INTERNATIONAL EDITION

Air Cargo World

JULY 2011

Airships: Back to the future?

Southeast Asia focus

Top 25 forwarders

Charter special

Air Cargo World

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Air Cargo World

editorial

Labor disputes are in the air

Jon Ross
Editor

Last month, after weeks upon weeks of negotiations, customer service workers at Air Canada left their jobs and picked up pickets. Employees were frustrated that a resolution to disputes over wages, pensions and benefits couldn't be reached. The strike, which the carrier said didn't affect services, began at 11:59 p.m. on a Monday night. It was resolved by that Thursday.

A negotiation dispute at Canada Post, which had already lead to striking workers, resulted in a temporary shutdown of the organization. As of press time, employees still aren't back to work, mail isn't getting delivered and legislators are contemplating a way to force striking workers back to their posts.

The latest word from London is that members of the British Airline Pilots Association who work at Virgin Atlantic have voted for a work stoppage. Their specific gripe has to do with pay. It's been reported that Virgin is offering pilots a 4 percent raise in 2011, with a 3 percent increase in 2012 and 2013. These percentages, the association says, don't even come close to the 5 percent inflation rate. Airline spokespeople say it's a fair wage increase.

Labor protection is necessary, of course, but negotiations can sure get nasty. Both sides want their demands met, and sometimes nobody wants to compromise.

Labor unions and contract negotiations are on my mind because the Independent Pilots Association (IPA), which represents 2,800 UPS pilots, will start negotiating a new contract toward the end of the year.

The IPA was in Atlanta recently preparing for what's to come, and its officers have just begun collecting feedback from the organization's members about what they'd like to see in a new contract.

Tense negotiations and weeks of back-and-forth bargaining are a given, but it would be nice to see UPS and the IPA reach an agreement without a work stoppage.

Changing topics for a bit, I've received a few letters about my June editorial, "Air cargo and the university system: A perfect match?" I know this is a topic worthy of extended exploration, and I appreciate the feedback.

In one of the emails, John Mascaritolo, an assistant professor of supply chain from right down the road at Clayton State University, wrote that he sees the same issues in Atlanta as Diana Marek sees at Northwestern University in Chicago.

He pointed out that "the industry is at different levels of bringing on new, young talent." And while continuing education and training programs help, "the industry has to spawn the workforce and lay out the opportunities for people to see air cargo as a solid career pathway to the future."

You can always comment on anything I write or we publish in these pages by sending an email to jon.ross@aircargoworld.com. ACW

Criticism of EU emissions scheme intensifies

As the 2012 start date for the EU Emissions Trading Scheme gets closer, more international carriers are adding their voices to the din of criticism. The Association of Asia Pacific Airlines is the latest group to speak out, with its director general, Andrew Herdman, saying the EU has "over reached" in introducing the scheme.

Under the policy, airlines are to reduce emissions by 3 percent in 2012 and 5 percent annually starting in 2013. This rule would apply to all airlines flying into and out of the EU.

"The EU has over-reached and underestimated the political price it will have to pay if it insists on pressing ahead with this scheme in its current form," Herdman said in a statement. "It needs to fundamentally rethink its whole approach."

Herdman said he believes the EU should limit the application of the scheme only to flights within Europe. If the plan isn't modified in some way, he warns of "continued legal challenges and retaliatory trade measures" from foreign governments.

A number of U.S. carriers brought a case against the scheme to the European Court of Justice in July, and it's been reported that the Chinese government is also considering legal actions. According to *People's Daily*, a paper associated with the Chinese government, Airbus and the Association of European Airlines (AEA) have also added their names to the list of critics. Airbus and the AEA wrote in a letter to the EU that "aviation's inclusion in EU ETS will create a trade conflict with the world's most powerful economic and political players," the paper reported.

"The last thing we need is a trade war," Herdman said. "Tit-for-tat measures would only add to the burden on the airline industry and the traveling public, without achieving any environmental benefit." ACW

Air Cargo Germany will turn its attention to Latin America this fall, with services to South Korea, and possibly the U.S., set for 2013

Air Cargo Germany ready for new routes

After a couple of difficult years, Air Cargo Germany (ACG) is moving resolutely on.

The carrier entered the market in the midst of the recession in 2009 — clearly not the best time to start a new business. After surviving the downturn, ACG is now ready to expand, said Michael Bock, the carrier's CEO.

The airline recently gained traffic rights to the U.S. Bock, however, appeared to be in no rush to cash them in. "We applied for U.S. traffic rights some time ago as part of our long-term growth strategy, and we have New York and Chicago as our primary target destinations," Bock said. "But currently, we do not envisage a U.S. service start-up before 2013 and only then if there is a market demand."

Bock is instead turning his attention to Latin America, with Sao Paulo, Brazil; Quito, Ecuador; and Bogota, Colombia, in the frame for service start-up in September.

It had been rumored that ACG was planning to add a fifth aircraft this year, with a sixth to join the fleet in 2012.

"To operate into Latin America, we will not need additional aircraft," Bock said. "But when we start adding further destinations, we will need to look for extra capacity." Incheon airport in Seoul, South Korea, is slated for a 2013 inclusion in the network.

Even with its long-term strategy of progressively adding scheduled services to its network, Bock appears determined to stick to a business model that will see scheduled services accounting for no more than 70 percent of its business, with the other 30 percent coming from charter work.

"At the moment, the mix is 85 percent in favor of scheduled operations

and only 15 percent from charter contracts," Bock said. "We want to balance that more in favor of charters because they provide higher margins for us."

Margins might be an issue with Air Cargo Germany, particular in relation to its regular airfreight business. The airline makes no secret of the fact that it sells much of its capacity on a contract-rate basis to the major service providers. But indications show, according to some market analysts, that just a single service provider — DHL Global Forwarding — may be taking up as much as 70 percent of ACG's capacity.

Like fellow European cargo carrier Cargolux, which has recently gained Qatar Airways as a strategic partner, ACG is also seeking investor support, according to Bock.

"We should make it clear that we do not want a strategic partner to join our business, but instead are looking for further financial investment in the airline," Bock warned.

Any potential investor should have an interesting time unraveling the carrier's financial background. There may also be a few surprises in the structure and experience of the management team.

It is understood that Bock is a major stakeholder in ACG, with the Irish investment bank City Leasing holding the remaining 49 percent. But at the time of ACG's launch, it was reported that much of the backing for the new venture had come from Russian businessman Viktor Ivanovich Merkulov, owner of Moscow-based Vim Airlines.

ACG also appears to have drawn its cargo management experience from Russia. It recruited Andrey Goryashko, former CEO of Aeroflot Cargo, as vice president, strategic development. He has been joined by Alexander Kirichenko, another former Aeroflot Cargo executive, who is now ACG's director, sales and marketing. Kirichenko helped set up the Russian carrier's European cargo hub, which is located at Frankfurt-Hahn airport.

"We applied for U.S. traffic rights some time ago as part of our long-term growth strategy, and we have New York and Chicago as our primary target destinations."

— Michael Bock, Air Cargo Germany

"Andrey and Alexander have a wealth of experience and expertise from their previous roles at Aeroflot Cargo and bring with them a deep knowledge of the air cargo market," Bock said of his Russian management team. The Russian backing and management support of ACG is common knowledge in the German market, if not the object of some wry comment.

"Locally, we refer to Herr Bock as 'Mikhail,' rather than 'Michael,' because of the Russian influence around him," said one German forwarder.

ACG is on the cusp of more activity, but it's had a complicated history.

A new cargo carrier was what the market needed, officials claimed, when Air Cargo Germany launched two years ago. The second German cargo flag carrier was to secure more business in the home market and assert Frankfurt's pivotal position in Europe.

Lufthansa Cargo would argue both counts. Lufthansa was already fully occupied, fending off a myriad of foreign scavengers at its home base; the further intrusion by one its "own" would not be welcome.

Air Cargo Germany had been wise enough, at least, to stay out of immediate sight of its irritated elder by establishing itself at neighboring Hahn airport. Neighborly enough, that is, to still be able to claim the prefix Frankfurt-Hahn.

The German start-up had also been honest enough to admit that it hit the market at precisely the wrong time. A projected launch for 2008, in the midst of one of the worst global downturns, was pushed back until July 2009.

"By that time there was no turning back. We had acquired our first two aircraft, and we needed to launch to start earning revenue," Bock said.

ACG had acquired two B747-400SF conversions on lease from Avion Aircraft Trading. Initial service

included Shanghai and Hong Kong. Business grew sufficiently for the new airline to acquire two more B747-400 BCF aircraft on lease from Martinair in July and October of last year. This allowed the airline to increase frequencies on its two China routes and also to start service to Johannesburg, South Africa.

Shortly after delivery of the two Martinair freighters, one of the aircraft suffered a mishap when part of its landing gear collapsed at Hong Kong International Airport. It was subsequently discovered that prior to delivery to ACG, the aircraft had undergone a major maintenance check in Europe.

"Air Cargo Germany was able to recover the costs of the repairs from insurance," said one industry observer. "But this did not account for operational losses whilst the aircraft was out of action for three weeks, which put a severe strain on its resources at the time."

According to Bock, the incident pushed the airline into a minor loss for 2010 — an outcome not helped by a poor peak season out of China. ACW

Airbus Freighter Conversion dissolved

Citing increased demand for A320 passenger craft, Airbus has terminated its development program for the A320/A321 passenger-to-freighter conversion and dissolved Airbus Freighter Conversion.

Airbus Freighter Conversion GmbH, a joint venture among Airbus EADS EFW and two Russian partners, was formed in 2007.

According to an Airbus news release, the joint venture partners stopped the program because "strongly growing passenger traffic results in high demand for used A320 Family aircraft, thus reducing the amount of aircraft available for conversion."

There were customers out there, however. In 2008, AerCap Holdings placed an order for 30 A320 and A321 freighters. The company intended to present the first freighter for certification sometime this year.

After the order, Lars Becker, Airbus Freighter Conversion's CEO, made a bold prediction for A320 conversions. "Based on the competencies and capabilities of our parent companies UAC, Irkut, Airbus and EADS-EFW," he said, "we at AFC anticipate converting about 400 aircraft into freighters until 2026."

West Atlantic, which had three freighters on order and the option for a few additional planes, was expecting its first A320 toward the end of next year.

A company spokesman told *Air Cargo World* that while the leasing firm had no clients lined up for the freighters, it was actively talking with customers.

Airbus A320s go through the final stage of assembly in Hamburg, Germany

In an email, Russell Ladkin, West Atlantic's sales director, expressed his frustration with the news.

"This is a disappointment," Ladkin wrote. "With increasing fuel costs, an efficient freighter was a key part of the decision process to select the A320 over the established competing products. Lowest unit cost is everything, and we'll now be working with our customers to find the right solution for the capacity niche we saw the A320 fill."

One day before Airbus shut down the conversion program, the company delivered an A320 to International Airlines Group for use by British Airways. In the past two months, Yemen Airways and easyJet both took delivery of A320s.

The company also announced in May that it will ramp up monthly production of A320 planes by six starting in the fourth quarter of 2012.

"The low operating costs and high dispatch reliability offered by the A320 Family make it the best seller in its market," Tom Williams, executive vice president, programmes, for Airbus, said at the time. "With a backlog of over 2,300 A320 Family aircraft to deliver, we need to increase production to accommodate continuing strong customer demand for these new eco-efficient aircraft." ACW

Qatar takes 35 percent of Cargolux

After months of speculation, Qatar Airways has reached an agreement with Cargolux to acquire a 35-percent stake in the Luxembourg-based carrier for an undisclosed amount.

The deal will help Qatar expand its freighter operations into the European market. Qatar currently owns five freighters and has placed an order for four Boeing 777Fs. In addition, the carrier is exploring the possibility of converting A330s to cargo planes. Compared to Qatar's holdings, Cargolux has a massive freighter fleet; it currently operates 16 Boeing 747Fs and has ordered 13 Boeing 747-8 freighters, making it the launch customer of the new craft.

"The agreement signed today is the first major step by Qatar Airways towards substantially expanding the cargo side of its operations, a great opportunity to capitalize on a rapid growth business," said Qatar's CEO Akbar Al Baker after signing the agreement with Cargolux's CEO Frank Reimen. "We seek to fuel our growth plans by further developing our airfreight business as a major part of our overall product offering and develop Qatar as a leading global cargo hub and one of the major players in the international freight market by 2015."

Baker added that Qatar and Cargolux will experience more growth next year when an international airport opens in Doha. The goal, he said, is to make that new airport a cargo hub.

After the signing, Reimen said the deal is the start of a symbiotic relationship.

"We have identified numerous synergies owing to the complementary nature of our businesses that will enable us to develop scale and reach and strengthen our respective hubs in Luxembourg and Doha," he said in a statement. "The implementation of the cooperation plan will be a driver of high customer satisfaction, enhance our competitiveness through improved returns and benefit the Luxembourg economy overall through extra trucking and handling tonnage, and the creation of new jobs." ACW

Dubai International Airport

Report points to Dubai's effective aviation model

Even if Dubai International Airport, which is run by the Dubai Airports group (DA), experienced a short downtick in cargo volumes this May, according to a report by Oxford Economics, Dubai has an effective aviation model and is in for rampant growth in the coming years.

