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THE SOURCE FOR AIRFREIGHT LOGISTICS

CONVERSIONS:

Viable solution?

Air Cargo World

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contents

WORLD NEWS

DEPARTMENTS

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Air Cargo World
THE SOURCE FOR AIRFREIGHT LOGISTICS

editorial

Jon Ross
Editor

The clock is ticking

There are two dates circled on the calendar in red. Dec. 3, 2012. Jan. 1, 2013. Those two deadlines are of paramount importance to those in the worldwide air cargo industry for two very different reasons.

The first, which is coming up very, very soon, is the Transportation Security Administration's deadline for 100-percent air cargo screening. As of that day in early December, officials must screen all cargo held in the bellies of international passenger flights inbound to the U.S. TSA imposed the deadline in May after previously pushing back the date from December 31, 2011, a decision which was made last fall. The original date was to happen in 2010. It turned out that there wasn't enough time to implement such a huge undertaking.

By all reports, the screening demands will be achieved. The TSA's John P. Sammon said as much during last month's Air Cargo Forum in Atlanta. There are still some in the industry, though, that had forseen yet another date change at the eleventh hour. This turn of events seems highly unlikely — a huge amount of progress has been made toward the final goal — but in air cargo, as in life, anything is possible.

The other date — January 1 — marks the start of year two of the EU's emissions trading scheme as applied to airplanes flying into and out of Europe. When the scheme was imposed last January, and even before it was implemented, there was much discussion about the plan being a tax grab, a breach of sovereignty and an act that steps on the toes of the International Civil Aviation Organization, the only body that can impose such sweeping climate rules. The din of dissent has only grown louder over the past year, as the U.S. Congress and governments around the world have expressed their outrage at the EU's emissions platform.

Things have been operating smoothly for the past year. Planes fly in and out of Europe with little hassle, but only because the EU has given these carriers a free pass, of sorts. The free ride will supposedly end in January or soon thereafter. The voices of opposition from around the world have gotten louder because they've been faced with this reality and the truth that the EU doesn't really want to back down. If ICAO can come up with a solution before next year, all could end up fine. This month, we've covered the escalating fight on p. 29.

If you have any thoughts about the two pressing deadlines, please drop me a line at jon.ross@aircargoworld.com. We're also always available on Twitter (@acwmagazine), on Facebook and on LinkedIn.

Air France–KLM has slow September

Air France-KLM saw freight traffic plunge 6.6 percent, year-over-year, in September, a drop in line with the declines the combined carrier recorded in the first eight months of the year. In response to the lower volumes, AF-KLM cut freight capacity by 4.4 percent, year-over-year, in September.

Despite curbing capacity, Air France-KLM saw freight load factor fall 1.4 percent, year-over-year, to 63.2 percent. Even so, this is a slight improvement from the carrier's August load factor — 60.6 percent — and on par with AF-KLM's eight-month statistics; the combined carrier's cargo load factor dropped to 63.5 percent in the first eight months of 2012, a 2.5-percent, year-over-year, decline.

Sluggish traffic to the Americas and Asia-Pacific regions has plagued AF-KLM all year long. Although the carrier recorded slight month-over-month growth in both of these regions, AF-KLM's September freight volumes were still markedly lower than those in September 2011. Volumes to the Asia-Pacific slid 10.1 percent, year-over-year, in September.

The carrier actually increased capacity to the Americas region, offering 2.3-percent more freight space than in September 2011. Capacity outmatched demand, however; AF-KLM's freight volumes to the Americas slid 4.7 percent, year-over-year, in September.

AF-KLM's tonnage to Africa/the Middle East dropped steadily in the first nine months of 2012, as well. Freight volumes were 6.2-percent lower than in January-to-September 2011, according to a press release.

AF-KLM's performance in the Caribbean/Indian Ocean region bucked the trend, however. In addition to increasing capacity by 7.6 percent, year-over-year, the carrier recorded a 5.9-percent, year-over-year, hike in cargo volumes in September. ACW

Carriers head to Frankfurt-Hahn amid controversy

Chinese carriers Yangtze River Express and Navitrans; the new Chinese-Turkish combo MyCargo; and Japan's Nippon Cargo Airlines have all recently signed up to provide cargo service to Frankfurt-Hahn Airport. This new intake will add another 10 flights a week to the airport's freighter schedule, reportedly providing the potential to increase cargo traffic by as much as 10,000 tonnes a month.

The moves, according to Jorg Schumacher, managing director of Frankfurt-Hahn, are a benefit of the night-flight ban imposed at its larger neighbor, Frankfurt-Main. "The confirmation of the night-flight ban at Frankfurt-Main means that many airlines will now have to find new solutions and develop alternative models for their cargo business," he said.

The surprisingly rich vein of new cargo business struck by Germany's Frankfurt-Hahn airport raises questions over the incentives and subsidies offered to entice carriers to serve secondary gateways.

In the case of Frankfurt-Hahn, the concerns are all the greater given that the airport is currently facing-down accusations of possible insolvency.

The lesser of the two Frankfurts is located some 65 miles from its larger rival and, to date, has struggled to dent the image of Europe's mightier cargo citadel. But the imposition of a night-flight ban, coupled with the effects of the European debt crisis and global downturn, is forcing cargo carriers to reassess their gateway options, to the detriment of Frankfurt-Main.

Shanghai-based Yangtze River Express started operating through Hahn with a B747-400F service to Beijing, which it plans to increase to three times a week. Navitrans initiated a weekly service linking New York, via Hahn, with Chengdu, using B747-400F equipment operated by Evergreen International Airlines.

"Since our flight from New York arrives in Germany at night and leaves again at night, it was obvious that we should run this route via Hahn airport," said Luhua Dai, Navitrans' general manager for Germany. The flight has since been increased to a twice-weekly rotation.

Representatives for new joint venture MyCargo said they will use Frankfurt-Hahn to operate both scheduled and charter services. NCA left Frankfurt-Main a few years ago, but has chosen to re-enter the German market by way of Hahn, reasoning that a night schedule will provide it with a more competitive edge over its rivals. A contract to add a further U.S.-connecting carrier is expected to be concluded shortly.

"In effect, local taxpayers' money is being used to subsidize the airport, which has never made a profit, which, in turn, is being passed onto the carriers."

—Aviation analyst

The new additions, and the possibility of even more carriers, are evidence that Hahn is finally stepping out from under the shadow of Frankfurt-Main. But rather than competing with Frankfurt-Main, Schumacher said Hahn can play a complementary role. He points to Aeroflot and Etihad Airways, which both operate freighters out of Hahn and serve Frankfurt-Main with passenger flights.

"These examples show that both airports can complement each other on a practical level," he said, "and that cooperation is possible."

As a final boost to Frankfurt-Hahn's fortunes, incumbent home carrier Air Cargo Germany's prospects were given a much-needed boost earlier this year when Russia's Volga-Dnepr Group acquired a 49-percent stake in it. The much-anticipated interface with VD's line-haul carrier AirBridgeCargo has now materialized; two B747-400ERFS were recently transferred to the existing ACG fleet of four B747-400F units.

The move will enable ACG to further extend and strengthen its network. In particular, it will increase flights to Chicago from two to three frequencies a week. ABC has long been thwarted by the German aviation authorities from operating service between Frankfurt-Main and Chicago and has now withdrawn entirely from flying between Europe and North America.

ACG will also serve Beijing for the first time with three flights a week, adding to its existing service to Shanghai. Flights to Mexico will also be stepped up from one to two a week. Service to points in South America are also planned for the near future.

Schumacher said that the presence of four new cargo carriers means that Frankfurt-Hahn is healthy, despite reports of potential insolvency.

"We're a long way from being in the situation others say we're in," he said. "The airport has had to go through some difficult times, but we've managed to overcome them. And these contracts with our new cargo customers show that things are moving forward."

All of these moves are adding to the buzz at Hahn, but a note of caution is being sounded by some observers over Hahn's apparent new success.

"It is quite obvious that huge incentives and subsidies are being provided to encourage carriers to move their operations to these secondary gateways," one aviation analyst said. "The question has to be asked: 'What is the long-term benefit to the airline and the airport with such false economics?'"

In the case of Hahn, he said, the question of subsidies is brought into even sharper focus given that the local state government of Rhineland-Palatinate is the majority shareholder, with an 82.5-percent stake.

"In effect, local taxpayers' money is being used to subsidize the airport, which has never made a profit, which, in turn, is being passed onto the carriers," the analyst said.

Matters have certainly not been helped by the recent outburst by a member of the airport's supervisory board. The board member claimed that falling passenger numbers meant the airport was rapidly using up all its cash reserves and was facing insolvency within months. Further state funding was seen by the critic as the only solution. It is a claim which has brought a sharp rebuke from airport management.

"There is no scenario where our equity, even in the medium term, could be used up," Schumacher said. "As a result of the damage this has caused, we are consulting with our lawyers over this matter to consider compensation claims." ACW

Schiphol's SmartGate Cargo in final production stage

Amsterdam Airport Schiphol's anticipated SmartGate Cargo initiative may be operational earlier than expected, according to Enno Osinga, senior vice president of Schiphol Cargo. Schiphol SmartGate Cargo, which marks one of the first public-private initiatives in the airfreight sector, was initially slated to go live in 2014 or 2015. "Now we think we may be a little bit ahead of schedule," Osinga said.

Conceptualized in 2009, Schiphol SmartGate Cargo attempts to expedite and protect goods leaving the EU via a coordinated inspection process. "Together with Customs, we are building an integrated inspection facility both at a central location and a decentralized one," Osinga said. So far, he revealed, the SmartGate Cargo database is ready for launch and the Customs Control Center has been built. Osinga said Customs officials are now in the process of purchasing the necessary equipment for the center.

Despite the frenzy of excitement surrounding SmartGate Cargo, 2012 has been a relatively mediocre year for Schiphol Airport. Although the airport celebrated a series of successes — including the commencement of Air China Cargo's five-times-weekly service in September — cargo traffic has declined 3 percent, year-over-year.

Even so, Osinga said this figure, which reflects general market malaise, is actually quite impressive for a European airport. "The positive side is that, whereas we're 3-percent down, most of our major, big competitors seem to be 10-percent down, [year-over-year]," Osinga said.

He believes the distinction lies in Schiphol Cargo's strategy. Instead of waiting for business to come to the airport, he said Schiphol is actively seeking market share in high-growth sectors, including pharmaceutical transportation. Osinga said the airport is also concerned with bolstering Amsterdam's presence in the global freight-forwarding industry.

"There's an interesting study out there about the selection process of an airline for an airport," Osinga said. "The outcome, ultimately, was that the airlines go where the forwarders are. Our strategy has been to get the forwarders to Schiphol, which we've done."

He admits that some forwarders are reluctant to set up air-side facilities at Schiphol right now because of the delicate economic situation. But once the market rebounds, Osinga's confident that forwarders will set up shop at Schiphol. "The focus is on Amsterdam at the moment," he said, "and our strategy is paying off."

What's less certain is how 2013 will

pan out, Osinga said. Will China reassert itself in the cargo arena? Will the eurozone crisis die down?

Osinga does know that Schiphol's ready for whatever transpires: stagnancy or extreme market growth. If the latter comes true, Osinga said, Schiphol Cargo has the resources to handle the influx of traffic. He revealed the airport is also planning to build a "very high-tech" trucking facility that will expedite the movement of cargo.

"This is the time to invest in infrastructure because the building industry is low," Osinga said."So quite frankly, when you want you invest, you can get good deals now." ACW

ECS acquires Italian GSA, looks to Brazil

In late summer, ECS acquired Italian GSA ATC and its data processing offshoot ADP in part of a two-pronged expansion strategy, driven by acquisition and organic growth. ECS CEO Bertrand Schmoll has also revealed that the company may be acquiring a GSA in Brazil in the near future.

"It could be an acquisition," Schmoll said about the company's growth plans in Brazil. ECS currently doesn't have much of a footprint in South America, but is eager to take advantage of the emerging market.

"The idea is for a development that will happen quite quickly," said Adrien Thominet, ECS' chief operating officer.

Organically, ECS is focused on opening new offices in Asia, especially in China, but also in Laos, Myanmar and Cambodia. Schmoll allowed that the company might still pursue an acquisition in Asia, but that growth will likely stem from opening new offices.

"The market is now more open for GSAs in Asia, especially in China," Schmoll said.

Sauro Martinelli, the head of ATC and ADP, is now also the senior vice president, commercial, at ECS. He explained that getting a deal done with ECS was a lengthy process that started in 2005. He was hesitant, at first, to give up control of the companies because the family operations were founded by his father. But Martinelli said that he became convinced that joining the ECS brand was the best step forward.

"The know-how and the professionalism that our team had in the Italian market, now we can share it and put it in common with their know-how," Martinelli said. "Now we have really good tools to work on a larger scale." ACW

Saudi Cargo: Into West Africa

Saudi Airlines Cargo has continued its push into Africa, launching Boeing 747 freighter service to nine new destinations. In conjunction with its interline partners, Saudi Cargo will now serve the West African cities of Abidjan, Accra, Cotonou, Douala, Libreville, Lome, Malabo, Niamey and Ouagadougou from its Lagos, Nigeria hub. Some of the destinations will even enjoy five-times-weekly service, according to a press release.

Peter Scholten, vice president of commercial at Saudi Cargo, expects the new routes to boost freight volumes in the region tremendously and be a booon to Saudi Cargo's plans for the region.

"By entering into cooperation with our interline partners, we will be able to offer greater connections to our customers as well as further expand our activities in this region, which has seen steady economic expansion over the last decade," he said in a statement.

