fleet, with more than 250 purpose-built and conversion freighters flying. Yet its size, high utilization and high load factors allows the 747F to provide more than half of the world's total freighter capacity.

With a strong backlog, the worldwide popularity of production and conversion, 747 freighters will sustain their share of the world's large freighter fleet, despite continued retirement of "Classics," even as newer large freighter models are added to the fleet during the next 20 years.

The medium widebody share of the fleet will increase more modestly from 18 percent to 21 percent. Two important factors drive this increase. First, one-for-one replacement of older IL-76 TDs, A300Fs and 767Fs with larger, more capable A330Fs, 777-A SFs and 787Fs (when offered and launched) will signifi-

Efficiency drives continuing average freighter size increase



cantly increase fleet capacity. Second, newer passenger airplanes in this size category will become available for conversion in greater numbers as manufacturers accelerate delivery of widebody passenger airplanes to offset production delays.

Efficiency drives continuing average freighter size increase

The trend toward larger freighters can be seen by examining average payload growth between 2001 and 2009. During this eight-year period, average freighter payload increased about 18 percent — slightly more than two percent per year. For the 20-year forecast period, average freighter payload will increase a bit more rapidly at nearly three percent per year, due to continuing market and fleet trends.

Significant projected increases in the world's fleet of standard-body freighters should not be overlooked. The standard-body share of fleet capacity will slightly increase from six to seven percent during the forecast period, with nearly 1,100 units delivered. That is more than an 80 percent increase in number of aircraft for this category. The wide availability of 737, A320, A321 and 757 passenger airplanes makes these models attractive candidates for conversion.

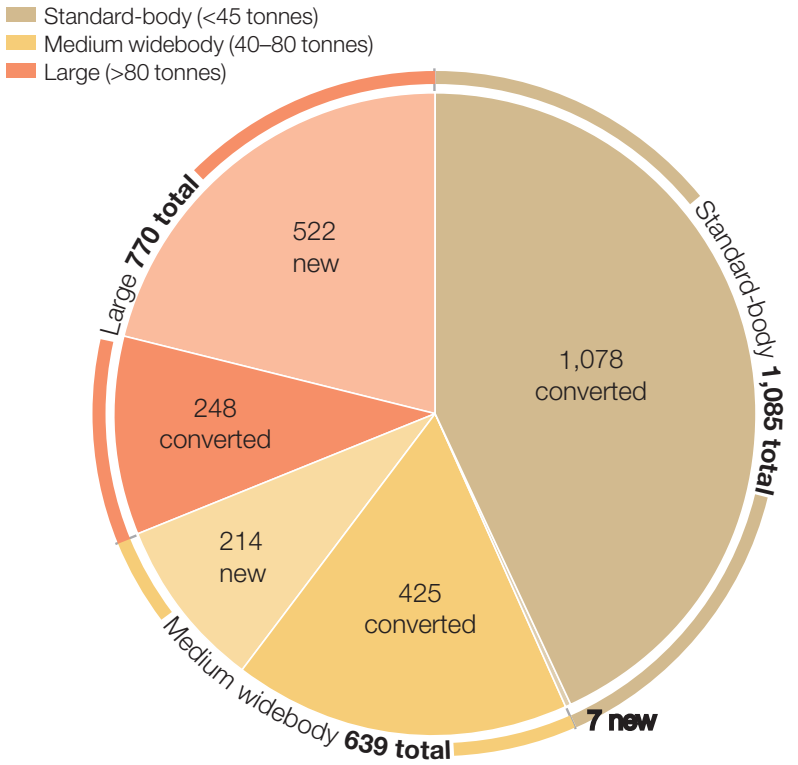
Production and converted freighters

Operators targeting premium, long-range service often find production freighters more attractive than conversion freighters because greater reliability and utilization provide competitive advantages.

During the next 20 years, more than 70 percent of fleet additions for replacement and market growth needs will come from modified passenger and combi airplanes. Yet production freighters will continue to play an im-

Cargolux has the 747-8F on order but its current fleet comprises entirely -400s

The percentage of new to converted deliveries grows with aircraft size



Total 2,494 units delivered (1,751 converted, 743 production)

portant role because their superior reliability, operating cost and capability can outweigh the significant on-ramp acquisition cost advantages enjoyed by conversions.

The breadth of the airplane family can be as important in the conversion market as it is in the production freighter market. So aircraft manufacturers and conversion providers continue to expand their offerings.

The percentage of new to converted deliveries grows with aircraft size

Because cargo payloads generate, on average, only half as much revenue by weight as passenger payloads, freighter profitability is extremely sensitive to airplane size. Thus, the smaller the airplane, the more significant acquisition cost becomes.

Sensitivity to acquisition cost explains why the ratio of new freighters to conversions grows as freighter size increases. Only 25 percent of the large freighters added to the fleet will be conversions because production models offer higher aircraft utilization and better profit potential in higher-yield, long-distance markets.

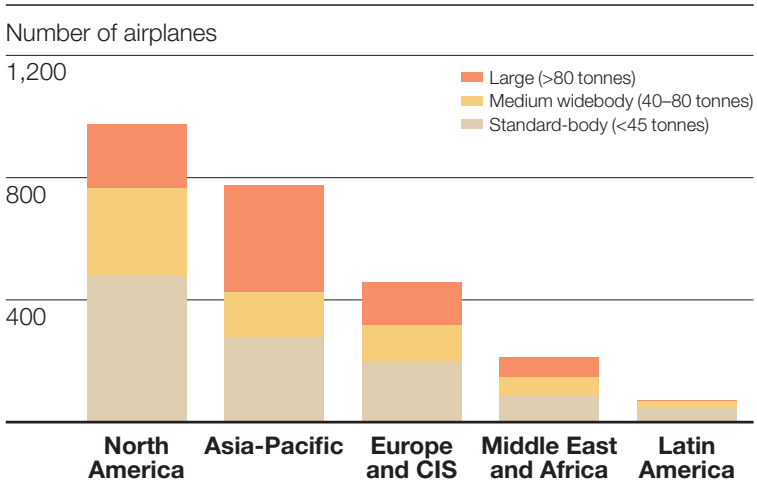
The percentages are nearly reversed, however, for medium widebodies, where 72 percent of fleet additions will be conversions. Because newer passenger airplanes are readily available, many of these will be converted well ahead of the historical 15- to 20-year prime window of opportunity.

For standard-bodies, nearly all fleet additions will be conversions. Among widebodies in general, the 747, 777, 767 and A330 will be the most popular conversions. For standard-bodies, the 737, 757, A320 and A321 will predominate.

Freighter deliveries by carrier domicile and operational model

Asia-Pacific all-cargo/combination carriers will continue to receive the greatest number of large freighters that are uniquely suited to their long-haul, intercontinental routes. A majority of medium widebodies sup-

North America leads in total deliveries, Asia with large freighters



Deliveries include both production and conversion models.

port express carrier networks, generating higher yields against lower payload economics. Standard-bodies will serve emerging regional niches as well as express markets.

Nearly 40 percent of all freighter deliveries during the 20-year forecast period will be to carriers in North America, predominantly for express operations.

Historically, up to 80 percent of medium widebodies, both production and converted, have supported express operations, where relatively low airplane utilization makes converted freighters economically attractive.

Freighter deliveries vary by size and region

Asia-Pacific carriers will continue to receive the greatest number of large freighters in order to serve their long-

The production model 777F sits in the large category; Boeing says its previous projection on the mix of standard, medium and large models still holds good

haul, intercontinental routes. Standard-bodies will continue to support the needs of emerging regions, niche segments and express operations.

Competitively priced surface transport and lower-hold airfreight alternatives constrain expansion of the medium widebody fleet in Asia and Europe.

The Middle East and Africa fleets will be more balanced in size of freighters delivered, while Latin America is forecast to receive mostly standard-body freighters for use within the region and medium widebodies for service to other regions.

General carriers and express operators have different needs

The majority of medium widebody freighters delivered during the next 20 years will go to dedicated express operators or airlines supporting express operations. The higher yield express traffic growth rate exceeds the industry average, which helps make medium widebodies attractive for fleet growth and replacement of smaller freighters.

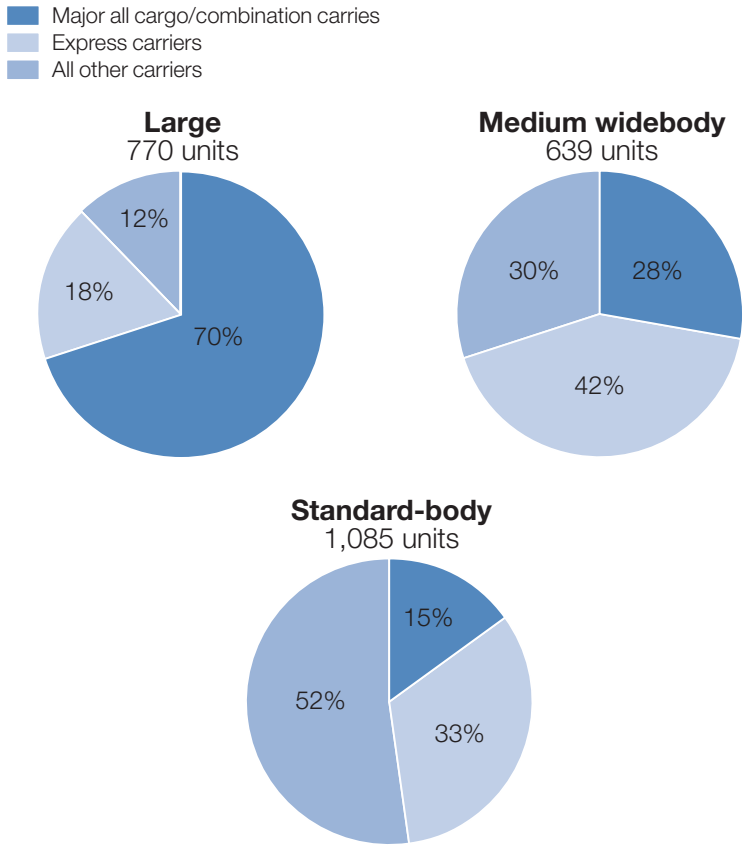
Standard-bodies will continue to support the needs of emerging regions.

Long-distance and general cargo carriers tend to favor the economics of large freighters and the reliability of production freighters. Regional and niche carriers, challenged by cost-competitive ground transport modes, tend to favor standard-body converted freighters for their lower purchase price and low trip costs.

The large freighter category consequently enjoys the highest potential for new freighter market growth.

Excerpted from the Boeing *World Air Cargo Forecast 2010-2011*. The aircraft manufacturer will release a complete version of forecast at the Air Cargo Forum & Exposition in Amsterdam this month and online at *www.boeing.com/commercial/cargo.* ACW

Large freighters to general carriers, medium widebodies for express



Khasanzyanov: slow start again for this year's peak season

Polet gets four for the price of one

Russia's first widebodied freighter, the IL-96-400T, has finally entered regular cargo service under the aegis of Polet Airlines. But it would seem the 92-tonne capacity freighter is something of an unloved orphan among other Russian carriers.

Polet Airlines has won a strong reputation in the outsize market with its fleet of AN-124-100 aircraft. But it embarked on a major step-change when just over a year ago it acquired its first two IL-96-400T freighters. The Russians, at least, view the aircraft as a direct toe-to-toe challenger to Boeing's 777 freighter.

Polet has trodden carefully with its new acquisitions, choosing not to enter them into scheduled service immediately, but rather operate a series of individual and long-term charter contracts.

UK broker Air Charter Service (ACS) chartered the aircraft over the summer to operate a flight from Liege in Belgium to Adelaide in Australia carrying a four-and-a-half-tonne slewing ring for a local blast furnace. According to Stephen Fernandez, cargo charter manager ACS Hong Kong, the dimension of the load rather than the weight was the problem: "It was too big to fit through the door of a B747F and it would have been expensive to charter an AN-124."