Dubai International handled 187,905 tonnes in May, which represents a 0.5 percent year-over-year loss. The airport's year-to-date tonnage total — 874,584 tonnes — is a 0.3 percent year-over-year drop.

But where cargo is very slightly slumping, passenger movements have taken off. Passenger totals were up 8.8 percent in May compared to the same month in 2010. The year-to-date passenger increase is up 8.6 percent.

"Passenger volumes are on course to top 51 million by year-end, which should put us hot on the trail of Hong Kong International as the world's third busiest airport for international passenger traffic," Paul Griffiths, CEO of DA, said in a statement. "By 2015, we expect to overtake London Heathrow for the No. 1 spot when passenger numbers surpass 75 million."

Substantial passenger growth is undoubtedly good for cargo as well. But these increases didn't just happen overnight. In "Explaining Dubai's Aviation Model," which was released with Emirates and DA, Oxford Economics found that Dubai's aviation model has succeeded due to a competitive and consumer-centric culture.

Among the many findings was Dubai Airports' role as an economic driver in the Middle East. The organization supports 250,000 jobs and contributes more than $22 billion to the local economy.

"Air travelers and shippers using Dubai and Emirates Airline make an important contribution to many national economies," Adrian Cooper, CEO of Oxford Economics, said when commenting about his firm's findings.

This economic prosperity is important to the region's future growth. Aviation now comprises about 28 percent of Dubai's GDP; Oxford analysts expect that number to rise to 32 percent by 2020.

The report also found that Emirates will see substantial capacity growth in the future and that it will outpace predictions recently published by Boeing and Airbus.

"Aviation is one of the main engines driving Dubai's emergence as a global center for trade, commerce and tourism," Ahmed Bin Saeed Al Maktoum, chairman and chief executive of Emirates, said in a statement. "That is why we have created a business and regulatory environment that supports its growth by encouraging open competition between all airlines, efficient operations and customer satisfaction. There is no magic here. It's just good business." ACW

EgyptAir launches new routes to meet Middle Eastern demand

To better serve the growing Middle Eastern aviation market, EgyptAir has launched a number of new international routes. From thrice-weekly direct service between Cairo and Abha, Saudi Arabia, to almost daily service to Iraq, EgyptAir has upped its flight schedule to address increased demand.

Beginning mid-month, EgyptAir will provide direct services to Baghdad and Erbil, Iraq. With four weekly flights to Baghdad and three weekly flights to Erbil, this route was created to connect Iraq with Europe and North America through its Cairo hub. Flights to Baghdad will operate every Monday, Wednesday, Thursday and Saturday; EgyptAir will serve Erbil every Monday, Thursday and Friday.

Increasing commerce between these regions is a key goal, said EgyptAir CEO Hussein Massoud. "Egypt and Iraq are linked together with commercial and cultural bonds; Iraq represents a fertile market for the Egyptian investments," he explained.

EgyptAir Airlines Chairman and CEO Captain Ayman Nasr concurs, but points to another main benefit: linking Africa with the rest of the world. "EgyptAir is confident of the ability to execute a development plan in the Middle East and to create a seamless link with Europe and Africa," he said in a statement.

Increased services to Iraq and Africa aren't EgyptAir's only priorities, however. On June 20, EgyptAir launched a direct route between Cairo and Abha. Operating every Monday, Wednesday and Friday, this route brings the total number of weekly EgyptAir flights to Saudi Arabia to 98, Massoud said.

What's more, EgyptAir increased service to its own continent by upping its number of weekly flights to Abuja, Nigeria. Since June 1, the carrier has operated six weekly flights from its Cairo hub to Abuja. ACW

Turkish Cargo experiencing a bright year

After experiencing encouraging results in the first part of 2011, Turkish Cargo is in expansion mode.

The carrier added an A330-200F on June 22 and will branch out to five new destinations in July. The new plane joins a fleet of four A310F planes and one A330-200F craft.

This month, the carrier will begin freighter flights to Budapest, Kabul, Bombay, Lagos and Riyadh. Turkish Cargo began accepting cargo on twice-weekly passenger services to Donetsk, Ukraine, on June 20. Thrice-weekly passenger services from Istanbul to Kabul will also be targeted for cargo growth, starting July 9.

According to a spokesperson at Turkish Cargo, this growth is due to an "aggressive fleet and network expansion policy, as well as a more active marketing strategy. New destinations will be added to the freighter network [until] the end of 2011." These new flights will include services to Erbil, Jeddah, Dhaka, Addis Ababa, Budapest, Munich, Vienna, Warsaw and Stockholm.

This expansion comes on the heels of an increase in the frequency of a handful of Turkish Airlines flights, which has boosted the carrier's bellyhold capacity. Turkish Cargo has also seen a more than 20 percent year-over-year increase in tonnage throughput so far in 2011.

"New destinations will be added to the freighter network [until] the end of 2011."

Turkish Airlines rolled out its planned flight increases in May and June, boosting many routes by four or fewer frequencies, but offering eight new flights between Istanbul and Bucharest. In May, the carrier expanded flights to Beirut, Tiran, Hamburg, Frankfurt, Sofia, Barcelona and Baku. Last month, new frequencies to Almaty, Kuwait, Vienna, Stuttgart, Bucharest, Genoa and Bangkok commenced.

Turkish Cargo carried 119,770 tonnes of cargo from January to April, a 21.6 percent year-over-year increase. The carrier also saw a 36.9 percent growth in cargo revenues.

Among other new developments, the carrier is planning to establish Barcelona El Prat Airport as a hub for flights from Istanbul to Latin America. Turkish is also in the middle of replacing its fleet of A310s with A330-200Fs. The new planes are expected to be delivered in 2012, 2013 and 2014.

This growth is reflected in Turkish Cargo's increased hold on the country's cargo market. In 2005, the spokesperson said, the carrier's market share stood at 44 percent. By the first quarter of 2011, that percentage had ballooned to 66 percent. ACW

In the news....

Ethiopian Airlines has signed a 10-year dry lease with GE Capital Aviation Services for two B777F planes. The brand-new freighters will be delivered in September and October 2012. According to a statement, Ethiopian is the first carrier in Africa to operate the Boeing freighter. The carrier has also begun services to Malakal in South Sudan on a schedule of four times a week. This is Ethiopian's second route to South Sudan and its 62nd destination… **Qatar Airways** recently completed its first A320 flight from Doha to Venice, launching what will become daily, non-stop service to the Italian city. Qatar is still in for a number of route expansions this year. The carrier will open up services to Kolkata, India; Medina, Saudi Arabia; and Montreal this summer. This fall, new routes to Sofia, Bulgaria; Oslo; Entebbe, Uganda; Baku, Azerbaijan; and Tbilisi, Georgia are slated to begin… **Kenya Airways** has agreed to purchase 10 Embraer 190 jets, with options for another 10 planes (either Embraer 190s or Embraer 170s). Deliveries of the first 10 planes will begin during the second half of 2012. "The E190 jet fits in well with our expansion strategy, giving us an opportunity to expand our network and increase our frequencies beyond the current offering while cementing our mandate of connecting Africa to the world and world to Africa through our hub at JKIA," Titus Naikuni, chief executive of Kenya Airways, said in a statement. Crediting network expansion and an increase in frequencies, Kenya Airways boasted a 20 percent year-over-year cargo growth in the 2010 fiscal year. The carrier's cargo and courier service generated Ksh$6.5 billion last year. Kenya Airways' total cargo tonnage ended the year up 2.2 percent, with a cargo operating margin of 6.8 percent. While the company's revenue rose, expenses also grew 16 percent year-over-year. This increase was attributed to extra employee costs, greater operating costs and the weak shilling. After launching new routes last year, Naikuni said the carrier will open services to eight new cities in 2011 and 2012. ACW

Etihad Crystal Cargo has taken delivery of its first Boeing 777 freighter. The carrier's fleet currently includes seven 777-300ER planes, two Airbus A300-600F craft and two MD-11s. Etihad Crystal Cargo serves 27 destinations in the Middle East and Africa.

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Malaysia Airlines joins oneworld alliance

Officials representing the oneworld alliance announced the election of Malaysia Airlines into its consortium of carriers at the International Air Transport Association's (IATA) 67th Annual General Meeting in Singapore. Qantas will sponsor its entry.

oneworld projects that Malaysia Airlines will begin flying as part of its alliance in late 2012. Similarly, both airberlin and India's Kingfisher Airlines, currently oneworld members-elect, are scheduled to enjoy the full benefits of membership early next year.

Malaysia Airlines' inclusion in the alliance will increase the number of cities served by the consortium to nearly 950. Customers of the Southeast Asian carrier will also benefit by receiving reward opportunities on any of oneworld's top-tier airlines.

To Malaysia Airlines Managing Director and CEO Tengku Azmil Aziz, the implications for such a partnership are numerous. "As a company highly focused on quality service, we are immensely proud to have been invited to join the highest quality alliance with the best airline partners offering a global network that best complements our own," Azis said. "We look forward to completing all joining requirements as soon as possible."

Qantas CEO Alan Joyce also points to the myriad benefits of this alliance.

"Malaysia Airlines is an ideal candidate for oneworld, with its world-class reputation for customer service mirroring oneworld's own focus," Joyce said in a statement. "Its Kuala Lumpur home will provide our customers with another of the world's best airports, geographically well-placed between our existing hubs. Qantas is delighted to be serving as its sponsor in joining oneworld." ACW

Photo: Rob Finlayson

Cathay Pacific and other Chinese carriers are revamping their cargo divisions by adding capacity and updating fleets

Chinese carriers look to American expansion

Boosted by stronger results and new freighters, the revamped cargo arms of the large Chinese carriers have North America in their sights. Their transpacific expansion comes on the heels of new all-cargo flights to Europe inaugurated in recent months.

Air China Cargo, the joint venture involving Cathay Pacific, kicked off with B747-400F flights connecting Dalian with Frankfurt. The planes fly via Shanghai, which is the venture's designated second hub.

Last month, the outfit received the second of four B747-400BCFs that Cathay contributes to the partnership. The newfound capacity will be used to beef up frequency to the East Coast or to open new U.S. destinations, said Cathay Pacific's COO Titus Diu.

With the ten freighters in the fleet before June, the carrier was running 17 weekly frequencies to Europe, nine across the Pacific, and 16 flights to destinations in the Asia-Pacific region. In its home market, Air China has extended international freighter service to emerging points beyond the traditional three gateways of Beijing, Shanghai and Guangzhou.

China Southern Airlines, which is poised to mount passenger flights to Vancouver this summer, launched all-cargo service to Amsterdam and Milan in the spring. In May, it signaled ambitions for further growth with an order for six B777 freighters, which are due to enter service starting in 2013.

The revamped China Cargo Airlines has not announced new freighter orders, but it stands to see a significant boost in its maindeck capacity. Liu Shaoyong, chairman of parent China Eastern Airlines, recently announced that its freighter fleet will grow from 21 to 30 aircraft by 2015.

The fleet mix of China's largest freighter operator at the moment will require some streamlining down the road. It consists of six 747-400s, four 777s (with two more on order), six MD-11s, three A300-600s and two 757-200s. This mix reflects the blend of carriers that have been amalgamated into the new China Cargo Airlines.

China Cargo Airlines was born out

of the merger of China Eastern with Shanghai Airlines (which had its own cargo joint venture with EVA Air) and the inclusion of Great Wall Airlines, the Shanghai-based venture in which Singapore Airlines is involved. Both EVA and SIA have taken smaller stakes in the new cargo carrier, which has yet to spell out its long-term strategy.

China's big three international carriers are facing rising competition from Yangtze River Express and parent Hainan Airlines, which have moved aggressively to boost their cargo lineup. In March, Yangtze River Express management declared that its fleet of four 747-400 and nine 737-300 freighters would go up to 15 units by year's end. The Shanghai-based, all-cargo carrier has not given any details about aircraft type and timetable, but according to some reports, Hainan Air has purchased six A330-200 freighters from leasing companies. This order is in addition to two A330Fs already leased, which have been placed with Hong Kong Airlines.

Like its bigger rivals, Yangtze River Express expanded on the Asia-Europe sector in the spring with the launch of twice-weekly B747-400F flights from Chongqing over Moscow to Luxembourg, returning via Shanghai.

The international expansion of the Chinese carriers, which had previously concentrated largely on beefing up their domestic networks and the consolidation process in the country, is fueled by strong results. The industry's profits jumped threefold in 2010, with Chinese carriers reporting combined profits of CNY35.1 billion ($5.3 billion), as revenues climbed 37.2 percent.

"China's big three international carriers are facing rising competition from Yangtze River Express and parent Hainan Airlines."

Cargo traffic has been strong for them. Air China saw RTKs go up 13.4 percent in April, for a 4.1 percent rise in the first four months of the year. China Eastern reported an 18.8 percent increase in RTKs in April, bringing the growth rate for the first four months of 2011 to 11.6 percent. China Southern showed a 36.8 percent surge in April; growth in the first four months of 2011 totaled 29.4 percent.

