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editorial

Air cargo by the numbers



Steve Prince
Publisher

Numbers and air cargo go hand in hand. By now, almost every carrier, airport and other organization has released its 2010 results, and statisticians have begun pouring through the heaps of data looking for some clue to where air cargo is heading in 2011. Knowing how this industry is so enamored with statistics, I thought you might enjoy looking at some numbers that have popped up in the news in the past few weeks.

20.6. *IATA's reported airfreight growth rate, in percent, for 2010.* Airfreight exceeded pre-recession highs last year by 1 percent. It is still too early and too risky to say the industry is back to flying in blue skies, but visibility is clearly improving.

€800 million. *Total price of fines levied by the European Commission (EC) on 11 carriers for their alleged role in the price-fixing scandal.* Will the string of punishments over the price-fixing scandal ever end? Who's next in line to file for a piece of this fine pie?

10. *Number of months the EC investigated the merger of Olympic Air and Aegean Airlines before deciding it would be monopolistic.* Monopolistic is my choice of word because it sounds more Greek than anti-competitive.

17.05. *The percentage of cargo tonnage growth in 2010 at Atlanta Hartsfield-Jackson International Airport.* Nice job ATL! OK, so I'm a bit of a "homie," but hats off to them, they are cargo serious. The recent additions of Asiana Airlines and Cargoitalia should only help improve growth even more.

18.9. *The percentage of cargo traffic growth year over year, according to the International Civil Aviation Organization.* This is a very interesting statistic. For some reason, we always think in terms of tonnage and not traffic.

3,443. *The total number of orders Boeing has on its books.* It will be nice to see that number decrease when Cargolux receives the first 747-8 Freighter in a few months.

100. *The expected number of AN12's to be replaced by B737's of the conversion kind for domestic use in Russia in the next few years.* Ah-h, at last — from America, with love.

25. *The percent increase in fleet size during the next four years recently announced by Lufthansa Cargo.* That's an impressive number! I'll take a 25 percent increase anytime.

These numbers can tell us much about the industry's health, but the interpretation is strictly up to you. So, what's in these numbers? You be the judge.

A handwritten signature in black ink that reads "Steve Prince".

Is 2011 the year for air cargo?

Air cargo is expected to contribute to a second consecutive year of industry profits in 2011 due to strong demand from emerging economies and export-led growth in the U.S. and Europe on the back of weaker currencies.

This is good news for an industry that has lost more than \$50 billion in the last decade. The harsh reality is that these profits are nowhere near sustainable levels. The \$15.1 billion return recorded in 2010 will shrink to \$9.1 billion in 2011. With that, margins will also fall from 2.7 percent to 1.5 percent. We would need 7 to 8 percent growth just to cover the cost of capital.

Challenges ranging from inconsistent security regulations to low government adoption of e-business standards threaten the long-term health of air cargo. In 2011, the International Air Transport Association (IATA) will work hand-in-hand with freight forwarders, ground handlers, shippers and government customs authorities to deliver a more secure, efficient, reliable and profitable supply chain.

Security that makes sense

IATA is working closely with global security regulators (the Transport Security Administration, the Department of Homeland Security, the European Commission and the ICAO) to provide an industry perspective on this important issue.

Effective cargo security must be based on a combination of three measures. IATA is advocating the use of electronic data to help identify risk levels of cargo. One of the e-freight message standards, the security declaration, can be used by states to evaluate cargo passing through their borders. ICAO has endorsed this standard beginning in July 2011.

Screening technology also is important. Screening can complement effective intelligence and supply-chain solutions. However, governments have to certify the technology that can screen pallets and oversize items. Inter-governmental cooperation is needed so that screening systems and security programs can work together.

We also need a secure supply-chain approach — a layered approach, whereby from the moment a box is packed until the moment it arrives at the aircraft, it is



Des Vertannes

protected from tampering. The approach is based on the premise that everyone in the supply chain should have a responsibility for maintaining the security of air cargo. Most important, it allows the flexibility for cargo to be screened at an appropriate point on its journey and then transported securely.

The Secure Freight program is based on this approach. Malaysia was the first country to implement Secure Freight in November 2010. Egypt is expected to go live this year. At its December meeting, the IATA Board of Governors made Secure Freight a priority, setting a target of two additional country memberships by the end of 2011.

100 percent e-freight by 2015

Today, the e-freight network is in place. More than 40 countries are using paper-free air cargo, representing 80 percent of international air cargo volumes. The next phase of the project will look at increasing e-freight volumes on the existing trade lanes. As of December 2010, 2.8 percent of all shipments on these trade lanes were e-freight shipments. In five years, IATA and its industry partners hope to make that 100 percent, beginning with a 10 percent target this year.

In order to meet that target, the industry will focus on securing government support for a favorable regulatory environment and creating a taskforce to facilitate local adoption. Maintaining active governance structures at a global and local level to make sure e-freight continues to be industry-led and that e-freight solutions make sense for everyone involved also is very important.

New year, new partnership

IATA must work closely with all supply-chain partners to maintain the industry's competitiveness and its crucial role in global trade. One step in this direction was the formation of the Global Air Cargo Advisory Group. Another such opportunity is the annual World Cargo Symposium, which is being held this month in Istanbul. More than 700 delegates are expected to participate. IATA hopes to see you there. **ACW**

Des Vertannes is the global head of cargo at the International Air Transport Association.

To boost Euro reach, carriers try RFS



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Wallenborn is the largest European provider of RFS capacity

Europe's roadmap of airline trucking services has effectively been redrawn. Road feeder service (RFS) providers are becoming an integral part of the operations of the major cargo carriers serving European gateways. It has reached the point, particularly among Asian cargo carriers, that in some instances, road feeder services are now literally driving their business.

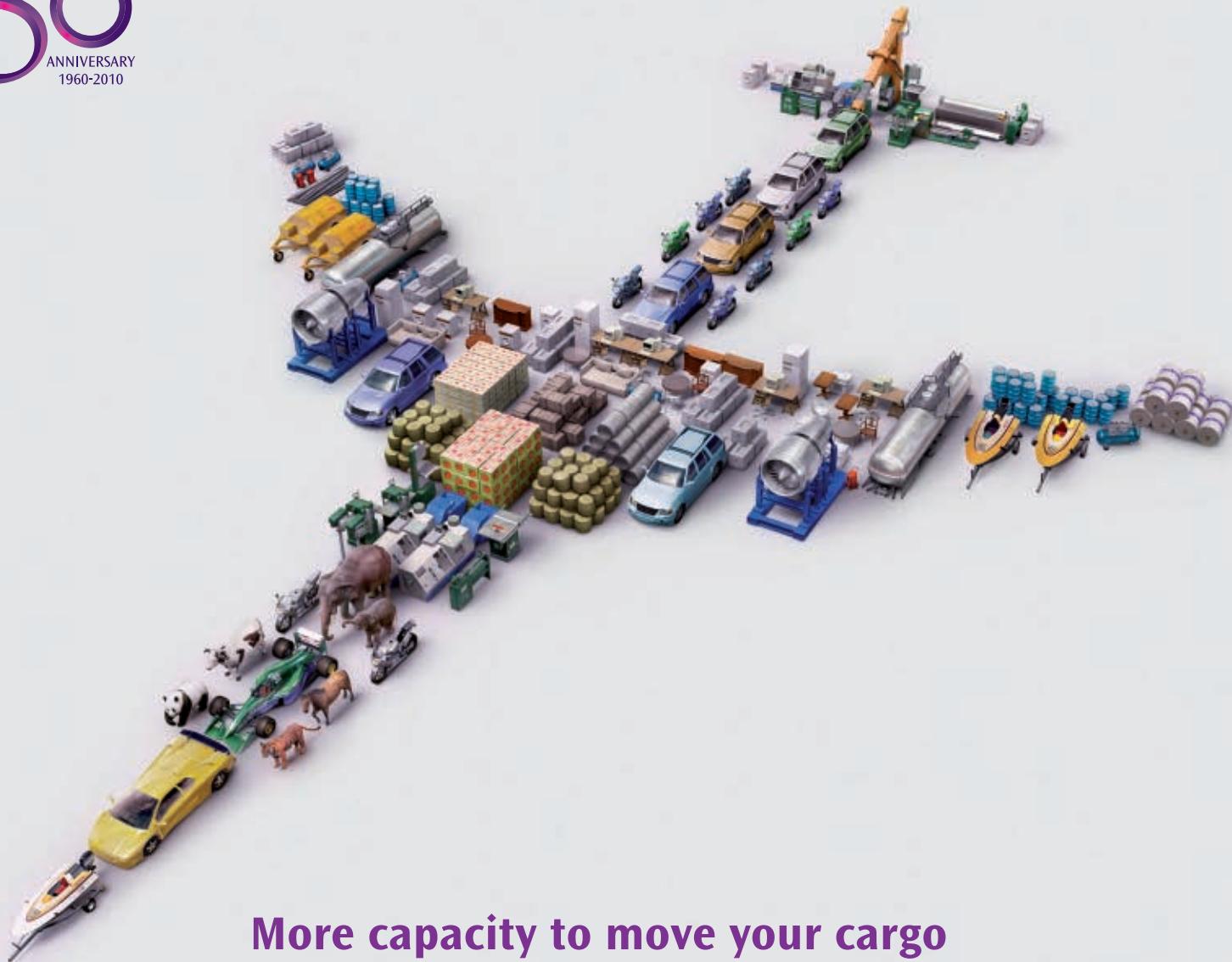
Someone who has witnessed the transformation is Jason Breakwell, manager, commercial and key accounts, at the Wallenborn Group. "I would not have believed it if I had not seen it myself," he said. "Prior to the downturn, most of the major cargo carriers, but particularly the Asian operators, were resolute in serving at least two or three European gateways. They had a mindset that trucking services could not provide the reach and effective and reliable

service levels they demanded."

Almost overnight, in the wake of the downturn, virtually every cargo carrier has switched to serving a single European gateway. This places greater reliance on road feeder services on the ground. "It all happened very suddenly, and I don't think these carriers will ever return to the concept of serving multiple gateways in Europe," Breakwell said. "But when you consider it, all the major European carriers, with their home hubs, only serve a single European gateway."

It has put increased pressure on the RFS operators to raise their game, but in some respects, Wallenborn was already ahead of the curve. In August 2009 the Luxembourg-based company acquired two of Europe's premier airline truckers, Holland's Rutges Cargo and Scandinavia-based Haugsted AirCargo Services.

(Continued on page 8)



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(Continued from page 6)

The deals made Wallenborn the single largest provider of RFS capacity in Europe, with the ability to be able to put more than 500 units on the road. Wallenborn has retained the brand names of its two buy-outs.

"There was a lot of customer loyalty and brand recognition attached to both these operations," Breakwell said. "The three names remain, but every other aspect of our operation has been integrated, particularly vital elements like our IT platform."

"I don't think these carriers will ever return ... to serving multiple gateways in Europe"

— Jason Breakwell

With the switch to single-hub operations in Europe and the greater focus on road feeder services, casual observers might think Wallenborn is under even more pressure to help the carriers reduce costs.

"It does not work like that any more, and I think we can be credited with turning that concept around," Breakwell said. "Today, we work closer than ever with our cus-

tomers, and the focus is on how we can build and develop long-term relationships, rather than just looking to drive down costs."

Wallenborn, he said, will often take the initiative in approaching its main customers with new products and service additions. "We just don't wait for them to tell us what they want," he said. "We go to them and suggest ways we can improve the relationship and build the business for them."

Breakwell cited the example of an Asian carrier that has actually increased frequencies to Frankfurt purely because of the high service levels it has been able to receive from Wallenborn. "Small things can make a big difference. For instance, we now employ Chinese speakers in both our Frankfurt and Amsterdam offices."

Breaking into the German market was a high priority for the newly-expanded Wallenborn Group, and it has achieved that goal by establishing operations at Frankfurt and Munich airports. "The next priority is to develop our services in Southern Europe and to further enhance our Scandinavian operation," Breakwell said.

Pushing into Eastern Europe, he said has less of a priority for the company. "We operate into Eastern Europe, but mostly on behalf of shippers and forwarders, with no real call from the airlines for service addition." But with most cargo carriers now serving a single European point, the demand is for a single supplier for all their intra-European trucking requirements.

While service reach is one demand being made of the airline truckers, just as much emphasis is being placed on the safe and secure transit of shipments on the ground. This is especially true for premium products, such as pharmaceuticals.

"We are particularly proud of service levels we are able to guarantee for the handling of pharmaceutical products," Breakwell said. "It is an element of the supply chain which we have worked together, not with the carriers, but with the pharmaceutical manufacturers themselves."

The key demand in transporting pharmaceuticals is maintaining constant temperature throughout transit, whether the shipment be in a cargo hold, on a truck or in a warehouse.

"Typically, we work within temperature ranges of 3-8 C and 15-25 C," Breakwell said. "In the past, this has been difficult to achieve for part loads, for which we have had to dedicate a single truck." Today, Wallenborn has overcome that challenge with a fleet of new vehicles fitted with separate compartments dedicated to different temperature zones.