Africa's economic growth also led Saudi Cargo to introduce a second freighter on its weekly route to N'Djamena, Chad. The additional flight, which commenced in May, complements Saudi Cargo's services to Addis Ababa, Johannesburg, Khartoum, Lagos and Nairobi, according to a press release.

Amer Abu Obeid, Saudi Cargo's sales director for the Middle East, North Africa and Turkey, said N'Djamena is a strategic location for the carrier. "The cargo market into Chad is growing from different points in our network," he said.

"The addition of a second frequency will enable us to offer this service to our global network, with a particular focus on European flights connecting to [the Kingdom of Saudi Arabia] with 19 freighters per week," Abu Obeid added. ACW

Australian court fines Emirates for price fixing

The Federal Court in Sydney has fined Emirates Airline AUD$10 million for engaging in price fixing, an action that jump-starts the Australian Competition and Consumer Commission's formal proceedings against a number of airlines. The addition of Emirates — the 10th airline to settle with the Australian government — brings the monetary total for the fines levied by the ACCC during these proceedings to AUD$68 million.

ACCC Chairman Rod Sims said these are highest penalties to have ever been imposed during an ACCC probe. "This result sends a strong message that the ACCC and the Australian courts will not tolerate any business — regardless of size or country of origin — engaging in cartel conduct that harms competition in Australia," he said in a statement. "Cartel conduct is illegal and often results in increased prices for consumers."

In the case of Emirates, the government watchdog charged the carrier AUD$7 million for participating in an airfreight cartel from October 2001 to May 2006 and AUD$3 million for conspiring with DAS Air Cargo to fix prices on airfreight shipments from Australia. Federal Court judge Anna Katzmann also ordered Emirates to restrain from this behavior for five years and to pay $500,000 toward the ACCC's costs.

Last month, the Federal Court in Sydney began hearing the Australian commission's cases against Singapore Airlines, Cathay Pacific, Air New Zealand and Thai Airways. The ACCC is also forging ahead with its case against Garuda Indonesia, following a High Court ruling in September that the airline was ineligible for foreign state immunity.

"The ACCC has been pursuing this large and complex litigation for four years, so the October trial will be an important milestone in our continu-

ing fight to stop cartel conduct," Sims added at the time of the Emirates announcement.

The ACCC isn't the only government agency doling out fines for price fixing, however. In September, the U.S. Department of Justice charged Japanese forwarder Yamato Global Logistics Japan Co. Ltd. $2.3 million for conspiring to fix fees on airfreight shipments from Japan to the U.S. from September 2002 until at least November 2007.

The DOJ has levied more than $100 million in criminal fines since it launched its price fixing investigation in early 2006. Last year, the U.S. agency slapped six other Japanese freight forwarders with fees totaling $46.8 million for their participation in an airfreight cartel.

The High Court of New Zealand has also taken a stand against price fixing and most recently ordered Japan Airlines to pay NZ$2.28 million for participating in an airfreight cartel. In July, Korean Air was charged with similar behavior and became the latest carrier to settle with Canada's Competition Bureau. ACW

Lufthansa Cargo launches MD-11 service to Tel Aviv

Lufthansa Cargo began operating MD-11 freighter service from its Frankfurt Airport hub to Tel Aviv's Ben Gurion International Airport on October 28. The new route, which will likely be inundated with pharmaceutical exports from Israel, significantly boosts the German carrier's presence in the Middle Eastern market.

Freight flights will depart for Tel Aviv every Tuesday, Wednesday and Sunday nights, as well as in the late morning on Fridays, and return to Germany via Istanbul every Tuesday, Wednesday and Sunday. Friday is the only day Lufthansa Cargo will operate direct service from Tel Aviv to Frankfurt, according to a press release.

These flights signal good news for the carrier, which saw volumes slide 8.9 percent, year-over-year, from January to September. A 12.9-percent, year-over-year, decline in demand from the Asia-Pacific region, as well as general economic malaise, impaired Lufthansa Cargo's airfreight traffic during the first nine months of 2012, according to reports.

Despite this decline, the carrier's load factor only dropped 0.3 percent, year-over-year, from January to September, totaling 69 percent. Karl Ulrich Garnadt, chairman and CEO of Lufthansa Cargo, credited this success with strong aircraft utilization.

"Knowing how volatile the airfreight business is and [being] aware of the importance of exercising maximum flexibility, we make a point of focusing particularly on capacity management," he said in a statement.

"Whenever fuel prices are high, the rule that only high load factors enable a cargo airline to fly profitably applies more than ever, he continued." ACW

Volga-Dnepr builds MRO facility in UAE

Volga-Dnepr Group has begun construction on a hangar facility at Sharjah International Airport that will provide maintenance, repair and operations services for both cargo and passenger aircraft. Volga-Dnepr Technics will operate the 20,000-square-meter hangar, which is slated to open in January.

The company's Victor Sherin said the new facility will cater especially to airfreight operators.

"The Sharjah Airport Free Zone is well known as a vast cargo center for the whole Middle East region, and this investment will allow flight operators to effectively solve any maintenance-related issues that arise during the operations, from line maintenance to heavy checks," he said in a statement.

According to a press release, the hangar will be situated in the future heart of Volga-Dnepr's MRO facility and will be able to accommodate up to six narrow-body aircraft or two Boeing 747s. The facility, which will service both Western and Russian craft, will feature advanced ventilation systems and a certified fire protection system. The MRO base will also be equipped with space for repair workshops, storage facilities and offices. ACW

Hola

Korean Air Cargo, always reliable to South America

Route	Flight No.	Aircraft	Day	Origin	Destination	Departure Time	Arrival Time
ICN LIM	KE9275	B747F	Wed	Seoul/Incheon (ICN)	Miami (MIA)	22:30	01:55 +1
				Miami (MIA)	Sao Paulo (VCP)	03:55 +1	13:05 +1
				Sao Paulo (VCP)	Lima (LIM)	15:05 +1	17:45 +1
LIM ICN	KE9276	B747F	Thu	Lima (LIM)	Miami (MIA)	21:15	04:25 +1
				Miami (MIA)	Los Angeles (LAX)	08:25 +1	10:35 +1
				Los Angeles (LAX)	Seoul/Incheon (ICN)	12:35 +1	17:25 +2
ICN GRU	KE061	B777	Mon/Wed/Fri	Seoul/Incheon (ICN)	Los Angeles (LAX)	21:35	17:10
				Los Angeles (LAX)	Sao Paulo (GRU)	18:50	10:45 +1
GRU ICN	KE062	B777	Tue/Thu/Sat	Sao Paulo (GRU)	Los Angeles (LAX)	12:45	20:55
				Los Angeles (LAX)	Seoul/Incheon (ICN)	23:50	04:25 +1

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Qantas' partnership with Emirates points to changes for the carrier's cargo business

Qantas partners for a better cargo future

A handler in Melbourne was in for a nasty shock in September when he opened the hold of a Qantas plane just in from Brisbane. A crocodile had escaped from its container and was roaming through the cargo hold. According to Qantas, the animal was not fully grown and could be captured without incident.

The airline's management has been grappling with more sizable challenges in recent months, which has led to a tectonic shift in its cargo landscape as well as its long-haul strategy and carrier alliances. The latest move, announced in early October, saw Qantas walk away from a joint venture with Australia Post.

Qantas relinquished its stake in StarTrack, which will be taken over by the post. In turn, Australia Post is relinquishing its 50-percent stake in Australian air Express, which Qantas intends to merge into its Freight division.

Qantas management described the divesture of StarTrack as a step to shift away from non-core activities, whereas the takeover of Australian air Express would strengthen its core business. "Through this acquisition, we will be able to offer an integrated airfreight product across domestic and international networks," Qantas CEO Alan Joyce declared. The combined business will market the belly capacity of all domestic and international flights of Qantas and low-cost sister airline Jetstar, operating a fleet of freighters and cargo-handling facilities in 16 stations.

The sale of the StarTrack stake will bolster Qantas' balance sheet by some AUD$408 million. The airline and Australia Post paid AUD$375 million each back in 2003, but results were not up to expectations.

StarTrack earned AUD$20 million in 2011 and AUD$12.5 million the year before. Australian air Express recorded a plus of AUD$17.4 million in 2011 and AUD$13 million the year before.

The airline is going through a

IATA: Korea big on e-freight

International Air Transport Association CEO Tony Tyler has lauded Korean carriers for supporting the global e-freight initiative, including the introduction of air waybills. Ensuring that Korea remains at the forefront of the flight sector, however, will require the nation to develop new policies that enhance the competitiveness of aviation, he explained.

Even so, Tyler praised Incheon International Airport in Seoul for building an infrastructure that supports aviation. Incheon, which enjoys the No. 5 spot in Airports Council International's most recent ranking of the world's busiest cargo airports, has gone to great lengths to boost traffic, he explained. In 2007, for instance, the airport reduced its landing fees for 2008 through 2010 by 10 percent.

Tyler recommended that Incheon run a similar promotion today to attract even more traffic.

"Whether it be decisions on charges, construction or airport privatization, it is critical that Korea's competitiveness be the guiding factor," he said in a statement. "You have created a great competitive advantage with the excellent facilities at Incheon, which are competitively priced. Don't lose that advantage."

Tyler also addressed Korea's stalwart opposition to the EU Emissions Trading Scheme, thanking the nation for supporting the International Civil Aviation Organization's approach to global sustainability. Korea is also part of the 25-state-strong coalition that has congregated around the globe to voice its opposition to the EU ETS — an action Tyler applauds.

"Nobody wants a trade war," Tyler said in a statement. "Convincing Europe to create the space for success in the ICAO discussions by somehow lifting the immediate threat of its unilateral actions is a top priority." ACW

fundamental change in strategy and structure, as its top brass is trying to reverse the flow of red ink. For the fiscal year that ended on June 30, Qantas posted a net loss of AUD$244 million, which the carrier's chairman attributed chiefly to AUD$376 million in costs associated with the implementation of a five-year turnaround plan. In addition, Qantas was hit in the past fiscal year with a record fuel bill that was up AUD$645 million from the previous year. An AUD$194 million impact from an industrial dispute last year and the grounding of its fleet didn't help the bottom line.

One of the first actions taken by the board in the aftermath of the presentation of the annual report was to wipe out a sizable chunk of expected belly-hold capacity; management cancelled an order for 35 B787 aircraft. But in September, Qantas and Emirates Airline unveiled plans for a strategic 10-year alliance, which is set to change the Australian carrier's approach to flying into and out of Europe; the new plan will also unravel its long-standing partnership with British Airways. But the ramifications for cargo are still unclear.

Under the new alignment, which the partners hope to kick off in April, Qantas will serve Europe by way of Dubai. The carrier will no longer use Singapore as a transit point between Europe and its home market. Qantas is also going to scrap all of its flights into Frankfurt. According to management, this wasn't a shocking turn of events because the route, they said, was doomed in any case.

The board members have made it abundantly clear that the alliance with Emirates Airline will go far beyond interline and codeshare activities. While there is not going to be any equity swap, the pair is aiming for integrated network collaboration with coordinated pricing, sales and scheduling as well as a benefit-sharing model.

"This is the most significant partnership the Qantas Group has ever formed with another airline, moving past the traditional alliance model to a new level," Joyce stated.

Qantas and Emirates have yet to address how their partnership is going to pan out in the cargo arena. Ram Menen, senior vice president of cargo at Emirates, had no details on likely synergies and approaches to cooperation. "Emirates SkyCargo and Qantas are in discussions to create synergy between our networks which will further enhance our reach and connectivity, and bring benefits to both organizations," he said.

Qantas Freight did not escape the ravages of market downturn and high fuel costs. In the past fiscal year, freight revenue sank 6.9 percent, while earnings before interest and taxes dropped 27 percent to AUD$45 million.

The loose crocodile on the Brisbane-Melbourne flight was moved to safety by Australian air Express. Qantas management surely hopes that its takeover will not yield further unpleasant and startling surprises. ACW

Hactl looks ahead to a very different 2013

The new year will bring a number of changes for Hactl. In addition to finally getting serious about a new venture, HDHL, which seeks to export the Hactl brand from its base at Hong Kong International Airport to other Asian airports, officials are preparing for the loss of their biggest customer, Cathay Pacific Airways, said Mark Whitehead, the firm's managing director.

"Next year, the game-changer comes in the form of Cathay moving out, but it's something that we've anticipated and known about for a very long time," Whitehead revealed. Whitehead added that when Cathay moves its operation into its new terminal early next year, the dynamic at HKIA will completely change.

"You cannot replace Cathay with a new customer; it's too big of a player," he said. "My priority is to make sure that we maintain existing customers." Whitehead added that there have been a few new customers flying into HKIA, but there haven't been nearly enough to fill the void that will be left by Cathay.

"We have to gear the company up to be at the right size for the lesser volume," he said. "That's a priority. There's no point in carrying a higher cost base than you need."

Whitehead said Hactl should end the year with just more than 2.7 million tonnes, which is partly a reflection of increased Asian transshipment activity. Tonnage to Europe is down, but activity to the U.S., which had been a bit sluggish, will end 2012 with about the same numbers as 2011, Whitehead said.

Cathay Pacific will go it alone at HKIA next year

The Gulf carriers, he said, are doing well, and in a year that had basically mirrored 2011 as far as tonnage, September finished with a small

> **"Next year, the game-changer comes in the form of Cathay moving out, but it's something that we've anticipated and known about for a very long time."**
>
> **— Mark Whitehead, Hactl**

gain. "All in all, I've got no complaints with this year; I think we'll end up all right," he said.

Maintaining customers and streamlining operations are goals, but growth is still very important for Hactl. The HDHL program — which is still in "early days," he said — will try to spread Hactl's influence throughout Asia. The goal is to introduce everything from consulting services to new joint ventures and straight-forward investments to other airports.

