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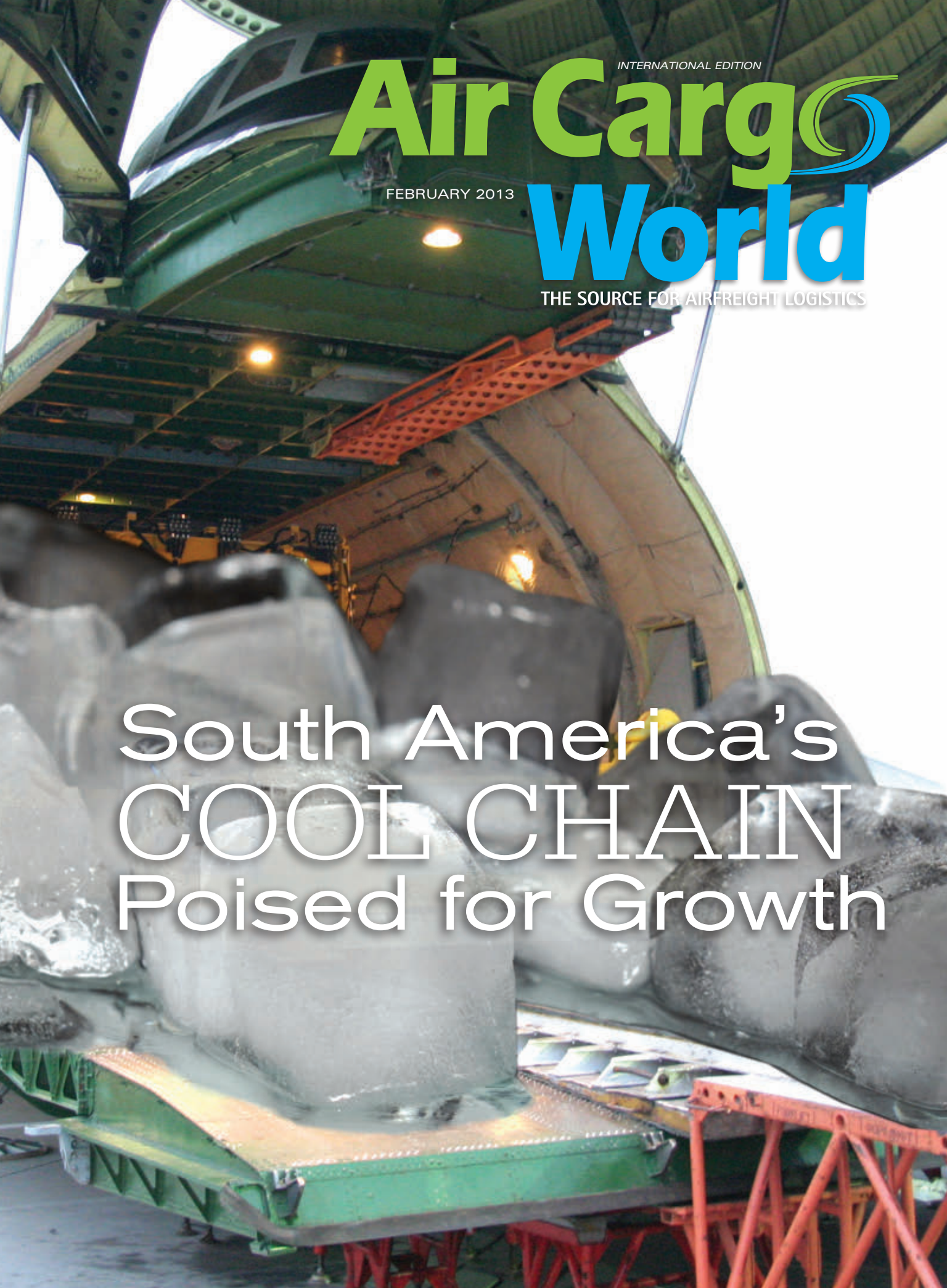

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Air Cargo World
THE SOURCE FOR AIRFREIGHT LOGISTICS

# editorial

**John W. McCurry**
Editor

## Better times ahead?

A new year generally brings renewed optimism and hope. Will this hold true for air cargo in 2013? In an industry that has taken it on the chin for few years due to factors including a down global economy and increased fuel costs, positive trends are certainly welcome.

A slowly improving U.S. economy could bode well for the sector. IATA says while the turning point has not been reached, things are moving in a positive direction. The Geneva-based organization projects that cargo volumes will grow by 1.4 percent during 2013.

Let's look at some hints of a better 2013. Record online sales created record deliveries for FedEx and UPS during the 2012 holiday season. Online sales were up 14 percent over 2011, according to the comScore consultancy. Of course, that's a temporary spike in business.

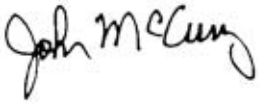
Traditional heavy shippers via airfreight are the semiconductor and pharmaceutical sectors. Semiconductor sales, especially, have been a traditional barometer for airfreight. The Semiconductor Industry Association reported that global sales edged up by 2 percent in November. That was even higher in the Americas, which posted its largest year-over-year rise (9.7 percent) since April 2011. The SIA is optimistic that trend will continue.

The pharmaceutical industry has its own set of challenges. The Roland Berger consultancy recently surveyed the industry and found that three of four pharmaceutical companies believe the industry is in a strategic crisis. Growth in the industry will be powered by emerging markets. Roland Berger believes that the BRIC countries will account for nearly 40 percent of the global market by 2016.

Air Cargo World, as it has done for 71 years, will monitor the industry's latest developments. In our February issue we examine some of the recent progress in the burgeoning E-freight movement. We also take a look at how South America's pharmaceutical market, particularly in Brazil, will propel development in the logistics sector. And, we focus on Africa's strong air cargo industry to see if there are prospects for sustained prosperity.

On a personal note, I am excited to be on board as Air Cargo World's new editor. I come to ACW following a decade as an editor at Site Selection magazine, a venerable economic development publication with nearly 60 years of publishing history. Prior to that, I served in several editorial capacities with Textile World magazine, a manufacturing publication that traces its history to 1868.

Going forward, I welcome input from our readers and I look forward to meeting you at industry events. Always feel free to email me at jmccurry@aircargoworld.com with suggestions or story ideas.



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worldnews

## Dachser stays on acquisition trail

Dachser's acquisition of the Spanish air and sea freight forwarder Transunion will add 15 new locations in five countries to the logistics group's worldwide logistics network. As well as nine offices in Spain, Transunion (TU) is also active in Turkey, Argentina, Peru and Mexico.

The deal, which has still to be approved by the antitrust authorities, marks the latest stage in Dachser's Global 2.0 strategic growth program. Dachser managing director Thomas Reuter (pictured), who is also responsible for the group's Air & Sea Logistics operation, explains, "The acquisition of the complementary Transunion network allows us to offer our customers even better access to the Latin American market as well as an excellent presence in mainland Spain and Turkey. We are delighted that the shareholder families of TU have decided to shape the future of the company as an integral part of Dachser."

*Thomas Reuter*

TU, founded in 1978, is expected to post revenue of €95 million in fiscal 2012. CEO Federico Camáñez will continue to be responsible for its management and will report directly to Reuter.

Dachser and Transunion have already cooperated for more than 15 years. In 2011, Dachser generated revenue of €4.3 billion and handled 49.3 million consignments weighing 37 million tonnes. The group employs 21,000 staff working in 315 profit centers. ACW

# Freighter of the future?

It is an ungainly looking bird, but it could become the utility freighter of the future.

It is the Antonov AN-70, a four-engine prop-fan aircraft designed to provide a payload of 47 tonnes.

A joint initiative between the Ukraine's Antonov Company, in co-operation with Russia's United Aircraft Corporation recently announced a $4 billion joint venture to put the AN-70 into full production. The catalyst for the project will be an order placed by the Russian defense ministry for 60 of the aircraft. Another user may be the Ukrainian air force.

A brand new production plant is to be set-up by JSC Gorbunov Kazan Aviation Production Association in Kazan in Russia to produce the freighter. But, the aircraft's wings, tail surfaces and engine nacelles will be built by Antonov in Kiev. With a follow-on civil variant, it is expected that the Kazan plant will produce 80 aircraft by 2020.

The aircraft will be powered by four counter-rotating Progress D-27 prop-fan engines designed to accommodate shorter take-off and landings and will provide an operating range of nearly 8,000 kms. The ramp-loading aircraft, with a 20 metres length hold, provides 425 sq metres of cargo space.

Significantly, the AN-70 will be built in compliance with the AP-25 norms of Russia's Interstate Aviation Committee, to guarantee airworthiness standards, which conform with the West's JAR-25 standards. This will allow civil aviation certification of the AN-70 in Western European and North American markets.

But the AN-70 project has had a troubled history.

Work on the project began in Soviet Union in the early eighties as a replacement to the outmoded AN-12 transporter. There were plans to establish serial production of the model in both Kiev in the Ukraine and Samara in Russia The Soviet government, at the time, was reportedly interested in purchasing 160 planes for its military.

But in the post-Soviet era of reduced military budgets funding for the AN-70 was cut. In 2002 Russia and Ukraine agreed on a 50–50 risk-sharing deal on serial production of the aircraft. But then in 2006 Russia announced its complete withdrawal from the project.

The project now appears to be back on track as a joint Ukrainian-Russian initiative, with what is described as a newly modified version of the aircraft. This was after a series of mishaps with earlier prototypes. The first prototype

was lost during its fourth flight in 1995 in a mid-air collision with an AN-72 aircraft being used as a chase plane. The second AN-70 prototype was force to make a crash landing in 2001 after losing power in two engines on take-off during cold weather testing in Omsk, and was severely damaged.

Even so the project limped on to the extent that it attracted the attentions of military observers in Europe as a potential military transport replacement. The AN-70 took part in the tender process for Europe's new military transport programme and very nearly won, but was thwarted by political considerations.

Ironically, the nearest potential Western equivalent to the AN-70 is considered to be the Airbus A400M Atlas military transporter, the aircraft which went on to win the European military transport tender.