The IL-96-400T proved to be the ideal solution. "This aircraft has got a ridiculously large maindeck cargo door," says Fernandez. He says the airline has been offering the aircraft on the charter market for the past year with a rated capacity of 78 tonnes, rather than the full 92 tonnes it is apparently capable of uplifting.

"I understand Polet has been retaining the additional 10-12 tonnes of lift in order to allow it to carry a range of spares and tires for the aircraft," adds Fernandez. Presumably more fuel is also an option.

The contract charters operated by the carrier have included such diverse combinations as Incheon in South Korea and Bratislava in Slovakia, and between Shanghai and Lithuania.

But Polet's game plan, as intended, changed dramatically in early September 2010 with the delivery of a third IL-96-400T aircraft to the fleet. This enabled it to launch scheduled cargo services for the first time with two flights a week between Shanghai and Munich, the airline's European base. It has also introduced two weekly flights between Shanghai and Liege.

Currently, all flights return to Asia by way of Moscow. Khaydar Khasanzyanov, Polet's marketing manager for the IL-96-400T, says the decision to fly to two European gateways al-

lows the airline to provide the widest choice to the market.

"Our main hub at Munich gives us good access to the southern European market, whilst Liege provides us with reach to northern Europe," he explains.

With the new flights hardly off the ground, the next priority for Polet has been to add service out of Beijing to the same European points.

"That will happen from the end of October. At the same time we also want to add frequencies on the services out of Shanghai," Khasanzyanov told us earlier last month.

In theory, the Polet start-ups out of Asia should be just in time to catch the peak seasonal traffic lift to Europe. But according to Khasanzyanov, that has not happened as predicted. "It has been a lot slower to pick up than most people were expecting," he notes.

Polet's trio of IL-96-400Ts should now be fully directed at growing the airline's scheduled cargo services, but the carrier is still locked into several long-term charter contracts.

"What we would like to do is convert some of these charters to scheduled services," says Khasanzyanov, with a hint of frustration at having to still cater to two different disciplines. "We have had a good initial response from the market on our scheduled flights; what is important for us right now is to maintain punctuality and service levels."

Polet remains the only carrier, Russian or otherwise, to choose to operate the IL-96-400T. It will take delivery of its fourth aircraft of the type in April next year, with two more to join the fleet by 2013.

It would seem that every other Russian carrier has had its name stenciled on the aircraft at one time or another.

The IL-96-400 began life as a passenger variant of the IL-86-300, but failed to sell in any numbers and is now out of production. The freighter program for the aircraft, however, stumbled on. A 9.35 meter stretch was added to the IL-96-400T airframe, the aerodynamics were improved, and extra power lift was provided by four more fuel-efficient PS-90A turbojet engines, to help increase payload.

The IL-96 is highly competitive against the opposition.

It would seem that Volga-Dnepr was to be the launch customer for the new freighter when in June 2005 it signed a 15-year financial agreement with Ilyushin Finance Corporation (IFC) to take delivery of two new-build IL-96-400T aircraft. The aircraft were to be operated by its AirBridge-Cargo subsidiary, with the first aircraft set for delivery in late 2006.

As it turned out Volga-Dnepr decided to go the western route for the launch of ABC and instead acquired B747F freighter capacity.

Next in the frame, Aeroflot Cargo placed an order for six of the aircraft. The first three aircraft were set for delivery in late 2008, with a further three arriving in 2010. Curiously, the first two aircraft, resplendent in Aeroflot livery, were actually delivered to the airline for acceptance trials in September 2008.

But Aeroflot Cargo's subsequent financial woes and eventual demise, it would seem, put paid to any future for the IL-96-400T with the airline. Interestingly, Aeroflot Cargo was also in discussion with Boeing over the acquisition of B777F capacity.

Along the way, another Russian carrier, Atlant-Soyuz Airlines, was reported as reaching agreement with Ilyushin Finance for two IL-96-400Ts, delivery of which appear to have been repeatedly postponed.

So just how does the IL-96-400T freighter stack up against its "close" rival, the Boeing B777F?

The twin-engine B777F has a payload of 108 tonnes, compared to the four-engine IL-96-400T's payload of 92 tonnes. The Russian aircraft certainly outguns the B777F with its "ridiculously" large maindeck cargo door measuring just shy of 16 ft in width. The B777F main deck door is just over 12 ft.

On the other hand, the Russian freighter has a seemingly uncompetitive operating range of just over 5,000 km (3,100 miles) at full payload. The B777F, by contrast, can fly 9,000 km (5,590 miles) nonstop fully loaded.

According to Khasanzyanov, Polet compensates for the short range by making technical stops on its new scheduled services to Asia. "Our priority is to fly the aircraft with maximum payload," he says.

So what else has the IL-96-400T got in its business arsenal? The one thing the Russians can never be beaten on is price. In 2008 the B777F was listed at $250 million, while its Russian counterpart was apparently just $62 million.

At those prices, although Polet is leasing its aircraft from IFC, it has effectively acquired four IL-96-440T freighters for the equivalent of one B777F.

Combined with cheap fuel, the aircraft should prove to be quite a competitor against the lease costs of a B777 freighter on the 5,800-mile route between Shanghai and Germany, even with one stop. ACW

'BLACK GOLD' still powers Caspian

As the world's energy firms look toward the Caspian Sea to guarantee future security of supply, local entrepreneurs and the governments of Kazakhstan, Turkmenistan and Azerbaijan increasingly find themselves being wooed by power-hungry nations from Russia, China, India, Pakistan and Iran to the US and European Union.

Where energy companies go, logistics providers naturally follow – but it is not an easy environment, says Erland Ebbersten, GAC group vice president for Europe, Mediterranean, Black Sea, Caspian Sea & Africa.

"The forbidding geography of the eastern Caspian long isolated it from the rest of the world, but now, just under two decades since emerging as independent states, Turkmenistan and Kazakhstan are playing a key role in the new world economy and the oil and gas industries," he says.

After decades of Communist rule, the first few years of independence in the 1990s were difficult for the region. These were years of adjustment to the new reality, with resources ironically scarce and emerging economies weak in the absence of the once-reliable USSR market.

Consider Kazakhstan – the largest landlocked country in the world and the ninth largest overall. It is the same size as Western Europe and would fit fewer than four times into the United States. Yet its population of fewer than 16 million makes it one of the most sparsely populated countries on the planet.

The country has major oil reserves including the Kashagan field in the northern Caspian, one of the world's largest oil finds in more than 40 years. Central Asia's largest oil producer, Kazakhstan also mines copper, uranium and rare earth minerals, making it the region's leading economy.

Kazakhstan saw its gross domestic product grow at an average of almost 10 percent a year through the decade leading up to the global economic crisis. This slowed to just 1.2 percent last year, but the economy is now benefiting from the recovery of international demand for its energy, mining and manufacturing exports. GDP growth was back to more than 8 percent in the first half of 2010.

Unemployment is low and the currency, the tenge, is strengthening after an 18 percent devaluation in 2009. Measures taken by the government over the past two years to restructure the banking system appear to be paying off.

Growth has slowed in the second half, and is likely to end the year at around 5 percent. Food exports are suffering following the drought and fires that affected Kazakhstan this summer.

But analysts are upbeat about the macroeconomic picture. State oil company KazMunaiGas said in August that Kazakhstan would likely exceed its output target this year on the back of increased production from the TengizChevroil joint venture with Chevron.

Kazakhstan's long, complex and expensive development of its offshore Caspian hydrocarbon reserves will lead to a rapid increase in production from next year. The country aims to be producing 130 million tonnes of crude oil and gas condensate by 2020, more than 50 percent up from today's level.

Higher exports and an improved balance of trade are expected to stimulate commerce and consumer spending. Russia in particular is looking to renew its historic ties, and Lukoil, its second biggest oil producer, now derives up to 15 percent of its production from outside Russia, mainly in Kazakhstan and the Caspian Sea. Lukoil is optimistic that export duties on Caspian oil will soon be lifted.

Turkmenistan has a more secretive administration, and reliable figures are harder to come by, but its State Committee recently said total retail turnover grew by 16.2 percent year-over-year in the first half of 2010. Even 2009 apparently saw significant growth as Turkmenistan's limited foreign trade and lack of integration with global capital markets kept it immune from the worst of the downturn.

Though one of the poorest former Soviet satellites, Turkmenistan sits on rich deposits of oil, gas, potassium and sulfur. It has the fourth-largest known reserves of natural gas in the world at 2 trillion cubic meters, more than Canada, and 17 major new deposits have been discovered in the last 10 years.

The Caspian's oil reserves could be almost as high as those of Saudi Arabia, and Turkmenistan is well placed to exploit the abundant deposits in the sea's southeast quadrant. Despite this wealth of industrial raw materials, the country's labor force remains dominantly in agriculture and forestry.

Russia retained a high level of control over Turkmenistan's gas exports as the sole pipeline for many years ran through there via Kazakhstan. Disputes with Russia's Gazprom have led to supplies being cut at times. Turkmenistan is selling more gas to China and Iran as it seeks to reduce its dependence on Russia, and is working to develop export routes from new gasfields both eastward, to Afghanistan, Pakistan and India, and west to Turkey and Europe.

Dragon Oil, which has extensive operations in Turkmenistan, is among the companies now exporting Caspian oil westward through Azerbaijan. Dragon's chief executive, Abdul Jaleel al-Khalifa, says the new export route will help "tackle bottlenecks" in distribution.

Italian-owned Eni is piping Turkmen compressed natural gas west through Azerbaijan to Turkey and is also looking to resume exploration and production in Azerbaijan itself.

Azerbaijan is the third-largest energy producer among former Soviet republics, helping the country's GDP grow 3.8 percent in the year to August.

Oil currently makes up 93 percent of Azerbaijan's exports, but finance minister Samir Sharifov told an international conference in Baku in September that the country was trying to diversify new areas of business. Industrial-scale gold production began only last year.

"Azerbaijan has the lowest foreign debt among the CIS countries and Central and Eastern Europe as a whole," Sharifov said. He suggested the possibility of a managed floating exchange rate for Azerbaijan's currency, the manat, as the economy improved. The manat was pegged to the dollar in March 2009 to ensure financial stability during the credit crisis.

Azerbaijan is beginning to develop big new offshore locations such as the Shah Deniz natural gas and condensate field, one of the biggest finds in recent years, which comes onstream in 2017. BP, struggling to fight off the legacy of its recent problems in the Gulf of Mexico, is one of the companies expanding its activities in the Caspian Sea and is exploring a new block jointly with Azerbaijani state oil company Socar.

Pipelines will play a growing role in the future delivery of oil and gas to Western Europe. Thanks to the newly completed BTC (Baku-Tbilisi-Ceyhan) and BTE (Baku-Tbilisi-Erzurum) pipelines, Azerbaijan has not only guaranteed secure routes to market for its own oil and gas but has also positioned itself as a transhipment route for Kazakhstan and Turkmenistan.

Several consortia including Nabucco, ITGI and TAP are in a race to build additional pipelines to Europe through Georgia, Turkey and Greece, seeking "southern corridors" from the Caspian region to reduce customers' reliance on Russia. ACW

A difficult place to do business

UK-based Coyne Airways has four years of experience serving Central Asia with all-cargo capacity, using Tbilisi as a gateway to the region since December 2006.

Currently Coyne is back to one B747-400 freighter per week, operated from London Stansted and Cologne into the Georgian capital. A second service from Frankfurt, introduced in July 2009 under an agreement with Jade Cargo, was suspended at the end of last year.

"We bought half the space on the Jade service and they were a good partner, but the second half of the year is always busier into the Caspian, and the first quarter can be quite slow," says CEO Larry Coyne.

"A Friday departure was messy and it was difficult to make it work so close to our existing Monday schedule, because you're not going to generate much cargo over the weekend. We didn't get as much support as we expected, but we're not ruling it out for the future."