Security is never far from the mind of any operator of road feeder services, and as Breakwell confirmed, it is an issue that will never go away.

"We are a member of the Transported Asset Protection Association (TAPA) and fully support its efforts to secure the supply chain. But constant vigilance and the securing of your element of the supply chain is vital." **ACW**

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Providers prepare for 2012 Olympics

To better position itself as a major hub for the 2012 Olympic Games in London, Manston Airport in Kent has broken ground on a \$250,000 (\$396,674) Equine Border Inspection Post. Completion is expected in April.

"With no slot restrictions and no congestion in the air or on the ground, we can offer customers a fast, professional and efficient service, ensuring the least amount of stress for their animals, which have already had a long flight," Allan McQuarrie, Manston's group manager for freight development, said in a statement. "From the aircraft to the BIP, the distance is less than 300 meters, and it is sheltered from aircraft noise by other buildings."

McQuarrie also said the BIP will play into the airport's plans to play a large role during the Olympics. He has already offered use of the facility to the Olympic Committee because it is only located 58 miles from where some equestrian events will be held, he said. The event's official airport is London Heathrow; officials there expect to see 125,000 passengers during the games.

The Kent airport has been in expanding for years, something that will only be ramped up by the presence of athletes and cargo for the London Olympics. In the development's master plan, future passenger figures were outlined: By 2018, the airport is expected to see 2.2 million annual passengers, and the number is ex-

pected to grow to 4.7 million by 2033.

Roger Gale, the region's parliament member, has been working since early 2009 to secure Manston Airport as one of the key transport facilities for the games. His argument is that by building up Manston, traffic to London Gatwick and London Heathrow will be relaxed and a logistical nightmare will be avoided. "Manston has the capacity to provide, for 2012, a one-stop shop for the reception, processing and accreditation of incoming athletes from around the world," he has said.

UPS is also getting in on the act in advance of the 2012 games, announcing that it has deployed an expanded fleet of electric vehicles to serve Olympic host venues. The company seems focused on not only providing extra logistical force for the games, but also making sure those added vehicles are environmentally friendly.

"With the London 2012 Olympic and Paralympic Games only eighteen months away, we are very focused on reducing the carbon footprint of our delivery network in the capital," Cindy Miller, managing director of UPS UK, Ireland and Nordics, said in a statement. "Over the past few years, we have invested in technological improvements allowing us to expand our electric fleet, such as installing extra charging units at our London facilities. This is an important step in our continued commitment to making our operations more sustainable." **ACW**

Budapest nearly back to pre-recession levels

Budapest's Ferihegy Airport (BUD) will more than double its cargo-handling capacity when it opens its new 250,000-tonne Cargo City.

The development, scheduled for

completion in late 2012, is being built alongside passenger terminal 2. It forms part the BUD Future project, which aims to turn Budapest into the major aviation hub for Central and

(Continued on page 10)

Carriers begin long fight against cartel fines

Air Canada, KLM, Japan Airlines, Cathay Pacific and Cargolux Airlines International have all appealed fines levied to the carriers last November by the European Commission, according to the Court of Justice of the European Union. A total of 11 carriers were fined nearly €800 million for their alleged roles in an airfreight cartel.

The court also has pending cases brought by LAN Airlines/LAN Cargo, Singapore Airlines/Singapore Airlines Cargo, Lufthansa and British Airways, but these cases may be for matters unrelated to the cartel charges.

Since these airlines have just filed appeals, hearings are likely to be 12 to 18 months down the road. According to the court spokesman, judgments are passed down somewhere between six to 12 months after the hearing, but the wait is longer for more complicated cases.

The Commission alleged that the fines were a result of the carriers' imposing a flat-rate fuel surcharge for all shipments, introducing a security surcharge and refusing to pay freight forwarders. At €127.16 million, KLM's fine is the largest among the five carriers now appealing the decision. Cargolux was hit with a €79.9 million fine, and Cathay Pacific was fined €57.1 million. Japan Airways and Air Canada were fined €35.7 million and €21 million, respectively.

The remaining carriers are Air France, British Airways, LAN Chile, Martinair, SAS, Singapore Airlines and Qantas. Lufthansa and SWISS received immunity, as they were the first airlines to provide information about the cartel.

When the fines were announced, Joaquín Almunia, the EC's vice president for competition, called the alleged actions "deplorable" and said the organization "is sending a clear message that it will not tolerate cartel behavior." **ACW**

(Continued from page 9)

Eastern Europe (CEE).

Currently, Ferihegy has capacity for 120,000 tonnes. It handled 82,600 tonnes of flown cargo in 2010, a 32 percent increase, and saw more than 5,800 freighter movements, 23 percent up on 2009. The figures brought Budapest back close to its record pre-recession performance achieved in 2007.

Budapest is the base for Malev, Hungary's national airline, and more than 20 other carriers, serving more than 90 destinations. The airport suffered very few weather diversions last year and accepted a number of aircraft diversions itself because of poor

conditions elsewhere.

This was "testimony to years of experience in operating under extreme winter conditions and having invested in the right equipment," said Christa Soltau, vice president, cargo and logistics.

"The result was satisfying in what has been a turbulent year," Soltau added. "Budapest has access to a catchment area of 20 European markets within 1,000 kilometers, and we are playing an increasingly important role for logistics and distribution in the CEE market and beyond."

A strengthening cargo market in 2010 was led by Asia and the U.S., with Cargolux adding a fifth week-



ly B747-400 freighter service from Hong Kong. Additional bellyhold capacity this year comes via Qatar Airways' three-times-weekly A320 flights to Doha, launched in January, which accommodate up to eight tonnes of cargo.

American Airlines starts a passenger service to New York in April and Delta Airlines will reinstate its services from June. **ACW**

In the news...

German air cargo volume will increase by 6 percent in 2011 following a 0.8 percent growth last year, according to the firm **Research and Markets**. Tonnage this year is anticipated to reach the 3.567 million mark. Not everything is rosy, however. The report indicated that, after a steady 2010, "a slowdown is in the cards for 2011, which will affect the operating environment for freight transport companies. Research and Markets anticipates an overall economic growth of 1.6 percent this year and 1.8 percent in 2012. Between 2010 and 2015, economic growth will average out to an annual total of 1.7 percent. According to the report, this number means "Germany will perform rather solidly but unexcitingly. Like other mature economies in the euro zone, Germany will struggle with a defacto 2 percent annual growth ceiling." It's not as if other German industries are faring any better

than air cargo. The firm indicates that total volume transported by road will creep up 0.4 percent this year, an increase that is dwarfed by the 10 percent drop the industry saw in 2009. German shipping lines are experiencing a bit better outlook, as most of them are now operating in the black, the study finds... **The European Commission** (EC) has vetoed the merger of Greek carriers Olympic Air and Aegean Airlines on competition grounds following a 10-month investigation. The shareholders of Aegean and Marfin Investment Group, owner of Olympic, had agreed on a merger in principle in February. The EC said it blocked the deal because it would have created a "quasi-monopoly" in the Greek air transport market. "Together the two carriers control more than 90 percent of the Greek domestic air transport market, and the Commission's investigation showed no realis-

tic prospects that a new airline of a sufficient size would enter the routes and restrain the merged entity's pricing," the Commission said in a statement. Olympic and Aegean had offered to relinquish takeoff and landing slots, but this had limited value, according to the EC, because Greek airports "do not suffer from the congestion observed at other European airports." A combined Aegean and Olympic would have dominated the Greek domestic market, with a fleet of 64 aircraft... **The International Air Transport Association** (IATA), The International Civil Aviation Organization (ICAO) and OAG Cargo have launched DG Online, a database of regulations and information regarding the air transport of dangerous goods. The online resource is a combination of The IATA Dangerous Goods Regulation Manual, the Technical Instructions and the Emergency Response Guidance manual, both of which are produced by the ICAO... A Dutch airfreight forwarder specializing in perishables, **J. van de Put Fresh Cargo Handling**, has achieved Authorized Economic Operator (AEO) status. The company's AEC certification, presented by the deputy director of Customs Cargo Schiphol, brings van de Put a range of benefits including fewer physical and administrative checks, prior notification of inspections, a reduction in the amount of data required for declaration, and faster clearance. AEO, a European Customs initiative, streamlines the supply chain with its focus on creating "green" rather than "red" trade flows. Director Moniek van de Put said her company had to meet strict criteria on solvency, reputation, safety and quality of administration in an assessment by the Dutch Customs authorities before winning AEO accreditation. **ACW**



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Emirates begins service to Iraq

Emirates, the most recent in a number of carriers exploring scheduled services to Iraq, has commenced passenger and cargo services from Dubai to Basra. The carrier plans to fly A330 aircraft to Iraq each Monday, Wednesday, Thursday and Saturday.

"Iraq is experiencing a surge in growth, and it is our goal to help the country prosper and flourish," Tim Clark, Emirates' president, said in a statement. "The potential for this destination is significant, and Emirates is committed to working alongside the Iraqi authorities to make Basra a success."

The carrier estimates it will transport 130 tonnes of cargo a week into the country. Imported freight will likely include oil-industry equipment as well as food, car parts, medical products, electronics and textiles. Goods traveling to the U.S., UK and other destinations will consist of dates and grains, wool, and petroleum products.

Carriers have been re-establishing scheduled flights to Iraq for the past couple of years. Iraqi Airways began regular cargo flights out of the country in September 2009. Etihad began flights to Baghdad in April 2010 and added the northern city of Erbil later that June.

Low-cost carrier Flydubai now lists Erbil and Sulaimaniyah among its services, and Expo Aviation flies from Dubai to Baghdad, Balad, Erbil and Sulaimaniyah.

Gulf Air, Lufthansa, Qatar Airways and Turkish Airlines all announced the resumption of flights into the country, but have either pushed back start dates or are still trying to get services off the ground. Gulf Air was to begin Basra services in October 2010 and then again in December, and Lufthansa had targeted a start date of April 2010 for its flights to Erbil. **ACW**



Emirates has added a scheduled service from Dubai to Basra, Iraq. The carrier will fly an A330 aircraft to the city every Monday, Wednesday, Thursday and Saturday

Middle-East protests cause massive cargo delays, re-routings

The 18-day protests by Egyptian citizens calling for the overthrow of President Hosni Mubarak now appear to be over, but the picture for Egyptians and airline industry officials working in Egypt remains murky.

As Egypt's anti-government demonstrations entered their third week, *Air Cargo World* sought out comments from airlines and shippers; employees at these companies remained optimistic that a transfer of power could be achieved peacefully. The aviation sector remained concerned, however, at the prospect that regional unrest, which began in Tunisia in January, could escalate across Middle East and North Africa.

(This inkling, for the most part, has since come true.)

Long-standing, non-democratically elected administrations have become the target of citizens disaffected by unemployment, low incomes and soaring prices. As Yemen flared up briefly, industry observers asked: where next?

During the protests, Emirates operated reduced passenger schedules to both Tunis and Cairo. Duncan Watson, the carrier's regional cargo commercial operations manager for the Middle East and Africa, said there had been only "very short-term disruption" at Tunis after the mid-January riots. The situation now seemed more stable, but the carrier has reduced its

daily A330 service to Tunis via Tripoli to three times a week, reflecting an ongoing slowdown in tourist traffic. Meanwhile, Cairo frequency was cut from 13 flights a week to seven.

"Things are working relatively normally at Cairo Airport," Watson said when reached by ACW. "Our facilities are operating as normal, and we are refueling OK. There isn't a 100 percent staff turnout, but our handlers at Egyptair are managing well."

The night curfew that was first imposed between 6 p.m. and 7 a.m., had been relaxed slightly to 8 p.m. to 6 a.m. by early February, Watson said. "We had to reschedule departures and were loading cargo on only one of our two daily flights, but we're now running only the one anyway."

Cargo processing had not changed, though truck drivers as well as airport and airline staff were faced with military checkpoints on arrival at the airport, Watson said. Outbound cargo was struggling to reach the airport, however. "Dubai was importing a lot of Egyptian strawberries, but is now sourcing elsewhere. Import demand [in Egypt] has also been impacted as a result of reduced consumption," he said.

British Airways officials said the Cairo airport remained operational throughout the protests, although it was very busy on some days. During the curfew, BA's daily flight from Heathrow was rescheduled from its usual 5 p.m. departure time to 11 p.m. and was diverted via Athens to pick up fresh crew and fuel overnight before continuing to Cairo and landing mid-morning. The plane had a shorter turnaround time before returning to Heathrow.

BA put in place a cargo embargo to protect its staff that lasted 10 days. It lifted this on February 5 and cleared backlogs in London and Cairo within three days. "Cargo demand has slowly come back as people return to their work. Getting cargo on and off the airport is now back to normal," said Mark Stublings, regional commercial manager for Africa at British Airways



After protests in Tunisia, Egyptian citizens took to the streets with their own grievances. Egyptians demonstrated until President Hosni Mubarak reluctantly stepped down

World Cargo (BAWC).