But the Airbus aircraft has not been without its own development problems and is years behind schedule. It is only now about to enter service with European defense departments.

The A400M will carry a payload of 37 tonnes, 10 tonnes less than the AN-70. But, more significantly, its market price, according to Russian sources, has been put at $180 million, as compared to a $67 million price tag for the AN-70.

Some Western cargo charter brokers are citing the AN-70 as the most likely candidate to become the future workhorse of the cargo charter business. It provides the right capabilities and with its 47-tonne payload capacity would be a good market fit, they argue.

They also say that demand for the outsize capabilities of the larger AN-124-100 transporter, with its 150-tonne uplift potential is limited and does not warrant the suggested re-start of serial production of the aircraft.

A better market replacement, it is argued, would be a possible commercial variant of Boeing's C-17, with its 80-tonne payload. However, cessation of the C-17 military program, looks likely to jeopardize any future for the aircraft in the civil market.

Russia's own heavy lift provider Volga-Dnepr has been a strong proponent of re-starting production of the AN-124-100, but it also operates a second-tier fleet of five upgraded IL-76TD-90VD aircraft, offering a 50 tonne payload.

Even so, Volga-Dnepr has reportedly shown interest in ordering five AN-70 variants to its fleet mix.

The AN-70, therefore, has the opportunity and the potential to carve a niche for itself as the next-generation heavy lifter if it can surpass its early teething problems. ACW

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# Passengers up, cargo down

Year-end reports by many of Europe's airports show that while the number of passengers was on the rise, cargo numbers declines.

Amsterdam's Schiphol Airport set an all-time passenger record with 51 million in 2012. Freight saw a 3 percent decrease to 1.5 million tonnes.

"The transport results are good and better than expected, for both passengers and freight," said Jos Nijhuis, Schiphol Group's president and CEO.

Nijhuis says a similar trend is forecast for 2013 with a slight increase in passengers and a slight shrinkage in freight.

Belgium;s Liege Airport registered a decrease in airfreight business during 2012. The airport handled a total of 576,664 metric tonnes compared to 674,469 metric tonnes in 2011, a decrease of 14.5 percent.

"The close of 2012 saw a decrease in airfreight business at Liege Airport," airport officials said in a year-end statement. "The global economic crisis, and in particular the situation on the European market, has had an impact on the tonnage transported.

The airport attributed the cargo decline to a decrease in charter flights and the significant decrease in the activity of Southern Air.

On the positive side, Liege Airport saw the development of new cargo lines, adding these new operators and expanded service during 2012:

- Since the end of September 2012, ACT My Cargo has been making regular flights five times a week to Istanbul;
- Emirates Skycargo has started 3 operations a week: Dubai – Liege – New York (JFK);
- Niger Air Cargo has developed new operations from Liege to Niamey;
- TNT and CAL have increased the frequency of their flights to New York (JFK);
- Avient flies direct to Brazzaville and has set up regular flights to Erevan and the Caspian Sea region;
- Ethiopian Airlines is continuing to improve its cargo fleet by introducing 2 brand new Boeing 777Fs which operate daily in and out of Liege.

The airport reports that passenger traffic held up relatively well, showing just a slight decrease to 303,495 passengers compared to 309,222 in 2011, a drop of 1.85 percent.

Another positive note comes from the airport's real estate activity. In October, the real estate subsidiary Liege Airport Business Park delivered a brand new Business Center covering 6,500 sq. m. and all the office space was taken in a few months, a year ahead of the initial schedule. A new office building covering 2,000 sq. m., mainly for the use of logistics businesses, will be opened in the north cargo zone early in 2013.

Liege Airport expects to invest more than €10 million in 2013 toward improvement of facilities for cargo services, passengers and real estate. In the north cargo zone, a new freight handling area will be built over 6,500 sq. m. as well as a new border inspection post. Office space will also be expanded in view of the strong demand.

London's Heathrow Airport also established a new passenger record with nearly 70 million during 2012. The airport reported that cargo was down 1.3 percent during the year.

In Berlin, Schönefeld and Tegel airports recorded 25.2 million passengers. Airfreight for the two airports rose by 2.9 percent. ACW

*The Liege Airport Business Park opened a new facility during 2012.*

# Europe vetoes UPS-TNT merger

UPS is pulling out of its planned €5.2 billion ($6.9 billion) bid for TNT Express following an indication from the European Commission that it would rule against the deal. The Commission is not due to announce the formal outcome of its antitrust investigation until Feb. 5, but in the curious parlance of the European Union, advised both companies that it was "working on a decision" to prohibit the acquisition.

The thumbs-down represents a serious blow to UPS's aspirations in Europe. The company had wanted not only to benefit from TNT's regional network, but also to tap into its Dutch-headquartered rival's business in the rapidly expanding markets of Asia and Latin America.

In earlier efforts to overcome competition issues and clear the way for a deal, UPS offered to sell certain key assets in Europe to French parcel group DPD, and provide space on its aircraft. When that complex proposal fell apart, UPS negotiated with FedEx on the possibility of giving up some of the operations in 15 countries, primarily in eastern Europe, that it would have acquired with TNT. However, FedEx made clear in recent days that it wanted more than UPS was offering.

The Commission may already have reached the conclusion by this time that a takeover by UPS would have restricted consumer choice by leaving those parts of Europe where FedEx lacks a strong presence effectively in the hands of just the UPS-TNT combine and DHL.

In a statement, Scott Davis, UPS chairman and chief executive, expressed his disappointment at the decision after nine months in pursuit of TNT. "We proposed significant and tangible remedies designed to address the EC's concerns with the transaction. The combined company would have been transformative for the logistics industry, bringing meaningful benefits to consumers and customers around the world, while supporting growth in Europe in particular."

During more than 20 years in its role as a competition regulator, the EC has blocked only around 20 acquisition deals. This is thought to be the one of the largest.

UPS will pay TNT compensation of €200 ($267.7 million) as a result of withdrawing its bid, and acknowledged that the merger process, which began in March 2012, had been a "distraction" for TNT's management.

TNT shares plunged on news of the ruling. The company has been struggling in a weak European market, and lost its chief executive shortly after UPS announced its intentions. Bernard Bot, acting chief executive, said TNT Express would announce details of a strategic review soon. The company's sale of its airline to ASL Aviation, a condition for approval of the merger, will not now go ahead.

TNT Express said in a statement: "TNT Express regrets this situation, having believed the merger was feasible and beneficial for all stakeholders." ACW

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The awards will be held alongside the IATA World Cargo Symposium 2013

worldnews

## Aviation was safer in 2012

The Netherlands-based Aviation Safety Network says 2012 was an exceptionally safe year for civil aviation. Statistics show a total of 475 airliner accident fatalities from 23 accidents. Both figures are considerably lower than the 10-year average of 34 accidents and 773 fatalities. In fact, the ASN says 2012 was the safest year since 1945 by number of accidents.

"Since 1997 the average number of airliner accidents has shown a steady and persistent decline, probably for a great deal thanks to the continuing safety-driven efforts by international aviation organizations such as ICAO, IATA, Flight Safety Foundation and the aviation industry," said Harro Ranter, ASN president.

*Harro Ranter*

The number of accidents involving passenger flights was the lowest since 1945: 11 accidents, as compared to the 10-year average of 16 accidents.

The worst accident happened on June 3, 2012 when a Dana Air MD-83 crashed while on approach to Lagos, Nigeria, killing 153 on board and ten on the ground.

Three out of 23 accident airplanes (13 percent) were operated by airlines on the E.U. "black list" as opposed to 25 percent the year before. The E.U. added a total of 38 airlines to their list of airlines banned within the EU, and removed two airlines based on improved safety records.

Africa still is the least safe continent, accounting for 22 percent of all fatal airliner accidents while the continent only accounts for approximately 3 percent of all world aircraft departures, according to ASN. This is also reflected by the fact that, on average, African nations score 4.5 on a scale of 10 in aviation safety audits performed by the International Civil Aviation Organization (ICAO). ACW

# We're in a good place, claims Saudi Cargo

Geography, and aggressive expansion of freighter capacity, lies at the heart of the extraordinary rate of growth Saudi Airlines Cargo continues to maintain. Speaking to Air Cargo World a few days before the launch of the carrier's new corporate logo, Peter Scholten, VP commercial for the cargo operation, said the tagline "perfectly placed" explained why Saudi's performance is in such stark contrast to that of its competitors in almost every other global market.

Saudi Airlines Cargo achieved volume growth of 19 percent in 2012 without suffering any impact on yield. Indeed, revenue was up by 20 percent.

Underlining the geographical advantage from which the carrier benefits–and will continue to do so as markets recover¬, in Scholten's view–he pointed out that Saudi had increased its scheduled freighter capacity out of Shanghai, Guangzhou and Hong Kong last year. Most Asian and European carriers, and even most of the domestic Chinese operators, have been forced to cull services out of these major gateways in response to the manufacturing slowdown.

The key, as carriers such as Emirates, Qatar Airways, Etihad and Turkish Airlines have also discovered, is to transship over your Middle Eastern hub and offer connecting services to markets such as West Africa.

"For example, we were operating two freighters a week to Lagos and now it's seven," Scholten said. "If you're based in the Far East and you want to go to Lagos, where do you go from there? You probably have to go back empty, while we can stop in Nairobi and pick up flowers.

**"There are huge investments in all sorts of infrastructure projects here and in the UAE and Qatar."**

**— Peter Scholten**

*Peter Scholten, VP commercial for the cargo operation, Saudi Cargo*

"Saudi Arabia is the biggest economy in the region, with 27 million people. It's growing massively. There is some turmoil in the region but economically speaking, things are really happening here. There are huge investments in all sorts of infrastructure projects here and in the UAE and Qatar."

The sheer size of Saudi Arabia makes it practicable for the flag carrier, to operate out of three hubs. Jeddah, in the west, is close to the religious sites such as Mecca and therefore important to the passenger department as a base for religious pilgrimages.

But it works from the cargo perspective too, Scholten pointed out–hence his comments about the flowers. "I look across the Red Sea from my window in Jeddah and can see Africa," he said.