A second service would probably duplicate the existing Stansted-Cologne-Tbilisi route. "We're happier operating through Cologne, and if both your services are on the same routing, you can be more certain with your handling. No trucking is involved if there's overspill," Coyne says.

Another benefit of a Stansted departure is that it connects well with incoming trans-Atlantic flights. "Cargo can leave the US on a Saturday or Sunday and arrive in Kazakhstan or Iraq as early as Tuesday," he points out.

Turnaround through Coyne's Tbilisi hub can be as little as four or five hours. The carrier has use of a dedicated facility there, built by its local forwarder partner, and offers scheduled services to Aktau, Atyrau and Uralsk in Kazakhstan and Ashgabat and Turkmenbashi in Turkmenistan using locally registered AN-12 and IL-76 aircraft. In addition, truck services are offered to destinations including Baku, Azerbaijan, and Yerevan, Armenia.

The question of aircraft ownership is important as it can be key to helping Western companies secure contracts in countries such as Kazakhstan, Coyne says, giving them vital "local content".

It may be one-directional traffic – "Nothing comes out that we've been able to find," he says – but the flights from Europe out to Tbilisi are currently traveling full.

The Caspian region, and especially Kazakhstan, is currently highly attractive to oil and mining companies. "New fields are more interesting to exploit as the price goes up. Caspian oil is quite low cost compared with deepwater drilling in the Gulf of Mexico," Coyne says.

He emphasizes this does not add up to a bonanza for carriers. "There won't be a sudden explosion in demand for 747s to go in there. It's only specialist things like pumping mechanisms that would usually fly.

"You can reckon that two percent of freight for a given contract will eventually go by air, especially toward the back end when sea freight gets behind. We calculated that out of two milion tonnes of materials for the British Gas development in Karachaganak over a 10-year period, the flown element was around 40,000 tonnes."

Mining is less heavily concentrated in those western areas of Kazakhstan Coyne serves on a scheduled basis. But the country has huge reserves of gold, copper and rare earths such as tantalum, which sells for 10 times the price of gold. Extracting these materials creates a certain demand for equipment repair and spare part delivery.

The other main player ex-Europe is Cargolux, which stops in the Azerbaijani capital of Baku no fewer than 11 times a week on route from its home base of Luxembourg to Shanghai or Hong Kong.

Baku cargo can make up anything from 40 to 80 percent of eastbound cargo, with the rest going on to Asia. "The niche destinations yield more," says Robert Van de Weg, the carrier's senior VP sales and marketing. Cargolux also flies twice a week to Almaty, Kazakhstan, and once to Tbilisi.

Van de Weg says return flights from Asia sometimes also stop at Baku if the weather conditions are appropriate and the cargo coming back to Europe is volumetric, but this makes for a long leg of 7.5-8 hours to Baku, followed by a shorter leg to Europe. Almaty is often preferred for operational reasons when the payload is higher, as it gives two legs of more equal length at 6.5 hours each.

In either case, some Central Asian cargo will be offloaded but very little is reloaded. "There are hardly any exports from there," Van de Weg confirms.

Baku Cargo Terminal has a capacity of 250,000 tonnes and can handle up to 10 B747 aircraft simultaneously. The lion's share of imports is oil and gas (O&G) supplies, mostly originating from established production sites in Houston, Calgary, Aberdeen in the UK, Singapore and Dubai.

Volumes fluctuate according to the international oil situation. Higher rates per barrel, as the market is currently experiencing, perhaps justify more speculative drilling. "Above a threshold of $60-70, the investment is there," Van de Weg says. "It's hard to understand why the price is where it is when inventories are high and the world economy is not moving at a great pace."

Rates back toward the Far East are similar whether Cargolux flies on a more southerly routing through Kuwait or Dubai, or via Central Asia.

"That has less competition, but is a fragile, easily disturbed market," Van de Weg says.

Transit freight going over Baku is flown onward to Kazakhstan, Turkmenistan, Iraq or Afghanistan under a joint venture agreement between Cargolux and Azerbaijani partner Silk Way Airlines.

It is an "arm's length relationship", Van de Weg says, but Cargolux supplied Silk Way with a B747-400 in October and will provide a second aircraft next year. It also provides maintenance support.

Silk Way operates to more than 50 scheduled and ad hoc charter destinations including Shanghai, Urumqi, Kabul, Kandahar, Bishkek, Dushanbe, Tbilisi, Baghdad, Dubai, Tel Aviv and Istanbul. Its fleet comprises seven IL-76s, two Stage IV noise compliant IL-76TD-90SW aircraft and four AN-12s as well as the wet-leased aircraft B747-400.

AirBridgeCargo Airlines (ABC), the scheduled arm of the Volga-Dnepr Group, launched a weekly B747 freighter service from Amsterdam via its Moscow hub to Almaty, Kazakhstan, in October 2009. The carrier said at the time of the launch that it saw significant potential in the Kazakhstan market and expected to attract a wide range of cargo shipments, including high-value, luxury goods from Western Europe. AirBridgeCargo now operates to both Almaty and Atyrau.

Justin Bowman, group commercial director at Air Charter Service, reports considerable charter activity in the Caspian region, but says it is a "very challenging" environment. "The flights are highly technical. It's time consuming getting the traffic permissions and so on, and there is a limited supply of carriers," he says.

"Customs can be tricky," Bowman adds. "You have to make sure you do it by the book and with all the properly completed forms and no variations, or you can get impounded."

ACS does most procurement for the region through its offices in Moscow, St Petersburg and in Dubai, where it employs nationals from the former Soviet states. Having speakers of the local launguages minimizes problems, Bowman says.

Central Asia is still "a target for the future," according to Tohir Choriev, manager of Chapman Freeborn's Istanbul office.

"The USSR built good rail and road infrastructure across its former satellite states, and rail is the most efficient and cost-effective mode for heavy shipments that are not time critical. But transportation can be difficult by road and rail, and you can suffer delays at transit points, so there is some demand where time-sensitive oilfield equipment is concerned.

"O&G offers good potential charter business, but there is enough scheduled capacity for small regular shipments. Demand for full aircraft is not so good at the moment," Choriev says. "These are young countries with a still-developing air infrastructure. To be more affordable for air charters, the region needs better infrastructure and greater financial stability."

An analyst with good experience of the Caspian region, who prefers to remain anonymous, puts the difficulties of operating charters there more strongly.

"Corruption, protectionism and entrenched political interests is endemic. It's a highly protected marketplace and I can't see it changing, even 20 years after independence from Russia. But they have a huge fantastic natural resource, so who can blame them?

"It's slightly easier in Kazakhstan, where you have a choice of two or three freighter operators that have their own aircraft or lease them.

"The other countries can be difficult because the airlines have a stranglehold over the rights. People expect to be bribed to let you have access to their aircraft. If you can get clearance to fly a cargo plane in using a different carrier, you have to pay."

Kuehne + Nagel's operating company in the CIS countries is KN Ibrakom. Managing director Riza Tosun says: "O&G-based economies are not doing as well as they were when the oil price was over $100 a barrel.

"The cost of extraction, refining, initial project and logistics is higher than in other parts of the world. Cost of production in Middle East is below $10 a barrel, and in the Caspian region, more than $50. Refining capacity is limited and logistics is costly, so the oil price has an immediate and direct impact on the O&G activity," he says.

"Since the crisis, upstream projects have slowed down, and investors are reconsidering their downstream project calendars and their agreements with the governments."

However, K+N is participating in some downstream projects in gas and petrochemicals.

The company mainly serves the region through Baku, Tashkent and more recently Navoi, Uzbekistan. Aside from O&G, communications equipment accounts for most of its airfreight.

However, trade in consumer goods is "way below the previous volumes, especially in electronic goods," Tosun says.

"One major brand has reduced significantly because of the distributor's lack of bank financing for inventory in transit." ACW

Kazakhstan: a sizable challege

DHL Global Forwarding manages the logistics in Kazakhstan for three large oil and gas projects – the TengizChevroil (TCO) oilfield, developed in phases over almost 20 years with a further $16 billion expansion awaiting approval, plus Karachaganak, a gas condensate field located east of Oral (Uralsk) in the northwest of the country, and the Kashagan oil field in the northern sector of the Caspian Sea, close to the city of Atyrau.

A key route into the Caspian for outsize equipment is the Russian canal system, but temperatures can fall to -40 degrees C in winter and the region's roads are also vulnerable to snow. "The rail network is the best in the world and we use it where possible," says Ryan Foley, DHL's project manager, industrial projects in Kazakhstan.

Of the international cargo for which Foley is responsible, he estimates 50 percent comes from the UK, 45 percent from other points in Western Europe and five percent from the US. Trucking direct to Tengiz takes 14 days from Western Europe and rail perhaps 21 days, but the process is "pretty smooth", he says.

In terms of airfreight, DHL uses Coyne and Cargolux while its in-house broker, Star Broker, was directly involved in the setting up of AirBridgeCargo's weekly flight from Amsterdam over Moscow to Atyrau and Almaty. "We have a capacity commitment that we're taking up almost every week," Foley says.

Supplementing this scheduled capacity, DHL has required a series of one-off charters to Kazakhstan over the last two years, including three AN-124s and two IL-76s, Foley says. There are occasional rush shipments during the capital expenditure (construction) phase. At the operational stage, refineries plan shutdowns section by section and small components, such as valves and gaskets that have reached the end of their scheduled service life, may be flown in.

Air Astana is a useful local player in this context. "Although it does not operate freighters, its aircraft can take three, four or five-tonne pieces. It flies to Atyrau and Aktau, the main gateway for Kashagan, direct from Amsterdam," Foley says.

An AN-124 delivers oilfield equipment into Kazakhstan for DHL

Richard Ledger, sales director worldwide for Air Astana (KC), confirms that Kazakhstan's national carrier serves Atyrau five times a week from Amsterdam, with an onward connection to Aktau, using a B767, and flies weekly to the northern oil city of Uralsk, where the airport is not certified for the larger plane, with a B757.

KC has 75 percent of the domestic market and is increasing its frequencies between the oil cities of western Kazakhstan such as Aktau, Atyrau, Uralsk and Aktobe, using A320s or small Fokker 50s.

The carrier is also expanding its regional network. A third weekly service from the Kazakhstan capital, Almaty, to Baku was added last August, reflecting both organic growth and the closure of Azerbaijani operator Imair.

"We won a tender from Aktau to Istanbul, previously operated by Skat. We will serve this with an A320 giving us three tonnes of capacity," Ledger says. "This winter we will launch from Almaty to Tashkent and Dushanbe and these routes will convert to our new Embraer 190s when we receive these from April 2011.

"We are also starting a St Petersburg service this winter, followed next summer by Astana to Yekaterinburg, Astana to Samara and Almaty to Novosibirsk, so we are developing a strong regional network to match our domestic coverage."

Under a cargo prorate agreement with KLM, Air Astana can fly palletized cargo from Beijing to Almaty with its partner flying on to Amsterdam. KC also has agreements with Thai Airways and Malaysia Airlines and other deals covering offline points of origin such as Taiwan and Vietnam, all bringing "significant volumes" into Almaty.

Winter weather conditions and poor-quality airstrips in some secondary locations are the predictable local difficulties, but Ledger offers up another. The need to serve two hubs of equal status, Astana in the north and Almaty in the south of the giant country, raises a "bridge that gap" issue that complicates cargo transit.

"We're unconstrained from Kuala Lumpur to Almaty and from Astana to Frankfurt, for example, but it's not possible on one airwaybill. You have to clear Customs and treat it as domestic cargo. These are the unique challenges of operating in Kazakhstan," adds Ledger. ACW

EDIfly in the messaging ointme

A Skype-like provider is taking aim at Type B air cargo messaging that could make SITA as relevant as AT&T's legacy telephone network.

A new kid on the block called "Innovative Software" is poised to open a revolutionary path for EDI messaging over the Internet based on IATA's Type B standard.