Statistics from Seabury indicate that the gap between Chinese imports and exports has been shrinking. For the past year, Seabury figures show 2.27 million tonnes of airfreight exports and 1.76 million tonnes of imports. The difference in yields remains stark despite improvements in inbound rates. Faced with load factors around 70 percent in the aftermath of the lunar new year holiday on the outbound legs, Chinese carriers scrapped several transpacific freighter flights in the second half of February, despite good demand for westbound lift.

The year ahead will show less buoyant growth. Air China recently warned that its net profit in the current year would fall below the 2010 results, due to the impact of the earthquake and tsunami in Japan and competition from China's rapidly growing high-speed railway system. ACW

IATA: Asia to become a driving force of aviation

If there was an overwhelming message at last month's International Air Transport Association (IATA) 67th Annual General Meeting (AGM) in Singapore, it was the growth of the Asian aviation sector. Already accounting for 40 percent of the global airfreight industry, Asia has been singled out as the cargo hub of the future.

In his address about the state of the global air transport sector, Outgoing IATA Director General and CEO Giovanni Bisignani emphasized Asia's unique position to lead the industry. "Asia has policies to promote and support growth," Bisignani remarked.

He cited China and India, in particular, as epicenters of aviation. "In place of our traditional leaders, I am convinced that China and India will soon become the driving force of aviation in this century," he said. "They will grow aviation stronger through change, replacing artificial barriers with commercial opportunities."

To highlight this growth, Bisignani mentioned how China has built 45 new airports since 2006 and plans to construct 52 more by 2020. India, on the other hand, has cultivated the northern city of Delhi to serve as a regional aviation hub, he said. What's more, Bisignani explained how the Association of Southeast Asian Nations (ASEAN) has aspired to create a "single aviation market by 2015."

"Investors are betting on this future," Bisignani proclaimed. "Three of the five largest airlines by market value are from this region."

To achieve this goal, ASEAN will be relying heavily on Singapore to drive traffic and growth. Fortunately for the association, the Southeast Asian nation and host to the IATA AGM has already established itself as a regional hub for all things aviation — especially cargo.

It has also emerged as a logistics hub, thanks in part to the opening of the Air Cargo Express hub, a joint venture between the Civil Aviation Authority of Singapore and the Changi Airport Group. Other key elements of the nation's cargo presence include the Singapore Airport Terminal Services' Coolport perishables handling center and the Singapore Freeport, a state-of-the-art, ultra-high-end storage facility featuring the latest in security technology.

Singapore is also buoyed by its strong air and sea connectivity. Anchored by Singapore Changi International Airport — the 18th busiest airport in the world and a gateway to Asia and Australia — much of Singapore's economy depends on trade. But the Singapore Economic Development Board is quick to point out that Asia is not only a big exporter of goods — it's also a key consumer.

It's something Changi Airport has seen firsthand. For the first time in the airport's history, the United States is no longer its top cargo market. Although the U.S. continued to hold that title in 2010, China emerged as its biggest customer in the first four months of 2011.

Up 10 percent from last year, China's surge in tonnage highlights strong intra-Asian trade, said Albert Lim, vice president of cargo and logistics development at Changi Airport. Hong Kong and Thailand have also posted considerable growth, Lim noted.

With a total cargo capacity of 3 million tonnes, Changi handled 1.8 million tonnes last year; officials aspire to hit an all-time high of more than 1.91 million tonnes in 2012.

Even with these numbers, Lim eyes expansion. "As Asia grows, we're also looking to grow our all-cargo networks," he said. "The airport views cargo as an impor tant pillar of our air hub [strategy]."

Changi also seeks to increase transshipments, in hopes of securing its position as a world-class logistics and distribution hub. "After all, Lim said, "We are well-connected to major cargo airports around the world." ACW

Check out our interview with Albert Lim at www.aircargoworld.com/video

HKIA officials weigh possibilities for third runway

To meet the city's air traffic demand for the next 20 years, a third runway must be built at the Hong Kong International Airport (HKIA), according to the airport authority's Master Plan 2030. Another option presented in the report is to maintain the two-runway status quo, which would only be a "medium-term solution."

"The current two-runway system is forecast to be saturated by around 2020, and beyond that, HKIA will not be able to meet additional demand," Airport Authority Hong Kong Chairman Marvin Cheung Kin-tung said during the introduction of the master plan. "This could irrevocably harm Hong Kong's position as a global aviation hub."

Officials predict that maintaining the current system will cost HK$23.4 billion, but increase the number of airport jobs to 101,000 and generate HK$432 billion in revenue. Maintaining two runways will also allow cargo throughput to increase to 6 million tonnes, but the runways will reach maximum capacity in 2020.

To build a third runway, which is estimated to cost HK$86.2 billion, officials would have to reclaim land north of the current airport island. Officials expect that a third runway would meet an annual cargo tonnage forecast of 8.9 million tonnes by 2030.

"If HKIA does not expand, or fails to expand in a timely manner, to meet our future aviation traffic demand, there will be adverse consequences," Stanley Hui Hon-chung, the authority's CEO, said in a statement. "The immediate impact would be on HKIA's connectivity with the world, because with constrained capacity, HKIA would have to turn away traffic, possibly resulting in the airport serving fewer destinations."

Andew Herdman

In a statement, Andrew Herdman, director general of the Association of Asia Pacific Airlines, supported the plan for a third runway.

"The Asia Pacific region is projected to achieve continuing strong economic growth in the coming decades, raising living standards across the region," he said. "If Hong Kong is going to maintain its competitive edge and take further advantage of new growth opportunities, work on constructing a third runway at HKIA really needs to start quite soon, given the long lead times involved. It is clearly a strategic and critical issue for Hong Kong, and its future ambitions to continue expanding its role as a major aviation hub for both passengers and cargo."

Calls for expansion to HKIA are nothing new. In December, the Hong Kong Ideas Centre pressed HKIA officials to start construction of a third runway as soon as possible. Representatives said that it would take 10 years to build a third runway and that the current two-runway system will reach capacity in 2017. The group also noted that several area airports are in the midst of upgrades. Shanghai Pudong International Airport is adding two runways; Incheon International Airport and Kuala Lumpur International Airport are also expanding.

Mark Whitehead, managing director of Hong Kong Air Cargo Terminals Limited, recently expressed his support to the quest for a third runway.

"Without the third runway, there will be irrevocable losses in cargo throughput to the neighboring airports," he said in a statement.

Cathay Pacific's chief executive, John Slosar, said the need for a third runway "is urgent and becoming increasingly so."

"Connectivity with the rest of the world has made Hong Kong what it is today," he added. "We must be clear on how we can maintain and grow these linkages for tomorrow." ACW

Canadian airport starts cargo services

The Fredericton International Airport (YFC) has opened up a new trade lane to deliver Europe- or Asia-bound seafood by air to Toronto, marking the first time the Canadian airport has been involved in a scheduled freight operation of any kind.

The weekly service, which began June 21 using a Cargojet 727-200 freighter, is serviced by EXP-AIR. Cargojet operates Boeing 767-200, 757-200 and 727-200 freighters.

The seafood previously had been trucked from the Atlantic Coast of Canada to Boston or New York before making the airfreight voyage overseas. It will now be trucked to Fredericton and flown to Toronto; this new route means the operation remains in Canadian hands the entire time.

Leslie Gavin, the airport's director of marketing and business development, said the new service will cut about 15 hours of trucking time out of the equation. "Plus, they avoid any border issues," she added.

YFC has concentrated on passenger growth — the airport master plan doesn't even reference cargo — so it might seem a tad unusual to have seafood coming through the airport on scheduled flights. The new route isn't strange at all, according to David Innes, YFC's president and CEO.

"This activity fits in perfectly with the economic trade strategy of the Canadian and New Brunswick governments to increase trade with Europe and Asia," he said in a statement.

For now, only one client is involved in the new route, but Gavin said a number of shippers have been in touch with EXP-AIR about the service. If everything goes well, EXP-AIR could possibly generate more activity in the future, leading to a cargo boost for this passenger-centric airport.

"We'll let it grow organically," Gavin said, "and see what happens." ACW

Geodis Wilson recently acquired One Source Logistics

Geodis Wilson eyes Americas expansion

When Geodis Wilson acquired One Source Logistics in June, the global freight forwarder had one overarching goal: to expand significantly in the U.S. Although Geodis had already made a strong name for itself abroad, it wanted to have a similar effect in the states. Now Geodis is fixing its attention on even more expansion.

"We intend to become a global freight forwarder service to global customers, so we need to grow our services in the United States," said John Gallahan, regional vice president of Geodis Wilson Americas.

To achieve this, Geodis has also been looking at companies that will help it expand its product portfolio in this region. The company has also been searching internally.

"When we looked at our strategic plan, we recognized that we needed to grow in all of our products, including contract logistics, where we have a small base," Gallahan explained. Geodis also recognized that it needed to beef up its service offerings and geographical representation in the U.S.

Although members of the Geodis executive team have publicly declared it their goal to double U.S. business in five years, privately they're even more ambitious. "Our internal goal is to do it in three years, not five," Gallahan told *Air Cargo World*.

Geodis also sees South America as an area of potential expansion. "We've been looking at companies that can help us build our product portfolio in that part of the world as well," Gallahan explained. Nevertheless, he believes Geodis' greater reach in the U.S. will enable it to better serve this continent.

Outside of the Americas, Geodis has interest in Asia. "We are active in the mergers and acquisitions area, and one of the areas we would like to grow is in our transpacific business," Gallahan said. "We've been talking with several companies to help us grow our infrastructure there."

Geodis sees numerous opportunities with its most recent U.S. acquisition: One Source. "They were attractive to us because their services — with their primary focus being on the domestic supply chain — provided us with a great opportunity to enhance our competitiveness in all of

our variants," Gallahan said.

The prospect of developing a broader distribution network was particularly appealing, Gallahan said. "One Source Logistics significantly strengthens our capabilities, not only accelerating the growth of our U.S. domestic product offerings, but also with cross-border trucking throughout North America," he explained.

Like Gallahan, Geodis Wilson Executive Vice President Philippe Gilbert acknowledges these key benefits, but he also points to another advantage: better connectivity. Explaining that Geodis can now offer its airfreight and sea freight clients "a better single-source solution for end-to-end supply chain management into and from the U.S," Gilbert believes the logical implications of the acquisition are numerous. What's more, Gilbert says, "We [also] connect the domestic customer base of One Source Logistics to Geodis Wilson's global freight services."

Nevertheless, Gallahan is quick to point out that the acquisition of One Source is only the first step in Geodis' U.S. expansion strategy. More mergers are certainly on the horizon.

Whatever happens next, Gallahan has high hopes for Geodis' future. After all, the company grew 50 percent last year and is on track to expand by an additional 35 percent this year. Gallahan sees no signs of this slowing down. "The next two years are going to be ones of strong growth; we're planning accordingly," he said. ACW

LAN, BA reach settlements in civil price-fixing suit

British Airways and LAN Airlines have reached settlements in a class-action lawsuit brought by Hausfeld LLP and three other firms against 42 airlines that originated as a result of the U.S. Department of Justice's (DOJ) ongoing price-fixing investigations. British Airways agreed to pay more than $89 million. LAN Cargo, LAN Airlines and the company's affiliate in Brazil, Aerolinhas Brasileiras S.A., settled for a total of $66 million.

With these latest agreements, 11 of the 42 airlines have settled for a total of more than $433 million. Air France-KLM/Martinair and Lufthansa have paid out some of the heftiest fees associated with the class-action suit, doling out $87 and $85 million, respectively. On the other end of the spectrum, American Airlines paid out $5 million in July 2010, and Thai Airways settled for $3.5 million.

LAN has settled a civil suit associated with the ongoing price-fixing scandal

For their part, officials at LAN have seen that a problem exists at the company and are working to fix it.

"As part of its permanent commitment to good corporate governance and transparency in its corporate actions, LAN has further reinforced the control mechanisms of its strict compliance program," a spokesman wrote in a news release. "Furthermore, the company has implemented a new code of conduct that will govern all of its employees worldwide."

Michael Hausfeld, chairman on Hausfeld LLP, pointed out that even though the latest settlements represent a big piece of the lawsuit, there is still a long road ahead for claimants. Hausfeld — along with the firms of Labaton Sucharow; Levin, Fishbein, Savran & Berman; and Kaplan Fox & Kilsheimer — is representing clients harmed by the carriers. Hausfeld's UK office is gathering claimants for a civil suit against carriers fined by the European Commission in 2010.

"These two important settlements, returning over $150 million to claimants, represent yet another excellent result for the U.S. class, which is fast approaching half a billion dollars in recoveries from settling defendants," Hausfeld said in a statement. "BA and LAN/ABSA have now taken an important step toward paying damages for their admitted price-fixing conduct. We

will continue our efforts to pursue recoveries for the huge number of victims of this cartel.