Of course, the main opportunity for growth at HKIA is the third runway, which has been approved, in principle, by the airport's CEO and has received support from the public. The current development stage includes environmental impact assessments, which should take 18 months. Assuming the environmental studies don't bring up any issues, Whitehead said, the runway, once development starts, will be open in 10 years.

A decade is a long time to wait, but Whitehead said that a third runway is absolutely necessary to ensure the continued health of HKIA and, it goes to reason, the growth of Hactl at the airport. But Whitehead can see that other airports in the region might seek opportunity in the 10-year lead time. Airports in the Pearl River Delta like Shenzhen and Guangzhou, he said, will most likely try to draw as much business as they can from Hong Kong during the development stage. But ultimately, the only way forward is a third runway.

"I'd be extremely concerned if [a third runway] didn't happen because then you don't have any growth potential," he said. "You can't grow with the airlines if they can't land there." ACW

Atlanta welcomes Air Cargo Germany

Air Cargo Germany began flying twice-weekly Boeing 747 freighter services into Hartsfield-Jackson Atlanta International Airport last month, a development Atlanta Mayor Kasim Reed announced during The International Air Cargo Association's Air Cargo Forum. To continue their push to attract even more cargo to the airport, officials will also be adding a 100,000-square-foot cargo facility to Hartsfield-Jackson. The development has yet to be designed, but is expected to be built in 2014.

Bringing Air Cargo Germany to Atlanta and building a new cargo facility are all part of the mayor's plan to make Atlanta a hot spot for cargo. With the addition of Air Cargo Germany, Emirates is the only top-10 cargo carrier that doesn't fly into the city.

"My long-term goal is to make the city of Atlanta the logistics hub for the Western Hemisphere," Reed said. "That's where we're going."

Reed went on to explain that bringing cargo to the city not only brings in revenue and increases the city's cargo stature, but it also helps generate more jobs than new passenger services. Passenger crews, he said, live all over the world and don't necessarily help increase Atlanta's employment figures.

"Robust air cargo operations," Reed said, "have employees that live in the communities near and around the airport."

Airport officials are hard at work on a new masterplan, and officials said that cargo is a priority for the new strategy document. While Atlanta is currently 33rd on Airports Council International's list of the top 100 cargo carriers worldwide, a fresh approach to cargo could help Atlanta climb that list. ACW

EU puts U.S. on the ropes over subsidies

The European Union has asked the World Trade Organization to issue $12 billion in annual sanctions against the U.S. government, stemming from what it sees as non-compliance with an earlier ruling by the WTO. The EU has also requested the formation of a compliance panel by the WTO to investigate the U.S. government's reluctance to cease federal subsidies to Boeing.

The EU contends Boeing was to stop receiving subsidies as of March, when the WTO decided that Boeing was being supported illegally. According to the EU, the U.S. government claimed that it removed the subsidies last month, but "provided no detailed evidence to support its claims."

"The United States' failure to end aircraft subsidies continues to cost European aerospace companies billions of euros in lost revenue," Karel De Gucht, the EU's trade commissioner, said in a statement. "By taking action today, the European Union continues to ensure that every one of our trading partners plays by the rules, and that every effort is made to create a level playing field for European companies and workers."

The WTO's spring decision gave the U.S. government six months to remove the subsidies. According to the EU's initial complaint, federal subsidies received by Boeing between 1989 and 2006 equaled $19.1 billion. The panel rejected, though, that some tax breaks were actually subsidies, and found that the federal subsidies actually amounted to at least $5.3 billion.

On September 23, the U.S. government notified the WTO that is had withdrawn the subsidies in question. Four days later, the EU requested that the WTO take countermeasures against the U.S. for failing to eliminate the subsidies. The WTO was scheduled to take up the issue, titled "Measures affecting trade in large civil aircraft," during its October 23rd meeting.

This is just the latest volley in

what has been a long back and forth between Airbus and Boeing over so-called illegal subsidies. The decision by the WTO, and the resultant action of the EU, has pleased Airbus.

"Airbus is grateful to the EU Commission for taking consequential action. However, this is nothing but the next step in a trade conflict that was launched in 2004 by Boeing," Airbus' Maggie Bergsma said in a statement.

"Boeing has been denying the decades of government support for years but was finally faced with a sweeping judgment in March. We regret that Boeing continues a legal battle that should have long been resolved by a mutual agreement. We made offers time and again but are ready to fight it through if the other side wishes to do so," she continued.

The European manufacturer is also focusing on the U.S. for non-subsidy reasons. Seeing an opening in the manufacturing industry, officials recently announced plans to double their annual $12 million investment in U.S. manufacturers by 2020.

For now, investment efforts are concentrated in the Southern California region — most notably, the Los Angeles area. This region has seen annual Airbus business and investment of more than $1 billion, according to a company press release. The manufacturer also is looking ahead to its first U.S. production facility, which will be located in Mobile, Ala. Announced in July, the development is expected to be operational by 2015, with the first planes being delivered in 2016. ACW

AA Cargo moves forward through restructuring

Almost a year into American Airlines' restructuring process, rumors are swirling about a potential merger with US Airways. While Kenji Hashimoto, the carrier's new cargo head, recently said he can't talk about any potential merger due to a non-disclosure agreement signed with US Airways, and that there is no disclosed timeline for such a deal, he was interested in chatting about what he said has been a successful restructuring.

"We're still two months shy of the one-year mark," he said in October of the carrier's restructuring amid its emergence from bankruptcy. "There's no timeline that says we're X-percent done, but judging by how long we've been at it and how far we've come, I think we feel pretty good."

Hashimoto, who had his official coming out party as the new boss at the CNS Partnership Conference in May, said the carrier has been working hard in the past few months. He came to the cargo side of the business after three years as vice president of strategic alliances, where his focus was on the passenger arena. Though he admits that a lot is different in the cargo industry, and he has a bit of a steep learning curve, he has been able to take some of his passenger skills and implement them in a cargo landscape.

"The business is different than the passenger side," he said. "At the same time, though, there are a lot of opportunities that look, from a distance, a little like things that are in passenger, but they execute differently. So you just have to have a really strong team around you, which I do, or you need to be working with the best customers or the best partners to make that work."

And he has done more than make it work. Flown-as-booked numbers on the cargo side are actually up, and the passenger business experienced a boost in the second quarter. This is the most important aspect to him — keeping a thriving business while figuring out the path forward. Hashimoto and other officials have also been working through the "nitty-gritty" of the carrier's post-bankruptcy financing and have sewn up new contracts with all but one of the carrier's employee unions.

But all he could say about a merger was, basically, that he couldn't comment. "At the right time, people will either have something to say or not say," he said.

One thing he could definitely talk about is the impending fleet boost American will receive at the end of this year or the beginning of next year. As part of AA Cargo's restructuring process, airline officials have called for 20-percent growth over the next seven years, and the delivery of nine Boeing 777-300ERs will certainly help the carrier reach that goal. Hashimoto sees these planes being used on routes from the U.S. to London and to Sao Paulo, which will increase capacity on those lanes, but will also help transform the rest of American's network.

"In some cases, those 777-300s will be pushing a 777-200 out to another place or maybe pushing that 777-200 into a place where a 767-300 was flying, and you have these interesting knock-on effects," he said. "There's going to be secondary effects as these 777-300s come into play where we might see even more interesting planes flying into places where we have smaller planes flying in today."

Another expansion avenue, Hashimoto said, is to grow through partnerships and interline agreements. The trick, he added, is to limit agreements to airlines that truly can work as pointers and to keep the customer in mind with every change. With the customer as the supreme focus, he said, expansions through fleet changes and new partnerships will help American thrive.

"There are opportunities out there to do what we do even better," he said. "As long as we keep the customer at the center of everything, I think good things will happen." ACW

A leaner Delta is poised for future growth

After two short months on the job, an "energized" Tony Charaf, the new chief cargo officer at Delta Air Lines, is turning his focus to the operations side of the business.During an interview at the Air Cargo Forum in Atlanta last month, he said that Delta is striving to improve operational deliveries and institute Six Sigma and other lean principles — ways of doing business he picked up during his time on Delta's technical operations team.

"We want to have a process in place that is sustainable, that is predicable, that will deliver consistent results to our customers. This is really the key — the consistency of the product," he said.

Charaf said he believes streamlining Delta's processes will help grow the business. He noted that the carrier is currently not operating at 100-percent load factor, a fact that could be improved with better organization. In addition, Charaf is looking at more ways to connect forwarders and shippers to the airline through IT solutions, giving the supply chain more visibility and allowing for better analysis.

For these improvements in efficiency to come during dark economic and political times is no easy task. Charaf noted that the eurozone crisis might go deeper than most people think — "Twenty five-percent unemployment in some countries? That is outrageous." — and the Middle East is in an uneasy political time. China, he added, is sluggish due to the slow U.S. economy, and Japan has an export issue.

"The market dynamics right now are very difficult," he said. "The economies around the world are really very challenging."

Even amid the storms, Charaf is confident that staying the course will lead to growth for Delta's cargo business. He pointed to the strength of his new team as one way the carrier will rise above the dark times. "I'm energized, I'm happy, I'm proud — all of that," he said. "I inherited a wonderful organization, wonderful people."ACW

In the news …

Southwest Airlines recorded an 11.4-percent, year-over-year, spike in freight operating revenue in the third quarter of 2012, which ended September 30. The U.S. carrier also saw growth in this segment from a nine-month perspective; cargo operating revenue surged 14.6 percent, year-over-year, from January-to-September 2011… **FedEx** has opened a S$97-million hub at Singapore Changi Airport, a move that will enhance its operations in Southeast Asia and boost access to global markets. The hub, which is FedEx's largest consolidated facility in the Asia-Pacific, houses air, ground and clearance operations… **Delta Air Lines** transported 201,698 tonnes of cargo in September, a 3.2-percent, year-over-year, increase. The carrier has also seen an uptick in freight volumes from a nine-month perspective; Delta's traffic surged 1.1 percent from January-to-September 2011. Rival American Airlines hasn't seen similar increases, however. American Airlines' freight traffic plunged 8.3 percent, year-over-year, in September, while cargo volumes receded 1.2 percent from the first nine months of 2012… The U.S. **Federal Aviation Administration** has granted three commercial space transportation projects in California, Colorado and Hawaii nearly $500,000 in matching grants. In a statement, FAA Acting Administrator Michael Huerta said the grants "help keep America competitive by investing in space transportation infrastructure development." … **C.H. Robinson Worldwide** has agreed to purchase freight-forwarding rival Phoenix International Inc. for $635 million in cash and stock options. C.H. Robinson expects the deal, which is slated to close in the fourth quarter of 2012, will modestly add to earnings per share in the first year, while boosting C.H.'s international freight forwarding activities. "We see significant long-term opportunity in international forwarding as global trade expands, scale and technology continue to become more important, and shippers increasingly look to transportation providers to provide global services," C.H. Robinson CEO John Wiehoff said in a statement. "Together, Robinson and Phoenix will be in a strong competitive position to capitalize on those growth opportunities and continue expanding our market share," he added. ACW

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TIACA AIR CARGO FORUM

China Airlines signs on with SkyTeam Cargo

China Airlines has become the 10th member of the SkyTeam Cargo alliance. James Yu, senior vice president of China Airlines, and Tony Charaf of Delta Air Lines, one of the founding members of SkyTeam Cargo, signed an agreement at the TIACA Air Cargo Forum welcoming the Asian carrier. While China Airlines joined the alliance on the passenger side a year ago, the carrier has only now linked up with the cargo team.

According to Chong Choy of Air France-KLM, this new addition is in line with growth plans. During the press conference, he talked about wanting to be somewhere in the middle of the pack among the three major alliances — oneworld, SkyTeam and Star Alliance. oneworld currently boasts 12 members, while Star Alliance currently has 27 airlines in its membership.

"Do we want to be bigger than Star Alliance? No," Choy said during the press conference.

Yu said becoming a member of the cargo organization is integral to the airline's development. Joint marketing efforts, common warehouse handling and the exchange of business knowledge are a few of the organizational benefits that will help strengthen China Airlines' cargo brand, he said.

"To welcome this new epoch in China Airlines' history, we pledge to work closely with our partners for the bright future of SkyTeam Cargo," he said at the event. "We are extremely proud to be a member of SkyTeam Cargo and will do our best to make SkyTeam Cargo proud of China Airlines." ACW

Moderator Ali Velshi talks with (from left) Richard Anderson of Delta Air Lines, Mitch Nichols of UPS Airlines, William Flynn of Atlas Air, John Pattullo of CEVA Logistics and Brian Kelley of Coca-Cola during "The CEO Viewpoint," a panel discussion.

At ACF, cargo execs look worldwide for signs of life

Economic malaise in key markets has led cargo leaders to look to new regions for growth — a point driven home during "The CEO Viewpoint" session at TIACA's 26th International Air Cargo Forum and Exposition in Atlanta. Mexico and Brazil are two of the emerging markets these leaders listed as potential hotspots for cargo during the session.

Four CEOs — Mitch Nichols of UPS, Richard Anderson from Delta Air Lines, Atlas Air's William Flynn and CEVA Logistics' John Pattullo — as well as Brian Kelley, Coca-Cola Refreshments' chief product supply officer, discussed the key issues currently facing the global airfreight industry. Chief among them is the sluggishness permeating world markets.

Pattullo cited the eurozone crisis as having an especially marked effect on the global airfreight sector in 2012. Unfortunately, he doesn't anticipate a sudden resurgence in the coming months.

"I don't see it getting better for the next three or four years," he said during the panel. As a European company, he said CEVA Logistics, like many others, will "continue to battle for share in a relatively stable, sluggish economy."