Before the disturbances, BAWC was screening its freight for export out of Cairo through the night to ensure shipments could meet the early

"Dubai was importing a lot of Egyptian strawberries, but is now sourcing elsewhere. Import demand [in Egypt] has also been impacted as a result of reduced consumption"

— Duncan Watson,
Emirates

morning departure. To manage the curfew and change of schedule, Stublings said freight had to be delivered during the day, screened and kept in chillers overnight until departure. He anticipated service returning to normal "when the curfew is lifted and we are 100 percent certain that there are no safety issues." BAWC's Tunis service has returned to normal.

Egypt's international aviation market remains highly fragmented, and Egyptair, the biggest player, accounts for just 37 percent of capacity. Most foreign carriers had reduced or withdrawn services during the protests, including Delta Airlines, which has suspended flights from New York to Cairo until the end of March.

Thousands of foreign visitors ran the gauntlet of roadblocks and violent crowds as they tried to fly out of Cairo. Governments and foreign airlines had problems securing landing rights for non-scheduled aircraft as they made efforts to repatriate nationals. Some planes stopped mid-runway as passengers walked out to board.

Air Partner arranged 14 flights on behalf of clients such as oil and telecom companies, financial institutions and retailers, evacuating 800 people to safe havens in Dubai, the U.S. and Europe. But the charter broker's CEO, Mark Briffa, said the logjam of people and aircraft briefly meant Cairo airport was in a state of pandemonium.

Airport officials told outbound passengers that some pilots, crews and ground personnel couldn't get to work because of the curfew, while some local staff were believed to have either stayed home with their families or were taking part in the demonstrations. Fears at one stage that the Suez Canal would be forced closed helped nudge oil prices to more than \$100 per barrel, but the markets were reassured as the key shipping lane continued to operate as normal.

Reporting its financial results for

2010, Middle East-based logistics provider Aramex said it was monitoring the situation closely. CEO Fadi Ghandour said operations in Egypt had been interrupted, but were set to resume as soon as practicable. "Our employees, who are our highest priority, remain safe, and our facilities have not suffered any damage," he said.

Leoni, a German-owned manufacturer of automotive wiring, optical fibers and cable systems that employs 4,000 people in Egypt and 12,000 in Tunisia, said it had been able to restore production at a wiring harness manufacturing facility in Cairo to near-normal levels after a brief interruption. The company adjusted its shift patterns to work around the



During much of the protests, British Airways put in place a cargo embargo to protect its staff

curfew and organized its own bus services to take employees to and from their homes.

If seaports were blocked or restricted, Leoni officials said it would make additional use of airfreight to maintain supplies to customers. Leoni said its four Tunisian facilities were suffering no backlog, but had experienced some transport delays.

The situation in Egypt is fluid even now, but carriers are once again pursuing normal routings. That's not to say airline officials aren't keeping an eye on things. "We are monitoring the situation very closely and are in constant contact with local management as well as the crews. Most important is that all staff are safe," a spokesman from Lufthansa Cargo said.

"There have been minor implications for our business, such as the rerouting of a few freighters that are scheduled from Frankfurt via Cairo to the Middle East, but instead are flying direct to Sharjah," the spokesman said. "In the first week of February, we had to introduce an embargo for temperature-sensitive shipments."

To lessen the impact of the protests on cargo movement, Lufthansa put freight on passenger services to and from Cairo out of Frankfurt and Munich. "We have seen some impact on demand," the spokesman added, "but with the adjusted curfew, business and production in Egypt is currently becoming more stable." **ACW**

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In the news....

UPS has added Israel as a hub for its express freight service. According to a statement by the company, "Israel is a key destination in the high-tech sector with major players in the industry maintaining operations in the country. While nearly half of Israel's exports come from this sector, UPS Express® Freight also is prepared to import and export everything from airplane and automobile parts to jewelry and precious gems, which also are manufactured in the country.".. **Aramex**, the Jordan-based global logistics and transportation solutions provider, saw significant expansion in emerging markets in 2010. The company strengthened its presence in Turkey, Malaysia, Bangladesh and Vietnam through a series of strategic acquisitions and partnerships. Fadi Ghandour, founder and CEO, said that Aramex will continue pursuing expansion opportunities in Southeast Asia this year, and he expects to announce acquisitions in East Africa during the first quarter. Net profits for Aramex's fourth quarter, ending December 31, increased 11 percent to Dhs55 million (\$15 million) on revenues of Dhs580 million (\$158 million), a 10 percent increase on the fourth quarter of 2009. Full-year net profits, at Dhs204 million (\$55.5 million), were also 11 percent up on 2009. The company's revenues increased 13 percent on the previous year to reach Dhs2.21 billion (\$601 million). The fourth-quarter result was "solid" and in line with growth rates during the previous quarters, Ghandour said. "We recorded high net income margins, an increased operating profit and revenue growth in key services across all the markets we serve." Aramex reported a cash balance of Dhs555 million (\$151 million) at year-end. Coupled with an extremely low debt-to-equity ratio, this would support the company's strategic development plans, Ghandour added...

In order to strengthen its presence in the Middle East, **Toll Group** has acquired Dubai-based sea/air provider SAT Albatros. "Building our business with a niche sea/air provider gives us further scope to offer our customers the opportunity to match speed to market with a cost-effective service," said Paul Little AO of Toll Group in a statement. "The integration of SAT will allow us to secure a blue-chip well-established customer base principally consisting of European fashion apparel, electronics, and consumer goods conglomerates sourcing products from Asia... .. **Israel's airports** handled 302,900 tonnes of air cargo in 2010, an increase of 10.4 percent. The main domestic carrier, El Al, achieved a 19.6 percent increase to 57,650 tonnes of cargo. Israeli freighter operator CAL saw a 6.7 percent reduction in volumes to 49,000 tonnes for the full year. Tel Aviv's Ben Gurion International Airport handled 26,200 tonnes of cargo in December, down 8.4 percent on a year earlier, according to the Israel Airports Authority... UAE-based **Maximus Air Cargo** has purchased three JAL A300-600 aircraft for \$95.3 million, including conversion by EADS EFW from a passenger to freight configuration to deliver a payload of 48 tonnes. The aircraft will be delivered in July, September and November this year. Maximus Air Cargo president and CEO Fathi Buhazza said his airline increased turnover by 16 percent to \$117 million in 2010... Lebanon's **Air Liban** will become a member of SkyTeam in 2012. A signing ceremony took place Feb. 28. SkyTeam is continuing its focus on strengthening its presence in the Middle East. Earlier this month, Sadui Arabia Airlines announced its membership in the alliance. Last year, SkyTeam added China Eastern, Shanghai Airlines, China Airlines, Garuda Indonesia and Aerolineas Argentinas to its future membership. **RCW**



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Cathay Pacific's cargo division had a successful year in 2010. This year, airline officials foresee more modest gains (Photo: Rob Finlayson)

Busy Cathay looks to more modest 2011

Cathay Pacific has been firing on all cylinders, but its booming business may start to slow down in the year ahead.

After a painful contraction in 2009, the airline's cargo business rebounded sharply as the world was emerging from the recession in 2010, carrying the Hong Kong-based carrier to record levels. Cathay Pacific clocked up 10.18 billion RTKs and 1.8 million tonnes of cargo, numbers that had shot up more than 18 percent over the previous year.

In the process, Cathay overtook Korean Air, which had claimed the crown of the largest carrier of international cargo in previous years.

In response to buoyant demand, management brought the five 747-400BCFs it had sidelined in 2009 back into action and resumed the construction of its cargo terminal at its home base, which had been delayed in the downturn.

Nick Rhodes, who took over the reins of the cargo division last summer in the midst of this sharp acceleration, is bracing for slower growth in 2011. Shippers and forwarders are treading warily, but overall signals are pointing to further growth in the coming months, albeit at a slower rate than last year, he observed.

"We are reasonably optimistic about consumer demand in 2011," he said.

It helps that Cathay has been enjoying strong growth in several Asian markets, which supplement its intercontinental sectors. India and Bangladesh have been producing good volumes, and so has Vietnam, which has emerged as an alternative to China for IT production, Rhodes noted.

Nevertheless, China continues to generate the lion's share of Cathay's volumes. While exports to the Americas and Europe dominate this market, inbound traffic has been rising, fueled by a growing Chinese appetite for

Air express hub coming to Changi Airport

The International Air Transport Association (IATA) is fixing its eye on Singapore, pledging to work with the country's government to strengthen its presence in the Asia-Pacific region and at the same time work toward creating a new generation of industry officials.

"The support that we will receive from the Singapore government under today's agreement will enhance Singapore's role as a regional hub and position IATA well to deliver its leadership priorities in the region," said Giovanni Bisignani, IATA's Director General and CEO.

IATA will further develop its Regional Office for Asia-Pacific, a sector that includes New Zealand, South Korea, Japan, Pakistan and India. The organization has had a part in Singapore's aviation structure since 1969, when it opened an office in the country. Today, that office staffs 80 workers and is the organization's regional financial hub, processing more than \$45 billion in annual settlements.

Previously, IATA had joined together with the country's Nanyang Technological University and agreed on supporting air transport management programs at the university. Continuing the partnership, IATA has also established scholarships to send up to 12 students to the programs.

"Our vision is to make Singapore the platform for the development of a new generation of aviation executives leading Asia's aviation growth. The two scholarships will have an important role in developing the future leaders of our industry," said Bisignani.

Singapore is important to IATA because it is located "between two of our fastest growing markets," Bisignani said, adding that "the government has a long history of understanding the economic benefits of aviation and supporting its profitable development." **ACW**

cars, luxury goods and French wine, which has alleviated the imbalance in cargo flows.

Cathay's launch of a twice-weekly, round-the-world freighter service last July (from Hong Kong via Anchorage to Chicago and back to base over Amsterdam and Dubai) was partly an effort to address the imbalance in flows. It has worked well so far, and management is looking at other opportunities along these lines, Rhodes hinted.

He also is considering network expansion to new destinations in Latin America and Eastern Europe, citing inquiries from forwarders about lift to those markets. While it is open at this stage where in Eastern Europe Cathay may go with freighters, Mexico is the most likely candidate in the other targeted region.

"We're looking at Guadalajara. There is a lot of IT business there," Rhodes said.

Other points are coming into the picture courtesy of the airline's passenger business. Having added Moscow to the network last year, Cathay is mounting flights to Chicago and Abu Dhabi this year. Its passenger bellies generate almost as much tonnage as the freighters, although the latter flights produce more revenue, owing to their deployment on intercontinental routes; a lot of Cathay's passenger sectors are within Asia. Its belly capacity is poised to grow considerably, with 30 A350s on order.

Recently, Cathay signed up for six more B777s, which will bring its tally of that type to 36 aircraft. Both the



Cathay has overtaken Korean as the largest Asian carrier of international cargo (Photo: Rob Finlayson)

777 and the A350 offer good cargo capabilities, Rhodes remarked.

The freighter fleet was set to grow significantly this year, with six 747-8Fs scheduled to enter service (followed by four more in 2012), but the delays in the aircraft's production

(Continued on page 20)



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Wednesday, April 20, 2011

9:00am - 9:45am Welcome

9:45am-10:30am Economic Overview of Asia: Key Issues and Directions

11:00am-12:30pm Custom's Innovation: Progress and Challenges in Asia

1:30pm-6:00pm ALN Meetings

7:00pm Hall of Fame Awards Dinner

Thursday, April 21, 2011

9:00am-9:30am Global Air Cargo Advisory Group (GACAG) Update
(TIACA, FIATA, IATA, GSF)

9:30am-10:30am 100% Screening Mandate for U.S. Inbound Cargo by
December 31, 2011: Status and Challenges Part I:
The TSA Perspective'

11:00-12:30pm Part II: The Regional View from the Air Cargo Industry
1:30pm-3:30pm Annual General Meeting (AGM)

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host:



(Continued from page 18)

have pushed the delivery dates back to October — only just in time for the peak season. Moreover, three of the airline's 747-400BCFs are likely going to be moved to Air Hong Kong, the joint venture with DHL in which Cathay holds a 60 percent stake.

The carrier is looking to upgrade capacity on Asian trunk routes from the A300-600Fs currently in operation, and the -400BCFs would be perfect for this role, Rhodes said. He hopes that lease negotiations with Air Hong Kong can be concluded by the end of the first quarter, with a view to shifting the first aircraft in mid-year.

To maintain capacity levels until

"The overall signals are pointing to further growth in the coming months, albeit at a slower pace"

the first 747-8s are in place, Cathay is delaying the transfer of two 747-400BCFs to the joint venture cargo operation with Air China until the end of the year. The fledgling carrier

is going through the final rounds of the regulatory approval process and is expected to take off by the end of March.

Besides contributing four freighters and some spare engines, Cathay has also seconded nine managers to the new outfit. Unlike international carriers with joint venture freighter offshoots in China, such as Lufthansa or Singapore Airlines, Cathay is not planning to develop tight synergies with the new player.

"We have to treat them as a competitor," Rhodes commented. "We have interline agreements with a number of other airlines. Maybe we will have some with them, but there is no plan at the moment for that." **ACW**

In the news....