The capital, Riyadh, in the center of the country, brings its own demand from business travellers and shippers of goods, while Dammam in the east is the main base of the petrochemical industry.

Scarcely surprising, then, that Saudi is projecting further growth of 10 to 15 percent this year, even if globally Scholten expects believe the airfreight market to stay flat.

No significant passenger capacity was added in 2012. All the growth was on the freighter side, where capacity growth was 26 percent. This pattern will continue through 2013, as the carrier builds on the 13 freighters that currently ply its scheduled network.

"We have two new 747-8 freighters arriving this year, the first one hopefully in May and the second in September, and we may add more later," Scholten said.

The charter arm of Saudi Airlines Cargo outperformed even the scheduled operation last year, according to Steve Manser, director – charter sales. "We grew the business 55 percent and exceeded our budget by 12 percent. This year, we're budgeting 22 percent growth," he said.

The scheduled freighter fleet is available for ad-hoc charters, but Saudi also operates two 747-200s dedicated to charter work. A third of the type will join them by September, and the charter division is also mulling a 747-400.

Again, yield is good. "Charter by its nature is just-in-time and scheduled capacity is not meeting market requirements," Manser said.

He commented that oil and gas exploration and project development in markets such as Chad, Gabon, Congo and Angola was driving charter growth, with Uganda and Kenya also beginning to emerge following new oil finds in east Africa. ACW

# Middle East, Africa post strong cargo numbers

Middle East and Africa cargo carriers recorded strong numbers in November, according to results released by the International Air Transport Association (IATA).

Middle East carriers' freight showed the strongest year-over-year growth of any region, up 16 percent on just a 6.1 percent rise in capacity. Load factor surged to 46.7 percent, up 4 percentage points.

African carriers grew freight volumes by 4.4 percent compared to November 2011. Although they kept the capacity increase to 3.6 percent, the load factor of 26.2 percent was still the weakest of all regions by a wide margin.

Globally, air freight volumes edged up 1.6 percent over the same period after declining 2.6 percent in October, year over year.

"November brought some positive signs for air transport demand—particularly for air cargo," said Tony Tyler, IATA's director general and CEO. "It is premature to consider this a turning point for air cargo markets in terms of bouncing back and regaining lost ground. But, when coupled with positive economic developments in the U.S. and an improvement in business confidence in recent months, the conditions are aligning to see a return to growth in 2013. In 2013 we expect that cargo volumes will grow 1.4 percent, and passenger traffic will increase by 4.5 percent worldwide." ACW

# Etihad Cargo adds China link

Etihad Cargo began a new direct weekly freighter operation from Abu Dhabi to the southern Chinese city of Guangzhou, effective January 17.

The new cargo service operates every Thursday using an Airbus A330-200F freighter, with a capacity of 68 metric tonnes.

Guangzhou is the third largest city in China, the capital of the Guangdong province and is a major center for the manufacturing of electronic goods.

Etihad Cargo already operates nine weekly freighter services between Abu Dhabi and Shanghai and Beijing. In addition, the UAE flag carrier offers cargo services on its 18 weekly scheduled passenger services to Beijing, Chengdu and Shanghai.

Kevin Knight, Etihad Airways Chief Strategy and Planning Officer, said: "China is a strategically important market for Etihad Cargo, and the new Guangzhou-Abu Dhabi freighter service will allow us to capitalize on the strong export demand coming out of southern China."

*Kevin Knight, Etihad Airways*

"In addition, whilst we expect to see strong onward trade flows over our Abu Dhabi cargo hub to destinations across the Middle East and Africa, ultimately this service will further strengthen the already strong trade ties between the UAE and China."

Etihad Cargo flies to a total of 87 destinations internationally, operating a

*(continued on p.15)*

# Menen to retire from Emirates

Ram Menen, one of the best-known figures in the global airfreight industry, is to stand down as divisional senior VP of Emirates Skycargo. He has headed the carrier's cargo operation ever since its launch in 1985, and has said he will take early retirement in June.

Menen not only helped take Emirates to the top of the world league in international cargo terms, but was also central to the development of Dubai as a major global airfreight hub. He has worked for many years to raise air cargo's profile through his involvement in industry associations, a contribution he has suggested he will continue to make.

After beginning his aviation career in 1976 at Kuwait Airways, Menen later managed British Airway' cargo operations in Kuwait. An engineer by training, he was responsible in 1986 for developing the LD36 unit load device, which significantly improved lower-deck capacity and flew on Emirates' first A310-300 in 1987.

Menen was a founding member of The International Air Cargo Association (TIACA), and was president and chairman of its board 1995-96. He was inducted into the TIACA Hall of Fame in 2005 in recognition of his contribution to the air cargo industry, specifically his championing of international air cargo liberalization and his drive to improve IT. He chaired IATA's Cargo Committee from 2008 to 2011. ACW

*Ram Menen*

*(continued from p.14)*

fleet of six freighters, consisting of one Airbus A300-600F, two Airbus A330-200F, one McDonnell Douglas MD-11F, one Boeing B777F and one Boeing B747-400F. In 2013, the cargo operator will take delivery of three new freighters – an Airbus A330-200F and two Boeing B777Fs. ACW

**"China is a strategically important market for Etihad Cargo, and the new Guangzhou-Abu Dhabi freighter service will allow us to capitalize on the strong export demand coming out of southern China."**

**— Kevin Knight**

## Qatar eyes Czech Airlines stake

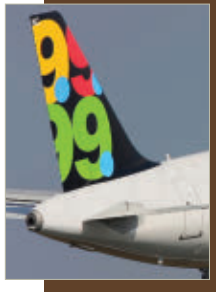
Qatar Airways is looking to take a minority stake in Czech Airlines (CSA). Akbar al-Baker, Qatar chief executive, told media in Doha that the fast-growing carrier was acquiring data from the banks and entities responsible for organizing the privatization of CSA, but added there were "no talks yet."

The Czech government said in December that it was considering the sale of the struggling airline in April or May, and is believed to have received expressions of interest from long-time partner Korean Air Lines as well as Qatar Airways.

CSA, hard hit by Europe's economic woes and competition from low-cost carriers, is making heavy losses. However, after three years of operating only intra-regional services with its A319, A320 and ATR turboprop aircraft, the carrier is set to add an A330 to its fleet and reintroduce long-haul flights. A twice-weekly service to Seoul is planned from June in a code-share with Korean Air, which currently runs four times per week to Prague. Jiri Marek, CSA's VP sales and marketing, said the A330 could also add capacity on existing routes, for example to CIS destinations.

A code-share agreement signed with Etihad Airways a year ago saw CSA launch services to Abu Dhabi, and it will build on this by adding Etihad-operated flights to Nairobi, Singapore and Brisbane to its schedule. ACW

## Afriqiyah returns to Germany



Libyan airline Afriqiyah Airways, which suspended operations during the country's civil war in early 2011, has re-commenced flights between Tripoli and Düsseldorf, Germany. The airbus 320 will operate twice weekly with a cargo capacity of up to two tons.

"We are pleased to welcome the airline back and especially as this is only German destination that they serve," said Thomas Schürmann, marketing manager at DUS Cargo Logistics. "Although capacity is limited, it provides very useful access to North African markets which are of great interest to German exporters. These regular flights will be ideal for express, pharmaceuticals and spare parts urgently needed in the re-construction of the country's infrastructure."

Afriqiyah Airways currently operates limited routes in north Africa and Turkey, but plans a build up of international flights. ACW

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## Incheon Continues Green Initiative

Incheon International Airport Corporation in Seoul has underwritten 50 percent of the purchase price of more than 7,000 biodegradable vinyl pallet covers used by handling companies Korea Airport Service, Swissport and AACT.

The project is the fourth in a series of environmental initiatives begun by the airport in 2009 under the Green Cargo Hub banner. Incheon started by supplying some 400 lightweight air cargo containers to airlines and ground handlers in 2010, claiming a reduction of 28,000 tonnes in CO2 gas emissions, and has since promoted the adoption of environmentally friendly biodegradable and photodegradable air cargo packaging materials. The vinyl packaging used for the pallet covers incorporates material such as corn flour, which speeds up decomposition in the natural environment.

"Whereas conventional vinyl takes more than 16 years after burial before it starts to decompose, the biodegradable vinyl starts to decompose just eight months after burial," the corporation said. However, the packaging is 80 percent more expensive than conventional polyethylene vinyl. ACW

# Philippines airfreight is buoyant at last

At Manila's Ninoy Aquino International Airport, 2013 began with an additional daily flight to Dubai, courtesy of Emirates. The Middle Eastern carrier may have launched its third daily frequency on the route to take Filipinos working in the Gulf to their families back home for vacation, but the addition of a daily 777-300ER flight to Manila is also indicative of a broader growth in aviation in the Philippines these days.

The national carrier is on an expansion trail. Philippine Airlines (PAL) ordered 64 aircraft last year, including 20 A330-300s. This year it stands to take delivery of two 777-300s, bringing its tally of that type to six.

PAL's expansion plans are not limited to its fleet. Management has pursued a 50 percent stake in Cayman Airways und unveiled plans last summer to build its own airport to replace its hub at Manila. Details are supposed to be revealed some time during the first half of this year.

The airline's fortunes have been buoyed by the strength of the economy of the Philippines, which outpaced most of the country's neighbors in 2013. GDP is estimated to have advanced between 6 and 7 percent in the past year.

Although the rise in GDP has been largely fuelled by the service sector rather than by manufacturing, exports by air have eclipsed GDP growth, going up by about 8-10 percent in 2012. The bulk of this consists of perishables. Most of this is headed for markets in the Asia-Pacific region, such as mangoes to Hong Kong, but some is for long-haul markets, like tuna moving to the U.S.

On the other hand, electronics, which used to be a key sector of the economy, have been rather flat, reported Stephen Ly, managing director of DHL Global Forwarding (DGF) in the Philippines. This sector was actually in decline a few years ago, but Japanese electronics firms have revived their activity in the Philippines in the aftermath of the natural disasters that struck Thailand and Japan in recent years.