Delta's Anderson said the continued "choppiness" of the European economy has led the carrier to reduce capacity to the region. Globally, Delta has trimmed capacity by 3 percent, year-over-year, in 2012 — a byproduct of stalled demand in key markets. Even so, Anderson sees a lot of potential in emerging markets. From a cargo standpoint, he said, "Mexico is doing well; Brazil is going well."

But Anderson thinks the economic problems in the U.S. are a bit overblown. "The U.S. appears to be a bit stronger that what we read about in the paper," he said. "Corporate profits are really solid, and U.S. productivity is at all all-time high." He said U.S. housing markets have bottomed out, which bodes well for the nation's economy.

UPS' Nichols didn't dispute these points during the executive roundtable, but said that U.S. carriers should look beyond their domestic market for growth. He said 70 percent of the global purchasing power is outside of

the U.S. — a fact propelling demand for new routes to emerging markets.

Atlas Air has been on a growth trend lately, despite the sluggish economic conditions. Flynn revealed that Atlas Air is increasing capacity by 18 percent this year, a trend that will continue into 2013.

He said demand is coming from the growing population of global, sophisticated consumers. Flynn pointed to the higher perishables traffic between Latin America and Southeast Asia as an example of this.

Ensuring that such flights aren't held up by logistics will require the airfreight sector to take cues from the passenger business, Anderson asserted. "We're still running a paper-based business," he said. Anderson maintained that the airfreight sector is in vast need of a technology upgrade, an idea championed by the global e-freight initiative. ACW

DOT secretary: Air cargo important to U.S. export goal

U.S. Secretary of Transportation Ray LaHood detailed how airfreight will help achieve President Barack Obama's goal of doubling exports during the keynote address he presented at the ACF. In his speech, LaHood also reinforced airfreight's importance to the U.S. economy.

President Obama set the goal in 2010, LaHood said, and achieving it will depend on a "thriving air cargo industry to help America's leading industries move their products to market quickly and efficiently."

Airfreight is such a big business in the U.S. that it accounts for 31 percent of the total value of U.S. exports, LaHood added.

Ensuring that the supply chain isn't held up by kinks in the system requires monetary investments, however. During his keynote address, LaHood cited the success of the DOT's Transportation Investments Generating Economic Recovery, or TIGER, grant program, which bestowed $953 million on 50 freight-related projects in the U.S. over four rounds.

"These TIGER freight-related projects will help speed delivery of products from factories, farms and businesses to customers across the United States and around the world," LaHood told ACF attendees. "Now, improving freight movement also means listening to the people who count on freight — the freight and logistics industry, the states, businesses and consumers."

LaHood pointed to the new Freight Policy Council as a response to this need. The council, which held its first public meeting in September, will be instrumental in meeting President Obama's export goal, LaHood said.

MAP-21 is another key pillar in the strategy, he asserted during the keynote address. The new transportation bill, which was signed into law this summer, "does a number of good things for freight," LaHood said. "For one, it calls on us to work with the states to plan our freight investments more systematically, so that we can achieve our national goals." The financial grants provided in MAP-21 will also enable renovations to the nation's intermodal freight network, he added.

And what's good for cargo is good for the U.S. economy, LaHood reiterated throughout his keynote speech. "A strong air cargo industry expands international trade and contributes to job creation and prosperity at home," he said. ACW

MidAmerica to collaborate with Chinese airport

MidAmerica St. Louis Airport has inked a deal with Ningbo Lishe International Airport, establishing a route between the Americas and the Zhejiang Province of China. The partnership has been in the works since January, but officials unveiled it at the ACF. Cargo flights will kick off in December.

MidAmerica St. Louis Airport Director Tim Cantwell said Ningbo airport is currently selecting a carrier to perform an east-west route, while officials are in final talks with a north-south carrier. He said airports typically don't connect buyers and sellers.

"But we're small enough and hungry enough that we're trying new things," Cantwell said. "We're finding new freight and new export markets."

North Bay Produce Inc., which opened a $5.7 million perishable warehouse at MidAmerica in June, will be one of the first benefactors of the new route, Cantwell said.

Ningbo officials are also doing their part to prepare for cargo traffic. As part of a $1.3 billion airport renovation initiative, the airport has committed to building a 164,042-square-foot airfreight terminal.

"Ningbo is a second-tier airport, but they're in a premier perishables center with their [billion-dollar] advancement in their improvements," Cantwell said. ACW

THE *Cats* MEOW

FEW who followed the news during World War II need be reminded of the outstanding military record of Consolidated Vultee's flying boats. Called *Catalinas* by the British, known formally by our Navy as PBYs (P-Patrol, B-Bomber, Y-Convair), they were dubbed by their Navy crews *Cats* or *Black Cats* when painted black for night flying. Thankful survivors of air sea rescue missions are wont to refer to them as "Angels With Black Wings." Whatever their name, their deeds give them a place in history. However, when the war closed, War Assets Administration experts classed *Catalina* flying boats and amphibians along with B-24s, P-40s, etc., as obsolete military planes of no commercial value.

"The Cats Meow Again," from November 1948, has been published here in its original form.

CATALINA purchased by Argentina taking off from a Canadian field with the aid of jets

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CARGO-TOTING CATS such as this one below are in regular service all over the world

Commercial Carrier

Flying men familiar with the efficiency curve of this remarkable aircraft had other ideas. They believed a PBY could easily be converted to a first rate commercial carrier. They pointed to the operating experience during the war of the Rubber Development Corporation. This agency of the United States Government operated fleets of PBYs in Brazil, Colombia, and Peru. They took men and supplies deep into the Amazon jungles to bring back raw rubber. This preview convinced many observers that *Catalinas* would make an ideal specialized cargo-passenger plane. Charles H. Babb, president of The Babb Company, agreed with this view. In fact, he had such faith that immediately after the war he bought over 100 *Cats*, including all available spares, from the Canadian Government and made arrangements for establishing a regular production line to overhaul and modify these aircraft.

Babb realized that the same qualities that made *Catalinas* outstanding performers for the military would make them topnotch commercial carriers. Originally designed for long-range coastal patrol, convoy protection, and submarine scouting, they were built to get the most range possible out of a gallon of gasoline. So, from the start, they had the very qualification so important to a good commercial transport.

To continue reading the story, visit

AGAIN

To convert PBYs to civilian carriers, excess military equipment is removed and cargo doors are installed. Flooring and proper hold-down fittings are added, and the *Cats* become an economical weight-lifter par excellence.

For back-country operation, the *Cats* have a big ace in the hole. In effect, they carry their airports with them under their wings. They are the only planes in today's market with a 10-ton payload that can operate in the backwoods of the world where waterways constitute the sole landing space available. And as the *Cats* ordinarily draw only 18 inches of water, bush pilots have found they can be operated nicely from small rivers and lakes.

The *Catalinas* made history during the war due to their prowess as scouts. Today, they are many times still used for scouting purposes by those looking for hidden deposits of the world's resources. Oil companies and mining engineers are particularly enthusiastic about the *Cat* for their operations.

Canadian Story

For example, in the Summer of 1947, Norancon Exploration Limited, of Canada, had three huge areas to explore—one in Quebec, and the other two in widely separated parts of Labrador. Not even the crudest of flying facilities existed in the interior and maps of the region were extremely inaccurate and misleading. The operation required an aircraft capable of long-range flights, carrying heavy payloads. Obviously it was a job made for the *Cats*. They were able to keep 31 of Norancon's men amply stocked with supplies at widely separated points. Smaller planes just couldn't have done the job. But the *Cats*, without refueling, were able to take off from the base at Goose Bay, fly across Labrador and Quebec, continuing on a devious route, making numerous stops over a round-trip course roughly 1,560 miles as the crow flies. The flights also usually involve a good deal of circling around the lakes, yet the plane always has ample fuel aboard upon its return to Goose Bay. This great range and endurance (the machine is capable of staying 24 hours in the air), gives

INITIAL LANDING of a Texaco PBY at Solita, Colombia. Average docking is four minutes.

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CATALINA in the service of the Asiatic Petroleum Company operating in New Guinea jungles

Middle Eastern carriers EXPAND WORLDWIDE

While a number of airlines are curbing capacity and cancelling routes, many Middle Eastern freight carriers are bucking the trend. Emirates SkyCargo, for instance, is in full-fledged expansion mode, Ram Menen, the carrier's senior divisional vice president of cargo, asserts. "We just can't get our hands on airplanes fast enough," he says. He points to the United Arab Emirates-based carrier's push into the Americas as a manifestation of this.

Since January, Emirates Skycargo has launched three routes to the continental U.S., the most recent of which is to Washington, D.C. This route, which complements the carrier's new services to Dallas/Fort Worth International Airport and Seattle Tacoma International Airport, is propelled by the 113-percent, year-over-year, increase in UAE exports to the U.S. in 2011. "The U.S. is a big market for us," Menen says. He says the new routes have been so profitable, in fact, that Emirates SkyCargo is looking to increase capacity on each of them.

Europe and Latin America are also on the carrier's radar, Menen says. After commencing service to Madrid in 2011, Emirates SkyCargo immediately launched a second freighter to the Spanish city. Heightened demand similarly led the carrier to institute nonstop service to Lisbon in July, a move that came only six days after Emirates SkyCargo launched flights to Barcelona. Menen cites the carrier's new services to Rio de Janeiro and Sao Paulo, Brazil, as showing immense growth potential, as well. Basically, Menen says, Emirates SkyCargo isn't looking to expand in one particular region — it's targeting the entire world. "You can connect the dots," he says, laughing.

Saudi Cargo is on a similar growth trajectory, according to Peter Scholten, the airline's vice president, commercial. On March 25, the carrier instituted twice-weekly freight service to Saigon, with routings to Vienna and Frankfurt commencing on the same day. Scholten maintains that the latter destinations are particularly key to Saudi Cargo's growth strategy. "Frankfurt is the financial and transportation center of Germany — the largest and most important market in the European Union — while Vienna is the gateway to Eastern Europe," he says.

> **"Look at us; look at our neighbors. The big four airlines in the Middle East — Qatar, Emirates, Etihad and Saudi — we're all on a growth spurt."**
>
> **— Peter Scholten, Saudi Cargo**

And, Europe, Scholten says, is Saudi Cargo's biggest growth market. Despite the financial turmoil in the eurozone and the havoc it's wreaking on worldwide trade, the carrier has doubled its business in Europe this year. "Basically, we took back business to places we should have been flying to before," Scholten says.

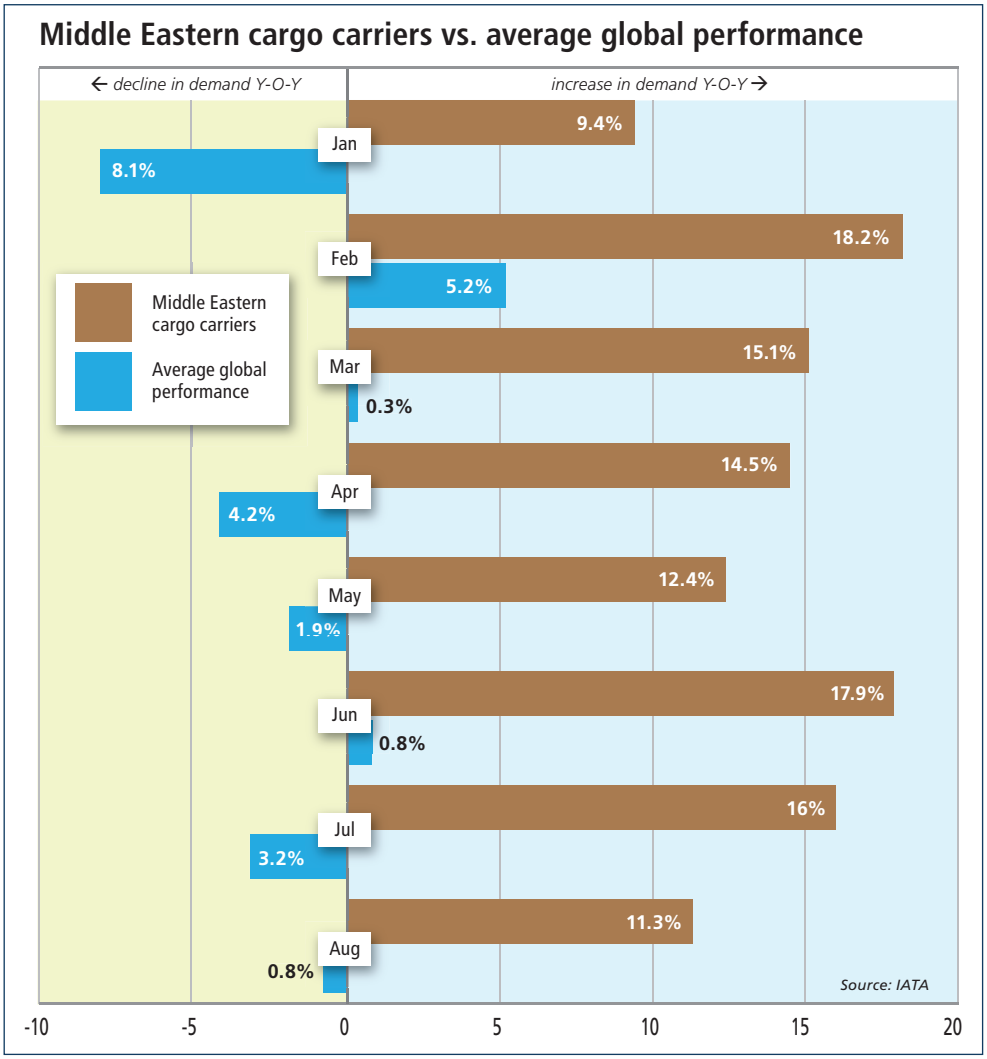
Saudi Cargo is also thriving in African markets, he asserts. Together with its interline partners, Saudi Cargo now serves the West African cities of Abidjan, Accra, Cotonou, Douala, Libreville, Lome, Malabo, Niamey and Ouagadougou from its Lagos, Nigeria hub. The carrier also introduced a second freighter on its weekly route

to N'Djamena, Chad, in May, due to increased customer demand. Scholten acknowledges that these destinations aren't traditional hotspots for cargo, but says they're critical routes for Saudi Cargo.