The Chinese transport company **Cosco** and officials at the Athens International Airport have signed an agreement linking the airport with Cosco's Piraeus Container Terminal SA. The airport's Alexis Sioris said, "The arrival upon the transport infrastructure of this powerful Chinese operator and new facility will open the door to steady flows of inbound sea/air traffic. Much of this cargo is destined for the USA, for which we have excellent frequent wide-body capacity." The agreement will help jumpstart the airport's sea/air initiative, which has seen modest success since being started in 2007... India's **Civil Aviation Economic Advisory Council** has set up a working group to study the country's air cargo industry and recommend the best way to handle expected future growth.

According to the Ministry of Civil Aviation, the 19-member panel includes officials from Air India, Jet Airways, Singapore Airlines and Lufthansa Cargo as well as representatives from Airbus and Boeing. The panel is tasked with painting a picture of air cargo as it currently exists in India and the potential for growth. They also will study the current handling and security systems that are in operation and suggest improvements. Recommending policy initiatives is another goal of the group. The body will first report its findings to the Ministry of Civil Aviation on March 17... **Changi Airport**, Singapore, reported an 11 percent increase in freight handled in 2010 over 2009 to total 1.8 million tonnes. "After a very difficult 2008/09, the cargo sector continued its return to growth for the

15th consecutive month, with airfreight handled in December 2010 rising 4.1 percent year-on-year to 155,800 tonnes," according to a statement. Citing Airports Council International data, for the 12 months ending Oct. 2010, the airport claimed it was the world's seventh busiest in terms of international freight traffic. **Japan Airlines** will unveil a new logo featuring a "soaring Japanese red-crown crane with its wings extended in full flight" on April 1, the company said in a statement. A Boeing 767-300ER will be the first plane to model the new signage... **Boeing** has received final approval from the Chinese government for a \$19 billion, 200-plane order. The aircraft — mostly 737s and 777s — will be delivered during the next three years. **ACW**



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WTO rules Boeing takes subsidies

According to Airbus, a report by the World Trade Organization (WTO) shows that Boeing allegedly received \$7 billion in illegal subsidies from the U.S. government.

Spokesmen for the manufacturer say the WTO ruling will find that Boeing received federal, state and local subsidies that "distorted competition within the aviation industry, directly resulting in significant harm to the European aerospace industry." The subsidies allegedly came from the U.S. Department of Defense, NASA, the state of Washington and the city of Everett. According to Airbus's figures, these subsidies cost the manufacturer \$45 billion in lost sales.

Initially, the European Commission had claimed Boeing received more than \$15 billion in illegal subsidies. Boeing officials said the WTO ruling is a partial victory, even as Airbus chose to view the ruling as proof of Boeing's illegal acts.

"The WTO report is still confidential, but news stories citing government officials have given us a glimpse into its conclusions. It appears the WTO has rejected the vast amount of European claims against the United States," said Ted Austell of Boeing. "There is nothing on the U.S. side that comes even close to the billions of taxpayer dollars that Airbus gets to develop new airplanes."

Boeing had previously alleged that Airbus was taking illegal subsidies from European nations. The WTO ruled in June that this money was given to the company under a Reimbursable Launch Agreement.

"We expect the WTO dispute to carry on for several more years, and as in all trade conflicts, a resolution will only be reached through negotiations," Airbus' Rainer Oher said in a statement. "The myth that Boeing doesn't receive government aid is over, and we hope this sets the tone for balanced and productive negotiations going forward." **ACW**



Caribbean airline begins freighter service

LIAT (Leewards Islands Air Transport) has officially launched its intra-Caribbean cargo service at an event in Barbados.

This follows the carrier's conversion last year of a Dash 8-100 aircraft to full cargo configuration, with the aim of providing regional farmers and exporters with a more reliable air bridge for supplying produce to neighboring islands.

"While the transport of various forms of cargo is nothing new to LIAT, this signals an important milestone in the evolution of the company's air cargo business as we move towards the formal introduction of an aircraft dedicated exclusively to the movement of air cargo throughout our islands as well as into Guyana," said LIAT CEO Brian Challenger. "Prior to the start of this service, persons and businesses wishing to move airfreight through our islands were largely dependent on

the availability of space on scheduled passenger planes. This was particularly risky for perishables."

Before joining LIAT, Challenger said he had been involved in shipping high-value agricultural produce such as cut flowers from St. Lucia to the U.S. Virgin Islands, but he recalled "many shipments being aborted due to lack of adequate airfreight capacity." He hoped the new service would serve as a springboard for the development of productive export capacity across the Caribbean.

In a speech during the freighter launch, Wilbur Edwards, the carrier's director of cargo and QuikPak, said: "This is a launch of our new and efficient way of doing cargo business by offering a booked service on the freighter aircraft, of selling charters and expertly linking our regular line flights with the Freighters on thin routes to provide a high quality

(Continued on page 24)

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"For us Routes Asia was certainly very productive as we came into contact face to face with existing and new airports and government organizations. It was very good to know of their interest in our services and the proposals they had for us. All this was achieved in a couple of days which certainly saves a lot of time in the future."

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(Continued from page 22)

cargo service to our 22 destinations."

Officials at LIAT started looking into a dedicated freighter service in September 2003, but the carrier faced huge financial obstacles. It was determined that adding a freighter service would boost revenues and help LIAT achieve more than simply a break-even financial position, but the monetary barriers to entry were too high.

"The cost of the cargo conversion kit alone was prohibitive, even though it was less than 100,000 U.S. dollars," Edwards said.

Five years later, LIAT called in an independent consultant to assess the viability of starting a cargo service. The carrier's board approved the project a year later. Even though LIAT employees had the go-ahead, creating a freighter service from scratch was no easy task. The original launch date was set for Decem-

ber 2009, but due to manufacturing delays, the date was pushed back to March 2010. Finally, LIAT unveiled the freighter service last month.

"We had to push back our planned startup on a few occasions," Edwards said. "We had operated combi services ... but this is a different matter. It is not just about taking out seats and repositioning the bulkhead; this is a fully converted cargo aircraft with special flooring, special side panels, new electrical wiring, etc."

LIAT's shareholders include the governments of Barbados, Antigua and Barbuda, and St. Vincent and the Grenadines. Edwards added: "A central element of our plan is to not only extend our reach regionally but also extra-regionally via our three major hubs — Antigua, Barbados and Trinidad — through our relationships with international carriers. Important opportunities exist with these carriers

to feed [wider] markets."

Challenger said outdated practices, such as the need for overtime and other payments to Customs officers for operating outside a rigid work schedule, had acted as a barrier to the growth of regional cargo services and had significantly increased costs. "We hope that our regional policy makers will work to eliminate these outdated bureaucratic leftovers and allow the consumer to benefit from a streamlined and efficient Customs service," he urged.

"We are ready to provide the finest cargo service in the Caribbean," Edwards said, going on to thank the freight forwarders, sales agents and cargo handlers that work with the airline. "We have found the perfect formula in working our dedicated freighter in tandem with the line flights to operate efficiently and cost consciously. **ACW**

Three carriers now under one roof

Air France-KLM Cargo and Martinair Cargo's Americas area organization has a new

home. In November, employees who had been spread throughout the Southern and Mideastern United

States began the process of moving into a Delta building in Atlanta, just down the road from its cargo office. By the end of this year, the Air France-KLM Cargo and Martinair Cargo's Atlanta office will house "99 percent of the management team and the core units," said Jan Krems, vice president, Americas, during a phone conversation with *Air Cargo World* from his new office.

The new digs are representative of the organization's "one roof" concept, which aims to fuse the disparate operations of each carrier into a cohesive unit, which increases productivity and customer-service reaction times. To bring everyone together into one building, KLM employees had to make the long trek south from Chicago, and Martinair officials drove north from Miami.

Atlanta was chosen as the new headquarters for the organization's Americas operations because of its central location and its proximity to Delta, a major operational ally,



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Krems said.

"If you look at the pros and cons financially, it may have been cheaper to have an office in Florida," he admitted. He then added that logically, moving the company to Atlanta just made better sense.



Jan Krems

The togetherness concept is being implemented company-wide, but the Americas region is a textbook example of the theory behind the program. Employees from the different companies are now working together to present "one face to the customer," said Harm Winkeler, deputy vice pres-

ident, Americas. Winkeler formerly served as vice president for Martinair Cargo in Asia. He said that the program is all about establishing a better workflow among new colleagues. "Communication lines are much better — quicker and shorter," Winkeler said. "Under one roof just means learning from each other and better communication."

This educational aspect benefits the company as well as their customers. "It's crucial to learn from each other. We are all three different companies and have three different ways of working, but if you do the right thing, we are very complimentary to each other," Krems said. "After a few months of being together, we really see the benefits of this integration."

While the concept is helping Air France-KLM Cargo and Martinair Cargo achieve a symmetry not seen before, the end result is geared toward the customer. The move to Atlanta is the start of streamlining operations, which will lead to an eventual goal of improved customer service.

"Customers are really looking forward to it and are positive about it," Krems said, "but they also see that it's a process and not something that can change over night." **ACW**



Atlanta mayor Kasim Reed and Cargoitalia's commercial director, Roberto Gilardoni, eye cargo transported on the carrier's maiden voyage to Atlanta. Cargoitalia is now flying twice a week to the city from its hub in Milan on MD-11 aircraft

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In the news...

DHL has broken ground on a 19-acre, \$22.5 million expansion to its hub at the Cincinnati/Northern Kentucky International Airport. The project includes expanding its parking apron and adding nine aircraft gates. The company has already spent \$12.5 million on upgrades to its auto-sort system at the airport. The new construction is the second phase of this \$40 million project, which started in October 2010. "As businesses increasingly go global to capitalize on emerging trends in international trade, the expansion at our CVG hub will position DHL to accommodate the growing needs of our importing and exporting customers," said Ian Clough, CEO for DHL Express U.S... The **U.S. Department of Transportation** has granted Michigan-based **National Airlines** international passenger charter authority, allowing National to transport people, property and mail for 25 years. Previously, National Airlines had only offered all-cargo service. National is planning to offer passenger operations using a Boeing 757-200. Certification by the Federal Aviation Administration

is currently underway. The carrier's plan is to offer the passenger flights in addition to services using its fleet of DC-8 aircraft, freighter operations using 747-400s and 757-200 Combi services. "This authority represents a very significant milestone in National's two-track strategy to augment and modernize our already substantial international cargo-carrying capacity with market-leading international passenger charter operations," said National's president, Steven Harrison, in a statement... Up to 35 A320s operated by **JetBlue** will be outfitted with the Federal Aviation Administration's (FAA) Automatic Dependent Surveillance-Broadcast, according to a NextGen agreement signed by two parties. JetBlue paid \$4.2 million for the service and will also fund crew training and simulation time. The satellite-based system will allow pilots to fly routes even when traditional radar coverage is not available because the new surveillance devices pinpoint the exact location of each aircraft. JetBlue's announcement is just the first step in what the FAA hopes will be a complete,

hi-tech makeover of the nation's airline tracking systems. "NextGen is a critical investment in the future of our transportation system, one that uses the latest technology to transform our airspace to make aviation safer, more efficient and more environmentally friendly," Transportation Secretary Ray LaHood said in a statement. JetBlue also will use the Jacksonville International Airport as its newest inbound and outbound cargo station. The location will help JetBlue's transfers to Boston and New York as well as its daily service to San Juan, Puerto Rico, which will begin in May... **LAN Airlines** of Chile expects to finalize its merger with Brazilian carrier TAM in the next six to nine months. The merger will create a world top 15 airline, with more than 280 planes serving destinations in 23 countries. LAN said it would focus in the first half of 2011 on "recovering profitability" at Aires, Colombia's second largest airline and expected its Colombian operations to break even by 2012. LAN, which also has domestic operations in Chile, Argentina, Ecuador and Peru, saw fourth-quarter net income increase 49.9 percent to \$164.6 million as passenger and cargo business continued to expand... The firm **Quiport** has signed a \$684 million deal to manage the international airport currently under construction in Quito, Ecuador. Intended to replace the city's Mariscal Sucre Airport, the development is slated to open during the summer of 2012. The facility will feature longer runways than those at the existing airport; the project also is being built at a lower altitude... Officials have opened the \$13.9 million Airport Response Coordination Center at the **Los Angeles International Airport** (LAX). The development, which was constructed from June to December of last year, will help airport officials efficiently manage emergencies. Employees from the airport's airside and landside divisions, airport police and members of governmental agencies will staff the center. A grant from the state of California and a portion of the airport's general operating revenues funded the project. The new center opens at a time when LAX has started digging out of the hit it took during the recession. The airport experienced a 15.8 percent increase in cargo tonnage in 2010 year-over-year from 2009. Air mail tonnage for 2010 totaled 74,034, and freight tonnage rose to 1.85 million tonnes. Gina Marie Lindsey, executive director of Los Angeles World Airports, which owns LAX, attributed the rise in tonnage to the improvement in the economy. New routes and the addition of new airlines also helped fuel the growth. **ACW**

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Istanbul fuels Turkey's economic ascension

The city of Istanbul, Turkey's commercial capital, uniquely straddles two continents, with one foot in Asia and the other in Europe. Turkey is beginning to exploit its position as a trading crossroads of the world in the same way that Dubai has done so energetically during the last decade, with the bonus for its national airline that the country also is a diversifying manufacturer.