Unlike SITA, Arinc and other networks using Type B, the new entrant's EDIfly is decentralized and offered as a software package rather than a messaging infrastructure with pay-per-use charges. Written in Java, it has been extensively tested, according to its developer, and is about to be launched commercially.

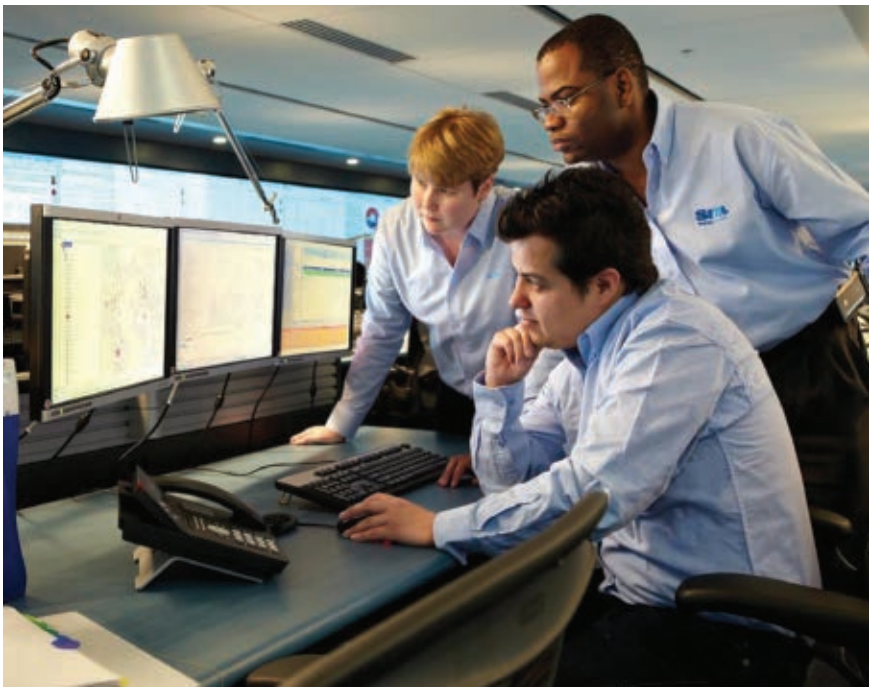
Focusing on Type B pits the new player against existing setups, notably SITA. One veteran IT developer close to the new outfit likened the approach to "Skype versus AT&T".

SITA's Type B network, the chief vehicle for this type of messaging, certainly is a behemoth. Offering end-to-end management of messages across a single, secure private network worldwide, it switches more than 25 million messages a day. The organization's 550 members represent over 90 percent of the global airline community.

Its architecture accepts, stores, routes and delivers messages over its network and beyond, with gateways that can deliver messages to any fax or telex machine globally as well as to the air traffic control community's aeronautical fixed telecommunications network.

With multiple access options, assured delivery of messages, flexibility on addressing and routing, storage of all messages for 90 days on a central database, and links to other messaging environments, SITA's Type B network is the default platform for most airlines and other industry players, usually extending far beyond cargo applications.

"Type B is part of a package that is ubiquitously available," says Henrik Ambak, vice president and head of IT at Cargolux. "It's a cost that is in principle never nice to have, but



SITA says it handles 25 million Type B messages a day

ent?

it provides a conduit between us and forwarders and handling agents."

That conduit comes at a price, large enough to induce cash-strapped airlines to seek reductions. KLM Cargo moved away from the platform several years ago to save an estimated $700,000 a year.

Others have shied away from such drastic steps but tried to whittle down their SITA bill by going through their invoices to identify the clients that generate the largest amount of Type B messages and shift the communication with these to direct links.

While this approach curbs these airlines' payments to SITA, the direct links are cumbersome and expensive to maintain as well, making the savings less substantial than they may have seemed at first glance. Moreover, the sheer workload associated with building up direct links with a host of partners and clients is often prohibitive.

"You can't change all your connections individually. You have to move via a host," says Ambak.

When Northwest Airlines Cargo moved house airwaybill reception to

Skype-style messaging versus SITA?

The internet-based investment site Seeking Alpha has this to say about a prospective Skype IPO valued at $4.8 billion. The opinion is relevant in the context of the trend toward cloud computing rather than the legacy networks used by the airline industry.

"Luxembourg-based Skype is the leading internet-based communication company with 560 million registered users completing 200 billion minutes of calls annually. Skype has over eight million paying customers with an average revenue per user of around $100.

"For 2010, Skype will report close to $900 million in revenue with an operating margin of nearly 20 percent.

"Skype makes most of its money on calls to non-Skype phones. It charges a few cents per minute versus the tens of cents or even dollars that phone companies charge for the same call. New features like video calls and desktop sharing are broadening the appeal of the service and the way people use it. Additional features will roll out soon, like click-to-call, which will be integrated with services like Google Search, Maps, and Facebook.

"Skype works at scale and its infrastructure is software-based. That means it has built a technology platform on which many more features, and much more revenue, can be layered with low incremental costs."

A 2010 report by TeleGeography Research says Skype-to-Skype calls accounted for 54 billion, or 13 percent, of all international call minutes last year. In the first half of 2010, Skype says it users made 88.4 billion minutes of Skype-to-Skype calls with approximately 40 percent as video calls.

"We've been waiting for the 'iPod moment' in our industry."

an electronic platform in preparation of the four-hour rule for US-bound cargo a few years ago, it took the carrier six months of work to get everything in place.

"It was a lot of work, and that was just with Northwest. The forwarder then had to repeat that process with each airline," recalls Jim Friedel, an independent consultant who was president of NWA Cargo at the time.

SITA's offering is not the only Type B show in town; there are other networks, albeit much smaller. The fundamental difference between them and the new EDIfly approach is that the latter is decentralized, as it resides in users' computers and moves messages over the Internet based on existing EDI standards including IATA's Cargo-IMP, ANSI X12 and EDIFACT.

According to Innovative Software, the objective is to create an alternative that is reliable, secure and decentralized.

The server, which acts as a message broker, looks on the Internet for the designated receiving server. Once the connection is established, the message is encrypted and sent to the receiving unit, which decrypts it using a unique private key issued by Innovative Software for individual clients, and then sends back a receipt.

According to the developer, EDIfly can be installed on any available machine, provided it has Internet access.

The software is designed to handle any standard Type B message and can be expanded to support any message format, the developer claims, adding that for now the focus is on Type B messages. This means that it applies not only to air cargo applications but extends to other fields of activity, such as passenger operations. At this point, Innovative Software is looking chiefly at the air cargo sector with all-cargo airlines identified as a logical place to start.

KLM says it has saved $700,000 a year by moving away from a SITA platform

Ambak says he is not aware of a new offering, but confirmed Cargolux's intention to move its operations to the Internet. "We've been waiting for the 'iPod moment' in our industry," he comments.

This is not to say that Cargolux is unhappy with its current message network. "Type B has done a great job over the years," Ambak says. "The question is, does it have the right cost profile today?"

Unlike their counterparts from all-cargo airlines, the cargo departments of combination carriers have found it hard to establish the precise cost of using the SITA infrastructure – if they bothered to find out at all.

"The way SITA and Arinc do their billing, messaging is one of a host of services, besides support communications and other offerings. In most organizations only the IT department would know [the exact cost]. For the departments it's a utility, like the phone," comments Friedel.

NWA Cargo did not tackle Type B messaging during Friedel's tenure, mainly because the responsibility for managing the process resided in the parent airline's IT department.

Moreover, the ease of use of SITA's set-up and its ubiquity makes it very appealing. "I think the challenge for any internet-based alternative is that it needs to somehow overcome the convenience that SITA provides. While SITA might be faulted for using old-fashioned, high-cost technology, they are tops for convenience because they are a one-stop shop: you connect to them once, and they connect you to everyone else," Friedel remarks.

Innovative Software does not cast its EDIfly offering as an alternative to SITA's Type B infrastructure. Most airlines are clients of SITA and are not going to jettison their arrangement with the provider (which usually goes well beyond Type B messaging), but they can use EDIfly to reduce costs of selected links, the company reasons.

Besides helping users reduce messaging costs, the new avenue could arguably add momentum to the e-freight initiative. If users are charged a flat fee regardless of the volume of messages they send, there is no reason to hold back on that front to save a lot of money. ACW

Peter Weir, CEO Air Menzies International.

whole·sale */ˈhōlˌsāl/ • noun. the selling of goods in large quantities to [tr.] sell (goods) in large quantities at low prices to be retailed by others.*

Whether it was Pan-Am selling its entire bellyhold capacity to one or more forwarders, Air Express International wholesaling various airlines' capacity as a business by-product, or Air Marketing International (AMI) operating exclusively on behalf of small and medium-sized agents, one way to make a sizable air cargo profit in the 1980s was to buy large chunks of passenger-centric airline capacity at wholesale prices.

Some three decades later, while there are plenty of forwarders who will operate as both wholesaler and retailer — depending on the market or route — it is AMI that claims to be the sole surviving wholesaler-only agent.

Founded in 1976, the company was the brainchild of ex-British Caledonian Airways executive Tony Realff. The idea was to provide an airline with guaranteed cargo income for its largely bellyhold capacity from a single agent source. Thus AMI would buy large blocks of capacity and then re-sell it to small and medium-sized

The largest virtual airline in the world?

be retailed by others. • on a large scale; • adj. done on a large scale; • v. whole·sal·er. noun. Late Middle English. Originally: as by whole sale.

agents who hadn't the volume to negotiate similar rates with an airline.

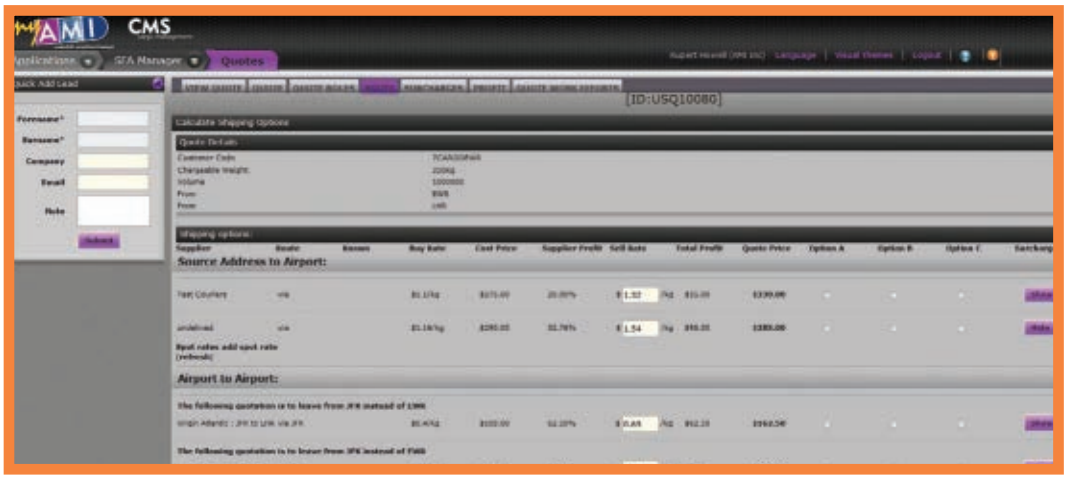
The innovation was, and remains, a win-win. The airline gets single-source revenue without the sales and handling overhead; the small forwarder gets the best rate — and AMI profits from the volume margin between wholesale and retail.

Not surprisingly, with a second oil crisis in 1979, the idea of airlines saving money while carrying more cargo caught on, and AMI faced increasing competition during the next decade.

And while Realff stuck to his trade-only policy, some of his competitors had no hesitation in reading the waybills from small agents who had consigned their shipments to their favorite "wholesaler" only to find it had read their waybills and back-sold them to their shipper customers.

Needless to say, trust became a crucial selling point for AMI, and it remains the company's mantra some 30-plus years later: it will never sell direct to shippers.