Ly says one up and coming segment of industry is the aerospace sector. Aerospace component manufacture is expected to grow substantially, he remarked. Much of this has sprung up around Clark, the former U.S. Air Force base and subsequent regional hub for UPS before the integrator moved the operation to China. The airport continues to serve as the hub for the Philippines for both UPS and FedEx.

Recently, Clark has grown faster than Aquino airport in Manila, which has prompted suggestions that it could take over from the latter, which is more expensive and struggling with congestion and inefficiencies. For all its drawbacks, Ly does not foresee the demise of Aquino airport.

"Manila will always be important, but Clark can take some of the traffic that goes there today," he said. For one thing, it can serve as the chief gateway to northern Luzon, which would reduce the trucking time to and from Baguio.

DGF is looking to invest in a bigger facility at Clark to cater to the growing business in the area, which boasts a logistics park and manufacturing parks, Ly said.

He stressed the need for upgrades in the country's roads as well as the infrastructure at ports and airports. "A lot of processes have been there since the dawn of time," he said, adding that the regulatory framework also needs improvement. "It is moving forward, but this needs to happen at a faster pace," he commented.

Likewise, customs has shown improvement, but more could be done, Ly feels. "We would like to have a single window into customs," he said.

This is becoming more pressing as the market shows signs of continuing growth. Besides the momentum in sectors like perishables and aerospace, the project sector is also likely to fuel more demand for logistics services. In part, this is driven by infrastructure projects, but the mining sector is also showing promise, particularly with the prospect of lasting peace in the south after decades of fighting between Muslim rebels and government forces.

DGF is bullish on the project sector. It recently launched special services in this arena, on which it intends to focus in the coming years, Ly said.

Another factor that augurs well for airfreight growth is the rise of the consumer market, which is driving imports. "Traditionally the business was only outbound, now it is becoming more balanced," remarked Ly.

This should make for better operating economics for air carriers. In the main, the Philippines have been served by belly-hold capacity of passenger services. During the downturn, several international operators stopped freighter flights to the country. Despite the recent growth in the market, there is a dearth of direct connections to long-haul destinations. For the most part, markets in Europe and North America are served over Asian hubs, which put shippers in the Philippines and their forwarders at the mercy of capacity development on the second leg.

*Stephen Ly*

"If there is a squeeze at gateways like Hong Kong, for example if Apple launches a new product, traffic from the Philippines usually suffers," Ly said. ACW

# AAPA sees rise in cargo

The Association of Asia Pacific Airlines (AAPA) released preliminary figures for November that show continued expansion in international passenger traffic and a slight improvement in air cargo demand.

Overall, airlines based in the Asia Pacific region carried a combined total of 17 million international passengers in November, an increase of 8.4 percent compared to the same month last year, supported by healthy demand on regional routes, AAPA said. In revenue passenger kilometer (RPK) terms, international passenger traffic grew by 7.9 percent, while available seat capacity expanded by a slower 3.5 percent, resulting in a 3.1 percentage point increase in the average international passenger load factor to 76.7 percent for the month.

International air cargo demand, as measured in freight tonne kilometer (FTK) terms, was 0.9 percent above the levels of November last year, a slight improvement on the weaker trend so far this year. Combined with a 1.9 percent decline in offered freight capacity, the average international air cargo load factor was 1.8 percentage points higher, at 67.7 percent.

*Andrew Herdman*

"Overall, during the first eleven months of the year, Asia Pacific carriers saw a healthy 7.1 percent

increase in international passenger numbers," said Andrew Herdman, AAPA director general. "On the other hand, the air cargo market has had another disappointing year, with international freight traffic down a cumulative 3.6 percent on last year's levels, reflecting weak demand for Asian exports to the major developed markets, particularly Europe."

Herdman said Asian carriers saw some encouraging growth in passenger demand during 2012, but the weak air cargo market held back overall revenue growth. High fuel prices kept pressure on already thin operating margins, he said.

"Airlines responded by accelerating the deployment of newer more fuel-efficient aircraft, and carefully managing capacity to match changing demand patterns," Herdman said. "Despite uncertainty over the global economic outlook, Asian airlines are continuing to invest for the future, including both fleet development and customer service innovation." ACW

# Cathay Pacific Cargo Terminal set for debut

The new Cathay Pacific Cargo Terminal at Hong Kong International Airport is set to begin operations on Feb. 21. Cathay Pacific Services Limited (CPSL), a subsidiary of Cathay Pacific Airways, designed, built and will operate the new facility.

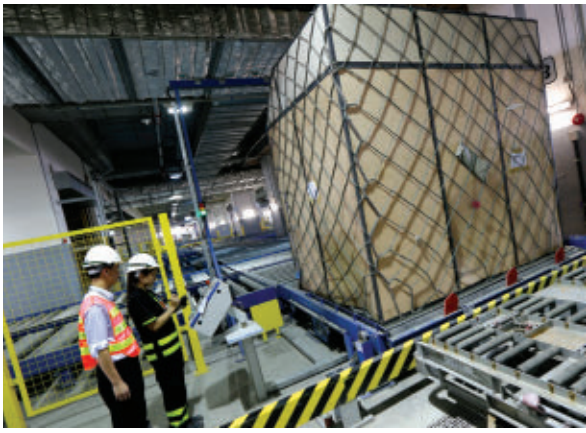
CPSL says the terminal will begin operations in three stages with the first beginning Feb. 21, when the terminal will start the handling of valuable cargo, transit civil mail and interface transfer transshipments for the two airlines. In the summer, the second phase will begin for all transshipments, import cargo and empty unit load device (ULD) release. The terminal will achieve full operations for its launch customers in the second half of this year.

*The first phase of the new Cathay Pacific Cargo Terminal is due to open on Feb. 21.*

"We are about to open the doors on one of the largest and most sophisticated air cargo terminals in the world," said Algernon Yau, CPSL's CEO. "This facility is designed to offer our customer airlines the advantage of extended cut-off times, last-minute cargo acceptance and reduced connection handling time for transshipments due to a strategic mix of just-in-time operations and advanced technology. As we move forward and ultimately bring our services fully online, we will further enhance Hong Kong's position as a world leading air cargo hub."

Cathay Pacific's director of cargo, Nick Rhodes said, "This is an extremely positive development for the Hong Kong air cargo community. Cathay Pacific will serve as a launch customer for the new terminal, which will certainly enhance our own operation; but of equal importance is our ability to help CPSL fine-tune its processes so that it is ready to offer truly superior services when it begins accepting new customers. At the core, this new terminal is designed to support the long-term growth of air cargo in Hong Kong."

In order to ensure the readiness of the advanced materials handling system, cargo-handling equipment, operating procedures and the tailored warehouse operating system, eight-week operation trials are being run before each stage of transition. The stage one operation trial was successfully completed in mid-December.



*Operational trials are being run prior to the opening of each phase of the new terminal.*

The new HK$5.9 billion (US$761 million) terminal, specially designed for cargo hub operations, provides an extensive range of cargo handling services. It is capable of handling 2.6 million tonnes of throughput per year, increasing Hong Kong International Airport's annual capacity by 50 percent to 7.4 million tonnes.

When fully operational, the new terminal will create 1,800 jobs. Cathay Pacific says the terminal incorporates many sustainable and environment-friendly features, including energy efficiency in the Materials Handling System design. Optimal planning will help to maximize energy efficiency in the facility, with chilled-ceiling cooling in the terminal's offices expected to cut power consumption by up to 30 percent, high performance cladding also used for offices, and the use of natural daylight maximized throughout the building. ACW

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## FAA grounds Dreamliners

Following a series of Boeing 787 battery incidents, the FAA grounded all Dreamliner flights with an emergency airworthiness directive (AD) issued on Jan. 16. This action followed a Jan. 11 announcement that the regulatory agency and Boeing would conduct a joint design and production review of the plane. All of the world's airlines using the new plane followed suit and cancelled 787 flights.

Boeing subsequently issued a statement expressing confidence that the 787 is safe and its intent to stand behind the plane.

"The safety of passengers and crew members who fly aboard Boeing airplanes is our highest priority," said Jim McNerney, Boeing's chairman, president and CEO, in a statement released following the FAA's ruling. "Boeing is committed to supporting the FAA and finding answers as quickly as possible. The company is working around the clock with its customers and the various regulatory and investigative authorities. We will make available the entire resources of The Boeing Company to assist."

Qatar Airways, which currently has five Boeing 787-8 aircraft in its fleet, was one of the first airlines to announce it was adhering to the FAA's directive.

"I previously stated that Qatar Airways will only stop operating our Dreamliners if we receive such an instruction from regulators," said Akbar Al Baker, Qatar Airways' CEO. "Safety remains the number one priority for Qatar Airways. We ensure all our aircraft meet the most stringent safety standards and this will not be compromised in any way. In light of recent events surrounding the Boeing 787 Dreamliner worldwide, we are actively working with Boeing and the regulators to restore full customer confidence in the 787."

Al Baker said Qatar Airways will resume 787 operations when it becomes clear the aircraft meets the full requirements of the AD and the airline's own standards.

Other airlines with 787s in operation prior to the grounding include LAN, Japan Airlines, All Nippon Airlines, LOT Polish Airlines, Ethiopian Airlines and Air India. ACW

# Cargo pilot fatigue debate continues

The debate over the FAA's pilot fatigue rules picked up steam in the opening weeks of 2013, as a bill was re-introduced to include cargo pilots in the regulatory agency's rule. Two New York congressmen, Michael Grimm, a Republican and Tim Bishop, a Democrat, introduced the Safe Skies Act of 2013. Bishop introduced a similar bill in 2012 with former Rep. Chip Cravaack, a Minnesota Republican. That bill was referred to Committee, but did not receive a floor vote.

"Flight safety should be our top priority, regardless of what an aircraft is carrying," said Grimm said in a statement. "Just because pilots are transporting cargo instead of passengers, doesn't make them or the crewmembers less tired after a long flight; the level of fatigue remains the same. In the interest of safety, it simply makes sense to have a uniform standard for the rest requirements of all flight crews. That is why I have introduced the Safe Skies Act of 2013, which will help keep our skies safe by ensuring that the rest rules for passenger operations also apply to cargo."