"I think it's the mixed markets that we service where we are able to generate growth, compared to the other airlines," he says. The carrier's 26-percent, year-over-year, increase in cargo activity from January to June backs up Scholten's assessment. Saudi Cargo also recorded a 25-percent, year-over-year, surge in airfreight revenue during the first six months of 2012, with May and June breaking decades-long records.

"Look at us; look at our neighbors," Scholten says. "The big four airlines in the Middle East — Qatar, Emirates, Etihad and Saudi — we're all on a growth spurt."

Recent International Air Transport Association statistics add fuel to his argument. While carriers in other regions saw cargo demand plunge by as much as 14 percent, year-over-year, in the first eight months of 2012, Middle Eastern airlines recorded double-digit cargo growth in every month but January.



Emirates' Menen believes the prime real estate enjoyed by Middle Eastern carriers is propelling volumes. In addition to being next to "huge, growing economies like China and India," he says the Middle East's geographic centrality makes it a natural hub. "Don't forget," Menen says, "in eight flying hours, we have access to 5.8 billion people in the world. Two-thirds of that is just east of us, and two-thirds of that is India and China, which are the factories of the world. On the other side is the Middle East itself — and the Gulf economies are all firing up."

The Middle East's neighbor to the south — Africa — is also enjoying economic growth, due to the region's prolific mining and farming sectors. Menen says cargo is often flown out of Africa, since the continent is largely landlocked, and trucking cargo from one nation to another may be unsafe. Africa, however, is fraught with infrastructure challenges, he explains. Menen says Middle Eastern carriers are responding to this problem by flying African cargo to their own airports. "The advantage we have is that we have a better infrastructure, so we become a hub," he says. "It's one of the reasons we're seeing the kind of growth that we're seeing."

Dubai, in particular, is seeing the brunt of the traffic. Abdulla Mohammed Bin Khediya, head of cargo services at Dubai Airports, reveals that 70 percent of Middle Eastern cargo transits through Dubai, before it is then trucked to neighboring nations or flown elsewhere. Bin Khediya says such volumes led to the creation of secondary airport Dubai World Central-Al Maktoum International Airport, which opened to cargo operators only in June 2010.

The region's primary airport, Dubai International, is more than 50 years old, he explains, and officials believe it will become congested within a few years. "There is no way to expand, so Al Maktoum International is our relief," Bin Khediya says. "And I think opening in 2010 was wise, so we that we have the space and the proper infrastructure to handle [the volumes we're seeing]."

In September, Dubai Airports announced its $7.8 billion Strategic Plan 2020, which will fund renova-

tions to Dubai International's cargo facilities and build a new transshipment facility for freight transferred between Dubai International and Dubai World Central. The first phase of construction is slated to begin soon and involves a 30,000-square-meter addition to Dubai International's 1.2-million-tonne Cargo Mega Terminal, a move that will increase the CMT's freight capacity by 25 percent. Dubai International's original freight facilities — Hall A and Freight Gate 1 — will also undergo full reconstruction, with Emirates scheduled to occupy both facilities.

Menen says Emirates' current CMT at Dubai International, which offers 1.2 million tonnes of annual freight capacity and spans 43,600 square meters, is also essential to operations. "The facility is vital to the efficiency and speed-to-market that our customers expect, and its role is even more important as we continue to meet those expectation levels [while simultaneously] managing the growth of our operation," he says.

So far this year, Emirates has taken delivery of 21 new aircraft, including two Boeing 777Fs, and added 12 new routes to its network. "Of course," Menen says, "increased capacity and new trade lanes all contribute to increased volumes, and that growth in trade is only sustainable thanks to the continued investment we're making to ensure we are using the latest technology and industry-leading processes at CMT."

An influx of traffic similarly led officials to renovate King Abdulaziz International Airport, Saudi Cargo's home base. Upgrades began in 2006 and involve expansions to the airport's current runway and airfield systems to accommodate the Airbus A380. Due to the soaring import levels into Saudi Arabia, experts say the extra belly-hold capacity afforded by this aircraft will likely be put to good use.

Scholten admits that Saudi Arabia's — like the rest of the GCC countries' — market position is better than many of the traditional world leaders. And Middle Eastern carriers, he says, are capitalizing on this prosperity. "The world is shifting," he says. Instead of European and American carriers dominating trade lanes, he says carriers in emerging markets are rising up. Scholten projects that by 2017, the Airports Council International rankings of top cargo airlines will look vastly different than they do today.

"Obviously, the U.S. is still the largest economy in the world, but that could change," Scholten says. "The patterns of world trade have changed." ACW

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The emissions-trading battle continues

Late last year, complaints against the EU for deciding to implement its carbon-trading scheme to airlines flying in and out of Europe starting in 2012 were passionate. Airline officials worldwide representing small-, large- and medium-sized carriers said the tax, as they started calling it, amounted to a money grab by the European Union. These same people called it an illegal infringement upon states' sovereignty. Any blanket emissions scheme had to go through the proper channels at the International Civil Aviation Organization, they contended. But the EU persisted.

In October 2011, a spokesman for the EU addressed the concerns of the international community by basically saying the scheme's implementation was non-negotiable.

"This is not a proposal," he told *Air Cargo World* at the time. "This is adopted legislation. We do not intend to back down or modify our legislation." And it was legislation with a price tag; early estimates by The International Air Cargo Association said complying with the law — in which carriers who exceed the EU's carbon limits must buy credits — could cost the industry $3.5 billion by 2020.

Government reaction was swift. Nearly every body around the world reacted in the same way, banding together to not allow their carriers to participate in the ETS, pushing for a change through ICAO, and meeting with each other to discuss solutions. The Chinese and Indian governments even went so far as to imply that Airbus would not be receiving any business if the ETS went forward. Threats such as these, says Richard Anderson, CEO of Delta Air Lines, might finally convince the EU to pursue another option.

"I think that the EU ETS is probably going to get solved by the fact that China and India aren't going to buy any Airbus airplanes," Anderson said recently.

"This industry has the best track record, I think, of any industry in the world on reducing emissions. The problem with the ETS is that it's trying to do out-border regulation," he continued. "The way the system is set up, it is seeking to regulate emissions over other countries, so it's extraterritorial."

Anderson says that the industry's standards on engine noise evolved the way regulations on emissions should. In that case, the industry worked with each other to develop a solution to a problem, implemented standards that alleviated the concern, and moved forward with new protocols and a less-noisy way of doing business. The ETS, he says, should evolve in the same way, but patience might be lacking.

"I think the reason why the ETS has surfaced in the EU is really to try to continue to prod people to work on this," he says. But he points to pledges made by Airlines for America and the International Air Transport Association that call for carbon-neutral growth by 2020 as steps in the right direction. The EU, he says, isn't fully aware of all that the industry has done.

The U.S. government has paved its own path forward. It had taken almost a year from its introduction in De-

"We're not opposed to a common and global kind of charge. But then we would expect that whatever are taxes collected would go into improving the aviation infrastructure. Right now, that's not happening."

— Ram Menen, Emirates Airline

Menen

cember 2011, but Senate Bill S. 1956 — "European Union Emissions Trading Scheme Prohibition Act of 2011" — passed the Senate in September. Sponsored by John Thune, a Republican from South Dakota, the senate bill is backed by numerous U.S.-centric aviation groups, including Airlines for America and carriers like United Airlines.

"Congress has sent a strong message to the EU that they cannot unilaterally impose an illegitimate tax on the United States," Thune said in a statement when the bill passed. "The Senate's action today will help ensure that U.S. air carriers and passengers will not be paying down European debt through this illegal tax and can instead be investing in creating jobs and stimulating our own economy. I hope the House [of Representatives] will quickly take action on my bipartisan legislation so the president can sign this bill to prevent the EU's unlawful attack on American sovereignty."

The Senate bill differs from a House bill passed last year, and these differences need to be ironed out when Congress reconvenes after the U.S. presidential election. Amendments to the Senate bill included verbiage to exempt taxpayers from shouldering any monetary consequences the airlines are meted for not paying into the EU's scheme. Senator Jeff Merkley, a Democrat from Oregon, added a section that makes the law void if the EU changes its plan or if the ICAO presents a new way forward for the entire industry. If this same bill passes both houses of Congress, it will go to President Obama's desk.

While some believe the bill would forbid airlines from participating in the scheme and, thus, would prevent them from flying to Europe, William Flynn, president and CEO of Atlas Air Worldwide, sees through to its intent. The law is really about pushing forth dialogue with the EU and centering the discussion on ICAO.

"They're not going to say you can't fly to Europe," he says. "The bill is not a bill that says you can't pay that."

Opposition also came in the form of a meeting among 17 nations in Washington, D.C., this summer. The attendees converged in order to figure out how to combat the ETS by creating a way forward on emissions using ICAO's leadership. Another vocal opponent of the EU ETS is U.S. Secretary of Transportation Ray LaHood.

"What I'd like to get the European Union to do is to eliminate this lousy tax they've put on all the airlines," he said during the Air Cargo Forum in Atlanta. "The truth is nobody has a better record on the environment than President Obama… And yet we're being penalized by the European Union because they want to cut down on carbons and greenhouse gasses and so forth by putting a tax on airlines, which is really unfair."

The EU ETS has been applied to aviation since the beginning of the year, but airlines have flown into Europe without having to pay for emissions credits because the EU doled out allowances in order to get the program off the ground. Starting January 1, these allowances will decrease, meaning that airlines will have to start paying for every bit of carbon they emit that exceeds their allowances. Of course, the EU isn't as hardline as it once was on the ETS, and reports have been circling that, in the presence of an ICAO alternative, the EU might back off. These promises have come after months of meetings with high-level officials.

Emirates Airline's Ram Menen sees the U.S. approach as the right way to address the issue, which, he predicts, will cost €30 million to €40 million a year. Even though Emirates' exposure to Europe is small relative to some airlines, the EU ETS still has wide-ranging effects for the carrier.

Menen has little issue with the environmental goal of the EU ETS. Making aviation more green is an overarching target for many carriers, Emirates included. He adds that Emirates works with IATA and ICAO to shorten flying times by opening up new routes, something that lessens the carrier's carbon footprint. A com-

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>
> **— Richard Anderson, Delta Air Lines**

prehensive and inclusive plan would be a good step forward, he says, but the ETS, as it stands, is not the answer.

"We're not opposed to a common and global kind of charge. But then we would expect that whatever taxes are collected would go into improving the aviation infrastructure. Right now, that's not happening," he says. "They go into government [initiatives], and it's a tax with no returns to aviation."

At Delta Air Lines, Tony Charaf says the carrier is striving to change its culture to a green-driven company from the inside out. "When it comes to sustainability, we embrace it," he says. "It is the corporate culture. This is who we are; this is what we do, and we do it everywhere."

As for next year, when carriers may have to start buying emissions credits in order to fly into Europe, Charaf says the argument goes deeper than money. If the ETS stands, he doesn't expect Delta will impose a huge fuel surcharge on its customers in order to make up the extra expenditure. "It's not the monetary issue that's really going to be the challenge," he says.

Kenji Hashimoto, the new cargo head at American Airlines, also says his carrier is doing all it can to impose a culture of sustainability. He sees that the EU imposed the scheme to get the ball rolling more quickly on emissions, but that it wasn't necessary. "It didn't take the EU ETS to get people focused on emissions and fuel burn and noise pollution and all those kinds of things. Those things were already going on long before the EU ETS was even being papered up," Hashimoto says.

Atlas' Flynn says he, like representatives from other airlines around the world, has begun putting into place processes that would allow for payment of the tax. He's hopeful that ICAO will be able to boil out a solution during their next few meetings and present an alternative before year's end, but for now, airline representatives are begrudgingly proceeding as normal.

"Yes, people will have to start paying. We've already accrued to pay," he says. "I think as we come into 2013, the ETS is certainly going to get a lot of focus, and hopefully we converge with the right answer." ACW

CONVERSIONS: A VIABLE SOLUTION?

Future freighter growth may come from new planes, not conversions.

The phalanx of freighters is expanding, courtesy of the arrival of a new type at the small end of the spectrum. Conversion firm Aeronautical Engineers Inc. aims to have its first MD-80 freighter on the market before the end of the month, following the converted plane's maiden voyage in late September. Even so, Bob Convey, AEI's vice president of sales and marketing, admits, "It is coming a little bit later than we wanted."

The new kid on the block can lift 21.3 tonnes, with room to take 12 88-inch-by-108-inch pallets, eight 88-inch-by-125-inch pallets or eight 96-inch-by-125-inch units. This capability comes at a sticker price below $3.5 million, owing largely to the low residual value of MD-80 conversion candidates. MD-80's exiting passenger service can be picked up for less than $1 million, while the conversion comes at about $2.5 million. This adds up to less than half the price of a converted B737-400 freighter, which has roughly the same payload capability.

The first batch of MD-80 freighters goes to Alaska-based Everts Air Cargo, followed by another U.S. client. For subsequent deliveries, AEI has contracts with clients from Central Europe, Central America, the Middle East and Africa. One interested party from Australia is looking at the aircraft to support a mining operation, Convey reveals.