Turkey's central geographic location has powered its recent trade growth and has helped shaped Turkish Airlines' ambitious development strategy. Istanbul is the appropriate

setting for IATA's 2011 World Cargo Symposium, and Turkish Cargo is host sponsor of the event. The opening conference address from Temel Kotil, CEO of Turkish Airlines, is expected to emphasize how Turkey today not only links traditional Asian and European markets — symbolized by two busy bridges over the Bosphorus strait that join the two halves of Istanbul — but is increasingly looking toward North America and Africa, too.

"In five years, Turkey will be one of the world's top-10 economies, growth that gives us obvious momentum," says Soner Akkurt, senior vice president of Turkish Cargo. "According to IATA's traffic forecast to 2012, Turkey

will be among the top three countries, behind China and India, in terms of international freight growth. Last year, we carried 313,000 tonnes of cargo compared with 230,000 tonnes in 2009, a record increase of 32 percent."

Significantly, transhipment cargo accounted for 52 percent of the carrier's volume in 2010. "The geographic position of Istanbul, offering the shortest connections to important trade lanes, underpins this growth, making transit traffic the most aspect for Atatürk Airport," Akkurt adds.

Turkish Cargo has directors stationed at the country's five key freight centers of Istanbul, Ankara, Izmir, Adana and Antalya. THY serves more

than 40 domestic destinations, but mostly with narrowbody aircraft, so import and export cargo, especially larger shipments, usually are transported by truck to and from Istanbul. Atatürk's cargo throughput grew dramatically in 2010 from less than 400,000 tonnes to more than 500,000 tonnes as Turkey's foreign trade continued to thrive, and Akkurt expects

this growth trend to be maintained through 2011.

"High-tech products, machinery parts, and minerals of various types are driving imports. Textiles, machinery parts, and iron and steel products are the main airfreight exports," he says.

After a major warehouse fire in 2004, Atatürk has only partially re-

developed its cargo facilities, and it badly needs to upgrade to accommodate new airlines and volume growth. Akkurt says a new cargo city, across the airport from the current facilities, is on track for completion by the end of 2012. Other airport users are less confident about this. Airmark, a leading local GSA, claims the cargo village has not yet moved beyond the project study stage.

Istanbul's second airport, Sabiha Gökçen, which is on the Asian side of the Bosphorus, is absorbing some of the overspill. It has catered primarily to passenger airlines and tour operators since it opened in 2001, but is beginning to play a more important role in cargo transportation.

"The larger cargo operators are still based at Atatürk, so Sabiha Gökçen is more restricted in terms of network availability, transit connections and so on," Akkurt says. "But as airfreight markets grow, the airport will attract more attention in the future, especially with its more attractive cost structure for shippers."

The airports may be stretched, but Turkish Cargo was well placed to absorb 2010's volume growth, adding almost 41 percent of new capacity. New-generation A330-200F freighters joined the fleet in September, and nine passenger widebodies (five B777s and four A330s) were added last year. Despite so much additional space to fill, THY recorded a cargo load factor of 72 percent. Another 29 aircraft will be delivered in 2011, supplementing the carrier's existing fleet of 153. The new deliveries will include one additional A330-200 freighter, but passenger widebodies, which will make up more than 30 percent of the fleet by 2012, will make a major contribution to cargo capacity.

Akkurt says European services still account for the lion's share of cargo traffic, which is "the natural result of the long-term economic relationships, geographic closeness and our network structure." But he notes an interesting shift as Turkey moves up the global economic ladder.

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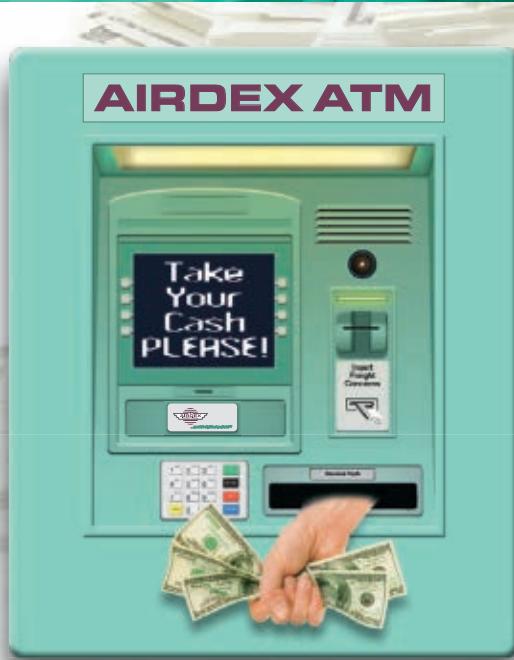


TAV Istanbul Ataturk Airport experienced a 2010 cargo throughput of more than 500,000 tonnes

"For 2010, the fastest growing cargo routes were South America, especially Brazil; the Far East (Hong Kong, China, Korea, Thailand and Bangladesh); East European countries (Czech Republic, Serbia, Romania, Bulgaria and Ukraine); and African destinations such as Kenya and Ethiopia," Akkurt says. He is optimistic about the recently launched route to Accra, Ghana. "We expect growing interest in 2011. We have faith in the future for African air cargo, as these markets are newly open to the industry, the yields are quite high and the lack of logistics infrastructure favors air cargo over other modes of transport."

Newly announced passenger routes such as Ho Chi Minh (Vietnam), Guangzhou (China) and Los Angeles, and an expanded service to Jakarta via Singapore, all provide better links from industrial centers to Turkey. "This means great potential, especially for outbound cargo, from these locations. The flow of com-

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Turkish carrier soars on increased volumes

MNG Airlines saw its export volumes increase by 12 percent and imports by 17 percent in 2010, a fact that has spurred additional growth for the Turkish all-cargo operator.

In line with a strategic fleet renewal program decided in 2007, MNG ordered four A330 freighters, with the first due for delivery in the third quarter of 2012 and the remainder by 2016. Scheduled services to the Far East and to additional European destinations will be launched in the second and third quarters. The addition of the longer-range A330s from next year will enable MNG to increase its coverage of destinations in North Africa and the Far East, according to managing director Sedat Özkanç.

All the evidence suggests that the Turkish airfreight market will continue to grow in 2011, but competition is fierce, forcing operators to increase efficiency and to differentiate their services.

In addition to its scheduled routes and ad hoc charters, MNG has a range of other services from long-term wet-lease agree-



ments to full responsibility transport contract management. "We can operate as a co-branded subcontractor or under the customer's call sign, providing maximum flexibility against our competition," Özkanç says.

MNG opened an import warehouse 12 kilometers from Istanbul Atatürk Airport in 2000 and has built two new facilities in the last two years, one of them on-airport. All operate to EU standards and open to third parties as well as MNG customers. More development is planned.

"We are investing in increasing our service quality and plan to convert our hub into a sophisticated transit and distribution center, improving the interface between our airside and landside operations," Özkanç says.

Özkanç agrees with his competitors that Turkey is well positioned to act as a bridge between the Middle East and Europe. It can thus build efficient airfreight networks, especially reducing transit time to African and Far Eastern destinations.

"The biggest challenge," he emphasizes, "is to establish Turkey, particularly Istanbul, as a logistics hub."

modities ensures transit opportunities for carriers based between Asia, Europe, America and Africa," Akkurt says. Other new passenger destinations this year will include Atlanta, Manila, Kabul, Shiraz (Iran) and, in Europe, Malaga, Valencia, Toulouse, Naples, Turin and Genoa. THY will augment its current 26 scheduled freighter destinations with Jeddah, Addis Ababa, Bucharest and Munich, served by A310F equipment, and New York, Singapore and Dhaka using its second A330-200F.

One of Turkey's main independent ground handlers, Çelebi, is present in both Istanbul airports, opening a new import warehouse at Atatürk in 2009 and starting up at Sabiha Gökçen the same year. The Atatürk facility can handle 35,000 tonnes of freight a year and includes two cold rooms, a deep-freeze chamber and a precious cargo vault.

Airmark, whose major existing online clients include Egyptair and Korean Air Cargo, added Air China to its offline list in August, and this year, it has picked up a new online customer, Moldavian Airlines. Sevde Ipek, the company's business development manager, says Airmark is working on two new contracts and aims to grow 20 percent this year. The GSA has targeted a 15 percent share of the Turkish airfreight market.

"With its experience from a local banking crisis in 2001, Turkey was one of the countries that suffered

(Continued on page 36)



MNG has two A300-600 freighters and will start adding longer-range A330s from next year



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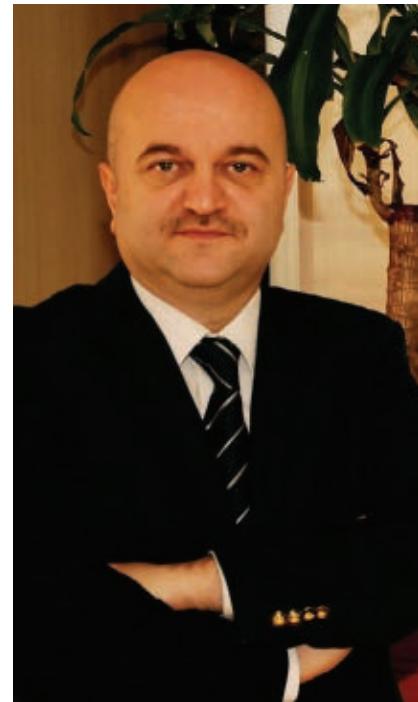
(Continued from page 34)

least through the global economic crisis of 2009," Ipek says. "As the IATA statistics show, our air cargo figures are still below the level of 2007. But we expect national economic growth of around 7 percent in 2011, based on EU and OECD sources, and our expectation is 6.7 percent for the next six years."

Year-over-year figures slowed sharply in the last quarter of 2010 across most of the world, but Ipek says the Turkish airfreight industry kept pushing forward. "The business went well in the final quarter, so the outlook is optimistic. Cargo yields improved in the final quarter compared to 2009; the increase is quite slow but volumes are high. A surplus of capacity to the Far East and southeast Asian destinations, however, means yields there have not improved in line with other regions."

While agriculture still accounts for about 30 percent of employment, Turkey's industrial expansion, especially in auto parts, textiles and household goods, is responsible for much of the country's recent economic and airfreight growth. Adana and Antalya are Turkey's principal air export hubs behind Istanbul, while the national capital, Ankara, is a net importer, though it has a distribution role to Central and Eastern Turkey. Of Turkey's smaller airports, Çorlu and Bursa are the most used for ad hoc charter operations. Long-term investment as a logistics center is on the table for Çorlu, west of Istanbul, exploiting its good location close to motorways to Europe and to the port area in Tekirdag.

Due to slot problems at IST, all cargo charters are permitted to call at Sabiha Gökçen. "The airport has improved a lot in the last three years



Soner Akkurt, senior vice president of Turkish Cargo

The advertisement features a large globe graphic in the background. Overlaid on the globe are four examples of AirCargo World content:

- E-Newsletter:** Shows a screenshot of an email inbox with the AirCargo World logo.
- On-Line:** Shows a screenshot of the AirCargo World website with a headline about a flight to Vancouver.
- Print:** Shows a photograph of a person in a red cross vest carrying a child, with the AirCargo World logo in the corner.
- Digital:** Shows a screenshot of a mobile device displaying the AirCargo World app.

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and now has good cargo handling facilities," Ipek says, "but to develop further, the number of freight forwarders has to increase."

Demir Ozerman, managing director of rival GSA Kargo Sistem, agrees that Sabiha Gökçen's cargo facilities are adequate in themselves, but points to infrastructure issues including terrible traffic on the Asian side of Istanbul, which makes it difficult to move shipments in and out, and the lack of a good airport service road. The runway lies between the cargo acceptance area and the warehouse, which can lead to delays of two to four hours, Ozerman says. Business grew by 10 percent in the second half of 2010 for Kargo Sistem, despite capacity restrictions as carriers recovered faster than expected from the economic crisis.

DHL operates six weekly A300-

"Turkey ... suffered the least through the global economic crisis of 2009" —

Sevde Ipek, Airmark

400 flights, but its Turkish GSA's allocation is only 40 tonnes a month. "We could sell 250 tonnes!" says Ozerman, who will welcome a larger Airbus or B737 coming in for the summer season.

A new client is Kuwaiti airline Wataniya, which launched flights into Sabiha Gökçen in May 2010, but is now calling Atatürk with three A320 services a week. Ozerman

hopes for increased frequency to Istanbul, maximizing his transhipment opportunity over Kuwait to destinations such as Sharjah, Dubai, Cairo, Beirut and Vienna.

Kargo Sistem has also picked up the Avient account. Istanbul is offline, but it will give Ozerman the opportunity to sell West Africa over Avient's Liege hub in Belgium. The carrier also is planning more services to South Africa and South America.