"It's long overdue for companies found to have engaged in price-fixing by public enforcement agencies to make restitution to all of their victims, everywhere," he continued.

The DOJ hasn't ended its investigation, either. EVA Airways recently pleaded guilty to price fixing and agreed to pay a $13.2 million fine. ACW

Airline Network Services launches charter division

As part of the company's 2011 expansion initiative, Airline Network Services (ANS) has established a charter division. Equipped to handle both full- and part-load charters transporting a wide range of goods out of North America, the ANS Charter Division will serve an international audience.

The charter division is closely affiliated with ANS' headquarters at John F. Kennedy International Airport in New York and its satellite offices.

ANS CEO Jens Tubbesing said the ANS Charter Division expands freight-forwarding opportunities in the United States and Canada. He's also confident in his company's proficiency in providing this service because ANS employs advanced technologies and equipment to ensure sensitive freight is handled correctly.

"Many companies are not fully versed in the charter business, and we are there to take that level of complexity and concern away from them," Tubbesing said. "One-stop solution is the name."

Although he admits that 2010 brought numerous economic challenges, Tubbesing predicts exponential growth in 2011, spearheaded by ANS' expansion program. "Our expansion growth program is in full progress," he revealed. What's more, Tubbesing said the company's "investment in dedicated truck services from various offline points into major gateways is resulting in significantly improved transit times and service levels."

In addition to growing its presence in North America, ANS is also increasing capacity in Brazil — a nation emerging as an airfreight hotspot.

Still, Tubbesing is quick to point out that ANS won't abandon its primary market. "Our focus is not solely geared toward large international moves, but also to domestic and intra-Canada types of activities," he said. In fact, ANS is in the process of appointing a charter expert to serve the oil and gas market in Canada's Edmonton/Calgary area.

To Tubbesing, these actions speak volumes about ANS' growth potential. "Our team is poised to become a stable fixture among the various charter companies in North America," he said. "We are grateful for the immediate support that we have received from so many parties already and look forward to building strong relationships with many over the upcoming months and years." ACW

In the news...

On June 16, **Air Canada** launched its first direct link between Chengdu and Tokyo. Flights between the two cities were previously routed through a connection… On November 1, **KLM** will re-start three weekly flights from Amsterdam to Rio de Janeiro using Boeing 777-200ER aircraft. KLM has flown this route before, but cut its Rio services 12 years ago. The city is now KLM's ninth destination in Latin America. "Because Brazil is experiencing such strong economic growth, we see Rio's inclusion in the KLM network as beneficial to our business passengers," Peter Hartman, the carrier's president and CEO, said in a statement. "Foreign investment in the region is increasing strongly, fueled by the growing oil and gas industry." .. **China Southern Airlines** has begun thrice-weekly, non-stop flights from Guangdong to Vancouver, a service that the Canadian Tourism Commission expects will generate $72 million annually… **Worldwide Flight Services** is the new Miami cargo handler for TAP Portugal and US Airways. TAP signed up for cargo warehousing and customer service. Worldwide Flight Services will add international mail linehauls, in addition to warehousing and customer service, to its US Airways duties. TAP flies A330s into the airport five times a week, and the carrier is expecting to move 2,700 tonnes of freight annually. US Airways moves 1,800 tonnes a year through the Miami airport… **Asiana Airlines** will launch nonstop, all-cargo service between Incheon International and Portland International Airport (PDX) on Sept. 2. The thrice-weekly service will use a Boeing 747 freighter. The flight to Asia is non-stop, but Asiana will return to PDX through Anchorage, Miami or Atlanta. Officials expect to transport seasonal perishables — such as Oregon blueberries, cherries, Dungeness crab and oysters — on the route. During a press conference announcing the new service, Oregon Governor John Kitzhaber said the Asiana flights will help generate $27 million a year in local business activity. He expects to see 80 more local jobs, as well. He also pointed out that the state's top three trading partners are Japan, Korea and China — locations that are all served by the new flights. "For Portland businesses, nonstop, air cargo service to Asia is absolutely critical in getting our goods to market," Portland Mayor Sam Adams said in a statement. "This is an important accomplishment for the Port of Portland and will translate into more trade and job creation for our region." Local media reported that Asiana will receive more than $750,000 in incentives… After exploring the possibility of moving its corporate office, **Atlas Air** has decided to keep its base of operations — and 460 employees — in Purchase, N.Y. In a media release, a company spokesperson also hinted that Atlas will be hiring 50 new workers. Tax breaks were a big factor in the debate over moving Atlas' home base. For staying in New York, the company will get up to $8.5 million in job benefits through the Excelsior Job Program, around $442,000 in sales tax exemptions and energy credits that total $480,000 over 10 years. According to the spokesperson, Atlas received "incentive offers" from multiple other city governments. ACW

A new way of working with Dangerous Goods

Critical incidents involving the carriage of dangerous goods by air have, in recent months, served to focus the need for even greater vigilance in the handling of all types of hazardous shipments. Paramount to that is the need to adhere to industry standards which require all dangerous goods moving by air to be correctly identified, labelled and packaged, prior to entering the transport chain.

That is not always an easy task for the forwarder or handler when receiving a dangerous goods shipment from a shipper. He is faced with the prospect of checking a multi-page shipment declaration for unfamiliar substances and what might well be an imminent flight departure.

But it is absolutely critical that forwarders who receive freight from shippers, and airlines or general handling agents that receive freight from forwarders, comply with the latest regulations for shipping dangerous goods by air. DG Online, produced by OAG Cargo, the provider of support solutions to the aviation industry, is proving an invaluable tool in the air cargo business to facilitate the safe transit of dangerous goods. Produced in collaboration with IATA and ICAO, the web-based programme provides step-by-step guidance, with clear instructions and customised checklists to ensure safety and compliance for every hazardous shipment. DG Online's main purpose is to allow any user to validate that a dangerous goods declaration received with any shipment is legal and that the shipment itself matches the received declaration.

To achieve that, DG Online incorporates the industry's most trustworthy cargo reference sources, namely IATA Dangerous Goods Regulations(DGR), ICAO Technical Instructions and ICAO Emergency Response Guidance. Says Nicola Burrows, product marketing manager OAG Cargo: "This enables us to provide users with fully-integrated content in one place, as a single source reference."

Importantly, she emphasises, DG Online is always up-to-date and verified by ICAO and IATA.

"As an online neutral platform all addendums and new directives issued by any of these references sources are immediately added and updated on the system," says Burrows.

DG Online has been designed for use by anyone involved in the transport of dangerous goods by air. But it has been specifically tailored for the acceptance side of the market and its step-by-step structure means it can be used by anyone in the supply chain.

DG Online

Notably, it has quickly become recognised as one of the key industry training tools for the handling of hazardous shipments. Sterling Campus business school in Singapore runs a series of technical courses related to the IATA Accredited Dangerous Goods Regulations. These are attended by employees from forwarders and airlines in Singapore. Courses are also run in neighbouring Malaysia and Vietnam.

According to Jonathan Pereira, training consultant at Sterling Campus, the DG Online programme has become an integral part of the dangerous goods training syllabus. "We regard the IATA Dangerous Goods Regulations manual as the starting point of our technical courses," says Pereira. "But DG Online provides a much broader training platform, particularly for accessing information not contained in the IATA DGR and applying intelligence to the data based on specific shipment details." He refers, in particular, to the ICAO Technical Regulations and the ICAO Emergency Response Guidance, both of which are incorporated in DG Online. "We regarded it as essential that any student undergoing formal training in the handling of dangerous goods should have a thorough understanding of how to respond to any incident involving hazardous goods, " says Pereira. "The ICAO Emergency Response Guidance is therefore a vital part of DG Online." Pereira also speaks of the ease of use of DG Online.

"Quite often we will need to train older employees, who have been performing DG acceptance checks manually for many years and maybe not quite so computer literate. They quickly find that DG Online takes them through the process in a step-by-step manner, which allows them to constantly check that they have followed the correct procedures."

DG Online, he says, also allows users to print out a customised checklist on which all relevant questions concerning the Shippers Declaration are included. In addition, the checklist also contains relevant questions regarding marking, packing and labelling instructions. According to Pereira "this reduces the amount of time required for the checking process drastically."

"A search option also allows users to search for any product, even by its UN number," which is an extremely useful function," says Pereira . "The search results will contain the Proper Shipping Name, the UN number and the packing group."

There may be concerns, of course, that DG Online, in its day-to-day use in the industry, may not include all the information required to validate international shipping regulations. "DG Online includes all the official legislative provisions and variations for all ICAO member states and registered airlines worldwide," explains Nicola Burrows. "Access to this information enables users to check all local regulations and validates the information on the shipment declaration is correct." New enhancements will be added to DG Online, to improve ease of use and speed up transactions.

Southeast Asia:
Operators focus on intra-regional flows

The 747-400 freighter fleet of Singapore Airlines (SIA), a key plank of the carrier's longhaul network, is showing up increasingly at airports around Asia.

SIA's shifting focus from longhaul to intra-Asian routes reflects the rise in volumes moving within the region. The carrier's activity mirrors that of other airlines, which are increasingly investing in transshipment efforts.

In early April, Southeast Asia's leading carrier added Penang, Malaysia, to its freighter network as a stop in a weekly 747-400F run from its home base to Hong Kong. This came just more than a week after the resumption of SIA freighter flights to Kolkata, India, which had been suspended in 2009. The weekly Kolkata freighter supplements the airline's four weekly passenger services on the route.

SIA Cargo has recently established freighter links to Taipei, Taiwan; Bangkok and Osaka, Japan. Two flights a week operate on a Singapore-Bangkok-Tokyo route, and three others serve the Japanese capital over Taipei. In mid-May, a twice-weekly 747-400F service to Osaka began.

SIA's freighter presence in Asia receieved a significant boost in June with the arrival of a 747-400BCF; a second plane will join the fleet in September.

"With the increase in our fleet size, we are planning more regional flights, such as the recent introduction of Osaka flights and increasing Shanghai flights," according to a company spokesman. Taipei, Narita and Shanghai are possible destinations for the new freighters.

Another indication of the shift from longhaul flights is the decision of Air Hong Kong, the joint venture between DHL Express and Cathay Pacific, to take three 747-400BCFs from Cathay. These were then deployed on trunk routes in DHL's regional network centered on Hong Kong, which has so far been served with A300-600 freighters. The first 747-400BCF went into action at the end of May on the Hong Kong-Singapore sector.

The pull of China is a major driver in this realignment, the SIA spokesman observes.

"The main export markets for Southeast Asia have so far been mainly the USA and Europe, with commodities like garments, shoes, electronics and hard-disk drives. However, with increasing trade between China and Southeast Asian countries — especially with Thailand, Vietnam, Cambodia and the Philippines — intra-Asia cargo movements are on the increase, especially with the migration of lower-end manufacturing from China to some of these countries," he says.

The spokesman adds that the base exports from Thailand are electronics and car parts to China and Japan, although perishable exports are on the rise. Exports coming from Thailand and Indonesia include seafood and fruit.

Like the airlines, forwarders are also stepping up their capabilities to serve intra-regional business. "Increased importance is being attached to the intra-Asia and transpacific trades," declares a spokesperson for Kuehne + Nagel with regard to the company's plans in the region for the next 18 months.

Dian Mulia Freightravel, one of Indonesia's top-10 cargo agents, historically concentrated on longhaul traffic, with exports to Europe and North America dominated by garments, footwear and furniture. Electronics exports have boomed in the wake

MASKargo and Singapore Airlines Cargo are both increasing transshipment activity in Southeast Asia

of the opening of factories in Indonesia for the likes of Panasonic and LG, Dian Mulia's managing director, Franky Frans, says.

The company has recently concentrated on developing perishables traffic in response to a rising demand for Indonesian fruits and vegetables in markets like Thailand and Singapore. "This is high-yield cargo. It generates more revenue for us," Frans says.

For all the emphasis on intra-Asian trade, Dian Mulia Freightravel has not turned its back on expanding overseas business. The forwarder is now in the early stage of developing traffic to South Africa and Latin America, Frans says.

Like SIA Cargo, MASkargo is also gearing up its freighter operations for more activities within the region. Its current lineup of six B747 freighters, which includes four leased 747-200Fs, will be changed to a mix of 747 and A330-200 all-cargo aircraft. Two A330Fs are scheduled for delivery in September, and MAS has two more of these aircraft on order. MASkargo management has indicated that the aircraft will be used chiefly on intra-Asian routes, especially to China.

Besides the fleet renewal, MASkargo intends to spend $327 million during the next three years on an upgrade of its cargo center in Kuala Lumpur, which will boost capacity by 40 percent to 1 million tonnes and introduce dynamic tracking.

Thai Airways, on the other hand, seems to be going for 747 freighters. It plans to convert two 747-400s into all-cargo configurations. The conversions should be completed next spring, which is when a block-space deal with lessor Southern Air for two B777 freighters is due to expire.

Thai's belly capacity is poised to grow in the coming years. At the turn of the year, the airline's board approved plans to acquire 12 A330, eight B777 and six A380 passenger planes.