By 1993 Realff had grown his UK-based business to the point where it made sense to find a buyer that could



MyAMI will also show whether the shipment has been security screened prior to delivery to the airline either by AMI, the shipper or the agent

provide scale. In John Menzies PLC, he found a partner that understood what he was doing and had the cash, reputation and business to be a natural complement.

Two years later, Realff left the now re-branded AMI Air Menzies International with the usual "we wish him well in his future endeavors" approbation, and the company had a succession of managers prior to Peter Weir taking over the helm.

Weir began his 20-year industry career as a cargo service agent for TWA, and moved to the British Airports Authority (BAA)-owned SkyCare Cargo when it acquired TWA's cargo handling business in 1991.

With the BAA eventually bowing to industry pressure (because it was both airline landlord and handling agent) with a sale of its controversial business to Ogden Aviation, Weir found himself managing the operation for a third owner when Menzies bought Ogden.

Self-described as being able "to talk for England", Weir found his leadership skills tested as Menzies subsequently embarked on a growth strategy that saw its handling subsidiary acquire 17 facilities throughout the UK and Ireland and grow its payroll from 25 to 520 staff.

The company then sent Weir to Australia to do more of the same. By the time he returned in 2006 to take over AMI from Des Vertannes, who was to move to Etihad Crystal Cargo, the wholesaler had reached No. 5 on the IATA agents' league table. It remains the highest-placed British company on the list and the only British company in the top 10.

Since then, Weir has spent the past four years expanding AMI via organic growth and acquisition from four locations in the UK and Germany to 20 offices in the US, Australia, New Zealand, South Africa, China and Hong Kong.

Last year, with industry cargo volumes floundering worldwide, he decided the only way to grow AMI's US business was to relocate from London to Dallas. Weir recognized that while the US market had "huge potential" for the AMI model, he couldn't do it from a distance.

Since then, as he readily admits, constantly flying around America "selling, learning and educating" has taught him a lot about the market and its level of sophistication.

With fewer than one percent of America's 30 million businesses exporting, Weir wants to focus AMI's growth on small and medium-sized agents (SMAs) in support of president Obama's National Export Initiative (NEI) that aims to double US exports by 2015.

To do this, Weir is busy putting the finishing touches to something called MyAMI — a customizable, web-based rate enquiry and booking "e-freight" portal based on open source Apache software that will be launched in New York for customer use by April 2011, followed by other offices across the US, South Africa, Asia and finally the UK by 2012.

"If you're familiar with expedia.com or a similar passenger booking portal, MyAMI will not be a challenge."

"Cargo 2000 is trying to make e-everything," he says, "but small agents don't have the level of investment that is required to go paperless. MyAMI allows the SMA to go e-booking with price/service options for air and trucking as well as providing a much better understanding of local geography and context through a link with Google maps."

A couple of clicks and the agent can see what the air and onward trucking costs will be from a particular airport. So for an SMA putting its toe in the international forwarding arena, buying wholesale from AMI — coupled with what Weir thinks is significant added value of MyAMI — means competitive market access and complete cost transparency: "Shipping to Manchester over Heath-

The Magazine of Choice

Air Cargo World, with more than 30,000 subscribers, has the highest direct request amongst all magazines serving the field.

#1 IN CIRCULATION
#1 IN QUALITY

Air Cargo World is the number one publication serving the air cargo industry. Published in 2 editions with a worldwide audited circulation of more than 30,000, Air Cargo World delivers the highest quality and most qualified readership of air cargo decision makers for your advertising message.

Decision makers who need to know read Air Cargo World. Reach the best audience in the world by advertising in Air Cargo World.

For a free subscription or information on advertising, visit www.aircargoworld.com or contact Steve Prince, Publisher, at sprince@aircargoworld.com

Air Cargo World

row is an additional four hours by truck. Sometimes the cost impact can be overlooked. This tool adds clarity," he claims — as well as access to prices that only global forwarders currently enjoy.

"If you're familiar with expedia.com or a similar passenger booking portal, MyAMI will not be a challenge," says Weir, who plans to keep the offering dynamic via links to rating databases and even humans who can be asked questions in real-time.

"We are a relationship business; this is a tool. We are not trying to take away the face to face, far from it. But with the business increasingly spot-rate based, MyAMI will enable an agent to benchmark a particular service/rate option on behalf of his shipper customer whether it is airport to airport or airport to door."

With some airlines taking more than five hours to respond with a spot quote, MyAMI should prove an instant hit among the SMA community as it begins to understand the benefits of using a wholesaler that doesn't back-sell its customers.

"US forwarders are now moving to the international market in order to spread their risk, and we're confident we can provide a global service to this emerging community," says Weir, who describes his company as " the largest virtual airline in the world".

Despite not seeing any signs of a double-dip recession, he admits the US recovery has been slow, although the cheap dollar has been a boost to exports. "If anything, we've seen a surge, although the days of people using airfreight to manage inventory are gone. Now it's all about demand selling. Ocean shipping can be used for inventory management," he adds.

"MyAMI will enable an agent to benchmark a particular service/ rate option on behalf of his shipper customer."

According to Gary Locke, head of the US Department of Commerce, two-way trade and investment between the US and the EU is worth $4.4 trillion and supports 14 million jobs — accounting for more than 30 percent of global trade and 50 percent of global GDP.

Locke is spearheading Obama's NEI initiative and is hoping the EU will support his effort to expand two-way trade. For Weir, "I've spent the whole year traveling around the US and listening to agents' woes and what their business models are. It certainly has been a learning curve because of different terminology. But for small and medium-sized agents working with AMI, there are real opportunities in all export markets to increase business tenfold." ACW

Air Menzies International:

Revenue:

2005: £34.3m ($54.6 million)
2008: £92.2m ($146.9 million)
2010: £96.4 million ($153.6 million) *estimated*

Bookings:

2005: 350,000
2010: 500,000

Year-on-year growth:

2006: +08 percent
2007: +62 percent
2008: +53 percent
2009: -17 percent
2010: +25 percent *(forecast)*

AMI
A MENZIES AVIATION COMPANY

Brandon Fried is Executive Director of the Airforwarders Association

Battery ban would harm consumers

The cause of the UPS plane crash that killed two crew members on September 3 in Dubai has not been determined, yet the accident may result in an immediately effective rule to limit the air transportation of all or most of those products that contain lithium-ion batteries. Such a rule could put a damper on the upcoming holiday shipping season that is critical to the nation's economic recovery. This will be especially unfortunate if it is not properly justified by conclusive facts.

If this immediately effective rule is published, it would short-circuit the impending battery transportation rulemaking that the Pipeline and Hazardous Material Safety Administration (PHMSA) has recently proposed. The Airforwarders Association, in conjunction with a group sponsored by the Portable Rechargeable Battery Association (PRBA), recently submitted comments stressing the importance of upgrading US battery transportation rules to the level in place for the rest of the world.

Proposed rules would result in much slower delivery.

While we are not privy to information leading investigators to conclude that lithium batteries were involved in the unfortunate accident in Dubai, we would hope that imposition of an emergency rule would be based on more than mere media speculation.

Experts explain that experience in testing suggests that if batteries were indeed the culprits of the crash, it would have been because the batteries had not been properly packaged in accordance with existing international rules. If those rules are changed, or the carriage of certain products containing lithium batteries is banned, individuals already ignoring legal requirements are unlikely to be discouraged from continuing to do so. As a result, an emergency rule will impose considerable economic harm on manufacturers, retailers and consumers as seasonal demand spikes.

The airfreight forwarding industry is committed to safety and realizes that inconsistent rules are more likely to actually decrease safety than improve it. Adopting the proposed US rules would cause chaos in commercial shipping — manufacturers would face higher shipping costs and much slower delivery, as goods would have to be switched to surface transportation.

According to the PRBA, consumers would feel the restrictions as well because it would mean they would not be able to airship their portable electronic equipment. For example, a father could not send a Blackberry to his son in college because it would have to meet standards for shipping hazardous materials, and retail stores do not have the special labeling and training it would require.

Experts assert that lithium-ion batteries are certainly safe for transport, based on the billions that have been successfully shipped during the past 15 to 20 years, compared to a handful of incidents cited by authorities. Imposing across-the-board bans on air shipments of lithium-ion batteries or products containing them would seriously disrupt sophisticated, just-in-time product-supply systems. Avoiding unnecessary disruption is essential as our economy struggles for recovery.

A recent comprehensive economic analysis by PRBA shows the proposal would impose direct costs on the American economy of more than $1.1 billion in the first year and more than $8.5 billion during the next decade. Manufacturers would be forced to redesign product supply chains to rely more on ocean shipping of consumer electronics and batteries. The result would be delays in the delivery of life-saving medical equipment, along with the possible relocation of US distribution centers to Mexico or Canada that would consequentially cause a loss of jobs and revenue.

As America attempts to move away from carbon fuel dependence, new and innovative battery-dependent applications, like those in the automotive industry, are likely to increase the need for expedited lithium-ion air shipping. Now is the time for all stakeholders to work together to find solutions that ensure safety while reflecting this market reality. Bringing US regulations up to international standards and strictly enforcing existing regulations would be the most prudent and safety-conscious strategy going forward. ACW

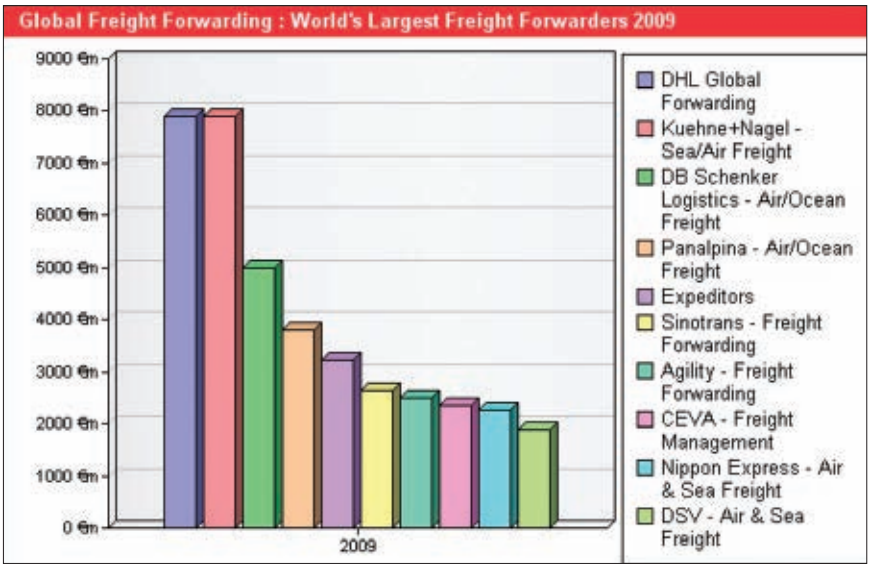
ECONOMIC ROLLERCOASTER MAKES FUTURE LESS CERTAIN

Two years ago, once the recession started resonating throughout the economy, companies all around the world moved from business-as-usual to damage-control mode. Consumers — the victims of declining incomes, vanishing job prospects and myriad other monetary pressures — began purchasing fewer and fewer goods. Retailers and other businesses reacted to this sharp downfall in demand by simply letting their inventories bleed down to bare-bones levels. After all, why restock when customers aren't confident enough in the market to buy goods? Freight forwarders, as a result, experienced a drastic downturn in cargo volume. Since 2008, these companies have basically been in freefall, but are now starting to crawl their way back up.