He says AEI has fielded requests from all over the world, something that has surprised him. "I thought it would be more in the developing world," Convey says. Russia and Brazil are unlikely to see MD-80 freighters soon, though, as the aircraft type never got certified in these countries for passenger operations, he explains.

The cross section of the MD-80 differs from that of the 737, which raises questions about transfers between the two types. But Convey says it doesn't matter much at this low price tag. Still, he reveals that some prospective customers have said they would interline with wide-bodies.

The plane's higher fuel consumption isn't likely to have much of an impact on its appeal, he reckons. For one thing, the MD-80's lower acquisition cost gives operators leeway to spend a little more on fuel. Moreover, Convey estimates that utilization will be around two to four hours a day. "If it were 12 hours a day, it would be a different story," he says.

So far, AEI has netted 15 firm orders for the MD-80SFs, which should keep its conversion lines busy for

some time. Turning an MD-80 into an all-cargo configuration takes 60 to 70 days, Convey says, describing it as a sturdy plane that converts relatively easily. With many MD-80s still in passenger service, he expects no bottlenecks in feedstock for years to come. "A bigger problem will be slot availability," he says.

Originally, AEI wasn't planning to extend the conversion program to the MD-90, but management has since decided to convert this model as well. "The MD-90 freighter will have one more position, and it has greater range. I think it will do well in Europe," Convey says.

The tally of MD-80 orders so far puts the new freighter level with AEI's backlog of 737-400 conversions. With 11 pallet positions, the -400 has emerged as the dominant conversion candidate in the 737 family, and demand has been robust this year. "We are looking at buying another facility," Convey says. AEI expects to perform 13 737 conversions in the coming year.

The lively activity in the narrow-body segment is in stark contrast to the current state of conversion projects for large wide-body aircraft. "We see a slowdown in conversions done by Boeing and others," notes Chris Damianos, executive vice president, specialty markets and head of cargo programs and regional jets, GE Commercial Aviation Services. "We don't have anything in conversion right now and nothing committed to conversion."

Dan da Silva, vice president for freighter conversions at Boeing, confirms Damianos' sentiments. He reveals that Boeing has only performed three 747-400 conversions this year: two for Thai Airways and one for Evergreen International Airlines. "The market has been quite challenging since 2008," da Silva says. "And we have also been victims of the success of the 777 [freighter] and the 747-8."

As carriers took freighters out of the market in response to soaring costs and slumping yields, their efforts to find buyers or lessors for some of these planes have flooded the market with large freighters. Simply put, Air Atlanta Icelandic's Baldvin Hermannsson says, there's currently an influx of BCFs in the market. "It is a buyer's market for BCFs right now," he adds.

> **"I expect [the conversion] market to stay slow for the next 18-plus months."**
>
> **— Dan da Silva, Boeing**

"We are not taking feedstock and converting ourselves," Hermannsson says. "I don't see anybody doing that anytime soon." After all, he asks, "Why would you invest $12 to $18 million in converting an aircraft if you have a lot of 747-400s and -400BCFs available?" He adds that prices for -400BCFs have been adjusting to the new situation.

It hasn't helped that new, large wide-body freighters are entering this depressed market. Earlier this year, GECAS took delivery of a new 777 freighter. "Now, we grow mostly through new freighters," Damianos says. "In the past, it was from conversions."

Top, Above: AEI's new MD-80 freighter conversion is to be on the market by late November

Some insiders believe that this could very well morph into a long-term trend. While Boeing's latest freighter forecast predicts that the share of large, wide-body cargo planes will boost their share of the global fleet from currently 31 percent to 36 percent, conversions are not going to be the dominant segment in this group — unlike in the mid-sized and narrow-body freighter segments, where they will constitute the lion's share of the planes.

Recent large, wide-body deliveries have hurt conversions doubly hard. Not only have they added to the glut in freighter capacity, they have also freed up 747-400s. Faced with lackluster demand and unsustainable yields, carriers that take delivery of 747-8s tend to replace 747-400 freighters with them, rather than boost their lineup with one more large freighter. This has pushed a number of 747-400Fs and -400BCFs into the market, undermining the case for conversions. "This creates a secondary market that puts a damper on conversions," Boeing's da Silva says.

In the present slow market, the rise in belly capacity on new wide-body passenger craft — such as Boeing 777s and 787s, as well as the Airbus A350 down the road — have further eroded the case for freighters. According to Boeing's da Silva, the phenomenon has been blown out of proportion, though. "The actual belly volume available for cargo has an effect, but it is a shift of a few percentage points, rather than a fundamental shift in cargo transportation," he says.

Boeing's 20-year forecast, which appeared in *Air Cargo World*'s October issue, actually projects a slight gain for freighters in overall market share over the period, da Silva points out. He also refutes the argument that financing for freighter conversions is in grave danger of drying up, a warning some executives sounded this year. "There are plenty of plane-financing instruments out there," da Silva says. "Capital availability is an issue, but not to convert planes into freighters. It's an issue when it comes to the financing of older airplanes."

Conversion outfits have been trying to hold the line on their pricing, but under the relentless pressure in the market, they have found it increasingly hard to do so, Hermannsson observes. GECAS'

At EADS, a tough market for Airbus conversions, but hope for the future

According to Jon Howey, director of sales, aircraft conversion, for EADS EFW, the present conversion market is difficult, and the outlook may not change in the near future. EADS is halfway through an 18-plane deal for DHL, replacing its fleet with A300-600 conversions, but other than that, the immediate conversion prospects are slim, he says. Long-term prospects, though, are a different thing altogether.

Howey believes the coming replacement needs for middle-of-the-pack freighters are great. FedEx still has a big fleet of MD-10s, and there are large numbers of A300-600s and A310-200s and 300s still on the market.

"All of those will come up for replacement sometime in the not-too-distant future. They're concentrated in the integrator fleets, but they're quite popular in general cargo as well," he says. "So we would see a strong replacement need."

Regionally, Howey says conversion growth will come from emerging markets. The Asia-Pacific region will fuel demand for a number of conversion types; China, he says, could need large planes for domestic and regional use. Finally, there is increasing demand for A330-200 conversions in Latin America.

Growth will also come in the form of new conversion types. Howey says the A330-200F is doing well in the market, and its coming conversion program will benefit from this solid level of sales. He senses that the coming program will mirror the A300-600 and its corresponding conversion.

"Today, the A330-200F is doing well and is being re-ordered by the customers that have it," he says. "And the A330P2F that we will have will just sit on top of that and compliment the family, the same way the A300-600 and its conversion did."

Operating freighters in the current market is a tough proposition, he says, due to competition from the belly operators. Small freighters make it hard to hit profit margins, and larger freighters are extremely expensive and hard to fill. That's why, he says, Airbus has focused on the mid-sized market for cargo and believes this is where the growth will be achieved.

So though the conversion market seems a bit off right now, Howey is hopeful for improved prospects in the coming months. While growth might not come quickly, a ramp up in conversions seems likely. And though freighters might be a tough sell now, they are here for the long haul.

"There will always be a need for conversions, and there will always be a need for new freighters. Dynamics will change over the coming years," he says. "It's really replacements and emerging market growth that we see for the future."

Damianos doesn't think that lower conversion rates would stimulate activity seriously, though. "The lack of demand for conversions is not driven by the conversion price tag but by the market situation," he says.

It could be argued that low price tags make for good opportunities to build up capacity in preparation for a return to growth, but GECAS is not following this logic.

"Maybe now is the time to move," Damianos says. "There will be a recovery." He says it's a question of timing. "We will probably sit on the sidelines for a bit until we see when the recovery takes hold," he maintains. Da Silva, however, isn't holding his breath for a fast recovery. "I expect this market to stay slow for the next 18-plus months," he says.

Despite the market conditions, Boeing is getting ready for another freighter conversion program, in the bracket below the 747. The company has registered enough of an uptick in conversations about and RFPs for 767 freighters that it decided to fire up a 767 conversion line.

"The 767 has established itself as the preferred mid-sized freighter," da Silva says. "FedEx, UPS and DHL have all chosen it as the base model for their mid-size fleets. That's the biggest market for mid-sized freighters."

What everybody has been waiting for is the proliferation of new passenger planes that can replace the 767, notably the 787. The lengthy delays in the 787's development caused passenger airlines to hold on longer than expected to their 767-300ERs, but now they are beginning to exit passenger service and become available for conversion.

"With the growing availability of 767-300ERs, we are going to see the price come down," da Silva predicts.

At this point, too few 767-300ERs have come on the market to determine a clear residual value on the model. Da Silva reckons that a 15-year-old plane should start below $15 million. With $16 million to be spent on conversion and maintenance work, a remodeled freighter should be under $30 million, he says.

AEI's MD-80 conversion comes at a sticker price below $3.5 million

Damianos sees good potential for the 767-300ER, pointing to a large, global user base. GECAS has a number of 767-300s in passenger service, which it may convert into all-cargo configuration, but such a move is a long way off, he says.

> **"The lack of demand for conversions is not driven by the conversion price tag, but by the market situation."**
>
> **— Chris Damianos, GECAS**

Air Atlanta Icelandic intends to looks closely into the twin-engine, wide-body segment in the near future, but the 767 is not on its radar. After all, Hermannsson says, the company's clientele hasn't shown any demand for a 767 freighter.

"We will be looking at the 777, the 777 conversion — if and when it emerges," he says. "The A330 would also be a possibility — either a production freighter or a conversion, but not right now. At the moment, it's too expensive. You can't get the hours you need to sustain it."

Boeing has been plodding along with preparation work for a 777 conversion program. The load and stress analysis has been completed, and the next step will be to step into the market and start promoting the concept, da Silva says. He figures that 2013-2014 will be the sweet spot to launch a conversion program, which would put deliveries to commence in the 2015-2017 timeframe.

"Then feedstock will start to pop up," he says. "By mid-decade, people will start to release their 777s."

At this point, Boeing is in the middle of determining the pricing of the conversion. It will be more complex than turning a 747 into an all-cargo configuration, da Silva says. The 777-200ER is optimized for passenger operation and will require extensive structural modification for significant gains, he says.

Damianos thinks that a converted 777-200ER will make an attractive option down the road, but he does not see feedstock becoming readily available.

"It is enormously popular with passenger operators. There is no reason to believe we are going to see a lot of these on the market," he says. "They will stay in passenger service." ACW

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Air Cargo World

Nowhere is Alaska's role as a facilitator of international trade more prominent than at Ted Stevens Anchorage International Airport. ANC ranks fifth worldwide for cargo throughput and second in the U.S. for landed cargo weight. ANC is poised for a new era, having completed a number of infrastructure improvement projects over the last 15 years, including aircraft parking with in-ground power systems to accommodate the growing numbers of widebody 747-8 freighter and passenger aircraft.

"Our goal is to be ready to take advantage of the global economic recovery when it happens and to seize unique business opportunities, including formalizing relationships with other airports, to better serve our global customers," says John Parrott, airport manager at ANC. "ANC is a high-value airport. Our landing fees are comparatively low, and we have acres of land available for aeronautical use."

Ted Stevens Aiport has completed infrastructure improvements to accommodate parking for the 747-8 wide-bodies

"Our goal is to be ready to take advantage of the global economic recovery when it happens and to seize unique business opportunities, including formalizing relationships with other airports, to better serve our global customers."

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Efforts by the Alaska International Airport System, comprised of ANC and Fairbanks International Airport, include working cooperatively with the airlines, developing a cargo incentive program, and hosting Alaska International Air Cargo Summits with U.S. and foreign carriers to encourage partnerships. Parrott says that on the heels of a few mergers among Chinese carriers, airport system representatives continue to talk to airlines throughout Asia about cargo-transfer opportunities at Alaska airports. "These talks have become more detailed over the last year. A few carriers are asking about cargo storage facilities, our multiple contiguous parking spaces, as well as setting up sorting and consolidation operations," Parrott says. On the backhaul to Asia, interest continues to grow among Chinese carriers for seafood imports from Alaska which AIAS facilitates with the Alaska Seafood Marketing Institute.

Just as ANC has developed as a refueling stopover point for transpacific flights transiting farther into North America, Parrott is hopeful that Alaska's airports will provide a similar bridge for South America-Asia trade. "Asian flag cargo carriers have expressed interest in serving points such as Dallas, Miami and Houston with freight ultimately bound for South America. South American exports would include specialty consumer goods," Parrott says. By flying a route via Alaska's airports, carriers would be able carry more cargo and less fuel, maximizing their payload.


John Parrott

Alaska Airlines grows with the Last Frontier state

Serving much of the U.S. and major markets in Canada and Mexico, Seattle-based Alaska Airlines relies on a growing, modern fleet of Boeing 737s, including five combis and one freighter. Torque Zubeck, managing director of air cargo for Alaska Air Cargo, reports modest cargo growth, with volumes up nearly 5 percent through the first eight months of 2012, year-over-year, according to Airlines for America data. "We're up because of our growing U.S. network, including Kansas City, Philadelphia, Fort Lauderdale, San Antonio and our expansion to Hawaii, with 25 daily flights from the West Coast to all four major islands."

Alaska Airlines took delivery of its first 737-900 extended range aircraft in October, which will be used in high-demand markets across its network. "We'll have four ERs online this year and have firm orders for 20 more ERs in the next two years, in addition to three more 737-800s," Zubeck says. Among a number of custom-painted liveries,

> **"All our cargo staff goes through cool-chain training, ensuring the highest–quality perishable product for our customers."**
>
> **— Torque Zubeck, Alaska Airlines**

Special
Advertising
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Air Cargo World

The carrier's Salmon Thirty Seven 737 passenger jet celebrates the giant King Salmon, Alaska's state fish. Design made in partnership with the Alaska Seafood Marketing Institute, which promotes wild, natural and sustainable seafood

the carrier debuted its second "Salmon Thirty-Salmon" 737-800 in October. The plane, which resembles a giant king salmon, was designed in partnership with the Alaska Seafood Marketing Institute. The design makes sense — Alaska Airlines ships about 25 million pounds of seafood annually; this includes delicacies like geoduck bound for Asia and salmon destined for the Lower 48.