Indonesian flag carrier Garuda is reportedly on the verge of placing an order for 25 narrowbody aircraft earmarked for an expansion of flights on Asian routes. The airline's top management has indicated that it has no intention of boosting European flights beyond its current service to Amsterdam in the near future. For some time, Garuda has expressed interest in mounting freighter operations, but there has not been any movement on that side. Forwarders would welcome such a step, but there is no immediate need for additional capacity outside the peak season, Frans says.

Overall capacity in Southeast Asia has kept pace with demand, and finding lift is no serous problem, forwarders report. "By and large, capacity across the region is adequate, and carriers are maintaining the fine balance on pricing, especially with both volume and fuel uncertainties prevailing to some extent," comments Madhav Thapar, senior vice president for airfreight, Africa and South Asia Pacific, at DHL Global Forwarding.

In terms of longhaul sectors, Vietnam has seen the strongest increase in freighter services in the region, the latest addition being two weekly flights to Hanoi by Air France-KLM, which commenced in June. In the first quarter, the Vietnamese capital saw new freighter operations by Qatar Airways and Jade Cargo. FedEx launched four weekly flights to Hanoi in November, boosting its footprint in Vietnam to 10 flights a week.

Moreover, the country has seen strong growth in recent years. Canon, HP, Sony, Nokia and LG have moved into Vietman, not to mention a $2 billion production facility for Intel. Plus, Nokia is planning to open a mobile phone factory in the Hanoi area next year.

At this point, however, the growth in capacity has created a buyers' market. "Adding new capacity to the current Vietnam environment causes oversupply and consequently tremendous pressure on rates. From a forwarders' perspective, retaining business under these conditions can be quite challenging, as customers do expect getting long-term commitments based on the ad-hoc rates available

"By and large, capacity across the region is adequate, and carriers are maintaining the fine balance on pricing. "

— Madhav Thapar, DHL

in the market right now," says Christian Hein, vice president for airfreight, Asia-Pacific, at DB Schenker.

The moves by airlines in Southeast Asia to step up freighter activities within the region suggest that this sector is faring better than the longhaul arena, but these airlines are facing growing competition from another corner. The rise of regional trucking operations, which has been pushed aggressively by large, multinational logistics operators like Schenker, DGF and TNT, will offer some intense competition.

In February, CEVA Logistics launched an integrated trucking service from Singapore through Malaysia, Thailand and Vietnam to China. The company expects to carry about 72,000 tonnes on the service in the first 12 months. A year earlier, DGF introduced both bonded and non-bonded door-to-door trucking services between Singapore, Malaysia and Thailand.

Like CEVA, DB Schenker is offering cross-border trucking solutions all the way from Singapore to China. Complementary to pure airfreight solutions, the company recently implemented a new route from Kuala Lumpur to Bangkok. In addition, DB Schenker is offering trucking from southern China to Laos via Vietnam and has registered rising demand for road transportation between Thailand and southern China, Hein notes.

For the airlines, competition from the road has been exacerbated by the high price of kerosene and the cor-

responding fuel surcharges, says the SIA spokesman. The outlook for carriers has darkened in the wake of rising fuel prices and the calamity that struck Japan. After a $151 million operating profit in 2010, SIA Cargo is bracing itself for a challenging next few years, the spokesman says.

"SIA Cargo will remain nimble and disciplined in the deployment of its resources and continue to be vigilant on cost management," he declares.

Singapore Changi International Airport experienced an 11.7 percent rise in cargo throughput last year

The airline's home base is seeing some fresh investment at the moment. FedEx recently announced that it would establish a regional hub at Singapore Changi International Airport, which is scheduled for completion in the second half of next year. Covering 26,264 square meters, it will be the integrator's second-largest operations facility in the Asia-Pacific region. The move makes FedEx the anchor tenant in the new Air Cargo Express Hub at the airport.

Changi, which clocked up an 11.7 percent rise in throughput last year to 1.66 million metric tonnes, underscored its role as the region's leading gateway for pharmaceutical and life sciences traffic in December with the opening of Coolport, a 14,000-square-meter perishables facility designed to handle up to 250,000 tonnes per year. With multi-tiered temperature zones ranging from -28 degrees Celsius to 19 degrees Celsius, it is designed to handle a range of fresh produce as well as pharmaceutical and biomedical products.

Kuehne + Nagel also recently strengthened its footprint in this space with the opening of a temperature-controlled warehouse in Singapore that targets pharmaceutical and healthcare industries. DB Schenker recently opened a new warehouse in Indonesia and has two new facilities under construction in Malaysia, with plans for additional facilities across the Asia-Pacific region in the pipeline. ACW

AIRBUS

AN EADS COMPANY

2010 Top 25 Freight Forwarders

Forwarders moving ahead after sluggish 2010

While the economic downturn has, for the most part, receded into the background and business everywhere is starting to pick up, forwarders around the globe are still sorting out the effects of a lackluster few years.

Business in Europe and North America was subdued in 2010, while the Asia-Pacific region, as has been frequently reported, experienced an air cargo boom period. In preparation for Transport Intelligence's Global Freight Forwarding 2011 report, CEO John Manners-Bell found that activity will also start to pick up elsewhere this year.

"Recent trends suggest a changing picture, with exports out of North America and European economies, such as Germany, showing some buoyancy," he says.

The Asia-Pacific markets are also slowing down a bit, Manners-Bell points out. Any cooling off the region experiences, however, is relative to the vast activity it experienced during its initial boom. So compared to other regions, the Asia-Pacific market is still moving right along.

"The weakening dollar against the RMB and the restructuring of the Chinese economy toward consumer rather than manufacturing will have a beneficial impact on load factors into China," Manners-Bell says. "Air cargo flows will become more China-centric rather than U.S.-centric."

Work in the Asia-Pacific region and the general reboot of the worldwide economy helped a number of freight forwarders to successful years in 2010. According to data by the Wisconsin-based research firm Armstrong & Associates, the vast majority of the Top 25 global freight forwarders experienced year-over-year growth.

DHL Global Supply Chain & Global Forwarding leads the list of the most successful firms last year in terms of airfreight tonnage, with more than 4.43 million tonnes moved in 2010. DB Schenker Logistics, Kuehne + Nagel, Panalpina and Kintetsu World Express round out the top five. (For the full list, turn to page 32.)

Last year's recovery in the airfreight industry is mirrored in the growth experienced on the ocean side. Instead of one industry growing at the detriment of the other, the two have seen a "strong early recovery followed by leveling-off," Manners-Bell says.

"Quite violent in nature, international freight saw a recovery driven by re-stocking and an element of supply distress as shippers struggled to rectify the mis-location of inventory," he says. "Anecdotal evidence suggests that this was a particular problem in the electronics sector."

Manners-Bell believes that the market is returning to normal; traditional growth patterns — organic increases instead of growth driven by re-stocking warehouses — have re-emerged. But he warns that fragility still exists in the freight forwarding industry.

"It is also worth noting that the sector has returned to its seasonality, with big increases in volume prior to Christmas," he says. "The issue of underlying volatility remains, underpinned by the uncertainties of the wider macro-economic picture."

DB Schenker was one of the most successful airfreight forwarders in 2010, moving 1.22 million tonnes of air cargo. This number is a significant increase over its 2009 total of 1.03 million tonnes.

For Thomas Mack, senior vice president in charge of air products, the company's focus moving forward is on integrating services, combining air, land, ocean and rail services in a complete package. This will give clients more value while also reducing costs for the company, he says. Regionally, the company's main growth targets are Asia, Latin America and the near Middle East.

"We focus on a more efficient integration of our products to offer our customers a seamless service portfolio," Mack says. "Growth in the future will not only happen on one product side, but will be the result of offering our customers global integrated solutions."

One main issue that needs a bit of sorting out is the current fuel-pricing model. Mack says that airlines end up passing down risk when pricing fuel to the forwarders, and this, in turn, tickles down to customers. Rates are variable, which creates a problem when protracting business.

"[The model] is in not transparent," he says. "We have more and more customers demanding more transparency and less fluctuating rates. We are discussing now with some of our carriers alternatives to the current model."

Also of concern to Mack is the shifting regulatory landscape. New rules concerning security and the screening of cargo always come with increased costs to the forwarder.

Another big issue, says Michael Blaufuss, senior vice president of air freight at Agility, centers around sustainability regulations. Hemming and hawing over the European Union's Emission Trading Scheme is dominating industry chatter. Blaufuss is worried about the increased costs of such infrastructure changes and the commercial feasibility of sustainable processes. He also wonders if consumers are ultimately willing to pay for an increased environmental sensitivity.

"The logistics and transportation industry is a polluting industry," Blaufuss says. "Change is possible — and happening — but there is not going to be an overnight revolution."

Keeping changing regulations and the push toward sustainability in mind, Blaufuss says his company has begun upgrading infrastructure in what it believes will be key growth markets. Agility is targeting the Middle East, South Asia and China, Africa and South America.

Agility ranked 13 in the Top 25 list, with no movement in its airfreight tonnage from 2009 to 2010. Blaufuss says the company is content to grow organically and doesn't foresee any big acquisitions anytime soon. It seems Agility is content to ride the slow wave of growth into 2012.

"We will see a recovery, although at a slower pace than initially expected," he says. "Asia Pacific and the Middle East have shown better signs of recovery than other regions." ACW

Hellman Worldwide presses ahead toward new challenges

Hellman Worldwide Logistics falls near the middle of Armstrong and Associates' ranking of the top global airfreight forwarders (above). Bruce Barash, vice president of U.S. airfreight product, says the company is based on "independence, entrepreneurial character and [a] focus on developing long term customer partnerships," and believes the firm's adaptability to a shifting market has helped it remain successful.

How do you view the current state of the air cargo forwarding market?

Challenges due to government security mandates and the inconsistencies relative to air cargo security regulation, jet fuel surcharges, the supply/demand balance of air cargo capacity, pressures on margins and a sluggish global economy make it critical to mange smartly to remain ahead of the competition.

What have the largest challenges been so far this year?

With shrinking capacity due to passenger-driven agendas compounded by airlines retiring older, less-efficient aircraft and carriers deferring delivery of new widebody aircraft, capacity has tightened and has limited the options in several market pairs.

Additional security initiatives have all created a new and increasing workload to ensure compliance with these regulatory mandates. The disciplines and expense associated with these requirements, which has included a significant training agenda, the acquisition of equipment and record keeping responsibilities, have all altered the landscape for conducting and managing our business.

What kind of air cargo activity is Hellmann planning for the near future?

Hellmann Worldwide Logistics will continue to develop and expand our gateway network, affording our customers with multiple pricing and service options. In addition, there will be continued focus on developing our marketing verticals with increased emphasis in growing our perishables and cold-chain services. Healthcare and perishables — cut flowers and fresh fruits, vegetables and seafood — comprise one of the fastest growing airfreight sectors.

Hellmann is positioned to capitalize on the continued growth projected for Asia, India, Latin America and Africa. Perhaps unique, Hellmann schedules a global annual meeting bringing together Hellmann delegates representing our entire global network. While this conference is customer-focused, it allows individual countries to establish "bilateral" agreements with each other, focusing on developing increased market share through a better understanding of cultural and market nuances.

How do you see the rest of 2011 shaping out for Hellmann?

Following the 2009 recession, Hellmann U.S. import/export airfreight volumes demonstrated a 24 percent increase in tonnage. With a strong 2011 Q1 aided by zero customer defection and top-line customer growth, we will continue to outperform the market. We are and can never be complacent. We must continue to attract and retain the best people. In so doing, we will continue to find ways of adding value in making our value proposition of material benefit to our customers.

What about for the freight-forwarding industry in general?

Due to the uncertain global economy and variables beyond our control, the industry will always have challenges to manage; however, those challenges can also create opportunities.

e-Freight will continue to expand in more and more countries. We are just beginning to move to a more paperless airfreight environment. Continued technological enhancements will need to be committed by our carrier partners in order to provide for greater efficiency and a more seamless transfer of data. ACW

TOP 25 WORLDWIDE FREIGHT FORWARDERS

2010 Rank	Provider	2010 *Airfreight tonnage*	2009 *Airfreight tonnage*
1	DHL Supply Chain & Global Forwarding	4,435,000	3,734,000
2	DB Schenker Logistics	1,225,000	1,032,000
3	Kuehne + Nagel	948,000	758,000
4	Panalpina World Transport (Holding) Ltd.	892,000	731,000
5	Kintetsu World Express, Inc. (KWE)	869,225	882,544
6	UPS Supply Chain Solutions	862,000	500,000
7	Nippon Express Co., Ltd.	855,400	717,200
8	Expeditors International of Washington, Inc.	807,211	587,308
9	CEVA Logistics	536,000	536,000
10	Hellmann Worldwide Logistics GmbH & Co. KG	513,278	513,278
11	Bollore/SDV Logistics	500,000	510,000
12	Yusen Logistics Co., Ltd.	500,000	500,000
13	Agility	490,000	490,000
14	UTi Worldwide Inc.	421,000	334,000
15	Sinotrans Ltd.	384,100	421,500
16	Pantos Logistics Co., Ltd.	330,485	317,000
17	DSV A/S	250,000	175,000
18	Logwin AG	170,000	152,000
19	Kerry Logistics	158,900	115,000
20	Geodis	152,000	152,000
21	Toll Holdings Limited	130,000	50,000
22	Damco International A/S	75,000	60,000
23	C.H. Robinson Worldwide, Inc.	45,000	30,000
24	Hyundai GLOVIS Co., Ltd.	34,819	N/A
25	Sankyu Inc.	18,060	20,769

The Top 25 Worldwide Freight Forwarders list is complied annually by Wisconsin-based Amstrong & Associates based on gross revenue and freight forwarding volumnes (ocean and air transport). ACW took the firm's results and ranked each freight forwarder by total airfreight tonnage only.