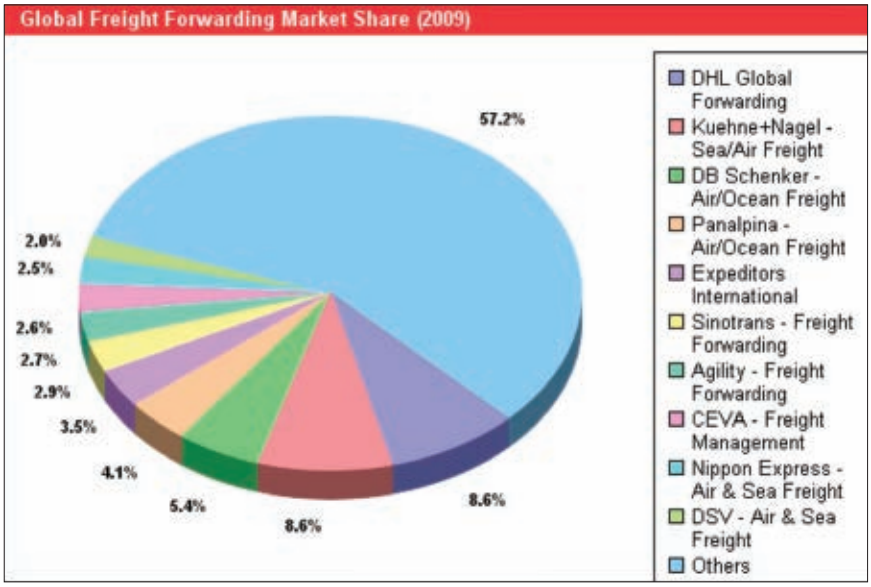
When the bottom fell out, the forwarding business quickly plummeted to the dank depths of the economy. Volumes and rates sunk to extremely low levels, which were made even more startling because of the double-digit growth the industry had experienced during the mid-2000s. In 2009, the market contracted by as much as one-fifth, but from January to June 2010, industry majors saw a 38 percent increase in activity.

These economic fluctuations have left forwarders wondering what to do next. Through this rollercoaster process, they have primarily learned one thing: confront the post-recessionary world with extreme caution. Forwarders want to know if it's finally OK to proceed with business as normal or if another downturn is lurking around the bend.

The main theme of UK-based Transport Intelligence's (Ti) Global Freight Forwarding 2010 report is this disruption in the air and ocean cargo markets and how it has affected the livelihoods of those within the industry. Ti found that the number one driver in the current market is rampant uncertainty about the economy, trumpin even the US Department of Justice's ongoing price-fixing investi-



Source all charts: Transport Intelligence



gation as the main talking point in the industry.

"We've seen, over the past 18 months, first a huge dive in volumes in the region of 30 percent and then a consequent bounce back," says Thomas Cullen, chief analyst at Ti. "The bounce back was very violent, and the question — which we're now considering as we speak — is how sustainable is that bounce back? It's very pronounced in shipping container volumes, but it's possibly even more pronounced in airfreight."

Retailers and other consignees are now in the midst of figuring out how much inventory to carry in this unsettling time. These firms must undertake an educated guessing game, predicting consumer confidence and any likely fluctuations in demand. It's a large gamble in the current economy; at one point in the past year, the financial prospect became so cloudy that forwarders simply stopped trying to guess how their clients would react to economic curveballs.

This proved to be a disadvantage for them, but the constant guess-and-check had become simply impossible. "They were very, very uncertain, and they all stopped predicting what business would be even on a quarterly basis. They were saying, 'We do not know what the future really holds,' both in terms of the downturn and in terms of the bounceback," the report says.

In the years before the downturn, capacity had kept up with demand, but when demand dropped off, capacity kept rising because of new development projects. According to estimates, as much as 50 percent of the existing cargo allocation — both ocean and air cargo — would be delivered into the market by 2013. This pattern emerges in other sectors of the economy, such as real estate development. In some cities in the US, a significant demand for new and improved office buildings vanished the minute many of the properties were completed, leaving vast, empty offices dotting the skyline.

The airlines' response to the unnerving trend in declining demand was to shrink capacity. This meant taking older planes out of commission — a move that, on the surface, made financial sense.

The top airfreight forwarder, DHL announced a 15.2 percent decrease in annual revenue in March

Airlines took the time to decommission older planes because a massive amount of cargo space simply wasn't needed, and these second- and third-generation vehicles were usually more expensive to operate than their newer brethren. When demand started to increase, rates went through the roof because it was very difficult to find capacity for the sudden influx of goods.

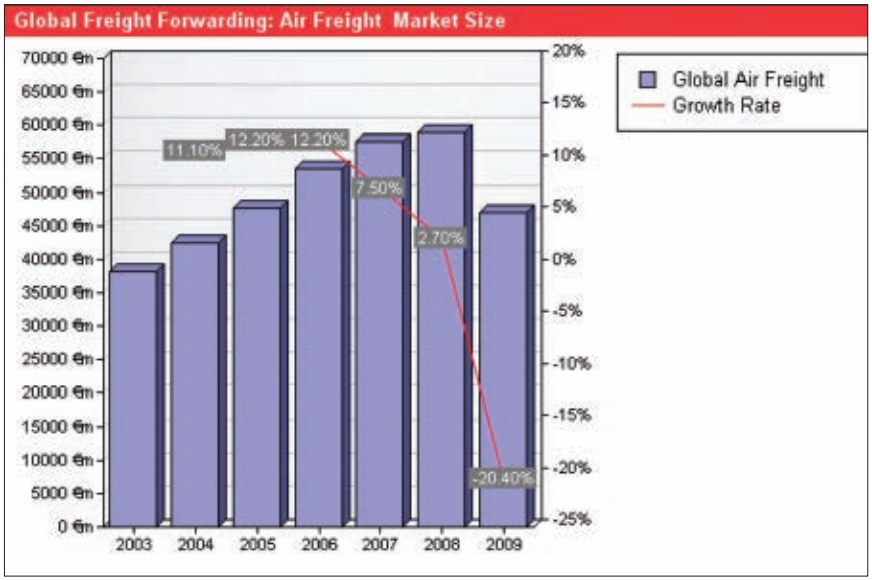
"This depressed freight forwarders' margins," the report says. "Previously … the world was awash with capacity, and people were desperate to get an airplane or a ship full; therefore, rates fell very aggressively. Even though volumes fell, that was made up for by the huge increase in margins that the forwarders made."

According to Ti, the airfreight forwarding industry worldwide experienced a 12.2 percent growth rate in 2005 and 2006. In 2009, this growth turned to a 20 percent shrinkage. The biggest activity-generator remained the Asia-Pacific region, but the European and North American sectors experienced the largest market contractions.

In 2010, the market suddenly picked up. This rebound was felt both in the ocean and in the sky, but the biggest upward shift happened in air cargo. Organizations that quickly needed to re-stock shelves looked to the skies for faster service. This preference for airlines as opposed to ships won't necessarily lead to a new trend, though. The report says the boost in air traffic was simply a result of a breakdown in the supply chain. Retailers were suddenly short of much-needed components, and the fastest shipping option was airfreight.

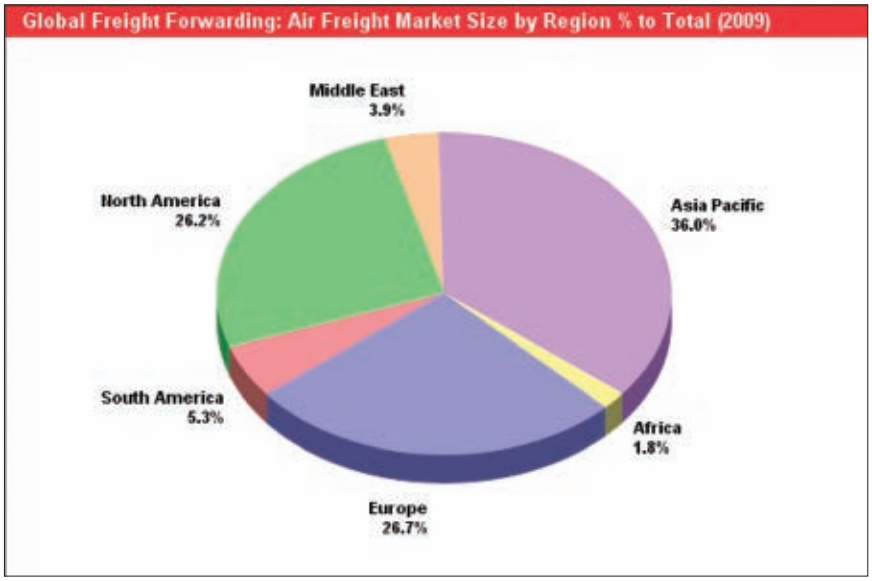
REGIONAL GROWTH

In the Americas, the weak market in 2008 further devolved into a poor year in 2009. A downturn in demand from the US led to a 21.3 percent market contraction that reverberated through South America, too. Now that forwarding is on the upswing, the region should start to rebound, led by the North American market, which accounts for 83 percent of the region's forwarding revenues.



South America's export markets were badly impacted by the recession, but the country escaped further damage, Ti's report finds, due to "its lack of integration with global banking systems". The compound annual growth rate (CAGR) in South America is expected to balloon by 2013, with Brazil, Chile and Argentina dominating the market.

China has experienced one of the

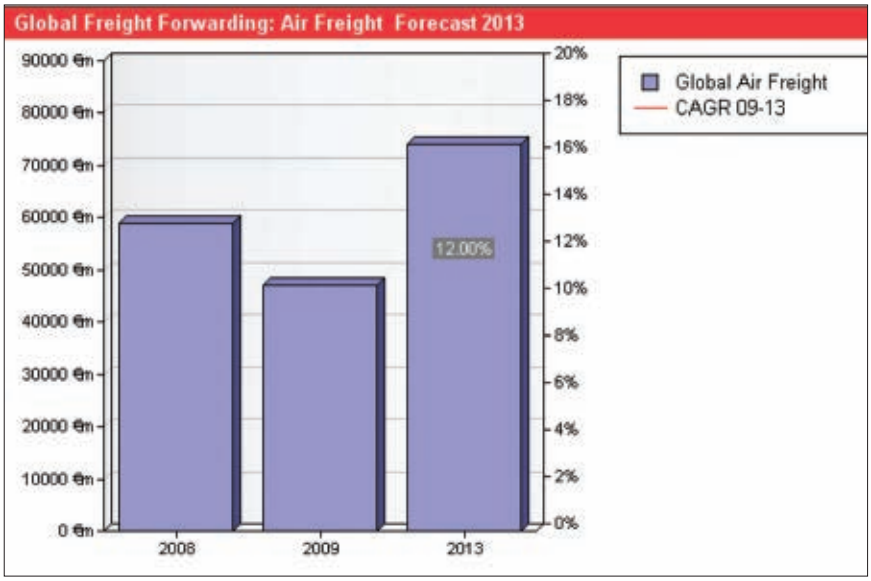


biggest growth patterns during the past year. The country imported a large amount of goods from neighboring Asia-Pacific countries, helping to feed its export activity to Europe and the United States. The Asia-Pacific region has the biggest market share, accounting for 36 percent of the global airfreight industry.

Germany stands alongside China as a huge exporter and has seen a 30 percent increase in the export of automotive and capital goods in the past year. Europe overall finishes at a distant second to Asia-Pacific with 26.7 percent of the market. This puts it almost even with North America, which maintains a 26.2 percent share.

In its report, Ti outlines "significant growth" worldwide in the next few years, with a quick initial acceleration and then a slower increase

Ti found that Kuehne + Nagle expects to grow its share of the air cargo market in the near future



over the long term. By 2013, the airfreight market will exceed activity levels experienced in 2008. Ti predicts a CAGR from 2009 to 2013 of 12 percent. If the rate is measured from 2008, it drops to a 4.6 percent rise. The Asia-Pacific region leads 2013 CAGR predictions with 15 percent, and the Middle East will see 13.5 percent growth. North America and South America will see 12 and 11 percent growth, respectively, with Europe and Africa benefiting from the most modest increases.

A COMPANY PERSPECTIVE

The top 10 air freight forwarder list is headed by DHL, which outpaces its second-place competition, Kuehne + Nagel, by a wide margin. In order, DB Schenker Logistics, Panalpina, CEVA, Expeditors, Nippon Express, Sinotrans, UPS SCS and Kintetsu World Express round out the top 10 rankings.