"All our cargo staff goes through cool-chain training, ensuring the highest-quality perishable product for our customers, including seafood transferring through our freight-forwarding partners to points in Asia and Europe," Zubeck says. New service to city pairs such as Portland International-Reagan National further expand the possibilities for perishable shipping. Whether direct shippers or forwarders, Zubeck always welcomes new customers who may not be familiar with Alaska Airlines' legendary cargo service. Its latest enhancement is the Alaska Mobile Track service. Mobile users merely text their air waybill number to immediately receive shipment status information for any size of shipment.

Zubeck reports a boost in energy-industry shipments, including an increase in traffic to Prudhoe Bay to support drilling work on Alaska's north slope, the largest oil field in North America. "We're shipping on our combis, for example, more urgent drilling-related parts and equipment. Elsewhere, we're seeing promising activity that supports offshore

> **"Our Dynamic Routing service leverages trucks, ships, barge, ferry and aircraft in any combination, allowing shippers to balance speed and cost when shipping to any point in Alaska."**
>
> **— Mike Nagle, Lynden**

oil drilling exploration in the Chukchi Sea," Zubeck concludes.

Lynden: Alaska Logistics Specialist

Founded in 1977 on the premise of service to Alaska, Seattle-based Lynden International, a full-service forwarding and logistics company, keeps a relentless focus on customer service. "Our Dynamic Routing service leverages trucks, ships, barge, ferry and aircraft in any combination, allowing shippers to balance speed and cost when shipping to any point in Alaska," says Mike Nagle, vice

Special
Advertising
Feature

Air Cargo World

president of sales at Lynden International.

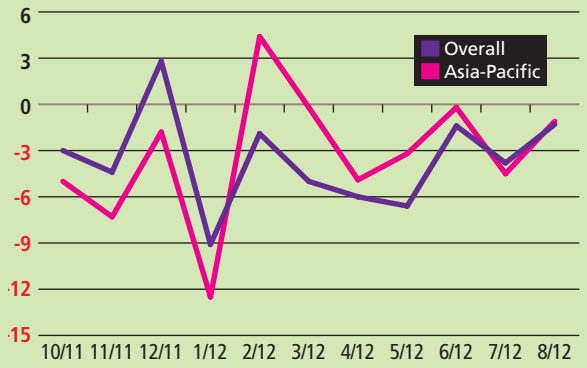
Such multimodal shipping is a necessity given the state's limited road system — only about two percent of Alaska's land area is accessible by road — and the majority of Alaskan communities rely entirely on air service. Lynden International is the part of the Lynden family of companies, headquartered in Anchorage, which include Lynden Air Cargo for scheduled service and charters on its fleet of seven Hercules L-382 freighters, and Lynden Transportation for multimodal services, including TL and LTL service between central Alaska and Seattle, containerized traffic on steamships and barges, and air-truck services.

Lynden is one forwarder that works closely with Alaska Air Cargo for cool-chain shipments of seafood and other perishables, especially for international air shipments. The forwarder also ships fish in reefer containers from central Alaska to Seattle by ship. Across modes, Lynden serves the oil and gas, retail and automotive sectors on its volumes between Alaska and the Lower 48 as well as intra-Alaska.

Nagle notes drilling activity in the state continues to be strong, in spite of challenges facing the oil and gas sector. "This improvement sparks the general economy, which helps drive retail business growth, and we are seeing many new retailers looking at Alaska," Nagle says. He notes that one new service the forwarder is working on is an efficient, cost-effective home delivery model for retailers as they expand their distribution channels in Alaska. Lynden has also added carton-scanning tools to better serve its diverse range of customers.

CARRYING EUROPE

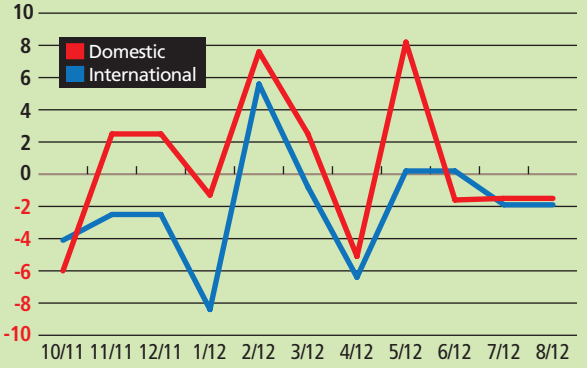
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

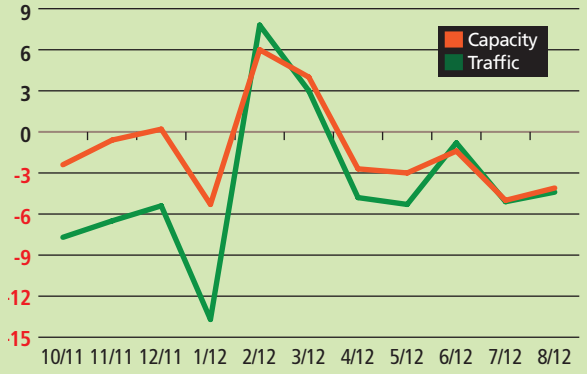
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

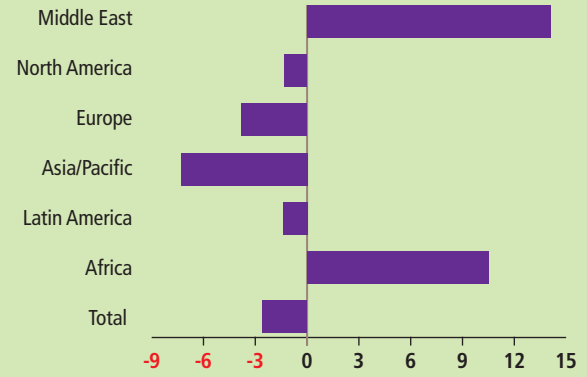
Monthly year-over-year percent change in capacity, in available-tonne kilometers, and traffic, in freight-tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

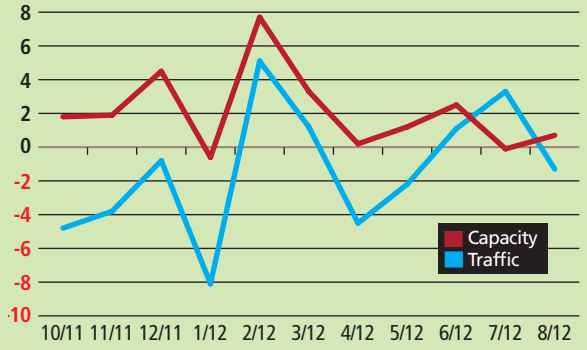
International air cargo year-to-date percent change for August 2011 vs. August 2012



Source: IATA

CARRYING INTERNATIONAL

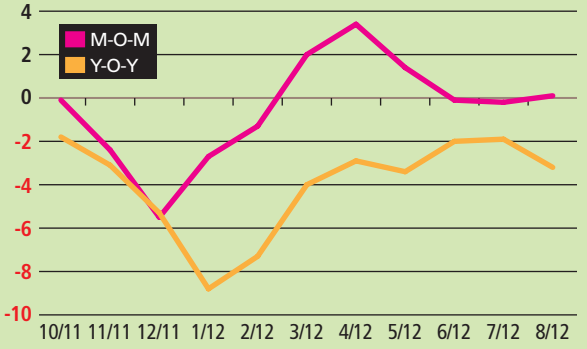
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight-tonne kilometers and available-tonne kilometers.



Source: IATA

SEMICONDUCTORS

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



Source: Semiconductor Industry Association

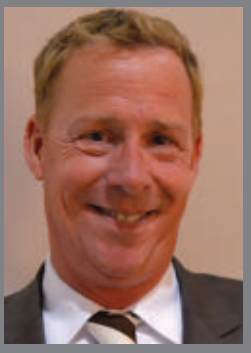
Five Questions with... Rene de Koning

IJS Global is a mid-sized forwarder in an industry full of them, but even with all the competition — and the presence of companies much larger than IJS — the firm has found a role for itself in the air cargo field. IJS is content not to be the biggest, the company's chief commercial officer Rene de Koning told *Air Cargo World* during The International Air Cargo Association's Air Cargo Forum in Atlanta last month. A decision to not be the biggest offers flexibility, but doesn't mean the company isn't dedicated to growth. In a wide-ranging conversation, de Koning talked about IJS' internal moves, the state of the current market, and where he sees future opportunity for expansion.

1. How's the first year at the helm of IJS Global been and what are your expectations for year two?'

Last year, we moved our global headquarters from Stamford, Conn., to Amsterdam. We did some restructuring, and we made some changes in Asia. We removed some overhead, and we made the company a little bit more lean and mean. We started to initiate some global sales programs, like our PO management system. So we took some steps to tweak the organization to make it a better fit.

And we made tools now to facilitate growth in the coming years. We have a tool, ID Visibility, where costumers can do PO management on a web-enabled IT system. Everything we do in our system, the customer has access to it. If I have a shipment out of Shanghai, the moment my colleague in Shanghai starts to type, my customer in the UK can already see it. We're building milestones — so you can have one to 40 milestones — where customers can trigger the information.



de Koning

So the moment [the shipment] leaves the factory, arrives at the dock, goes to the airplane or arrives at Customs, they get a text message or an email message or an EDI message to their system. So these tools, we've matured them. And what we're doing now is training people to sell it to our customers. It's actually what you do; everybody can ship a box. But not everyone can make the supply chain.

With having all of our own offices throughout the world, we can really make this work. The problem you have if you have an agent's network is that you rely on the systems of somebody else. In most countries, we have a home office network for our own systems. And in countries where we don't have an office, like India, South Africa and Latin America, our agents are using our system. So that's what we've being doing for the last year — tweaking the company, rolling out sales tools and developing our program that we call ID Visibility.

2. How has 2012 been so far for IJS Global?

Europe is stabilizing so our existing customers are doing less. We don't lose customers but they tend to do fewer shipments. And what you see is where they had, sometimes, once a month a very large shipment, they now have, once a week, a smaller shipment. Competition is getting tougher. In Brazil and China, there's still very strong growth. In Australia, we're doing extremely well, and that's because there we focus on verticals that are not really affected by the economic crisis. Pharmaceuticals are really driven from Europe. Aerospace and defense are verticals that are relatively stable.

3. Please talk a little about the economic crisis in Europe and how it's affecting forwarding globally?

What I'm seeing is that when I do sales in China, Asian customers are a little bit scared because they're afraid that what happens in Greece, Italy, Spain and Portugal also happens to the other countries, like France, the Netherlands and Germany. So you see, out of the exporting countries in Asia, a hesitance, and also in a number of projects that we have for customers from China and Taiwan. In warehousing, they say, "Let's postpone all of our plans."

You see less demand in Europe because our customers are selling less, which also means we import less from China. You see a shift from airfreight to oceanfreight because the customers are really starting to plan their business more professionally. The planning, they can do with the pipeline of oceanfrieght for 28 days. On the other hand, we see some of our fashion customers, like Michael Kors, are growing. So for them, we do the store openings, and we do freight out of Asia into Europe and from the U.S., and that's still growing. And we see the big high-tech firms are going down.

4. What regions are you eying for growth and why?

It's Brazil; it's China. It's India because it's a huge market that grows. We just saw for the first time, exports to China grow faster than the exports out of China. What I expect within five years is that India will also reach a certain wealth rate. We're also looking to grow in Australia because we have a good team there. You can have a strategy about where you want to open up offices, but you can better have a strategy about where you have a good team. They can grow the business. So, what you see in Australia is very stable growth. They're doing very well, and they're very

(Continued on page 49)

AIRLINES

Virgin Atlantic Cargo has named airfreight veteran **Nick Jones** head of sales. The newly created role, based at the airline's UK headquarters, is part of a strategic initiative to further strengthen the commercial team. Jones spent eight years with Virgin Atlantic, serving with both the cargo and passenger divisions; he then joined Emirates Airline in a senior role on its strategic planning team. In 2010, he rejoined Virgin Atlantic Cargo as regional vice president of the EMEA region, a role based at London Heathrow Airport.

Lee Steele has left his post as president of Aloha Air Cargo to serve as chief operating officer of **Pacific Air Cargo**. A position based in Los Angeles, Steele oversees all of PAC's functions, including operations, sales and marketing, and accounting. Steele's past experience involves all facets of airline operations, including flight operations and dispatch, maintenance and oversight programs, sales, marketing, customer service and piloting. He has also served as president and CEO of Champion Air and Carnival Airlines, in addition to sitting on the Airline Transport Association senior advisory council and on the Aeronautical Radio Inc. board of directors.


STEELE

INTEGRATORS

FedEx Corp. has re-elected all 12 director nominees to the corporation's board of directors, each for a one-year term. The directors are **Frederick Smith**, **James Barksdale**, **John Edwardson**, **Shirley Ann Jackson**, **Steven Loranger**, **Gary Loveman**, **R. Brad Martin**, **Joshua Cooper Ramo**, **Susan Schwab**, **Joshua Smith**, **David Steiner** and **Paul Walsh**.