Bishop released a similar statement. "Since they share the same airspace and runways, it is common sense that passenger airline and cargo pilots should share the same requirements for rest between flights. This bipartisan bill is intended to ensure safe skies with a uniform standard for rest and recovery time between flights for pilots based on science."

The new bill was immediately opposed by trade organization Airlines for America (A4A), which said it reaffirmed its support for the new Federal Aviation Administration (FAA) pilot duty and rest times rule, which it said was rigorously analyzed over a two-year period.

"We are in the safest period of avia-

*Rep. Tim Bishop*

*Rep. Michael Grimm*

tion history, an achievement reached through a shared commitment the FAA, the airlines and their employees, and the new FAA rule continues to put the safe operation of passenger and cargo airlines first for customers and crew members," said A4A President and CEO Nicholas E. Calio. "All stakeholders actively participated in the rulemaking, which was composed of a scientific review of existing safety measures, fatigue mitigations and diverse airline operating environments, and the rule as put forward by the FAA builds on our safety record."

The Air Lines Pilots Line Pilots Association, Int'l (ALPA) supports the bill. "Current science leaves no doubt that airline pilots don't experience fatigue differently based on whether they fly passengers or cargo in their aircraft," said Capt. Lee Moak, president of the ALPA. "All airline pilots deserve a standard level of safety. If passed, the Safe Skies Act of 2013 will ensure that both passenger and all-cargo pilots are equally protected from this serious safety threat to all who depend on air transportation.

"ALPA was fully engaged in the FAA's Aviation Rulemaking Committee regarding pilot fatigue, and has long maintained that the new flight- and duty-time limits and minimum rest requirements must cover all airline pilots. If passed, this act would direct the U.S. Department of Transportation to apply the FAA's fatigue rules to all-cargo operations, just as the regulations currently apply to passenger flights." ACW

# American debuts new look

American Airlines unveiled a new logo and exterior for its planes on Jan. 17, including the already delivered Flagship Boeing 777-300ER aircraft set to fly on Jan. 31. In addition, American plans to continue taking delivery of new planes this year as part of its orders for 550 new aircraft.

"Since placing our landmark aircraft order in July of 2011, we've been building anticipation toward a moment in time when the outside of our aircraft reflects the progress we've made to modernize our airline on the inside," said Tom Horton, American's chairman and CEO. "While we complete the evaluation of whether a merger can build on American's strengths, we remain steadfast in each step we take to renew our airline, a step we take with great respect for our name American. Today marks important progress in that journey as we unveil a new and updated look for the first time in more than 40 years."

American is preparing to take delivery of hundreds of new, lighter aircraft featuring composite materials that must be painted. Since the polished metal look was no longer an option, the importance of the paint selection became critical to honoring American's silver bird legacy, the airline said. Silver mica paint was chosen as a way to maintain the silver heritage.

"Our new logo and livery are designed to reflect the passion for progress and the soaring spirit, which is uniquely American," said Virasb Vahidi, American's chief commercial officer. "Our core colors — red, white and blue — have been updated to reflect a more vibrant and welcoming spirit. The new tail, with stripes flying proudly, is a bold reflection of American's origin and name. And our new flight symbol, an updated eagle, incorporates the many icons that people have come to associate with American, including the 'A' and the star." ACW

# Boeing, Aurora add composites plants

Boeing has bought a new building in the Salt Lake City suburb of West Jordan to focus on fabrication of composite horizontal stabilizer components for the 787-9 Dreamliner.

"The site we've chosen is an ideal location to add composite manufacturing capability focused on Boeing's key business strategies," said Ross R. Bogue, vice president and general manager of Boeing Fabrication. "This new facility will provide a real competitive advantage in our supply chain by expanding our internal composite capabilities."

The new site, located 20 miles from Boeing's fabrication and assembly site in Salt Lake City, was purchased from Masco. Terms of the sale were not disclosed. Boeing says the proximity of the two facilities will help improve the efficiency from component fabrication to assembly of the 787-9 horizontal stabilizer.

The composite component fabrication facility is expected to create approximately 100 new jobs. "Hiring will begin immediately," said Craig Trewet, director of Boeing Salt Lake. "We'll begin by hiring project managers and engineers and will then be filling production positions over the next several quarters."

*Boeing plans to manufacture composite-based components near Salt Lake City.*

Boeing expects to refurbish the 850,000-sq.-ft. building to complement the company's current operations in Salt Lake County. Design and construction are expected to take two years.

Aurora Flight Sciences has opened a new 30,000-sq.-ft. facility at the Golden Triangle Regional Airport in Columbus, Miss. Aurora says it will create 250 jobs at $17 million plant, which will allow it to increase its commercial composites manufacturing operations.

"I am grateful to Aurora Flight Sciences for expanding its presence in Columbus," Mississippi Gov. Phil Bryant said. "Aurora's decision to further invest in its Mississippi operations and create 250 new advanced manufacturing jobs in the state is a testament to the quality of our workforce and our ever-growing aerospace industry." ACW

# LATAM reports cargo up

LATAM Airlines Group reports that cargo traffic increased 3.1 percent as capacity rose 5.5 percent during December. As a result, the cargo load factor decreased 1.4 points to 61.3 percent. LATAM said the increase in traffic was driven by a stronger seasonal demand as compared to December 2011, which was partially offset by weaker imports into Latin America.

Passenger traffic increased 10 percent as capacity rose 7.4 percent. As a result, the company's load factor for the month increased 1.8 points to 78.2 percent. International passenger traffic accounted for approximately 50 percent of the month's total passenger traffic.

Domestic passenger traffic in LATAM Airlines Group's Spanish speaking operations (Chile, Argentina, Peru, Ecuador and Colombia) rose 10.6 percent, as capacity increased 11.6 percent. As a consequence, the domestic passenger load factor decreased 0.7 points to 78.1 percent.

Domestic passenger traffic in Brazil rose 10.5 percent, as capacity decreased 3.7 percent. As a consequence, the domestic Brazil passenger load factor increased 10.5 points to 81.9 percent.

International passenger traffic rose 9.6 percent, while capacity increased 15 percent. Accordingly, the international passenger load factor for the month decreased 3.7 points to 75.7 percent. International traffic includes international operations of both LAN and TAM on regional and long haul routes. ACW

# Ontario airport plans cargo expansion

A $12 million cargo infrastructure project is planned at John C. Munro Hamilton International Airport in Hamilton, Ontario, Canada's third largest airport. The investment will develop on-site infrastructure to expand cargo operations at the airport, creating jobs and driving economic development for the City of Hamilton and greater region.

The airport and its partners are responsible for over 2,000 direct and indirect jobs and more than $21 million in federal and provincial taxes each year. Canadian government officials anticipate the project will eventually generate more than 400 jobs. The airport has been working for the past three years to develop its on-site cargo infrastructure.

"We are very proud to have one of the strongest domestic distribution networks in Canada and introducing a new facility will allow us to expand upon the variety of goods that can be moved through Hamilton International," said Frank Scremin, president and CEO of the airport.

The Canadian and Ontario governments and the TradePort International Corp. will split the cost of the projects. Funds will be used to develop a cargo cross-dock facility providing air/truck intermodal capacity for movement of goods between aircraft and vehicle and temperature control facilities for perishable and pharmaceutical goods. ACW

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# LoBiondo to head Aviation Subcomittee

U.S. Rep. Frank LoBiondo, a New Jersey Republican, has been named chairman of the House Aviation Subcommittee by House Transportation & Infrastructure Committee Chairman Bill Shuster.

"Congressman LoBiondo is a knowledgeable, proven leader on the Committee," Shuster said. "I look forward to working with him to improve our aviation infrastructure and ensure the safety, efficiency and competitiveness of this critical component of our economy.

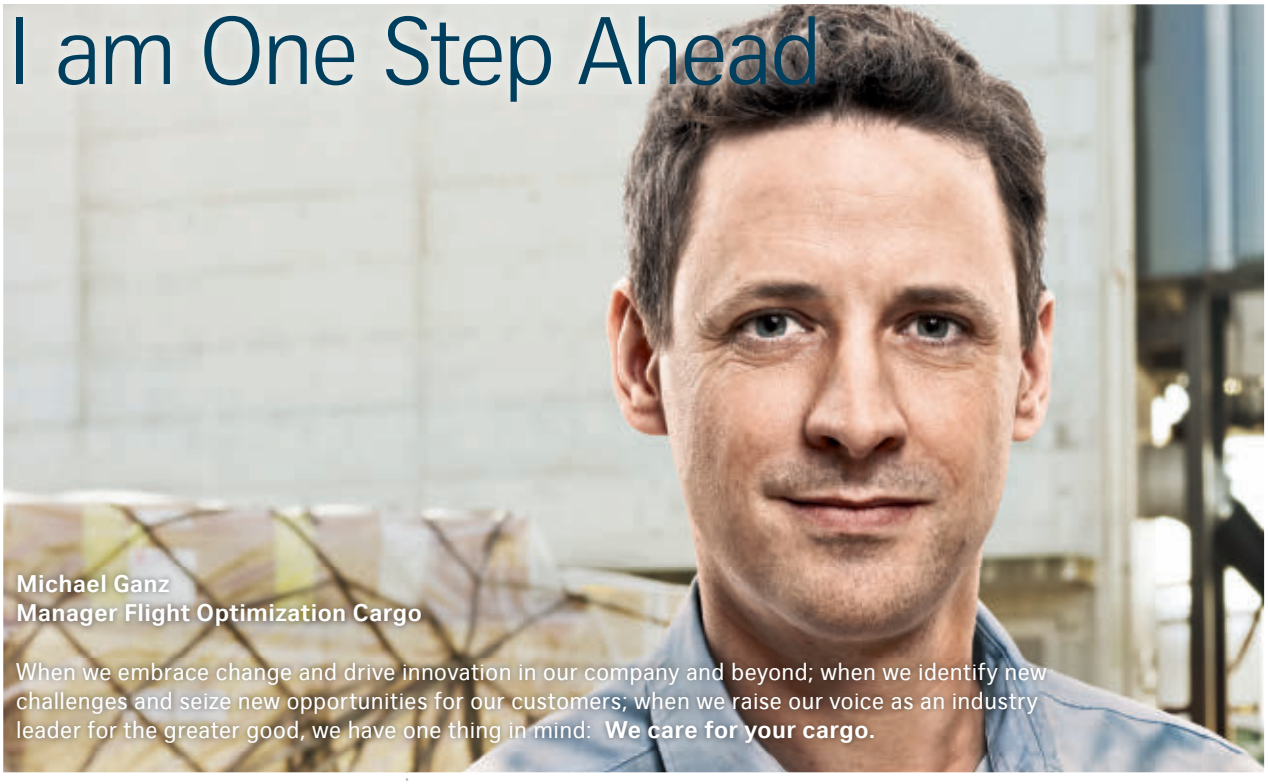
Some of the issues and agencies under the jurisdiction of the Aviation Subcommittee include civil aviation policy, aviation labor, aviation commerce, safety and security, unmanned aircraft systems, and the majority of programs of the Federal Aviation Administration (FAA). This chairmanship is of particular importance to LoBiondo's 2nd Congressional District in New Jersey due to the aviation facilities that are located there, including the FAA Tech Center, the TSA Security Lab, the Federal Air Marshal training facility, and the Atlantic City International Airport.