Turkey's stronger economic ties with the Far East, Asia and Africa "give us leverage," Ozerman says, with the relative weakness of the lira benefiting exporters. Textiles are still important but automotive shipments moved to the top of the table in 2010, reflecting the increasing diversification of the Turkish economy. Machinery parts and pharmaceuticals are also on the increase, he adds. **RCW**

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Four years ago this month, Giovanni Bisignani, the director general and CEO of the International Air Transport Association (IATA), sounded the alarm to airfreight experts assembled at the IATA World Cargo Symposium in Mexico City.

ers



Container Ship at port, Heraklion, Crete, Greece

The air cargo industry was seeing a growing number of shippers defect to ocean transport. Even though ocean vessels decreased the speed of cargo travel, shippers of every stripe were embracing the cost savings experienced at sea and heading to the oceans for a variety of reasons.

"Ocean container shipping is becoming more competitive and taking business away," Bisignani told the audience during his opening address. He then rattled off some startling numbers. Growth in the ocean sector from 2000 to 2005 more than doubled airfreight growth, and from 2006 to 2010, ocean freight was to outpace annual air cargo growth by nearly 2 percent.

"New container ships are faster and cheaper to operate," he continued. "2006 ocean container



Anastasios Vamvakidis, commercial director of Piraeus Container Terminal (left), signs a sea-air agreement with Alexis Sioris, head of development at Athens International Airport

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"As air cargo yields and fuel surcharges go up, there is that momentum for shippers to find other modes of transport."

— Neel Shah

freight rates were 20 percent in real terms below 2000 levels. Airfreight rates were only 8 percent lower. ... We can expect more intense price competition."

Of course, what Bisignani didn't know is that soon after his speech, the worldwide economy would plummet to depths that were previously unthinkable. This sent shippers scrambling to the ocean at a fast clip in order to save money on fuel and elongate supply timelines, which helped to reduce warehouse inventories. To make things even more economical, ocean liners started slow steaming and super-slow steaming; for the most part, their customers didn't care because their time frames were flexible, and they were saving a lot of money on fuel.

"Typically, as air cargo yields and fuel surcharges go up, there is that momentum for shippers to find other modes of transport. Often times, clearly for international cargo, the only alternate mode of transport is by sea," says Neel Shah, senior vice president and chief cargo officer for Delta Air Lines.

Now that a resurgence is taking place in both the ocean and air cargo industries, shippers are starting to

plan for the future. It's been reported that shippers who once operated only in the sky and had gone to the water are making the shift back to air cargo, but there isn't enough evidence to suggest a trend is underway. A lot is

happening in the shipping industry, and it's difficult to say how many shippers are returning to the skies, just as it can't be said that some shippers will remain sea-bound forever. As with most things, the

The advertisement features a large globe of the Earth on the right side. In the center, there is a graphic composed of several blue hexagons arranged in a hexagonal pattern. Each hexagon contains a different image related to air cargo and logistics, such as an airplane, a cargo ship, a port terminal, and a control tower. In the top left corner, there is a logo for "Messe München International". Below the globe, a curved banner contains the text "The world's greatest business event for air cargo and logistics." At the bottom right, there is a logo for "Air Cargo Europe" inside an oval shape. Below the logo, the text "5th Exhibition and Conference" and "10–13 May 2011" is displayed, along with the location "New Munich Trade Fair Centre, Germany". At the very bottom, the website "www.AirCargoEurope.com" is listed. To the right of the website, the words "Part of: transport logistic" are written.



issue isn't clear cut.

"I have seen some conversion of sea to air, and we certainly saw it for a lot of 2010," Shah says. "I don't know if that trend is still continuing. It probably is, but it probably depends and the commodity, and it

depends on the industry." He points out that automotive parts are a likely candidate for airfreight because of the number of recalls and the time-definite nature of the services.

Some shippers have since moved to a combination of sea and air delivery. During the recession, retailers were decreasing the amount of stock in warehouses and needed increased transit times, says Steve Ritchie, director of airfreight at Geodis Wilson. Timelines may have increased in some cases from a 22-day transit time to a 45- or 50-day transit time.

"If there was one place where we saw a migration to an ocean product, it was actu-

ally a hybrid to begin with — sea-air moves," Ritchie says. "To get it there by airfreight in four days was completely prohibitive, so this market was created as a good in-between — half the transit time and about half the total cost. That dried up by the



Officials at Athens International Airport recently launched a sea/air program



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end of 2008. It was all on the water, and it almost disappeared on the water for about nine months."

Geodis Wilson took a huge hit during the fourth quarter of 2008. Business dropped 30 to 40 percent in all markets; whatever movement shippers made from air cargo to ocean transport stopped as well. Activity ramped up about a year later, when Ritchie started tracking growth rates in the 20- to 25-percent range. Those percentages remained steady through the end of 2010.

"We're certainly anticipating 2011 to show again a similar level of growth. It probably is not sustainable to have 2011 grow at 2010 rates of 20 to 25 percent, but we think, Why be shy?" he says. "Why not expect miracles?"

Shippers are starting to react positively to the market. Even if air cargo growth isn't outpacing growth in the ocean, at least shippers are making decisions. Capacity in both sectors that was cut in order to save money is starting to come back on the market. "Overall, ocean rates and airfreight rates are creeping back up to the point where both ocean carriers and air carriers will start adding capacity enough to satisfy demand," Ritchie says.

Athens International Airport also is getting in on the sea/air game. In November, the airport launched a program in conjunction with the Chinese company Cosco's



Greek shipping terminal facility. Alexis Sioris, head of development at Athens International Airport, says the goal is to develop traffic coming

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from the Middle East. Cargo would be shipped to the seaports, trucked to the airport and flown out to Northern Europe or the U.S.

"We set up a scenario or a concept ... that's all we can do," he says. "The next step is for the forwarders — be it local or international forwarders — to drive this business. Right now, we are in a state where we try to make people, even in the local markets, regain their optimism."

It's not going to be an easy sell with the sour taste of the downturn still in shippers mouths. Sioris is talking about developing a new trade flow, and anything new, right now, is risky. "In the last years, business has been hit, and people

play it safe," he says.

Sioris hopes his sea/air link opens up a new level of business for an airport that has seen some airfreight losses. These mostly domestic customers had flown cargo in the past but are now sticking to the water. "We still keep losing cargo to the ships, but it's cargo that travels in a radius of 300 to 500 km or even less," Sioris says. "In regards to international traffic, we never lost cargo to shipping."

One of the main changes to come out of the downturn, according to Andrew Traill of the European Shippers' Council, is that his members are now taking a close look at their supply chains. This could

"An increasing number [of shippers] are looking to reduce the amount of airfreight they have to use."

— Andrew Traill



Shippers dealing in pharmaceuticals and other high-value goods may want to develop their own security screening processes to limit the likelihood of tampering

either mean going entirely with ocean transport and lengthening supply-chain timelines or deciding to bleed inventories down only to rush in with extra supplies by air at the last minute. "The whole crisis put a focus for almost all shippers on all their costs. Of course the biggest cost is inventory, so there's a huge pressure on reducing inventories," Traill says.

While the cost of gas and the spending habits of consumers are major factors that weigh into a shipper's decision to choose ocean over air, Traill said environmental pressures also play a role. Consumers are voting for a more environmentally friendly supply chain with their wallets, and shippers may even be feeling some pressure from governmental bodies who are demanding that companies reduce their carbon footprints.

"An increasing number [of shippers] are looking to reduce the amount of airfreight that they have to use," Traill says. "It's not uncommon to hear of shippers all over the place that have switched to ocean and plan to stay."

Of course, one of the main shipping issues in both the air and the ocean world this year is security. Shippers must embrace the reality of 100 percent scanning, and Shah says they have to get working now. He'd like to see more shippers in the screening programs.

While every shipper needs their goods screened, where that ultimately happens depends on the cargo. Manufacturers of general cargo including heavy machinery and auto parts are less picky about how their freight is screened, but shippers of high-value goods may start bringing screening services in house. Any shippers dealing in pharmaceuticals, high-tech goods or other cargo "where the look of the product is very important or it's incredibly high

value at risk for contamination," don't want anyone else handling their merchandise, Shah says.

However it happens, though, shippers need to have security on their brains.

"We need a lot more screening to happen at the shipper level and not only at the airline level or at the forwarder level," Shah says. "We need shippers really engaging in that program to a high degree." **ACW**

The advertisement for the AID & INTERNATIONAL DEVELOPMENT FORUM (AIDF) features a large photograph of a young child standing outdoors. In the background, there are several smaller, inset images illustrating various development and relief activities: a close-up of water droplets, a person working with a large metal drum, a close-up of hands being washed, a close-up of a hand wearing a glove, and two people working at a table covered with a red cloth. The AIDF logo, which consists of a stylized green and blue eye-like shape, is positioned in the top left corner. The text "AID & INTERNATIONAL DEVELOPMENT FORUM" is written in blue, followed by "June 8-9 2011 | Washington D.C. USA". Below this, the tagline "Building partnerships for Relief and development" is displayed in green. The overall theme of the advertisement is humanitarian aid and development.

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Out-sourcing cargo sales

T here is a new dynamic in the GSSA business.

The call from the airlines is for significant investment in IT platforms and the requirement for global reach from a single partner. In return, and in the wake of the still painful downturn, many mainstream carriers are seeking to outsource their cargo business in its entirety. The level and intensity of investment now taking place in general sales and service agent cargo (GSSA) management systems also is providing the opportunity for low-cost carriers to enter the cargo business for the first time at virtually no cost and at no risk.

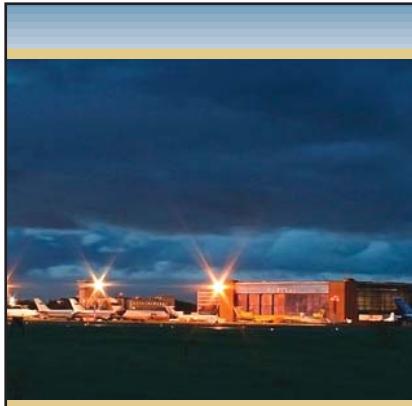
Typical of the new dynamic in the marketplace is the growth of global players like Air Logistics Group. What started as a UK-based operation in 1994 has expanded to a network of more than 50 offices in 30 countries around the globe. This year, the company is predicting cargo sales of \$675 million.

According to Stephen Dawkins, Air Logistics' founder and COO, the key to success lies in the huge investment

the company has made in IT resources. "In the last five years alone, we have invested over \$1.5 million in our IT systems," he says, adding that this is the kind of commitment the modern-day GSSA needs to make in the business. "This means we can handle any aspect of an airline's cargo business, be it booking and reservations or accounting and sales, with the option to provide an individual element within that framework."

This template, Dawkins says, is particularly suited to encouraging low-cost carriers to enter the cargo business. "We can provide a total cargo management system for these carriers at no cost to the airline and with us taking all the risk," he says.

Air Logistics currently works with two low-cost carriers in Europe and a third in North Africa. But Dawkins confirms that, particularly since the downturn, more and more mainstream carriers are looking to outsource their entire cargo business and, if possible, work with a single GSSA partner. "These carriers are now desperate to take



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costs out of their business in any way they can and are looking to people like us to provide solutions for them,” he says.

Dawkins recognizes that in order to offer the airlines the benefit of working with a single GSSA partner, Air Logistics needs to continue with its current rate of expansion, which it aims to achieve with its existing strategy of growth through acquisition. “We are looking to acquire the top-end players in individual markets,” says Dawkins. “Quite often we do not have to go looking, but are instead approach by potential suitors.”

Dawkins has his sights firmly set on growth in Asia this year with Vietnam, Singapore, South Korea and Malaysia prime targets for investment. The company opened its own office in Japan last year; currently, however, Dawkins has his hands full managing the company’s North American operations, which span the seven major gateways, with a central customer service center located in Houston. “Right now we are experiencing a significant spike in business growth in the U.S. market,” says Dawkins.

It has long been recognized in the GSSA market that there is a huge and still largely untapped capacity potential among the low-cost carriers. It is an area Ton Smulders, managing director of Amsterdam-based Active Airline Representatives, is keen to exploit.

“The greatest fear among these carriers is the belief that handling cargo will impact their short turnaround times,” Smulders says. “We have a simple answer and solution to that problem. We tell these carriers that if you think your turnaround time is going to be impacted, then you can always leave the cargo behind.”

The message finally appears to be getting across, particularly with what Smulders describes as the perfect business model for low-cost carriers in the European market.

“The German low-cost operator Air Berlin incorporated cargo into its business strategy at the outset and has never looked back,” he says. “We



Stephen Dawkins, COO, Air Logistics Group

handle their flights out of Amsterdam, which gives us the opportunity to tap into their entire European route network.” He gives the example of an Air Berlin flight out of Amsterdam that flies to the carrier’s Spanish sub hub in Palma, where tail-to-tail apron transfer allows cargo to be loaded onto an onward Air Berlin flight to Alicante in Spain. “We send live bumblebees on this route, so that gives some indication of the reliability of the service,” he says.

Smulders may be jesting slightly in suggesting that low-cost carriers can always leave cargo behind if it is felt critical to turnaround times. But he has an important point to make. “A typical low-cost carrier operation may offer up to two tonnes of capacity,” he says. “The secret is not to try and fill all that capacity, but to try and strike a balance between payload and loading time. In this instance, we would suggest that a 700- to 800-kilo limit be set for the flight, which can quite easily be handled in the time available.”