HIGH-FLYING DEM

Experts weigh in on the airships sector

Call them blimps, dirigibles or zeppelins. Regardless of the verbiage, one thing's for certain: Airships are a sky staple. With early models dating back to the late 1600s, these aircraft precede traditional planes by centuries.

However, their design and function have certainly evolved over the years. Whether utilized for marketing purposes or government intelligence, these devices have been heralded for their wide range of applications. One capacity, in particular, that has been garnering significant attention of late is freight transportation.

Enabling manufacturers and freight forwarders to transport cargo, such as humanitarian supplies, to hard-to-reach destinations, airships have been lauded as the wave of the future by some aviation experts. After all, they offer a trifecta of benefits: increased capacity, a reduced carbon footprint and the ability to land virtually anywhere.

But will the cargo airship market ever get completely off the ground? Will the industry experience another defeat on par with Germany's CargoLifter failure? And will hybrid airships — which combine the elements of both lighter-than-air (LTA) and heavier-than-air (HTA) aircraft and offer an increased payload capacity — live up to their hype or go bust?

The results are in — and they're mixed.

The voices of opposition

To say that the industry took a hit when cargo airship manufacturer CargoLifter announced insolvency in 2002 would be an understatement. A more accurate assertion? It was a complete setback. When CargoLifter came on the scene in the late '90s, the company aspired to create a CL 160 airship capable of carrying 160 tonnes. But that goal never fully transpired.

Faced with a number of challenges, including limited funding and the destruction of an airship prototype, CargoLifter was forced to throw in the proverbial towel. Nevertheless, former company shareholders continue to invest in the LTA market, via the CL CargoLifter GmbH & Co. KG company. Still, to some in the aviation and logistics field, CargoLifter's collapse serves as a

"The cargo market offers the airship the highest profitability margins, has strong demand in many international regions, and appears to be a highly sustainable business."

— Ron Hochstetler, SAI

SAIC's Skybus 1500

MAND OR BUST?

Photo by Gary Yost

cautionary tale.

Jose Holguin-Veras, PhD, a transportation-engineering expert at the Troy, N.Y.-based Rensselaer Polytechnic Institute, fits into this category. Not only does he call cargo airships "costly and capacity strained," he also questions their logistical merit. Explaining that transferring goods from one mode to another — truck to airship or vice versa — accounts for 12 percent to 20 percent of freight transportation costs, Holguin-Veras says airships can't carry enough cargo to mitigate this expense. "The only way for the mode to succeed is if you have low operating costs, and I don't think airships are low," he says.

Not surprisingly, he doesn't see this changing anytime soon. "I don't think airship manufactures have a good hold on the freight market," Holguin-Veras asserts. "Speed and

direct cost per mile are what's important. And a mode that is slow, like airships, could only compete it if has very high carrying capacity, like 1,000 to 2,000 tonnes, not 60 tonnes like many are [transporting]."

He's especially anti-airship when it comes to moving low-value goods. After all, he maintains, airships just can't compete with other transportation methods in this category. "Can you transport a low-value commodity like corn via an airship that will be competitive with trucks and seafreight?" Holguin-Veras asks. "I don't think so."

Then there's the problem of perishables. Many industry experts argue that cargo airships are simply too slow to transport time-sensitive cargo, such as flowers and certain fruits. Traditional freighters and ships are a much better option, they assert.

Holguin-Veras agrees. To him, airship manufacturers should leave freight transportation to traditional aircraft and trucks and focus on tourism and other passenger-oriented transportation. Although he does acknowledge one advantage of cargo airships — carrying freight to remote destinations — even this isn't enough for him to endorse the market. "Helicopters could transfer it, too," he says. "I just don't see the benefit of [cargo airships]."

Tapping into airships' potential

Ron Hochstetler, director of LTA programs at Science Applications International Corporation (SAIC), couldn't disagree more. Although he also points to the other uses for zeppelins, such as scientific research and sightseeing, Hochstetler says the heavy-lift transportation implications for airships are numerous. In fact, he maintains, "the cargo market offers the airship the highest profitability margins, has strong demand in many international regions, and appears to be a highly sustainable business."

Ron Hochstetler

Hochstetler's company got involved with the LTA market nearly nine years ago when it was tasked with restoring a U.S. Army-owned airship — the Skybus 30k — that had been out of commission for years. To ensure a successful renovation, SAIC charged top airship engineers with redesigning the ineffective or absent parts.

After receiving glowing remarks from its government-based client and obtaining the first Federal Aviation Administration (FAA) Experimental Certificate issued for an unmanned airship, the company embarked on another project: designing the Skybus 8k. At 80,000 cubic feet, the Skybus 8k can reach an altitude of 10,000 feet and transport 500 pounds for 24 hours, Hochstetler says.

Several ideas were tossed around to deal with the fact that the FAA and air traffic control experts prohibit unmanned aircraft from flying in national airspace. In the end, SAIC decided to "obtain an FAA certified manned airship and convert it to incorporate an 'optionally piloted' configuration," Hochstetler says. "We were fortunate in that an excellent manned airship came on the market at the right time."

Hochstetler also worked with the

A Helios Airships C60 cargo airship

Kirk Purdy

now-insolvent CargoLifter to assess the market for cargo airships. "So I was well aware of the great potential and technical challenges that large cargo airships offered to many current transport problems, especially in remote regions," Hochstetler says. "SAIC has also conducted a comprehensive study of the best technologies and prime market sectors for cargo airships and what design and performance elements offered the best balance for meeting both commercial and [U.S. Department of Defense] transport necessities."

The general consensus among logistics experts? "The design needed to be 'right-sized' so it could carry an economically useful load, but not be so large that its very size magnified the engineering and construction challenges before us," Hochstetler explains. Enter the Skybus 1500HL. Resolved to avoid "the problems that have prevented other companies from succeeding in building and operating large cargo airships," Hochstetler says this airship features a capacity of 20 tonnes.

Although Hochstetler maintains that SAIC could have developed an airship with a higher payload — 40 to 50 tonnes — he questions the demand for it. "We knew that the last thing an aircraft operator wants to do is fly around with a partial load while still paying full hourly operating expenses," he says. "We reasoned that there would be a greater likelihood for a 20-tonne ship to fly with a full load most of the time."

An airship renaissance?

SAIC is not the only company advocating the use of airships for freight transportation. The market also got a big boost in March when Lockheed Martin announced that it was collaborating with Canada-based Aviation Capital Enterprises to develop a hybrid airship. Tasked by Aviation Capital to design and construct a fleet of airships that meet FAA regulations, Lockheed Martin is currently working on a 20-tonne-payload aircraft called SkyTug.

Unlike lighter-than-air variations, hybrid airships like SkyTug get their lift from helium and gravity. To Aviation Capital, they offer the benefit of needing virtually no fixed-ground infrastructure and being able to launch and land on tricky surfaces, such as water. And the disaster-relief implications for such an aircraft are apparent, the company's executive chairman, Kirk Purdy, maintains.

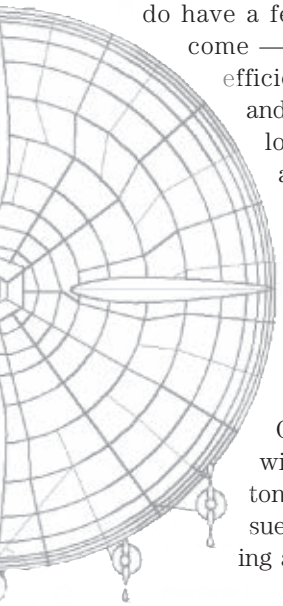
Because hybrid airships don't require a runway, heavy freight, such as medicine and other life-saving supplies, can be dispersed to remote destinations like the Amazon. What's more, Purdy says, "they enable mining, oil and gas, and pipeline support missions along with humanitarian support flights that can't be accomplished by any other cargo aircraft today."

Plus, they're one of the most environmentally friendly options available. Emitting far less greenhouse gas than traditional cargo planes, airships offer businesses a greener way to transport goods. And it's the worldwide push for sustainability and environmental responsibility that has many aviation experts eyeing this market.

Brady Soule, co-founder of Helios Airships, stresses this point, explaining that airships offer manufacturers and freight forwarders a viable way to reduce their ecological footprint. "Imagine people saving the environment from millions of pounds of pollutants from trucks and ships every year," Soule muses. He also envisions a future with less-crowded highways and a decreased dependency on fuel, thanks to fewer freight trucks.

Even Holguin-Veras can't dispute this merit, although he's quick to present a counter-argument. "Well, they may have a low carbon footprint, but if customers don't want to use them, then it's [irrelevant]," he says.

Soule disagrees wholeheartedly with Holguin-Veras' assesment. Although he acknowledges that airships do have a few hurdles to overcome — namely developing efficient landing systems and dealing with helium loss — he calls these aircraft "the future of freight transportation." He says his company was also careful to consider these issues when designing its flagship product, the C60 cargo airship, with a capacity of 60 tonnes. "Our last big issue was generally creating an airship that could handle the weight of all that freight," Soule says. "There are still some issues to iron out, but I'm sure we can solve them in short order."



The SkyTug hybrid airship, a joint-venture project by Lockheed Martin and Aviation Capital Enterprises

Soule says utilizing a cargo airship is also fiscally sound. The C60 "can carry freight anywhere in the world for mere pennies per tonne-mile. [That's] far better than what any other mode of transport or company can offer," he asserts.

Purdy shares Soule's optimism about the cargo airship market, although he continues to endorse traditional freight transportation. Instead of cargo airships replacing freighters and conventional ships, he sees them "augmenting" current methods. He also believes their unique design is advantageous to transporting freight.

"Hybrid aircraft operating characteristics are different from other aircraft, but the differences are not drawbacks; they are enablers," Purdy says. "The ability to land on any relatively flat surface, for example, including on the water, enables large-scale cargo delivery to areas that can't be reached today in a cost-effective way."

Soule believes the possibilities for cargo airships are endless. In addition to saving companies a significant amount of money compared to traditional cargo planes, he calls airships "superior in every single way over the status quo."

"Airships are a win-win for both sides," Soule maintains. "It's time the world saw this and started to see airships in another light — and we plan to lead the way." ACW

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Charter companies adapt to shifting market

The ability to diversify and adapt to changing customer demands is strengthening the position of many players in the cargo charter business and further helping them to establish more individual identities in a highly competitive market.

Lufthansa Cargo Charter, while firmly remaining a member of the Lufthansa Cargo Group, is striking out more and more on its own, not only to secure business in niche sectors, but also to extend its market reach.

"Lufthansa Cargo will always be our primary global shop window, offering charter solutions to its mainstream business," explains Reto Hunziker, managing director Lufhansa Cargo Charter. "But we are finding that many of our project cargo clients are not necessarily Lufthansa Cargo customers and need to be approached separately."

Lufthansa Cargo Charter is seeking to become more active in the oil and gas sector and has taken the decision to cooperate with a partner in Houston to develop this side of the business. It has more recently opened a further office in Miami.

"This is in direct response to our intention to grow our business in the Latin American market," Hunziker says. "We see a lot of potential for inbound project work and also for charter flights within the region."

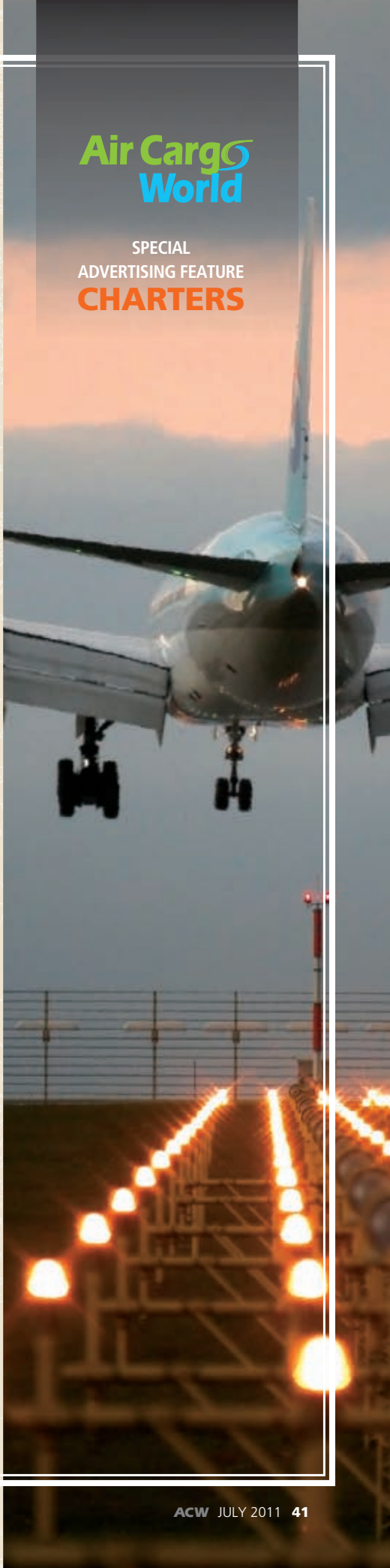
In the same manner, Lufthansa Cargo Charter also intends to put more focus on the African market by opening an office either on the continent or by allocating dedicated staff to the existing office in Dubai, which acts as a sea-air transfer point for a lot of African charter traffic.