"It is an honor to receive the vote of confidence from Chairman Shuster and my colleagues to lead the Aviation Subcommittee during this challenging time for the industry and our economy," LoBiondo said. "The aviation industry is a tremendous generator for our local and national economy and directly employs millions of Americans while serving as a force multiplier across the nation.

*Rep. Frank LoBiondo*

"South Jersey intrinsically knows the critical role of the aviation sector with thousands of residents working at the FAA Technical Center and related security facilities on the Atlantic City International Airport campus. My focus will be to increase the effectiveness of our aviation network, with a keen focus on improving the safety and security for all users."

LoBiondo has been a member of the subcommittee since 1997. **ACW**

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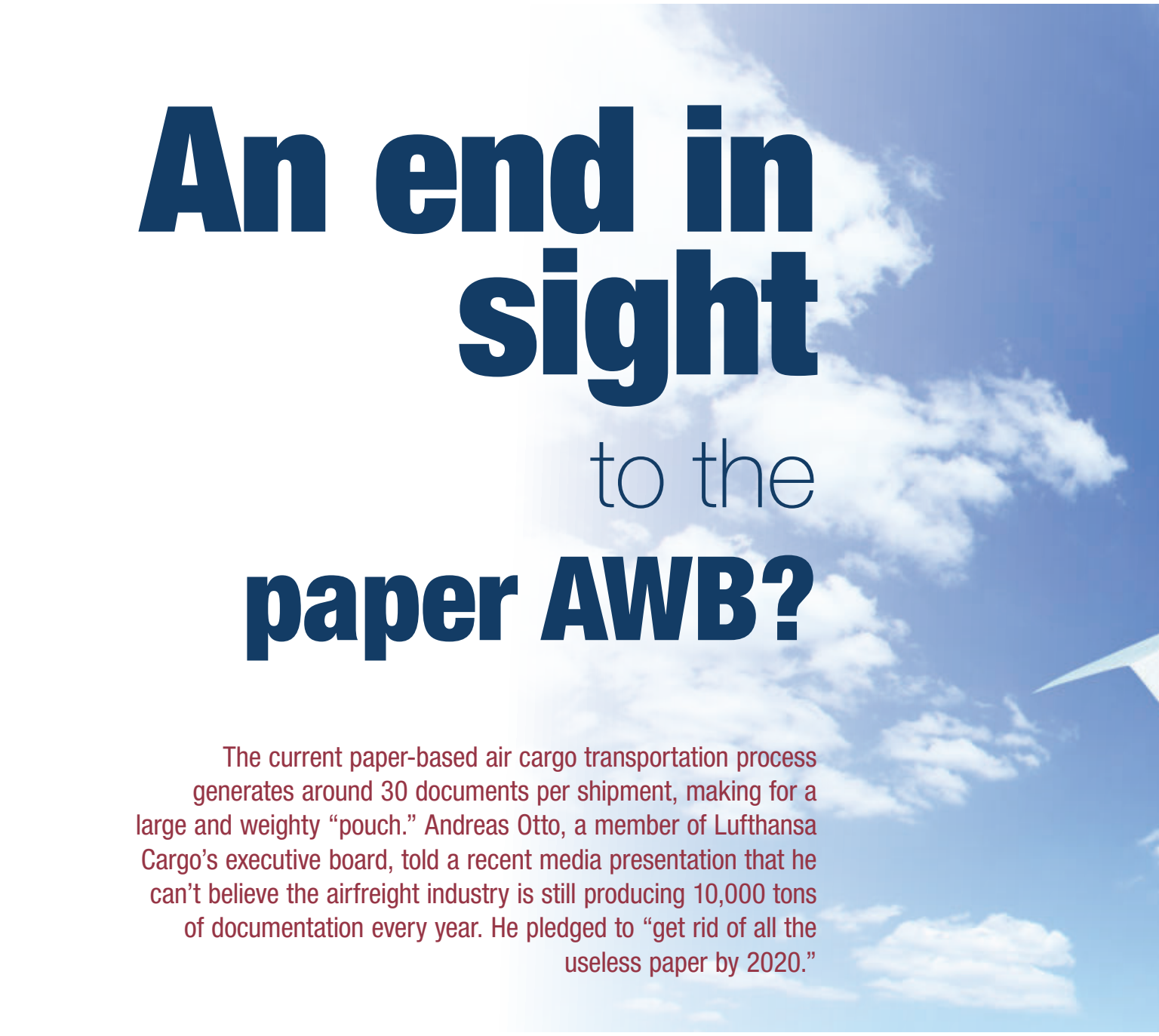
# An end in sight to the paper AWB?



The current paper-based air cargo transportation process generates around 30 documents per shipment, making for a large and weighty "pouch." Andreas Otto, a member of Lufthansa Cargo's executive board, told a recent media presentation that he can't believe the airfreight industry is still producing 10,000 tons of documentation every year. He pledged to "get rid of all the useless paper by 2020."

This surplus weight is not only bad for the planet. IATA calculates that once the whole supply chain–including shippers, forwarders, handling agents and customs authorities as well as the airlines themselves–buys into its e-freight initiative and replaces paper documents with digital files, the industry could slash its costs by almost $5 billion per year.

The trouble is that IATA's member airlines have been unable to impose their will unilaterally on their supply chain partners, let alone convince reluctant governments of the merits of paperless trade. As of last October, shipments accompanied by electronic air waybills were running at around 90,000 per month, or a mere 5.6 percent of the total.

Announcing revised target dates of 20 percent eAWB penetration by the end of this year, 50 percent by end 2014 and 100 percent by end 2015,

**"The industry is now comprehensively united in our objectives and timelines for e-freight and eAWB."**

**"This is a perfect example of how we can be stronger through dialogue and collaboration."**

**— Bill Gottlieb**

Tony Tyler, IATA director general and CEO, said: "We have to accept that the eAWB has been harder to drive forward than we anticipated. We have slipped by a year. It's not satisfactory, but it is the reality in the present economic circumstances."

A new pan-industry approach from the Global Air Cargo Advisory Group (GACAG), in the form of a "roadmap for paperless air cargo," may finally bring the required momentum to the process. GACAG was founded in 2010 by IATA, the International Federation of Freight Forwarders Associations (FIATA), The International Air Cargo Association (TIACA), and the Global Shippers' Forum (GSF), to ensure the air cargo industry has a strong, unified voice in its dealings with regulators. The group targeted e-commerce as a priority, along with security, customs and trade facilitation, and sustainability.

GACAG's e-commerce task force has broken down e-freight into three key components or "pillars," and has set goals and identified responsibilities for each part of the industry to help bring the vision to reality.

Pillar 1 involves engaging with regulators and governments worldwide to implement fully electronic customs

procedures and regulations that support paperless shipments.

Pillar 2 focuses on working collaboratively within the cargo supply chain to digitize the core transportation documents passing between forwarder, handler and airline, starting with the air waybill, but also including the house manifest, flight manifest, and security declaration.

Pillar 3 will see the industry develop a plan to digitize the additional commercial documents that typically accompany airfreight, either in or outside the pouch, such as those originating with the shipper.

Bill Gottlieb, a past president of FIATA and former chair of the GACAG e-commerce task force, said at the launch of the roadmap: "The industry is now comprehensively united in our objectives and timelines for e-freight and eAWB. This sends a huge message to all industry participants and I am comfortable that this will lead to significant acceleration in adoption of e-cargo in 2013. This is a perfect example of how we can be stronger through dialogue and collaboration."

Speaking at a media briefing at IATA headquarters in Geneva in December, Guillaume Drucy, head of cargo e-business, said feedback from the industry had pointed up a number of "road blocks" that were hindering e-freight.

Foremost is that many states have not yet ratified the 1999 Montreal Convention and/or do not permit electronic release of import and export cargo. Three major BRIC economies, Brazil, Russia and China, are thus far inaccessible. IATA has therefore put its initial focus on eight specific high-volume airfreight markets within the 34 percent of global trade lanes that are presently open to e-customs. However, Drucy said that through continued lobbying, 80 percent of trade lanes could be opened up by 2015. This year, IATA hopes to launch pilot projects in two BRIC countries.

A second issue the industry highlighted was the need for a single, multilateral agreement for electronic data interchange between forwarders and carriers, replacing current bilateral EDI agreements. The front of the traditional paper air waybill, showing shipment details and the agent's or shipper's signature, converts happily to an electronic freight waybill (FWB) message through which the forwarder can transmit shipment details to the airline. The back side of the document, containing the limitation of liability plus conditions of contract, currently requires an individual EDI agreement to convert it into eAWB format.

IATA is trialing a multilateral agreement under which any forwarder entering into an agreement with IATA is effectively making an agreement

*Oliver Evans*

with all carriers that have authorized IATA to act as their agent in this regard. The organization hopes to adopt a framework for multilateral agreements at its upcoming World Cargo Symposium in Doha.