Not that Active Airline Representatives is purely focused on the low-cost end of the market. “At the other end of the scale, we represent Saudia

(Continued on page 50)

Turkish Cargo is transporting the world to Istanbul.

Turkish Cargo, the fastest growing air cargo company, is now the main sponsor of the world's most important cargo symposium. IATA World Cargo Symposium will be held in Istanbul with the contribution of Turkish Cargo, between March 8-11 2011.



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(Continued from page 48)

Cargo, which requires us to fill three MD-11 freighters each week out of Amsterdam."

"A local GSSA with a strong customer base and good market expertise is a very competitive option."

— Anders Jepsen,
Cargo Care International

The role of the GSSA is more often than not seen as one of acting as an online or offline sales agent for the

smaller passenger airline, which may, because of aircraft type or service frequency, have relatively little bellyhold capacity to offer to the market. It is hardly critical to the carrier's revenue stream. It is a bold move then, for an all-cargo carrier to entrust the business of filling the main decks of its freighters to local GSSAs.

Italian all-cargo carrier Cargoitalia has done just that, since its re-launch just more than a year ago. Outside of its Italian home market, commercial director Roberto Gilardoni says the carrier has reaped considerable success from a business model relying on the support of a global network of GSSAs. "Of course, you have to be very careful in your selection criteria in choosing which GSSA to handle your business," Gilardoni says. "It is a huge step change between acting for a passenger airline and a cargo carrier, particularly in important markets like China and the USA."



Roberto Gilardoni of Cargoitalia

The airline now serves both Shanghai and Hong Kong with its MD-11 freighters from its Milan base. In the U.S., it has just added Atlanta to its



"You have to be very careful in choosing which GSSA to handle your business," says Roberto Gilardoni of Cargoitalia.

existing schedule of service to New York and Chicago. The new Atlanta service is being marketed by GSSA Heavyweight Air Express, which represents the airline throughout the country. But Cargoitalia believes very much in a hands-on approach to ensure it gets the best results from its frontline GSSA support. "We do not just let them sell capacity as they wish," Gilardoni says. "Each GSSA is given clear sales targets which can be based on density of the business, revenue per cubic meter or per kilo, or we suggest the specific market sectors we want them to approach."

As the business of most carriers grows and matures, it usually switches from a local GSSA operation to establishing its own in-house cargo sales operation. Gilardoni says that Cargoitalia will likely stick with the GSSA option. "We may place our own key personnel in certain markets, but

the current GSSA strategy we have adopted has proved very successful, and we see no reason to change a winning formula."

As one of the largest global GSSA operations, Paris-based ECS Group can probably claim the greatest network reach, particularly in the U.S., through its Globe Air Cargo subsidiary. But it is its penetration of the Africa market which has proved that local knowledge and expertise will always be at the forefront of any successful GSSA operation.

ECS' success is made more apparent with the decision by Brussels Airlines to entirely outsource the carrier's ex-Europe capacity on its African network. "Since we started handling Brussels Airlines, we have built up traffic on their African network to the point that average load factors are now 93 percent," Adrien Thominet, ECS vice president, sales and market-



ECS Vice President Adrien Thominet

ing, says. "It has proved to be a very good combination of airline product on behalf of the carrier and market



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expertise on behalf of the GSSA."

To that expertise, ECS has also been able to offer the Belgium carrier vital reach in the African market through its 60 percent stake in Africa West, a Togo-registered carrier based in West Africa. "Africa West provides us with local lift to provide connection to more than a dozen beyond destinations in Central and West Africa," Thominet says. "It enables us to more directly respond to the fluctuating demands of local markets." It also serves to illustrate the ever-expanding role of the GSSA. In the case of ECS, that even extends to operating its own freighter services between Europe and West Africa.

Is there still a future for the smaller, independent GSSA that offers local expertise and access in today's market? Anders Jepsen, managing director of Copenhagen-based Cargo Care International, believes so.

"We have never been busier than we are right now," he says. "What is important for us is that we have a really good airline client mix."

Jepsen confirms that the GSSA now handles China Cargo Airlines, British Airways World Cargo, Finnair, Coyne Airways and South African Airways in the Danish market. "That gives us the challenge of directly selling four B777 freighters services a week on behalf of China Airlines, or at the other end of the spectrum, selling BA World Cargo's Prioritize Express product. Then again, in complete contrast, we are marketing services to Afghanistan with Coyne Airways."

BA World Cargo's presence in the Danish market perhaps best illustrates how a mainstream carrier has tried various sales options in a given market.

"BA World Cargo has previously gone the GSSA route, then switched to its own representation, then moved to a call center-style operation, before switching back to the GSSA option," Jepsen says. "I think it proves the point that a local GSSA with a strong customer base and good market expertise is a very competitive option." **ACW**



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Jean-Claude Delen is the president of FIATA

TSA's new deadline clouds the security picture

Last month, the U.S. Transportation Security Administration (TSA) announced that it is bringing forward its deadline for all-cargo screening inbound to the U.S. by two years. It goes without saying that this will impact the industry, primarily the airlines. But this will also reflect on the freight forwarding and logistics community, whose members are right in the middle of the chain.

My immediate reaction was to think the TSA decided to bring the date forward because they had understood that the industry was running ahead of the deadlines, and therefore, it was pointless to wait. However, my feeling now is that the closer we get to the 100 percent screening level, the more difficult it becomes to actually get there.

Further complicating the picture is the fact that more countries will seriously tighten their airfreight security measures, and this will have additional impact on the industry, in particular on the express and postal services. However, I am not sure the statement, "The TSA is bringing forward its deadline for all-cargo screening inbound to the U.S. by two years," is entirely correct.

The Implementing Recommendations of the 9/11 Act of 2007 required the TSA to develop a system to screen 100 percent of all cargo transported on passenger aircraft. The goal was to provide a level of security commensurate with the level of security for passenger checked baggage no later than August 3, 2010. With the help of the airlines, and through the Certified Cargo Screening Program, the TSA successfully completed the mission for cargo loaded on passenger aircraft inside the U.S.

The notion of "inside the U.S." is, in fact, relatively new. Nevertheless, the push for security screening inside the country is very present, and this earlier screening date is seemingly justified. The reasoning includes arguments such as, "there is a compelling need to attain the 100 percent goal sooner than originally suggested" and "many air carriers, including a high number of wide-body operators,

"We are all facing a changing picture where different alternative scenarios may develop."

are already at or close to 100 percent screening of air cargo inbound to the U.S."

We must not lose sight of fact that a large percentage of cargo into the U.S. comes from countries where cargo is screened already, and that an important volume of cargo is now exempt from screening. Despite all efforts, if a carrier is unable to comply with the mandate because the origin country cannot undertake the 100 percent screening, there will be few alternatives to denial of service. Certainly, there could be a move to all cargo transport which is not destined for 100 percent inspection until 2013 at the earliest.

We also know that there are projects to screen cargo off airports. In other words, we are all facing a changing picture where different alternative scenarios may develop. Cargo movement is a complex machine, and it thrives on facilitation. I am in no doubt that robust cargo trends will take the route that best combines security and facilitation and will shun all the fetters that may come from decisions that have not resolved all the issues on the table.

This is the spirit with which FIATA, in conjunction with IATA, TIACA and the GSF, recently produced a declaration of principle that we hope will shine as a guiding light for the legislators. Whether in the U.S., the EU or anywhere else in the world, this new group will help officials in their laudable efforts to provide security to citizens without cutting the benefits of efficient international trade. **ACW**

CARRYING EUROPE

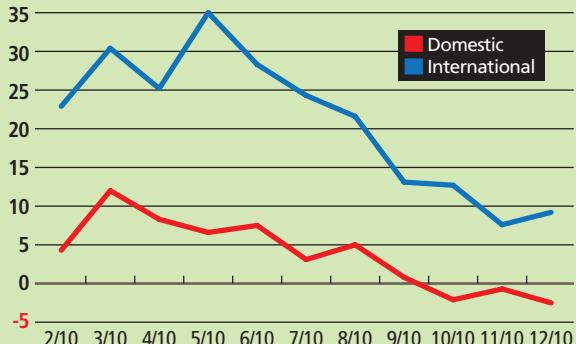
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

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



Source: Air Transport Association of America

CARRYING ASIA

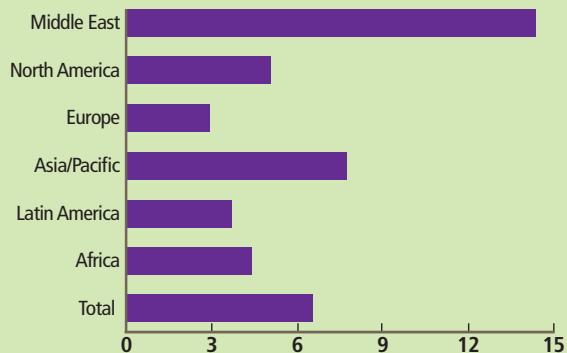
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

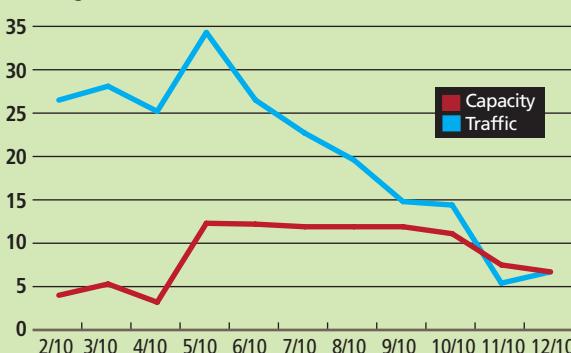
International air cargo year-to-date percent change for December 2009 vs. December 2010



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

SEMICONDUCTORS

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



Source: Semiconductor Industry Association

AIRLINES

Ivan Chu has been named **Cathay Pacific Airways'** director and COO. Chu, who previously served as director, service delivery, succeeds **John Slosar**, who will become the airline's chief executive. The role of chief executive was previously filled by **Tony Tyler**, who has been named the **International Air Transport Association's** director-general and CEO.

Stephen D. Flowers is replacing **Ken Torok** as president of global freight forwarding at **UPS**. Flowers, a 30-year company veteran, will oversee global strategy, performance and revenue growth. He previously served as president of the Americas region.

Etihad Airways has named two new country managers. **Mohamed El Noman**, a former sales manager at



EL NOMAN

DHL Express has selected **Phil Couchman** as managing director of UK and Ireland. He formerly worked as the managing director of Sub Saharan Africa. Couchman has worked for DHL for more than 30 years.

Jan Ernst de Groot has decided to resign as managing director of **KLM** on July 1. He has been a member of the carrier's board of managing directors since 2007.

THIRD PARTIES

Robert Crandall has been appointed to the board of directors at **Southern Air**. Crandall is the former chairman and CEO of **AMR Corporation** and **American Airlines**. He started at American in 1972, rising through the ranks to president in 1982 and chair-

man and CEO in 1985. Crandall currently chairs the board of directors at **Celestica** and is a director of **Aircell**.

Phoenix International Freight Services has promoted **Andy Wang** from managing director to president. In 1995, Wang helped Phoenix form a series of joint ventures in Asia. Under his direction, the company will continue to expand its presence in the region.

Simon Joslin has joined **Damco** as director of strategic development.

Joslin, who has worked in the industry for more than 20 years, previously worked as global account director at **APL Logistics**. The company also has hired

John McKail as head of field sales, Northern UK. McKail formerly worked as national sales director at **Agility**. The 25-year industry veteran also worked for **La Poste** and **UPS**.

Replacing acting president and CEO **John Dueholm**, **Rickard Gustafson** has been appointed the head of **SAS Group**. Dueholm returns to his previous position of deputy president, where he is responsible for the operations and commercial divisions.

Mesa Air Group has promoted **Christopher J. Papaioanou** to general counsel and corporate secretary. He has worked as the company since 2001.

Members of the **US Airways Express Pilots Alliance** have elected **Marcin Kolodziejczyk** and **Richard Swindell** to serve as chairman and vice-chairman, respectively. **Mark Hinczynski** was named the alliance's secretary-treasurer.

Brian S. Gillman is the new senior vice president, general council and corporate secretary at Peachtree City, Georgia-based **Global Aviation Holdings**. He most recently worked as

executive vice president, general council and corporate secretary for **Mesa Group**, and he also held a similar position at **Vanguard Airlines**.

Michael Steen, executive vice president and COO of **Atlas Air Worldwide Holdings**, has taken up his post as chairman of **The International Air Cargo Association** (TIACA). **Oliver Evans**, chief cargo officer at **Swiss International Air Lines**, and **Jason**



STEEN

Foote, **UPS'** vice president of international air operations, have been appointed to the TIACA board.

Roger Franklin has joined **Dynamic Aviation** as CFO. **Merle Zook**, the former CFO, has been named executive vice president. Franklin previously worked as CFO at **Quest Aircraft Company**.

Jean Medina has been named vice president, communications, at the **Air Transport Association**. She most recently oversaw communications for **United Airlines** and was responsible for public relations during the carrier's merger with **Continental Airlines**.