Hunziker describes the current charter market as "difficult and different," with no set pattern emerging. "Asia has been busy for us in recent months with a series of pre-planned charters to Europe and the U.S.," Hunziker says. "But this has now fallen away, so we need to seek new opportunities elsewhere."

Maximus Air Cargo is proving its ability to diversify and adapt with the decision to adopt a dual business model, which will see greater emphasis placed on the ACMI sector of its business. During its first six years of operation, the Abu Dhabi-based carrier developed strong credentials in the outsized charter market with its eclectic fleet mix of AN-124, IL-76 and Hercules C-130 aircraft. That commitment remains, with the retention of the AN-124 and IL-76 aircraft, particularly for outsized cargo projects and humanitarian work in support of the UAE Red Crescent.

More recently, the airline has diversified further with the acquisition of two A300-600R freighters. Since August 2009, they have been deployed on long term ACMI contracts with Etihad Crystal Cargo, achieving 97.89 percent technical dispatch reliability.

Reflecting changing customer needs and market demands, Maximus Air Cargo



has decided to focus further growth in the ACMI sector of its business. Fathi Buhazza, president and CEO of Maximus Air Cargo, says: "Our dual business model reflects a mix that will see up to 75 percent of our business coming from the ACMI sector and 25 percent from regular charter work."

To meet that projected business mix, Maximus is taking delivery of a further three Airbus A300-600RP2F freighters. The aircraft, to be delivered in July, with the second in October and the third in December, are undergoing conversion with Airbus EADS EWS in Dresden, Germany. "We are already talking to potential customers for these aircraft and expect an early uptake of this capacity when it becomes available," Buhazza says.

"We believe, at Maximus Air Cargo, that we have taken a significant step towards playing a major role in the development of the ACMI sector over the next few years."

DHL Aviation probably has access to one of the most diverse and widespread freighter fleets around the globe. But it is only more recently that it has sought to tap that potential, by making its aircraft available for charter work. A dedicated charter desk has been set up at the regional headquarters of DHL Express in Bahrain in the Arabian Gulf to handle charter business in the Middle East and also to operate charters in Africa.

"Most of our core business ex-Bahrain and Dubai concentrates on charters into Afghanistan and Iraq," says Erwin Burger, regional charter manager, DHL Aviation.

The charter flights in Africa, he says, mostly operate out of DHL's main hub in Lagos, Nigeria. "From here, were can offer a variety of charter solutions to the market into destinations along the West Coast," Burger says.

Availability of aircraft, he says, is focused on utilizing the downtime hours of the DHL Aviation fleet; where necessary, as a neutral broker, third party capacity will be accessed if required. Burger confirms that around 75 percent of the company's charter business is generated by other DHL entities, such as DHL Global Forwarding.

"But we want to create our own identity and client base outside of DHL and give our customers the confidence of knowledge that we are a neutral operation, and that no client details will be passed onto other parties within DHL."

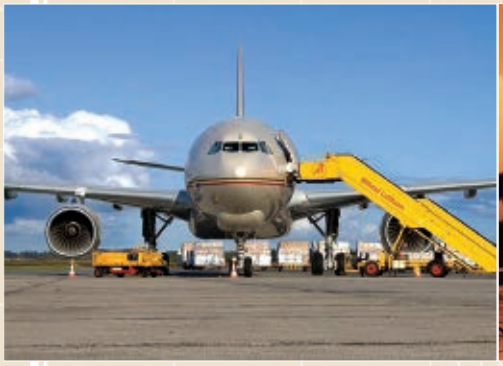
Burger confirms that DHL Aviation will shortly be extending its charter desk operations into Europe.

Niche player charter brokers can often retain the same focus on certain market sectors, but they need to demonstrate the ability to adapt to changing business conditions and customer demands.

"It's never the same day out there," says Harry Steiner, managing partner of Fort Lauderdale, Fla.-based *The Charter Store*.

According to Steiner, The Charter Store remains heavily involved in support equipment charter work to Afghanistan. "We are currently moving a lot of construction equipment out there at the moment," Steiner says. "Whatever the military outcome, this type of business will likely carry on for some time to come."

Many of the charters are sourced out of the U.S., but Steiner says that when charters need to be sourced from other regions, he works with partners across the globe. "We get a lot of charter business originating in Dubai, arriving by sea," Steiner says. "We work closely with our local partners to give the same attention to a shipment as if we were dealing with it ourselves in the U.S."



Sourcing competitive capacity is proving difficult at the current time, Steiner says. "When the China market was more buoyant, there were always backloads to be found for charters operating into Afghanistan; now that market has eased up, and we are often having to pay for a full roundtrip charter."

This, he adds, is where the expertise of the niche market charter broker comes into play. "We always insist that you cannot take a 'one size fits all' approach to the charter market," Steiner says. "You need to constantly think outside of the box and present the customer with a choice of routing and pricing solutions."

Polet Cargo Airlines remains a key player in the heavyweight division of the cargo charter market, currently fielding four of the mighty Antonov-124 aircraft. But it too has sought to diversify its business model over the last two years by putting Russia's first wide-bodied freighter, the IL-96-400T, into service. The IL-96-400T flies between Asia and Europe.

This new craft provides the company with a business mix of outsized charter work and first-time scheduled operations. But according to Oleg Kuzmin, chief of sales for the carrier's AN-124 program, the heavylift side of the business will remain pivotal to the company's future. "We have never been busier with our fleet than we are right now," Kuzmin says. "The aircraft are continually booked two months in advance."

He ascribes their booking success

to the knowledge, experience and expertise the carrier has built-up over the years in operating the AN-124. "We work very closely with our customers and always aim to build-up long-term relationships with them," Kuzmin says. "Currently, we are handling a range of projects in the military [and] aerospace sectors, including the transport of satellites."

Kuzmin adds that the airline's decision to establish a central European base at Munich airport in Germany has also raised the carrier's profile in the charter market.

Although Polet's fleet of three IL-96-400T aircraft are mostly committed to scheduled service, Kuzmin says there is availability for ad hoc charters. The IL-96-400T offers a payload in the range of 90 tonnes, but one of its most telling sales points is the large main deck cargo door, measuring no less than 4.85 meters across. Kuzmin confirms that the carrier is due to take delivery of a fourth aircraft by the end of the year.

Air Charter Service, the leading UK charter broker, predicted at the start of the year that it had another strong year in prospect in the charter business. That prediction has come true, according to James Leach, group marketing director.

"We are currently on track to achieve revenues of $450 million this year, compared with $370 million last year," he says. "That is being achieved by growing our presence in key markets where we are already established and by opening new offices where we believe there is strong potential to develop new business."

He points to the Russian market, in particular, where ACS has had a presence for a number of years, but where more recently it has strengthened its operations. "We now employ over 30 staff at our offices in Moscow and St. Petersburg," Leach says. "It is a measure of how much we have grown this local market as part of our business."

New office openings this year, such as in South Africa, and more lately in Los Angeles, bring the ACS global tally to 14. "It is important to note that when we open any new office, it is a full service operation with a dedicated charter team and full training support," Leach says.

As if to illustrate the point, Leach says the company recently staged a business conference in the UK for all its brokers worldwide. "We had 180 company participants in one place at one time," he says, "which provided a great opportunity for our offices and individual brokers to interact with one another and help grow the business further."

AIRLINES

Aloha Air Cargo has promoted **Johnny Hobayan** to vice president of sales and marketing. Previously serving as senior director of sales and business development, Hobayan will now be responsible for developing strategies to engage opportunities in Hawaii and abroad, managing sales and marketing budgets, coordinating communications efforts, and developing significant client accounts.


HOBAYAN

Peter Hunt will assume the role of senior vice president and CFO at **Virgin America** on July 11. Hunt, who will work from Virgin's corporate headquarters in California, joins the carrier from **Pinnacle Airlines**, where he served as vice president and CFO. He has also worked as managing director of corporate finance at **Continental Airlines**.

Safi Airways has announced the appointments of two individuals to key management roles. **Zaidan Khalifat** has been named director of quality and safety, and **Miguel Serra** has been designated director of ground operations and the operations control center. A veteran of **Arik Air** and **Royal Jordanian Airlines**, Khalifat will work with regulators to ensure both the crew and airline meet international standards. Serra, who previously served at Arik Air and **Vueling Airlines**, will manage flight dispatchers and overall aircraft operations.


KHALIFAT


SERRA

AIRPORTS

The **Airport Authority Hong Kong** has announced the appointments of six new board members, in addition to the reappointment of the chairman and five board members. **Marvin Cheung Kin-tung**, who was reappointed as chairman for a second three-year term, joins previous board members **Raymond Ho Chung-tai** and **Benjamin Hung Pi-cheng**, among others. **Edward Cheng Wai-sun**, **Jeffrey Lam Kin-fung**, **Miriam Lau Kin-yee**, **Lee Shing-see**, **Caroline Mak Sui-king** and **Albert Wong Kwai-huen** are the new board members.

THIRD PARTIES

Damco has named **Roberto Moreno** managing director for the east coast of South America cluster. Based in Sao Paulo, he will be responsible for Damco's operations in Argentina and Brazil and for the company's agents in Uruguay and Paraguay. Moreno joins Damco from **Schenker Brazil**, where he spent the last five years as operations director.


MORENO

OHL has tapped **Steve Russell** to serve as president, global freight management and logistics, for the 3PL's Asia-Pacific region. Before joining OHL, Russell helped **SEKO Global Logistics** expand into the EMEA region; he has also served as the Asia-Pacific president for **Salesforce.com** and a partner at **Alrod International**.

Concert Group Logistics has named **Ian Oliver** its new director, corporate operations; **Ron Miller**, a 10-year industry veteran, has been hired as controller. Among other duties, Oliver will work to automate the company's communications.

Swissport Losch has named **Christian Zweifel** its new general manager of company operations in Munich. **Bruno Stefani**, who serves as deputy general manager of Swissport Losch Munich and key account manager of **Lufthansa Munich**, will assist him in his new role.

OTHER

Tony Tyler has taken over as director general and CEO of the **International Air Transport Association (IATA)**. **Giovanni Bisignani** had served as the head of IATA for 10 years. **Peter Hartman** is the new chairman of the board of governors. Following his one-year term, **Alan Joyce** will become head of the board.

Peter Bottomley, a member of parliament serving Worthington West, has been named president of the **British International Freight Association** (BIFA). Bottomley previously served as roads minister for the **Department of Transport**. The organization also tapped **Steve Parker** to succeed **Andrew Melton** as national chairman of BIFA. Parker, who last served as vice chairman, is **DHL Global Forwarding**'s head of Customs and brokerage, Europe.


BOTTOMLEY

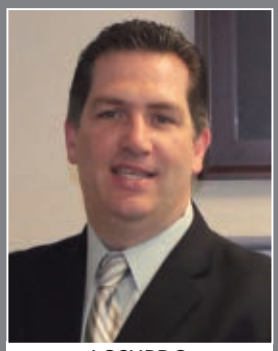
Air Cargo Management Group has selected **Jacob Netz** as a senior consultant. Netz, who had worked in freight conversions at **Israel Aerospace Industries** for nearly 20 years,

Five Questions with... Vito Losurdo

Vito Losurdo recently ascended to vice president, global airfreight services, at UPS, a position previously held by industry veteran Charles Cocci. Losurdo spoke with *Air Cargo World* about replacing such a well-known leader in the airfreight field, how the volatile market has evolved during Losurdo's 10 years at UPS, and the role healthcare will play in the future of the airfreight business.

1. How do you plan to build off Charles Cocci's success?

Fortunately, I have had the pleasure of working with Chuck Cocci for many years. Throughout Chuck's career, he has built a foundation of value for the UPS airfreight product. I plan to build on this foundation and continue our track record of continued success. Most important, some of the key building blocks we continue to focus our success on are doing business with integrity, long-term strategy and strong customer and carrier relationships.


LOSURDO

2. How have your previous experiences prepared you for this new position?

I have been in the industry for 24 years —10 of those years have been direct with UPS through acquisition. The knowledge I gained from the most basic role on the floor of a container freight station to running the gateways in North America has given me the important operational understanding of freight forwarding. The experience I gained as the director of North American gateways prepared me the most for my new position, leading the UPS global airfreight product.