Under the rules as they stand now, web e-freight business solutions provider Calogi has calculated that to go completely electronic in its home market of Dubai would require 100-plus airlines to sign bilateral agreements with around 470 forwarders, resulting in 47,000 separate EDI agreements.

The company has developed a new system that sidesteps the need for this. A forwarder simply agrees the limits of liability and conditions of contract online with the airline, and a digitally signed copy of the reverse side of the air waybill is made available to both parties.

IATA meanwhile hopes to adopt a framework for multilateral forwarder agreements at its upcoming World Cargo Symposium in Doha, after Swiss WorldCargo became the first carrier to sign up for proof of concept.

The new-look agreement will reduce the legal burden, says Oliver Evans, chief cargo officer at Swiss. "A lot of negotiating time is tied up on company-to-company and location-to-location agreements and this has slowed the adoption of e-freight."

Evans says he is "relieved, not disappointed" that IATA is now

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working to a more realistic timetable. "Its initial e-freight targets were based on the thoughts of airline CEOs who had little awareness of the amazing complexity of cargo. They thought it would be like e-ticketing, where only a single document was involved."

Swiss is upgrading its back-office systems to handle successive air waybills, recognizing that forwarders may be making adjustments right up to the last minute. This is not only a feature of consolidations, Evans says.

Jan Vreeburg, director of logistics at KLM Cargo, says the original Cargo 2000 concept when the group started looking to streamline the supply chain was that only the first message was valid and later updates to the air waybill were not acceptable. "But volumes and weights may change frequently and in the paper-based chain, it is the waybill that goes to the handler that qualifies as the legal document," he says. "All major forwarders need to update documents, and we had to adapt to this reality."

Evans says the IT investment is "relatively minor" for most carriers. "We're having to upgrade but we would be doing it anyway."

He accepts that IT and infrastructure costs are more challenging for smaller players, but says community services such as those established in Hong Kong and the Netherlands can help. Switzerland is looking to set up something similar, he says. "It enables you to send and accept the necessary messages at low cost."

Saskia van Pelt, cargo business development director at Amsterdam's Schiphol Airport, believes some forwarders have had a negative attitude toward e-freight, slowing progress. Unable to see a payback, they have been unwilling to change their working methods or invest in new systems without a financial incentive from airlines, who they see as the chief beneficiaries.

This view is flawed, van Pelt claims. "The fact that a single data set can be input by one party at the beginning of the supply chain, and then used to populate fields in every process along the way, must surely save time and money for everyone."

Data captured at source can improve tracking and tracing of cargo, increasing visibility to all parties in the supply chain and reducing the time staff take answering enquiries from customers. The less visible price of error and delay is potential loss of customers, van Pelt argues. "Airfreight is an expensive mode of transportation and, unless it demonstrates its value in reducing transit times, there is a real risk that customers and traffic will gradually defect to other modes of transport."

KLM's Vreeburg agrees that "some forwarders are lagging behind on e-freight, and that's blocking deployment. But a lot of the major ones have the systems in place and are really making an effort. They may not call it e-freight, but they have pre-messaging on shipments so the destination knows what to expect. It's a small thing to remove documents from this process."

The Netherlands took a holistic approach via E-freight@NL, a two-year project that was awarded a €1.2 million grant by the Dutch government in 2010. KLM Cargo acted as secretary, and the project involved Air Cargo Netherlands (the industry's representative body, bringing together airlines, agents, handlers and truckers) as well as major shippers.

The participants worked together on reconfiguring their processes to facilitate large-scale paperless import and export operations. IT companies serving the Dutch airfreight market also linked their systems and adopted uniform standards to facilitate e-freight.

Schiphol signed agreements with Incheon Airport in Seoul and Changi in Singapore, taking the view that a "big bang" approach would not work and that e-freight must be pursued at individual trade lane level.

*Saskia van Pelt*

However, van Pelt is resigned to the fact that the local situation differs markedly for airports and their home carriers. "Incheon is at a different level to where we are in Amsterdam. We're not really aligned yet," she says.

Lufthansa Cargo began looking at the feasibility of a paperless supply chain back in 2007, analyzing the gaps in its existing systems and the changes that would be needed to infrastructure, IT and current processes. It took five years before LC was ready to roll out the eAWB on a large scale, according to Mario Zimmermann, head of technology and innovation. By the end of last year, more than 250 customers were benefiting from e-freight.

*Mario Zimmerman*

IATA designates "lead carriers" in

specific markets, a role LC holds for Germany and Japan. The carrier calculates that about 25 percent of shipments could be handled electronically on this trade lane.

"Lufthansa Cargo has set itself ambitious targets and timelines for digitizing current paper-based processes. But countries in South America, Africa and across large parts of Asia still require a paper AWB, so in 2013, we will concentrate our activities and penetration campaigns in our home market in Germany," Zimmermann says.

There is not yet a seamless flow of information along the supply chain, which creates inefficiencies, he points out. The lack of interoperability between existing IT systems and stakeholders remains an obstacle.

"We are working closely with our customers to improve the interfaces and message quality. As soon as all stakeholders–including shippers–implement e-freight as their standard process, the full range of benefits will emerge," Zimmermann insists. "Managing information means you're managing the business. Pre-clearance of shipments becomes possible; and on the export side, in the best case, you save on the documented export receipt, eliminating an entire step of the process. This allows forwarders to better plan their routes, and reduces waiting times."

Alongside fully implementation of the eAWB, Lufthansa Cargo is preparing to launch the electronic house air waybill (e-HAWB), enabling the industry to move nearer its objective of completely paperless freight transportation by 2015.

"An ePouch solution will further allow customers to upload all kind of documents accompanying the freight, such as temperature control sheets and so on, offering clients an independent platform for storing confidential documents digitally," Zimmermann says.

Steve Smith, head of e-business airfreight for DHL Global Forwarding and chairman of GACAG's e-commerce task force, believes that despite the challenges, integrating risk management into the e-freight process is essential and will incentivize the slow adopters.

IATA's Guillaume Drucy agrees, fearing that if the industry doesn't take this route, security declarations will simply create yet more paper instead of eliminating it.

However, the signs are that historically skeptical state authorities are warming to new technology. Schiphol's van Pelt says a "very promising" meeting took place between Dutch and Chinese Customs in Shanghai last October. "The good thing is that once they're ready to say yes, they're 100 percent ready. Implementation will be total. I believe it can happen within three years," she predicts. ACW

# SOUTH AMERICA'S PHARMA MARKET

## POISED FOR GROWTH

The pharmaceutical industry continues to undergo numerous changes as government regulations persist, blockbuster patents expire and the need for cost control rises within the industry. As such, there is a shift towards emerging markets for not only manufacturing but also to penetrate growing domestic markets.

As a result of this shift towards emerging markets, the pharmaceutical supply chain has become even more extended and further complicated as infrastructure and government regulations in these markets can result in security concerns as well as critical delays in delivery.

Transport Intelligence estimates the global pharmaceutical logistics market grew more than 12 percent from 2010 to 2011 to approximately $61.7 billion. Expectations for 2012 are for a greater increase as the two largest emerging markets – Asia and South America witness even further demand for these types of services.

Second only to Asia, the South American pharmaceutical logistics market possesses great opportunity despite infrastructure and government regulation concerns. In fact, Transport Intelligence estimated this market grew more than 20 percent between 2010 and 2011 to $9.4 billion with Brazil alone growing almost 14 percent for the same period to $5.1 billion. The South American market made up more than 15 percent of the total pharmaceutical logistics market in 2011 with Brazil alone comprising 8.3 percent of the total market.

As such, Brazil is the largest Latin American healthcare market. Brazil's growing middle class and the increasing number of pharmacies have resulted in the country becoming a top 10 global drug market according to IMS Health data. Brazilian companies lead the domestic market in sales. Currently there are about 540 pharmaceutical companies operating in the country with 90 companies responsible for manufacturing generic drugs. Despite government favoritism towards the domestic providers, global pharmaceutical manufacturers such as Pfizer, Sanofi-Aventis, Merck and Roche have also established facilities in this market.

Imports make up most of the Brazilian pharmaceutical market, fueled by the growing middle class. However, export value of pharmaceutical goods appears to be increasing at a faster clip, 15.4 percent from 2011 over 2010 as compared to a 4.1 percent import value increase for the same period. This may be attributed to more global pharmaceutical manu-

facturers expanding and shifting operations away from higher cost geographic regions to Brazil.

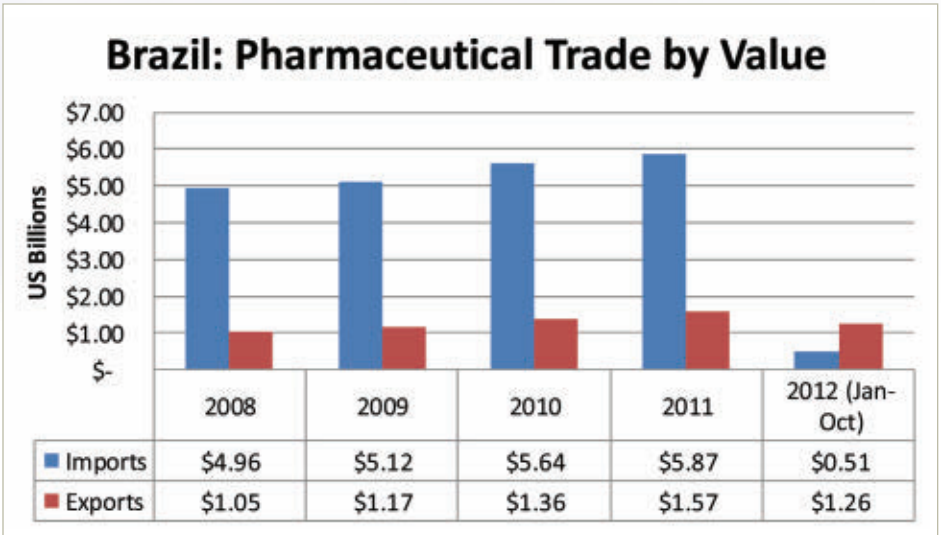
A concern of the industry is Brazilian government regulations which tend to be confusing. Hence, partnering with a knowledgeable supply chain provider is usually a benefit in situations such as this. For example, in some Brazilian states, there is a licensing requirement to have a warehousing operation in the same state as the manufacturing facility. Another regulatory influence, which can vary by state, is the system of sales tax. This has resulted in manufacturers in affected states to ship directly to retailers, bypassing wholesalers, and thereby avoiding one level of sales tax. Mark Mohr, director of Customer Support and Partner Management for Csafe, notes that customs clearance abilities are a concern particularly as offices tend to be closed on weekends which can be a detriment for pharmaceuticals that require temperature-control handling as well as being time-critical.