Niklas Prager has taken his position as the new CEO of **Environtainer**. He replaces **Thomas Persson**, who is now a special advisor to the company.

Andy Faes has also been appointed a global partner manager at the company, joining partners **Bourji Mourad** and **Don Harrison**. Faes' responsibilities include developing accounts and clients in Europe, the Middle East and Asia. He previously worked in cargo sales at American Airlines.



FAES

David Ashwell has been promoted to vice president, sales, at **Ze-**

nith Global Logistics. He previously worked as director of sales for North America.

Gary W. Cummings has been promoted to president and COO of **Fleet-Net America**. Formerly executive vice president, Cummings replaces **Oren Summer**, who is retiring on June 30.

Howard Hoffman is the new CEO of **United Vision Logistics**. He has been working as CEO in an interim role since January and previously worked as the company's chief integration officer.

Arturo Horton is the new vice president, marketing — Americas, at **Cargo Data Management**. He has worked at **Aerolineas Argentinas**, **TACA Group** and **Hermes Aviation**.

The **International Post Corporation** has selected **Alan Barrie** as its director of operations and technology, replacing **Ross Hinds**, who will retire in September. Barrie previously was operations strategy and design director at **Royal Mail**.

Stephanie Kopelousos has accepted a position as a senior advisor at the **U.S. House Committee on Transportation and Infrastructure**. She last served as the secretary of Florida's Department of Transportation.

Richard Edrington, who had been president of the **Sterling Aviation Group** since 2003, has died. The 30-year industry veteran spent much of his career at **FedEx** before joining **Sterling Courier**, a division of Sterling Aviation, in 1987. **RCW**

events

MARCH 8-10

Hong Kong: The 2011 version of Air Freight Asia, a biennial conference and trade show, will be held at AsiaWorld Expo. 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.

The 2011 Asian Aerospace International Expo and Congress will also be held at the AsiaWorld Expo. It will feature a Congress with a slew of keynote speeches and an Asian Pacific Training Symposium. For information, visit www.asianaerospace.com.

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.

MAY 1-3

Phoenix: The 2011 CNS Partnership Conference, held Phoenix's Horse Pass Resort, will feature an array of industry veterans speaking about topics including emerging markets, new technologies and security. To register, visit www.cnsc.net/events/Pages/2011CNSPartnershipConference.aspx.

MAY 9-10

Atlanta: The Center of Innovation for Logistics will hold its third annual Georgia Logistics Summit at the Cobb Energy Performing Arts Centre and the Cobb Galleria Centre. Officials expect more than 1,500 industry participants to attend. This year's theme is "Thriving in a Changing Ecosystem," and the agribusiness, airfreight, energy, life sciences, manufacturing and ocean freight industries will all be discussed. To register, visit <http://summit.georgia logistics.org>.

MAY 10-13

Munich: The 2011 version of Messe Munchen GmbH's Exhibition and Conference for the Air Cargo Industry will be held in the New Munich Trade Fair Centre. This is the fifth edition of the event, which is being held in conjunction with a logistics exhibition. According to a press release, 1,764 exhibitors attended the conference last year, and officials expect 48,000 visitors in 2011. For information, visit www.messe-muenchen.de/de/Home.

JUNE 21-23

Atlanta: The eyefortransport group will hold its ninth annual 3PL Summit and its second-ever Chief Supply Chain Officer Forum at Atlanta's Hilton Hotel. For information on the 3PL Summit, visit www.3plsummit.com. To learn more about the Supply Chain Officer Forum, visit www.CSCOforum.com.

NOVEMBER 19-20

London: Project Cargo Network will hold its inaugural summit at the Park Plaza Riverbank Hotel. The two-day conference will include pre-arranged business meetings and a workshop session. For more information, visit www.projectcargonet.com.

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Cost doesn't drive the air cargo industry

You may or may not subscribe to the popular view that the air cargo business is a male-oriented, macho world where the principal decision-making criteria are rates and discount levels. This bar-room myth is self-perpetuating and has a significant head of steam. Yet, if this truly were the case, would not the lowest bid always walk away with the business? Wouldn't all of our shipping be accomplished via at least one remote transhipment point? Wouldn't procurement departments call all the shots?

First-tier carriers and not transhipment specialists still carry the lion's share of air cargo volume, and those that seem to succeed are the ones that experiment and innovate on the basis of customer insight. Leading carriers are differentiated from others on many more dimensions than cost alone; not all of these considerations are tangible, product-focused or commercial — many are based on relational considerations. It's perhaps heresy to suggest it, but it seems there is at least a degree of emotion involved in air-cargo decision making.

There is, of course, no better way to learn what the customer wants than to ask. Here are some key customer-driven insights and priorities:

Some customers are more equal than others. Divide and conquer is sound advice if we can divide our customer base into marketable groups on the basis of their requirements and preferences. It is much more valuable to identify and relate to our customers according to known priorities and ways of working than to allocate them to conventional categories.

Getting gold from base metals. We must mold and refine the base metal of our product and service portfolio, mixing specialisms and core offerings until the optimal configuration is achieved.

Money well spent. Which of our products and services are valued most highly by the customer? Are we investing too heavily in products and services that are not contributing to the bottom line?

In the eye of the beholder. We must know what our customers and potential customers think of us in order to manage and control our reputation and image. How effective have our advertising and communications been? Where are we vulnerable to competitive action?

Singing from the same lead sheet. The key issue here is the extent to which we have succeeded in engaging our own team. Are our employees good ambassadors for the brand? How do we enthuse and encourage while minimizing the risk posed by saboteurs?

Are we on the leading or trailing edge? Innovation is key, but it also is tough to sustain. How can we stay one step ahead of the game and of the competition? How can we assess the potential of new products and services and direct product development teams in the right direction?

Performing actuality audits. Research tells us how customers think we perform, but it's important to know how the company is actually doing. There is often a difference, of course.

Great oaks from little acorns grow. How big is the market (and what does it comprise)? What is our share, and are we growing or in decline? Which carriers pose the biggest threat and where is the greatest potential?

We should know the answers to all of these questions. After all, if the customers' opinion isn't worth listening to, then what is? **ACW**



Brandon Fried is Executive Director of the U.S. Airforwarders Association

Taking the long view on cargo security

The air cargo industry has a strong safety and security record, but recent events have increased the importance of security protocols based on risk assessment. The October attempted bombings of cargo planes demonstrates the need for a harmonized approach to security that would bring countries together to meet this global challenge.

A group of significant air cargo organizations recently formed in accord. The meeting may prove to be one of the most significant steps in achieving complete cargo security to date. The members of the newly formed Global Air Cargo Advisory Group (GACAC) include The International Air Cargo Association, the International Federation of Freight Forwarding Associations, the International Air Transport Association and the Global Shippers Forum.

Overall, the GACAC will focus its efforts on enhancing the security of the supply chain. The group believes that such an effort must involve all components of the transportation system — from shipper to consignee — with minimal disruption to the vital flow of commerce. This will require a global push by the air cargo industry and the relevant authorities to improve risk assessment, tighten supply chain processes, develop viable technology for the environment and improve compliance.

The GACAC also believes that recommendations should be consistent with the International Civil Aviation Organization (ICAO) Annex 17. Furthermore, the group agrees that member states should introduce security programs established on common principles and platforms, such as those contained within regulated-agent and known-consignor programs. To facilitate integrated supply chain transportation, member states must recognize effective security programs introduced by partner member states.

Most important, enhancing data intelligence, leveraging standard electronic advance cargo information and ensuring consistency with the World Customs Organization's Safe Framework of Standards should be the foundation of secure supply chain solutions to target high-risk cargo.

Cargo security should be viewed on a holistic basis, encompassing both freighter and combination aircraft. This would incorporate general cargo, express shipments, mail

and baggage shipped as cargo.

The accord is a significant and bold first step, but it should not be seen as an end unto itself. The group is a great forum for the exchange of ideas and sharing of common interests, but it may be limited by its inability to act on local issues. This is where other organizations that are focused on the more specific requirements of local markets should be included as the GACAC begins to mature.

The logical next step for the GACAC is to invite highly recognized airfreight-forwarding organizations to participate. Organizations like the Airforwarders Association, the British International Forwarding Association and the German Forwarding Association would be able to provide insight to local markets. These organizations would also bring their knowledge of local market intelligence, including emerging trends, challenges and opportunities for freight forwarders. Another organization that should be invited is the Air Transport Association due to the key role it has played in keeping cargo flying on U.S. flights.

The newly formed GACAC should tackle other significant issues in addition to security. For instance, its expertise could be used in dealing with local customs eccentricities and numerous government regulatory challenges, such as airport curfews, fees, taxes and local ordinances. These issues slow the flow of airfreight commerce and as a result, create bottlenecks in the supply chain.

The upcoming year promises to have no shortage of challenges for the air cargo industry worldwide. The newly formed GACAC will be a vital tool needed to increase awareness of the benefits that air cargo brings to national and global economies. Its primary mission will be to fight for the interests of the air cargo industry across the globe, challenging unreasonable rules and charges, while holding regulators and governments responsible for sensible regulation that heightens security through unimpeded commerce.

Including local forwarding interests will not only expand its expertise but also its effectiveness. The phrase, "Think globally, act locally" came into vogue as the world began to understand the impacts of globalization and may be passé today, but for the global world of air freight it remains a valuable lesson.**ACW**



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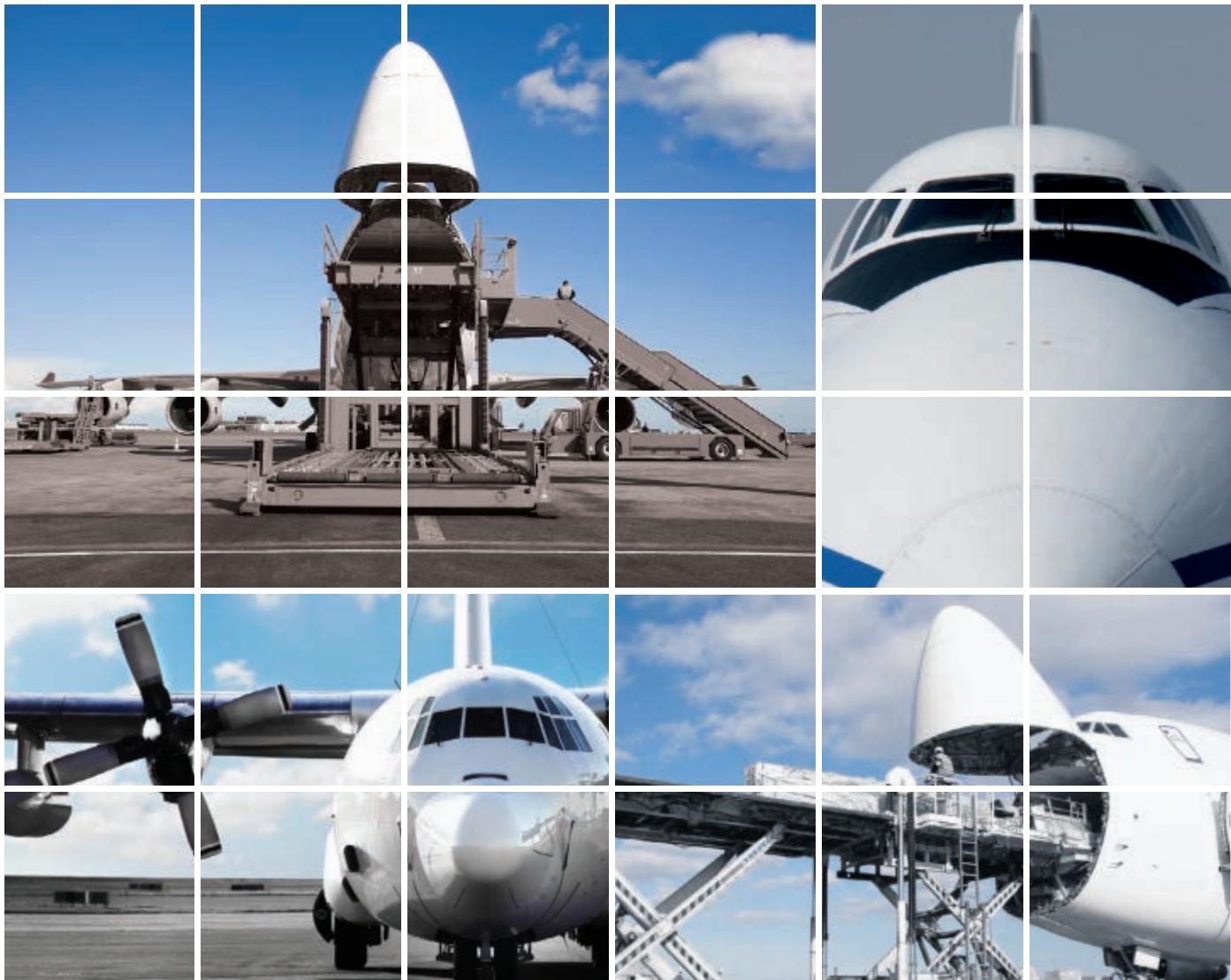
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