3. How has the airfreight market evolved during your time at the company?

There was a time when anyone with a phone and a fax machine could compete as an airfreight forwarder. Times have changed as technology has evolved. Shippers are now looking for technology systems and solutions that enable them to create, ship and have real-time visibility of their airfreight shipments.

Ever since 9/11, security and regulatory compliance have become primary concerns. In the U.S., Customs was once a Treasury Department agency focused on collecting duties and taxes. It has been transformed to become the Customs and Border Protection agency under the Homeland Security Department, with a primary focus on border security and import and export compliance.

Activities such as denied party screening, once a rarity, are now commonplace. These types of regulations have become more and more common all around the world and continue to grow.

The past five years have been marked by a very deep recession and downturn in the global airfreight market, followed by a significant volume rebound, driven largely by inventory replenishment. Oil prices have also played a major role in the market. These factors have caused supply and demand to fluctuate at very high rates, creating significant swings in the market rates for shipping goods via airfreight.

4. What are some challenges affecting the global airfreight market?

Challenges affecting the global airfreight market are security and compliance for the reasons stated above. However, UPS works in cooperation with the various regulatory agencies and works along with our customers and vendors to fulfill our obligations. Our policies and procedures not only meet but exceed current regulatory requirements.

Access to capacity is also a challenge, particularly when the market tightens. At UPS, we have an advantage because not only do we have great relationships with many of the world's largest airlines as a forwarder, but we operate one of the largest airlines as well. Access to both common carriage and our own network enables us to better manage market fluctuations.

5. Are there any changes on the horizon at UPS?

Right now, there are several dynamic changes occurring in the healthcare industry that have a significant impact on the supply chain that we're helping to address. One example is an increasing amount of temperature-sensitive drugs and biologic products coming to market, which translates to very specialized, compliant handling, storage and transportation requirements.

To that end, we are continuing to focus on areas such as enhancing our temperature-sensitive capabilities and expanding our distribution network around the world to meet our customers' needs.

Healthcare is an important focus for UPS. In an industry that is changing as continually as healthcare, companies require the kind of flexibility that they can only achieve with access to the right global networks and resources.

will work on conversion-related projects. He most recently worked for **Bedeck Aviation Group** as director of analysis and strategy freighter conversions.

AerCap Holdings N.V. has named **Aengus Kelly** CEO and a member of its board of directors. Succeeding **Klaus Heinemann**, Kelly has overseen AerCap's operations in North and South America since 2008. Heinemann, who chose not to renew his contract, has also retired as a member of the board of directors. ACW

events

SEPTEMBER 26-28
Antwerp: "Global Perishable Trade and Policy Trends," "Shipper-Carrier Relations," and "The Insurance and Legal Dimension" are just some of the panels on tap for the Cool Logistics 2011 global conference. Speakers during the two-day conference are to concentrate on how to improve the cold chain across air, land and sea. Visit *www.coollogisticsconference.com* for more information.

SEPTEMBER 26-29
Shanghai: The WCA Family of Logistic Networks' Sino-International Freight Forwarders Conference 2011 will be held at the Shanghai Pudong Expo. For more information, visit *www.sinoforeignforwarderscon-ference.com*.

SEPTEMBER 28-30
Memphis, Tenn.: Labelmaster's free Dangerous Goods Instructor's Symposium will include educational workshops and analysis of current regulations. For more information, visit *www.myregs.com/airregs/conferences*.

OCTOBER 2-4
Berlin: The 17th World Route Development Forum will bring together exhibitors, panelists and delegates throughout the industry at the Messe Berlin exhibition hall. The World Route Development Strategy Summit will be held October 2 and 3. This co-located event will focus on international issues that impact the entire industry before breaking down subjects into route development, air cargo, and travel and tourism panels. Visit *www.routesonline.com* for more information.

OCTOBER 12-14
Shenzhen, China: The eighth annual China Air Cargo Summit, hosted by the Transport Committee of Shenzhen Municipality, will be held at the Ritz-Carlton in Shenzhen. Occuring at the same time, the China (Shenzhen) International Logistics and Transportation Fair will bring together more than 1,200 exhibitors and 80,000 visitors. For more information, visit *www.aircargosummit.org* or email *marketing@aircargosummit.org*.

OCTOBER 16-21
Cairo: The International Federation of Freight Forwarders Association will hold its annual World Congress meetings in October at the JW Marriott Cairo. Originally, the conference was to be held in September. For more information, visit *www.fiata.com*.

NOVEMBER 2-4
Miami: Aviation leaders developed Air Cargo Americas in 1991 as a forum for aviation executives to exchange views, develop strategies to enhance the growth of the air cargo industry in the Americas and showcase the latest products and technologies. Companies can market their services to manufacturers, exporters, freight forwarders, importers and distributors. Contact Charlotte Gallogly at *info@worldtrade.org* or (305) 871-7910 for more information.

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.projectcargonetwork.com*.

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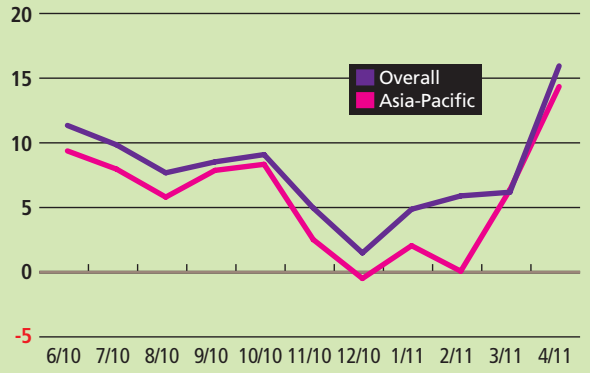
CARRYING EUROPE

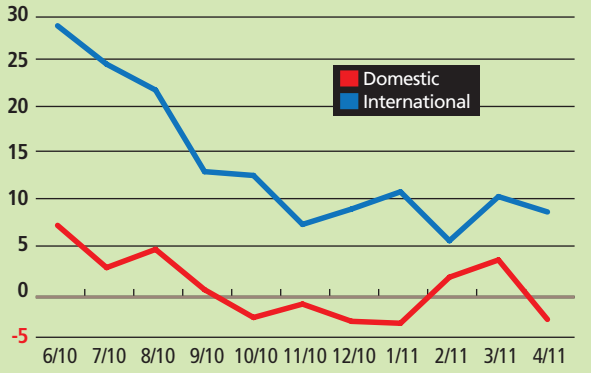
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

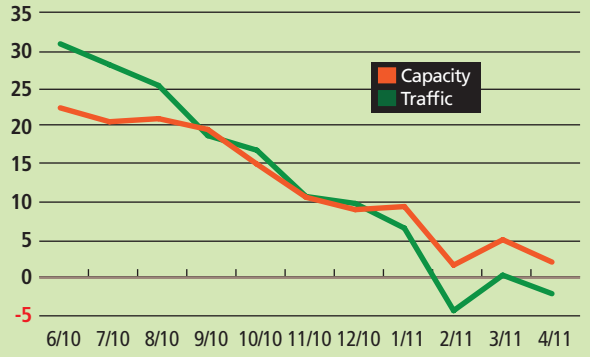
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

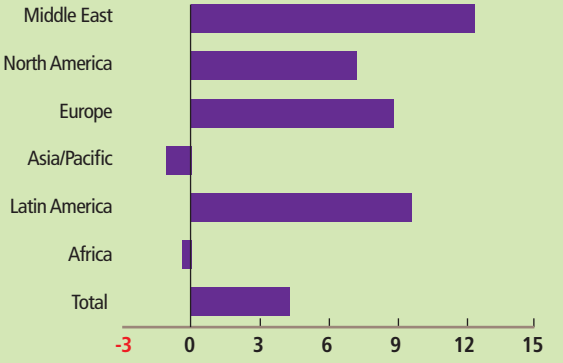
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

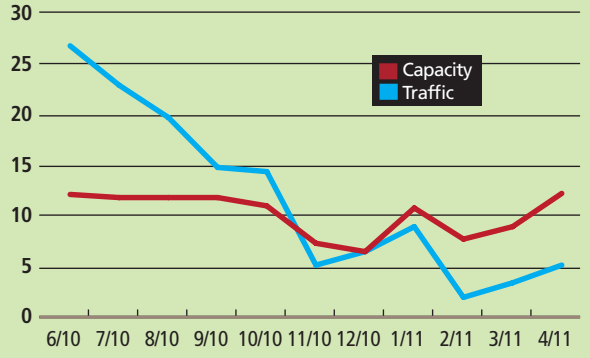
International air cargo year-to-date percent change for April 2010 vs. April 2011



Source: IATA

CARRYING INTERNATIONAL

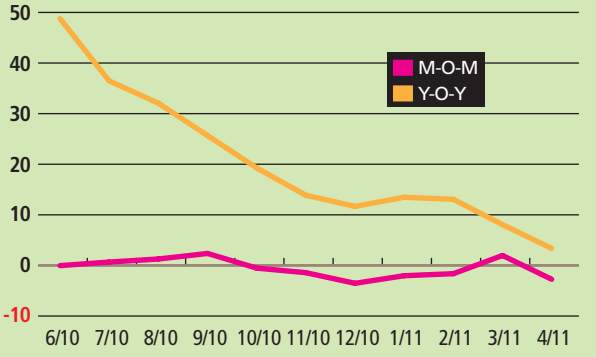
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight tonne-kilometers and available tonne-kilometers.



Source: IATA

SEMICONDUCTORS

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



Source: Semiconductor Industry Association

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

e-freight incentives will get forwarders on board

At a recent air cargo symposium, outgoing International Air Transport Association (IATA) Director General Giovanni Bisignani announced the organization's cargo agenda for 2011. The goals, he said, are to "catch up" on using technology, improve safety and security and implement quality standards.

Hopefully in the airfreight arena, Tony Tyler, Bisignani's successor, will continue IATA's nascent engagement with freight forwarders, especially in using technology as the most effective way to meet these worthwhile objectives.

One of the key drivers of the IATA platform is to alleviate the use of paper in air cargo transactions. The group's e-freight initiative seeks to accomplish this goal, but has been slow in gaining traction both in the forwarder community and in several countries.

Let us be clear about the role of airforwarders in this important initiative. Forwarders understand the value of electronic data transmission as a way to possibly save money and gain cargo-handling efficiencies. Many small- to medium-sized companies have already invested significant resources toward meeting the e-freight requirements. Since forwarders control 80 percent of the shipments in the commercial airline industry, listening and responding to this group's concerns is essential in attaining its success.

IATA's input from the freight forwarders has been limited, as many feel that the e-freight initiative has simply failed to explain the benefits in an easily understood manner. In 2004, IATA's late technology chief Ron Cesana compared a good speech to a miniskirt: "It has to be long enough to cover the essentials, but short enough to keep your attention." Has e-freight failed to heed his advice and become so complicated that IATA is losing the attention of the industry?

Thus far, IATA has demonstrated its commitment to cargo in its selection of industry veteran Des Vertannes to head its cargo concentration. This seasoned pro knows the business and its people, and his upfront manner and pleasant style mean the former Etihad cargo head is just the man for the job.

Vertannes made a smart move by joining the Global Air Cargo Advisory Group, formed last year by IATA, the Federation of Freight Forwarders Association, the Global Shippers' Forum, and the International Air Cargo Association. The group seeks to establish a vision and strategy for the global air cargo supply chain; present joint industry positions to inter-governmental organizations; and assist nation states moving to implement programs impacting international cargo trade. The group's ambition is one that all forwarders can appreciate — developing harmonized regulatory and legislative schemes benefiting the industry.

There is no question that air cargo plays a significant role in the airline industry. IATA suggests that cargo will generate more than $60 billion of the airline industry's $598 billion in 2011. IATA projects that by 2050, the airline industry will be handling 400 million tonnes of freight yearly. Currently, 26 million tonnes travel by air cargo, comprising 35 percent of the value of goods traded worldwide.

Only 1 percent of air waybills worldwide are currently transmitted electronically. This means that to close the gap, more cooperation is needed, especially from those nations (Thailand, Indonesia, Russia, Vietnam and others) that have been slow to adopt electronic transmission of shipping documents. Forwarders cannot be expected to invest in an electronic data transmission program that is not universally accepted by all nations.

Bisignani recently said that while most governments have legislation that accepts some form of electronic documentation, these nations must act fast or "risk being left behind."

IATA should also begin considering the wisdom of attracting more flies with honey than with vinegar by providing incentives for forwarders to join the e-freight initiative. For example, in the U.S., forwarders arriving at the airport with pre-screened cargo by virtue of joining of the Certified Cargo Screening Program could file documents electronically. IATA carriers could reward these two time- and cost-saving measures with shipment discounts or faster processing. These incentives speed the loading and delivery of cargo, representing a value-add to the carriers and shippers.

IATA should take the lead in working with carriers to develop these incentives for e-filing. ACW

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