Marie-Christine Lombard has stepped down as CEO of **TNT Express** and will be replaced by chief financial officer **Bernard Bot** in the interim. Despite this move, TNT Express personnel said the company's €5.16 billion acquisition by rival UPS won't be affected. "This development has no bearing on the intended merger with UPS, which we expect to complete in early 2013," Antony Burgmans, chairman of TNT Express' supervisory board, said in a statement. "Moreover, the underlying business remains robust and continues to be well managed by an experienced management board. We have complete confidence in Bernard's ability to lead the business and to see through the merger with UPS." A UPS spokeswoman echoed Burgmans' remarks, saying that the "internal matter for TNT Express" will have no impact on the proposed merger.

THIRD PARTIES

Pernille Fabricius has joined **Damco** as global chief financial officer. Fabricius comes to Damco from TMF Group. In addition to this post, Fabricius has served as CFO of TNS Group and GN Netcom, as well as senior vice president of the ISS Group. She is tasked with impacting Damco's strategic and financial performance in her new role.


FABRICIUS

Hong Kong Air Cargo Terminals has named **Vivien Lau** managing director of the company's Hong Kong Air Cargo Industry Services Limited offshoot. Since 2000, Lau has worked for companies owned by Jardine Matheson, Hactl's largest shareholder. She replaces **Kenneth Bell**.

Global Logistics Services (HK) Ltd. has promoted **Terry Lo** to CEO after a two-year stint as chief operating officer. He takes over for **Lionel Kwok**, who has been reassigned to Cathay Pacific Airways. Lo joined Dragonair more than 20 years ago and has served in areas ranging from airline planning to revenue management. He was later tasked with heading up the carrier's information management team. When Dragonair became part of Cathay Pacific in 2006, Lo was put in charge of e-business strategies and solutions for the airlines' employees.

Stuart Jones is **Priority Freight**'s new business development manager. Jones, who comes to Priority Freight from Sovereign Business Integration, brings extensive sales and marketing experience to the position. In his new post, Jones is responsible for new business and client retention in the automotive sector, along with an expansion into the aviation, energy, film and entertainment, marine supply and pharmaceutical sectors.

Steve Buckerfield, a 28-year cargo veteran, has taken over as **Toll Global Forwarding**'s managing director for the UK. He assumes responsibility for more than 400 staff members at 15 locations, who collectively provide a range of multimodal forwarding and logistics services. Most recently, Buckerfield held the role of senior vice president of sales for the EMEA region at OHL, a post that followed his stint at Walker Freight (later C.H. Robinson). He has also served as American Airlines' managing director of European sales and began his career as an export clerk at Emery Worldwide.


BUCKERFIELD

Agility has announced key changes to top management roles. Effective January 1, 11-year company veteran **Mike Bible** will transition to CEO of the company's European operations, and 28-year Agility veteran **Chris Price** will take over as CEO of the company's Asia-Pacific sector. Prior to these appointments, Price was Agility's CEO for the Northern European area and Bible served as CEO of Agility Americas. Bible will succeed **Beat Simon**, who is departing the company but will continue to sit on Agility Switzerland's board.

ASSOCIATIONS

JetBlue Airways President and CEO **Dave Barger** has joined **ISTAT Airlink**'s 12-member advisory council. In addition to his responsibilities at the humanitarian organization, Barger is chair of the Federal Aviation Administration's NextGen


BARGER

events

NOVEMBER 14-15
London: Transport Security Expo brings airports and airlines, port and vessel operators and mass transit companies together. The event is devised to promote close cooperation on security issues across these globally strategic domain spaces. Visit *www.transec.com* for more details.

DECEMBER 6-7
London: Gatwick is the host for the Aviation Information Technology Solutions Conference 2012. Join in the discussions and debates about the latest trends, developments and innovations within the industry. For further information, *visit http://evaint.com.*

FEBRUARY 10-12, 2013
Cartagena de Indias, Colombia: The sixth staging of Routes Americas will be hosted by Cartagena-Rafael Nunez International Airport. Visit *www.routesonline.com* for more details.

FEBRUARY 20-22, 2013
Johannesburg: The second biennial international air cargo conference to take place in Africa aims to top the February 2011 Nairobi event. Visit *www.stattimes.com/aca2013* for more details.

MARCH 3-10, 2013
Bangkok: For the 15th consecutive year, members of the World Cargo Alliance, a global network of independent international freight forwarders, will come together to meet face-to-face with their peers to build new business relationships and strengthen existing ties. Details are sparse, so keep checking *www.wcafamily.com* for updates.

MARCH 12-14, 2013
Doha: The seventh IATA World Cargo Symposium will carry the theme of "action under sustainability," bringing a focus on long-term strategies to the annual event. Visit *www.iata.org* for more information.

(Continued from page 47)

open to the market because we have a lot of trade-lane programs going on. They are the real trade lane right now: Australia to the U.S., Australia-Europe and Australia-China.

5. How difficult is it to comply with varying government security regulations from a forwarder's perspective?

Strange enough, not difficult because we have offices in more than 20 countries. And those 20 countries are more or less Asia and the industrialized world. Because you have your local offices there, you have your people who are very on top of compliance, IT and security. It's not that difficult. ACW

GLOBAL DISPATCH

Cooperation between the public and private sectors was an overarching theme at the 9th Sino Conference in Xiamen, which was held from September 16-19. More than 1,000 freight forwarders from around the world attended the event, which was hosted by the Chinese International Freight Forwarders Association and the WCA Family of Logistics Networks. "Every year I see delegates benefit from even greater success and opportunities at the event. Participants are now much smarter about doing their homework before the meeting and have learned how to maximize the potential for generating new partnerships," said WCA Family President David Yokeum.

The deputy director of the Chinese Ministry of Commerce, Lv Jijian, directly brought up this spirit of collaboration during the event. He commented that the ministry was going ahead with plans to develop a forwarding presence, and he also wants to help strengthen partnerships around the world.

"Only if we closely cooperate can we develop more quickly and inject even more momentum into worldwide freight forwarding services. The economic slowdown has had a big impact, but this conference provides a great opportunity to work with the Ministry of Commerce to help formulate new plans to develop international freight forwarding," he stated.

(Continued from previous page)

Advisory Committee; a member of the board of governors and treasurer of the Flight Safety Foundation; president emeritus of The Wings Club; and chair of the board of directors of PENCIL, an educational nonprofit. He has also served on the Department of Transportation's Future of Aviation Advisory Committee. ACW

ADVERTISER INDEX

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AIR CARGO ATTORNEY

ASSOCIATIONS

AIR FREIGHT BUSINESS OPPORTUNITIES

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MOBILE TECHNOLOGY

FREIGHT EXPEDITING

FREIGHT SOFTWARE

CARGO RESTRAINTS

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A. Total No. Copies (Net Press Run)	22,827	22,165
B. Paid/Requested Circulation		
1. Outside-County Paid/Requested Mail	7,820	7,814
3. Sales and Other Paid/Requested Outside the USPS	4,016	4,036
4. Requested Copies by Other Mail Classes USPS	75	75
C. Total Paid and/or Requested Circulation	11,911	11,925
D. Nonrequested Distribution (By Mail and Outside the Mail)		
1. Outside-County Nonrequested Copies	1,086	867
4. Nonrequested Copies Distributed Outside the Mail	9,131	8,892
E. Total Nonrequested Distribution	10,217	9,759
F. Total Distribution	22,128	21,684
G. Copies Not Distributed	699	481
H. Total (Sum 15f and 15g)	22,827	22,165
I. Percent Paid and/or Requested Circulation	53.83%	54.99%

17. I certify that all information furnished on this form is true and complete.
Signed: Edward F. Calahan,
Director, Production and Distribution
Date: 9/28/2012

PET SHIPPER / PET MOVERS

Peter Quantrill is the director general of the British International Freight Association

Forwarders need reasons to embrace the e-AWB

Forwarders simply cannot factor the e-waybill into their plans until they can see a business case for doing so.

An air waybill is, in effect, a paper receipt issued by an airline for goods received and evidences a contract of carriage for an airport-to-airport movement, typically between the carrier and the shipper. The principle was established for this document way back in 1929 by international convention. Over the ensuing years, one or two working practices associated with transporting air cargo from the UK have changed.

For example, do you know of any UK forwarder who does not submit their export and import Customs entry data electronically? No — nor do we. Yet forwarders (except perhaps the most determined entities), routinely print out the humble multicopy paper air waybill and still choose not to go down the e-AWB route.

The key to the success of the HM Revenue & Customs department in the UK lies in its single Customs entry processing system, coupled with absolute compliance to its mandatory electronic entry submission process. This is a far cry from the somewhat disparate situation that exists in the airline and forwarding industry, relative to the myriad versions of the aged airline Cargo-Imp program.

Forwarders who have invested heavily in systems to process other aspects of their operations can only see the costs and unwanted operational difficulties associated with the e-AWB. BIFA members have repeatedly reminded the association that they cannot factor the e-AWB into their plans until, and if, they can see a business case for doing so.

So where does this leave us? Could the airlines, for instance, take the bull by the horns and mandate the e-AWB as part of a modernized cargo-acceptance program? In theory, they could; in practice, the outlook is less certain given that revenues are driven by sales that could be jeopardized by a call for a mandatory compliance. What message would such a move send out? Mandating a process against the will of the majority of the customer base is not good for business.

It is not sometimes understood, especially by airlines, that BIFA is tasked by its members to represent and articulate their views and aspirations at the appropriate government and business forums — just as the International Air Transport Association does for them. We have been nothing if not consistent by refusing to adopt a gung-ho stance on the e-AWB that is contrary to the view of our wider membership.

Mandating a process against the will of the majority of the customer base is not good for business.

With the cooperation of some industry colleagues, BIFA is hosting a number of informal meetings to look into each component of the e-AWB. They will investigate, from the forwarders' perspective, what combination of commercial, operational processing and system support is required to elevate the e-AWB from the "can't-see-what-is-in-it-for-me" category to something altogether more commercially appetizing. If we are unable to convince those members that there is sufficient commercial and operational inducement for them to embrace the e-AWB, then we will have to accept their decision. In the meantime, we still urge airlines and forwarders to engage with each other.

There are external safety and security drivers that are shaping our industry processes. For example, the routine exchange of information between trade and national border agencies is a requirement that is here to stay. Demand for pre-departure consignment information will only increase. This information is transmitted electronically simply because a paper mountain is not an option. In the UK, the Department for Transport, after exhaustive trials, has agreed that the data for the e-Cargo Security Certificate will soon be able to be transmitted with the e-AWB data.

So yes, paper is passe, but in many quarters, it continues to be seen as a visible, reliable, comforting and very mobile source of information. ACW

Brandon Fried is the executive director of the U.S. Airforwarders Association

Forwarders: Be more than just a commodity

As discussion about the economic challenges in airfreight continues, many have wondered about the industry's viability. Recent information from the International Air Transport Association paints an unsettling picture for the months ahead.

IATA reports that cargo profitability has come under downward pressure in the third quarter of 2012; the previously detected economic improvement has stalled in the wake of surging oil prices. Despite some stabilization brought about by an expansion in world trade, the growth momentum in trade volumes is slowing, and business confidence has declined in recent months.

China, long considered the driver of economic expansion, has lost momentum; demand drivers, primarily in the U.S. and Europe, continue to weaken. This has contributed to declining aircraft utilization and downward pressure on rates. The sky ahead seems bleak for those depending on airfreight as their sole means of revenue.

But the news is not completely bad. While China is experiencing a softening of demand for its low-cost products, Latin America is showing an increase. Air cargo traffic in Latin America last year grew at an annual rate of 5.5 percent, the second-fastest worldwide regional pace, second only to the 8.2-percent growth rate in the Middle East. The Latin American activity may be driven by a shift in manufacturing from China to Mexico. Wage inflation in China has also contributed to this change.

This improvement in Latin America is attracting airlift from around the world. Several Middle Eastern carriers now serve the region. There has also been a shift in products passing through the U.S. from Asia to Brazil. Increased competition from European carriers has resulted in cargo transiting through Europe on its way to Latin America, reducing volumes at U.S. gateways. Many are growing concerned that this increased airlift will shortly exceed current Latin American productivity levels.

Maybe it is time for an analysis of why the air cargo business previously experienced so much success. Understanding this important history is perhaps the key to predicting when the industry will recover and what we can do to hasten its arrival.

We all know the obvious drivers that have traditionally fueled demand. These include medical emergencies, factory line parts failures, and perishability and new product roll outs. But at a time when we hear a lot about "mode shift" (code speak for cheaper), perhaps it's time to remind our customers and ourselves that transportation cost is but one element in mode selection.

Questions regarding turn-on receivables, the carrying cost of goods in transit, inventory costs and customer satisfaction all play roles, too. Many of us find these benefits far harder to measure, sure, but they are real nonetheless.

So what are some of the concrete steps a forwarder can take to ensure that clients see them as more than just a commodity?

- Understand what keeps your customer up at night. Once you understand their concerns, you can begin to fashion solutions tailored to their needs.
- When all other things are equal, price reigns supreme. Zap! You've been commoditized. Don't allow yourself to fall into that trap.
- Fully embrace modern technology. If you turn on your fax or copy machine during the day, you're not there yet.
- Your airlines and ground carriers won't bow to your every command. Without them, you're out of business. Forge partnerships of mutual respect and trust, and they will jump through hoops for you.
- Don't fall into the trap of thinking of yourself as a point-to-point transportation company. They're a dime a dozen. Remember, you're selling solutions now. Multimodal assembly/distribution services, order fulfillment, returns, fabrication — these things add value to your service.
- Today, we live in a maze of government regulations. Become an educational resource for your customers, and you are sure to build a bond.

Forwarders, always seen as the orchestra conductors of shipping, need to continue the tradition of creative problem-solving. Selling solutions, not price, is a challenge in any service business. Are we up to it? ACW