DHL has an 8.4 percent market share, while Kuehne + Nagel accounts for 6 percent of the air cargo market; Nippon Express, by comparison, has a 2.8 percent share. Together, the top 10 players make up 40.1 percent of the market.

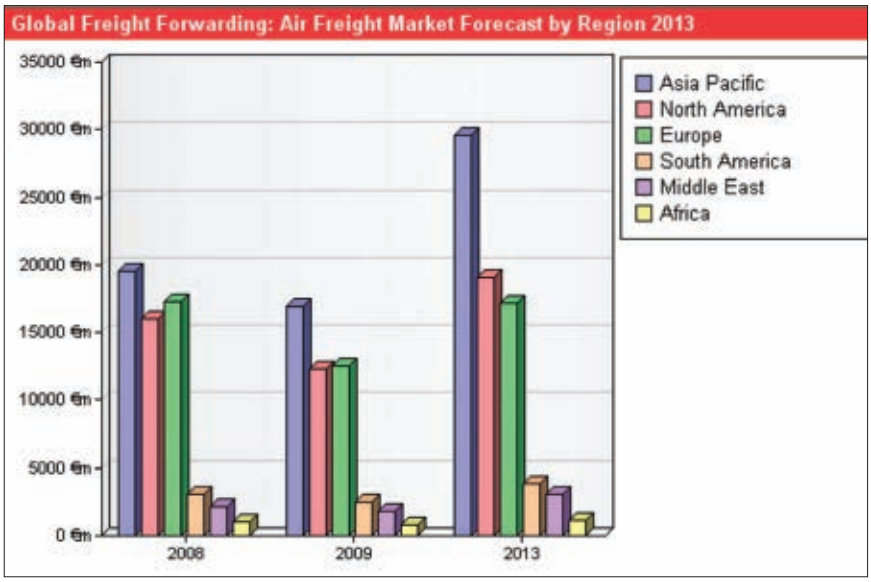
DHL announced, in March, a company-wide 15.2 percent decrease in annual revenue. Its Global Forwarding, Freight division saw a 68 percent year-on-year decline in earnings before tax and interest.

Kuehne + Nagel experienced a large decline in its revenue last year, but only a small profit decrease. Overall, the company remains rosy about future prospects. The report says K+N "believed that future demand for air and sea freight would be reasonable and this, combined with its growing market share, would fuel growth".

DB Schenker started to feel the airfreight market even out during the middle of 2009, but it still got hit by a 16 percent decline in total volumes. Taking into account both air and sea cargo, the company saw a 23.4 percent downturn in revenue last year.

The report also examines consolidation among forwarding firms. The tendency for bigger players to make acquisitions started long before the economic shock of the last two to three years, but, as the report notes, "the recession may have accelerated the process".

These larger firms were able to create a wider margin between what they charged customers and how



much they spent to purchase services. While this buying power was increasing, customers also flocked to larger firms because they were seen as more reliable and stable than smaller firms. Finally, consolidated companies were able to use their collective muscle to find more capacity in a challenged market.

Mergers among forwarders have had a direct impact on the market, but Cullen says consolidation between airlines will not have much of an effect on forwarders.

Explaining this reasoning, he quotes the example of the auto industry. Car manufacturers might be sprawling behemoths, but they are always looking for a bigger piece of the market. This means they will never be in the driver's seat and the smaller suppliers will still be able to be heard. "[Airline consolidation] does matter, but it's not going to make a dramatic change," he says. "We've had consolidation among container shipping companies, for example, but in truth there's still been excess capacity, and they've still been able to play one off against the other."

PRICE-FIXING "MURK"

The specter of the Department of Justice and its ever-present price-fixing investigation has created a big storyline in recent months. Of the 20 forwarding firms Ti profiles, a few passing mentions about fines crop up.

Since the report was compiled, of course, the DOJ has moved to force a number of forwarders to accept breaches of anti-trust rules.

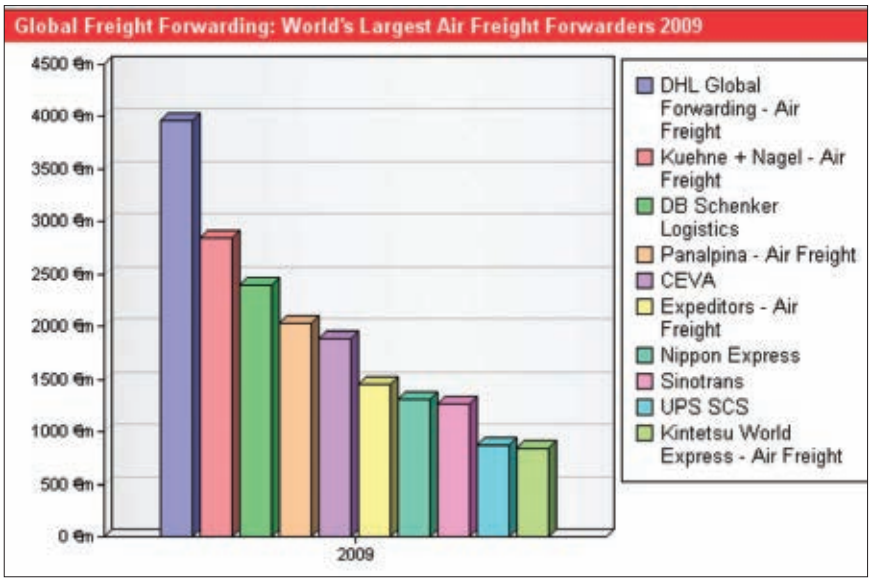
Last month, six companies, including Kuehne + Nagel and Schenker, pleaded guilty to charges and were fined a total of $50.27 million.

Ti confesses it doesn't know how these proceedings will affect the coming few years in the industry because nobody really knows what's going on. The report does allow, however, that some companies have lacked "transparency" in the past, and this might have been a contributing factor to their current problems.

"We don't know what the real problem was. Was there endemic price fixing, or was it simply discussions over specific routes?

"This is a very murky area, and therefore it's very hard to measure what the impact would be," Cullen says. "Has the industry changed its be-

Panalpina, with its own dedicated freighters, is the world's No. 4 airfreight forwarder



havior? It probably must do, but they're probably not going to publicize that for either side, purchaser or seller."

The industry is constantly changing and has gone through a further significant growth spurt even since Ti released its report — according to certain forwarders. Some of Ti's recent data suggests that demand is contracting again, though a few companies have told the analyst that demand is still on the increase for them.

The same contradiction occurs when discussing capacity. If he had to make an amendment to the report, Cullen says, this continuing uncertainty about current and future consumer demand would definitely be included.

Of course, there are always new data points, so there is always further editing to be done. "As soon as you write these things," Cullen concludes, "they're almost out of date." 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

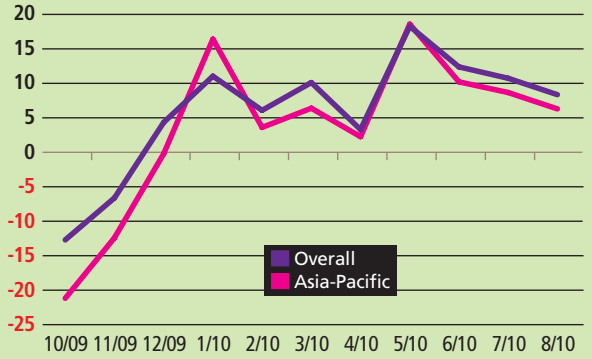
5 Continents...
162 Countries...
Go Global with Air Cargo World's International Edition!

Is your company looking to expand globally? Are you ready for an international agency partnership? Air Cargo World International's Classified Section can put you in touch with more than 18,000 agents, forwarders and other air freight executives in more than 162 countries worldwide—business partners from Austria all the way to Zanzibar!

Go Global and Advertise with Air Cargo World International's Classified Section Today!
Contact Pam Latty, Classified Sales Manager, at 678-775-3565 or platty@aircargoworld.com

CARRYING EUROPE

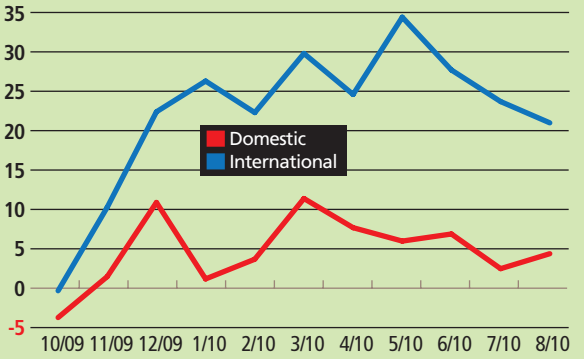
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

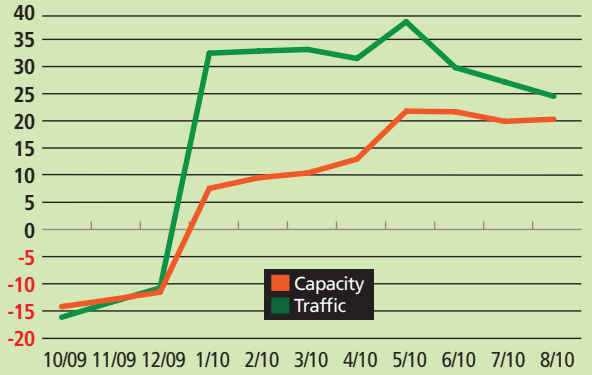
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

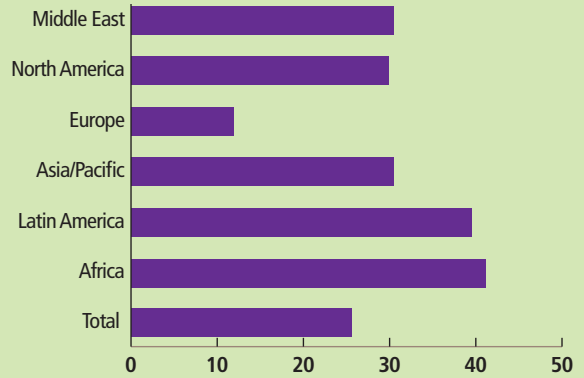
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

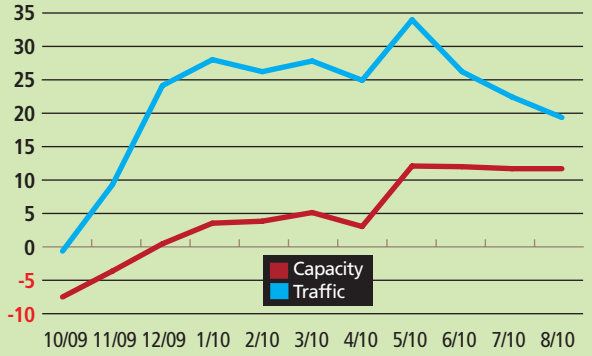
International air cargo year-to-date percent change for August 2009 vs. August 2010



Source: IATA

CARRYING INTERNATIONAL

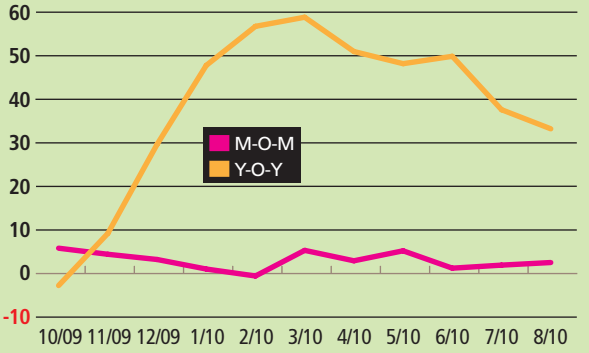
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight tonne-kilometers and available tonne-kilometers.



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

AIRLINES

Deutsche Lufthansa has promoted **Christoph Franz**, who has been serving as the company's deputy chairman, to chairman and CEO of the **Lufthansa Group**. Franz had been working in various roles for the company since 1990; he succeeds **Wolfgang Mayrhuber**, who had served as chairman and CEO for eight of his 40 years with the company. **Carsten Spohr**, formerly chairman and CEO of **Lufthansa Cargo**, also has been appointed to the company's executive board and has been named CEO and chairman of the **Lufthansa German Airlines Board**. **Karl Ulrich Garnadt** has been proposed as Spohr's replacement. All changes will take effect on January 1.


SPOHR

Retired colonel **Steven Harrison** has joined **National Airlines**, a subsidiary of **National Air Cargo**, as president. He previously served as commander of the 89th Airlift Wing, based out of Andrews Air Force in Maryland; in that role, Harrison oversaw logistics, air missions and communications support.

Ashwin Bhat, **Urs Stulz** and **Lalin Sabuncuoglu-Janssen** have been appointed to new positions in **Swiss WorldCargo**. Bhat, an 18-year industry veteran, has been promoted to managing director Asia, Africa and Middle East. He most recently served as managing director transportation management. Promoted from managing director Europe, Stulz now heads up the central services department. The recently created position includes overseeing marketing, processes, contribution management and hub operations. Sabuncuoglu-Janssen was promoted from the passenger sales Europe organization to take over as managing director Europe. Before serving **Swiss International Air Lines**, she worked for **Swissair** in Turkey, Belgium and Switzerland.


BHAT


SABUNCUOGLU-JANSSEN


STULZ

Johnny Hobayan has joined **Aloha Air Cargo** as director of sales and business development. In his new role, he will focus on strategic planning and managing existing accounts. He formerly worked for **DHL Express — Hawaii** and started his career with **UPS**. Aloha Air Cargo has also promoted **Chris Dau** from chief dispatcher to manager of systems control, where he will oversee FAA compliance issues and manage the dispatch department.


HOBAYAN

Delta Air Lines has appointed **Stephan Manigk** regional manager of cargo sales and service. He will manage accounts in Austria, Denmark, Norway, South Africa, Germany, Switzerland and Sweden. Manigk was previously cargo manager at **South African Airlines**. Delta has also tapped **Irina Koeppen** as project manager of cargo sales and service for Europe, the Middle East, India and Africa; **Maurice Fuchs** has been promoted to cargo sales manager Germany.

Sanjay Aggarwal recently left his position as CEO of **Spicejet** to become the CEO of **Kingfisher Airlines**. He has previously worked as COO of the private jet provider **Flight Options**, and he spent six years working at **US Airways**.

Lufthansa Cargo Charter has picked **Andrew Morch** as its next general manager for the Americas, based in Chicago. The company has also moved two senior sales managers, **Blake Merriam** and **Alexander Schmidt**, to Chicago. The company also is planning to add one more employee, who would specialize in the Latin America region.

DHL Express has chosen **John Pearson**, a 24-year company veteran, as CEO of **DHL Express Europe**. Pearson served as area director for **DHL Oceania** and executive vice president commercial for **DHL Express USA**, among other positions. **Roger Crook** will become CEO of DHL Express for the Asia/Pacific, Eastern Europe and Middle East on January 1. Crook, who is currently CEO of **DHL Express for the Americas**, has worked at DHL for 20 years.

AIRPORTS

Manchester Airports Group has appointed **Penny Coates** to CEO and **Brad Miller** to managing director of **East Midlands Airport**. Coates previously served in Miller's new position, and Miller, who has been with MAG for five years, worked as the company's projects and procurement director.

Louis Miller, the former executive director and CEO of **Tampa International Airport**, has been selected as the general manager of **Hartsfield-Jackson Atlanta International Airport**. Boosting air cargo traffic will be one of Miller's main goals. Miller, who has worked in Tampa since 1996, served in the **Salt Lake City airport system** for 20 years.

CORRECTIONS:

The August issue of *ACW* reported that **Wang Junjin** was expanding **Okey Airways**. In fact, he sold his shares in Okey earlier this year. **Wang Shusheng** is the new owner of the airline, which is acquiring 10 B737s.

Thomas Verwey of **Johnson Controls** is the subscriber who won our reader survey participant drawing. We apologize for misspelling his name in our October issue.

THIRD PARTIES

A number of changes have been announced at **Panalpina** as part of the company's new organization structure, which was announced in March. **Henrik Lund**, a 28-year industry veteran, will become global head of air freight. In the position, Lund will oversee product management, procurement and operations around the world. He formerly served in various roles at **Samson Transport**, **Avia Cargo** and **DHL Global Forwarding**. **Mike Wilson**, the new global head of logistics, will be responsible for road and rail, warehousing and distribution, and all other logistics for the company. Finally, **Sven Hommken** has been promoted to global head of marketing and sales. Hommken joined Panalpina in 2008 when he left his job as senior vice president for global business intelligence at DHL.

Agility has named **Steve Whittingham** managing director for Korea and Japan. The 20-year industry veteran has held positions at UTi Worldwide in South Africa and **BAX Global** in Thailand. He will work from Agility's Seoul office.

Former **Omron Healthcare** vice president **Michael Mobley** and **Marty Sinicrope**, who has worked in the transportation industry for more than 20 years, have joined **Echo Global Logistics** as senior vice president of operations and vice president of station sales, respectively. Mobley's duties include overseeing account servicing, new customer implementation and pre-sales solutions engineering. Sinicrope will be in charge of the company's independent contractors.

Jim Taef has been promoted to district manager of **Lynden International**'s Los Angeles office. Lynden has also hired two more district managers. **Tom Bizzarro** will work out of the company's New York office, and **Andrew Poll** will join the team in Chicago.

After more than 38 years at **Penske Logistics**, president **Vincent Hartnett** will retire from the company in January. **Marc Althen**, who has worked at the company for 22 years, will assume the vacant position.


ALTHEN

Kuehne + Nagel has appointed **John Hextall** to succeed **Rolf Altorfer** as president of the company's North American region. ACW

events

NOVEMBER 10-12

Geneva, Switzerland: IATA's 6th Cargo Claims and Loss Prevention Conference can help protect precious revenue in these challenging times by promoting practical, workable solutions and best practices for quick and efficient processing and resolution of air cargo claims. The conference, to be held in IATA's own Conference Center, is the only event addressing the special needs of an often neglected niche area. It will prove highly beneficial for claims personnel, risk and insurance managers, loss adjusters, aviation liability lawyers as well as industry e-commerce and operations managers. Program highlights: harmonizing the MC99 liability limit for air cargo across all routes worldwide; applying the e-AWB business process under the Warsaw regime; introducing electronic claims management; identifying potential liability issues in e-freight implementation. For full details, visit cargoclaims@iata.org or register online at *https://ems.resrunner.com/CCLP2010*.

DECEMBER 9

Washington, DC: The Airports Council International — North America hosts its annual International Aviation Seminar. The event brings together top airport and airline management, government officials and consultants, to explore the latest developments in international air travel, and government air transport policies that impact airports' ability to retain and secure international air service. The seminar will conclude with the ACI-NA's Annual Holiday Reception that evening. Information: *meetings@aci-na.org*.

JANUARY 31-FEBRUARY 2, 2011

Amsterdam: Pharma IQ's Cool Chain Europe and exhibition features solutions and services for cool chain transport, packaging, qualty assurance and management. For more information, visit *www.coolchaineurope.com*.

FEBRUARY 22-24

Nairobi, Kenya: Air Cargo Africa, the first conference and exhibition of its kind, will be held at the Kenyatta International Conference Centre. The event is organized by the STAT Trade Times, which has run three editions of Air Cargo India. Go to *www.stattimes.com/ACA2011*.

MARCH 8-10

Hong Kong: The 2011 version of Air Freight Asia, a biennial conference and trade show, will be held at Asia-World Expo in Hong Kong. The event will feature separate conferences on air cargo and logistics. A dedicated logistics pavilion will showcase the latest industry products and services. One-on-one meetings can be set up during the Cargo Networking Day. For more information, e-mail airfreight@reedexpo.com.hk or visit *www.airfreightasia.com/en/Home*.

MARCH 8-10

Istanbul: Hilton Istanbul Hotel is the site for World Cargo Symposium 2011, which will bring together more than 700 industry insiders for a three-day conference full of meetings, plenary sessions and forums. Topics include air mail, dangerous goods, e-supply chain, revenue optimization, ground-handling agents and more. For additional information and to register, visit *www.iata.org/events/wcs2011/Pages/default.aspx*.

ADVERTISER INDEX

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

Successful IT projects and other lies

Although a balmy autumn breeze sends leaves somersaulting across the manicured lawns of Corporate HQ, the atmosphere in Meeting Room 8 is definitely arctic. The CEO is about to blow a fuse. In that subdued voice that presages calamitous consequences, he says: "It seems the only words I hear in connection with IT projects are over budget, late and below expectations.

"I have been fobbed off with re-engineering, outsourcing, smartsourcing, virtualization and many other buzzwords as a so-called final solution to our IT requirements only to end up talking yet again about disaster recovery.

"So are you all incompetent, disinterested, dishonest or too cowardly to tell me the truth?" demands the CEO of his project team.

All present frantically try to convince themselves that Magnus son of Magnus must be referring to one of their peers — or the previous team leader — and that they have no part in any decision made in conjunction with the current shipwreck.

The CTO, who is not the son of anybody in particular, finally offers a timid "Can I explain?" to break the silence.

"If it is about a 'technology leapfrog', 'migration path' or 'architectural strategy', the answer is no," thunders their leader, whose Viking DNA is beginning to appear. "I just want someone to be honest, for a change."

In the calm voice of one who has mentally updated his CV and with the hope his ex-employer will let him keep his company car, the CTO says: "Magnus, you force us to lie."

Wondering whether the proverbial axe is about to manifest in Magnus' right hand, the assembled team brace for the blow. But all they get is an ominously quiet: "Why?"

The CTO decides the car isn't really that crucial and continues: "Let me describe a hypothetical situation. You have two alternative project managers for a critical IT project. The first one makes a presentation claiming that he has fully understood the problem, designed a project organization and vendor selection process, identified the technology to be deployed and methodologies best suited for the solution, and produces an itemized budget totaling Euro 8,473,843.50. His detailed implementation plan identifies the critical path and shows Feb. 15, 2013 as the project completion date.

Pausing to sip nervously at a glass of Icelandic mineral water that tastes strangely metallic, he adds: "The second claims to have a broad understanding of the objectives and a high-level blueprint of how to achieve them. Based on a number of assumptions made with regards to technology that will not live up to its claimed capabilities; delays due to new developments within the company and its markets which will lead to 'scope creep' or 'leap'; and the dependencies on third parties that can be relied on to exacerbate internally generated issues, he estimates that the project costs will be between $8-10 million and the introduction of the new system will be around the first or second quarter of 2013.

"So Magnus, tell me which project manager will you or any other CEO opt for?" concludes the CTO with a slight edge in his voice as he imagines HR collecting his car keys.

"I know what I want" and "I understand what you want" are two of the most sincere lies in the world of IT. Unless someone discovers "instant IT", invariably we are all shooting at moving targets and this entails compromise.

The larger a company, the smaller its willingness to accept the fact that an 80 percent solution to today's problem is far superior to a 100 percent solution to today's problem in two years time.

The development of truly new software is an art. And the endless attempts to make it into a science can be likened to trying to create the next Picasso or Michelangelo in vitro or via painting by numbers.

Implementing a project is invariably a multi-party effort, and we have great difficulty in accepting the fact that cooperation is a learning and not a planning process — that IT projects are mostly about sociology and not technology.

If more executives would strive to improve their ability to accept and live with uncertainty, hone their instincts to sensing issues early, and keep a steady hand on the tiller when necessary — while not hesitating to act decisively rather than letting corporate inertia keep zombie projects alive — we may get more people simply to tell the truth.

And Magnus might not need his axe. ACW