Infrastructure has always been a concern as airports, ports, road and rail have not been able to keep up with demand. Through the years, the Brazilian government has invested in its infrastructure; however, it appears to have made little difference as goods continue to back up at airports and ports.

Despite this, the 3PL market has grown. Scott Szwast, director of Healthcare Marketing for UPS, says a significant percentage of the development and deployment of healthcare distribution centers in Brazil is being undertaken by third-party logistics providers focused on the pharmaceutical, bio-pharma, and medical device markets. The majority of these facilities are shared utility multi-client facilities, providing turnkey, scalable distribution solutions for companies launching new products into these fast-developing markets. The facilities typically provide inventory management, order management, product preparation, returns management, recall support, and frequently value-added customer care and regulatory compliance services as well.

Hector Oyarzun, director of Healthcare Logistics for Geo Express International, a Toronto-based global logistics provider of pharmaceutical and clinical trial logistics solutions with a specialty in the Latin America market, says very few pharmaceutical companies have their own logistics infrastructure, with the exception of smaller national laboratories.

"There is just no point in comparing costs, infrastructure, and the attention to detail 3PL can provide in these highly complex logistics scenarios, where large distances and highly variable temperatures play a major role," Oyarzun says. "This explains why although there are still many small providers in each country, it is the megacarriers such as UPS, DHL, FedEx and Kuehne + Nagel that are making great progress, mostly through acquisitions and heavy investment on infrastructure, technology, and certified warehousing and distribution facilities, as well as temperature control equipment. A great example of this is the UPS facility in Goiania, Brazil, for its largest healthcare client - Merck Sharp & Dohme, or the FedEx acquisition of Rapidao Cometa Logistica e Transportes with approximately 9,000 employees across Brazil."




| | 2008 | 2009 | 2010 | 2011 | 2012 (Jan-Oct) |
|---|---|---|---|---|---|
| Imports | $4.96 | $5.12 | $5.64 | $5.87 | $0.51 |
| Exports | $1.05 | $1.17 | $1.36 | $1.57 | $1.26 |

***Source:*** *Ministerio Do Desenvolvimento, Industria and Comercio Exterior*

*Scott Szwast*

*Mark Mohr*

*Hector Oyarzun*

Not only are the "megacarriers" making progress but also specialized pharmaceutical logistics providers such as World Courier and Marken. Both providers specialize in the clinical trial space by providing a range of services such as temperature-controlled handling capabilities, in-transit temperature-controlled monitoring and replenishment, customs brokerage solutions, distribution handling including pick and pack, labeling, packaging and returns handling.

The need for temperature-controlled handling, storage and transportation is increasing as the growth of new drugs, particularly biopharmaceuticals and many clinical trials require such special handling. Csafe, a joint venture between AmSafe and AcuTemp, provides specialized leased containers and other services for cold chain air cargo shipping companies. These specialized containers allow for shippers to monitor the temperature of the drugs throughout the entire flight.

The company's airline partners include such companies as FedEx, United Cargo and Air Canada. Its forwarder partner network includes DHL, Expeditors International of Washington, Kuehne + Nagel and UPS. Mohr says the company is doing a growing amount of business in South America. He also noted that Brazil is especially is poised for significant growth thanks to a growing middle class.

"Although there is more inbound and not a lot of outbound traffic out of South America, clinical trials present a unique opportunity and is a prime market," Mohr says.

The growth of clinical trials has spread into other South American countries. For example, earlier this year, both World Courier and Marken opened clinical depots in Buenos Aires, Argentina. For World Courier, the company had been in Argentina since 2005, but due to increasing demand, expanded its trial supply storage depot to 3,400 square meters. Argentina, Brazil, Chile and Peru comprise its South America network.

Marken opened its temperature-controlled clinical distribution in Buenos Aires in January 2012. The facility serves more than 1200 research sites in the region.

DHL, a leader in clinical trial transportation and handling, has established hubs in Buenos Aires, Argentina, Sao Paulo, Brazil and San-

*Csafe's RKN active pallet container is a compressor driven refrigeration unit that can maintain temperatures as extreme as -30 degrees Celsius to 49 degrees Celsius. It also provides real time shipment temperature tracking throughout its transport.*

tiago, Chile. DHL says these hubs link shared and multi-user warehousing capabilities with managed transportation, import and export documentation preparation and value added services such as assembly and postponement. Among its clinical trial services:

- Set-up, project and materials management
- Transport and chain of custody planning
- Labeling and re-packaging
- Storage, distribution and controlled environmental monitoring

Besides clinical trial services, Kuehne + Nagel provides various services to Bayer Healthcare and Roche in Chile. The company operates Bayer's 4,000-sq.-m. facility in Santiago. The site encompasses five cool zones for temperature-controlled cargo. The company also provides repackaging and labeling as well as special promotions preparation and laboratory testing of products.

Kuehne + Nagel manages Roche's Santiago distribution center and provide distribution to hospitals, clinics and pharmacy distribution centers throughout the country. "Roche is an innovative healthcare company, and this deal is part of our strategy to improve our focus on core activities locally," according to the general manager of Roche Chile. "It will allow us to dedicate more attention to demand generation, without losing the quality of our current distribution in Chile. Working with Kuehne + Nagel, a world-class logistics service provider, we will also have the possibility to incorporate new technologies, explore synergies and further integrate our logistics and distribution processes, improving our efficiency and reducing inventories."

The South American pharmaceutical logistics market is expected to continue its growth, particularly as clinical trial needs grow and pharmaceutical manufacturing move further into this region. The domestic market continues to make up the largest portion of the demand, however, it is expected the international market is likely to increase as output rises. As such, investments in infrastructure improvements particularly the region's airports, ports and road networks are being made to ease congestion and to also bring South American countries together for a potential strong cross-border network. ACW

# Africa's cargo boom: Is it sustainable?

It wasn't so very long ago when discussion of African air cargo focused on talk of cowboy operators making money where they could, sometimes carrying shipments of dubious legality.

**Times have changed.**

Where once ancient ex-military freighters were the rule, now brand-new Boeing 777s ply the African skies. China's hunger for natural resources and Europe's desire for fresh produce and flowers has meant investment in Africa is booming, making it what some call the "New Eldorado." But the legendary American City of Gold was a myth. Will a sustainable prosperity for African airfreight also be a fairy tale?

Zemedeneh Negatu, a managing partner of Ernst & Young, says no. "We are seeing the gradual shift in economic power from west to east. That isn't a one-off, it's a permanent trend. In 2010, North America's share of the global gross domestic product (GDP) was 22 percent. The forecast is that by 2050 it will be 11 percent, whereas Africa will go from 4 percent to 12 percent."

Since that prosperity, so far, comes from natural resources rather than services or manufacturing, it taps directly into a need for cargo.

"The global cargo market is experiencing a revolution," says Lida Mantzavinou, Aerospace and Defence Consultant at Frost & Sullivan. "New trade corridors are emerging linking the markets of Africa, Latin America, Middle East and Asia, which are growing faster than Western markets. Africa's emerging middle class, infrastructure developments and increasing foreign direct investments will eventually drive cargo traffic growth, which by 2030 is expected to grow by 5.8 percent." She adds that by then Africa's fleet will double to 1,210 aircraft, 60 percent being additions to existing fleets.

"The major legacy airlines are growing domestically through regional partnerships and internationally through foreign partnerships," she explains. "Some prominent examples of this include South African Airlines strengthening its partnership with Emirates and Qantas to grow in the Middle East and Asia. Ethiopian Airlines partnered with the Togolese carrier ASKY to better serve East Africa and joined Star Alliance in order to benefit from strengthened partnerships with the alliance's Asian members."

Indeed, Ethiopian Airlines' recent success parallels the continent's own success. "2012 was a good year," Daniel Mebrate, associate vice president, Ethiopian Cargo, told Air Cargo World. "We started operations with two new 777-200LR freighters – the first in Africa – out of six on order. We are now working to establish a cargo hub in Lomé (Togo) [for] the West Africa market to add to our existing regional hubs in Liege, Dubai, Hong Kong and Mumbai, and building a warehouse, which is slated to be, in terms of capacity, the biggest perishable warehouse in the world."

Non-African airlines have, after some initial caution, flocked to join this new gold rush although Emirates is treating Africa's growth as a long-term situation, rather than a temporary blip.

"We've seen really good growth in and out of both East and West Africa," says Duncan Watson, vice president for Cargo Commercial Operations - Middle East, Africa and Pakistan for the Dubai-based airline. "Some of our highlights last year were the launch of our Zambia-Zimbabwe route, where we started using an A330 but upgraded to a 777, from five flights a week to daily, from

October. We also delinked the flight to Entebbe and Addis. That's given some great additional lift to both markets. We've also added freighter connections into Tripoli, Cairo, Djibouti, Khartoum and Lusaka. Overall we're seeing very strong demand from all points we operate from and we'll try and expand destinations and connections as we go into 2013. My expectations for Africa in 2013 are very positive."

Lufthansa Cargo is also seeing solid growth, especially out of Egypt, Ethiopia and Kenya, says Hermann Zunker, regional director, Africa. That growth is attracting others, he says. "In the past year, we have seen a number of carriers expanding their network into Africa, often in line with fleet expansion and also due to softening of demand from Asia and saturation of other markets."

The integrators are also taking note. Thomas Nieszner, CEO Europe, Middle East and Africa for DHL Global Forwarding, says DHL is planning on putting in place "unmatched access of capacity" to and from Africa using the company's in-house carrier, StarBroker. He adds that the company is also working to develop airfreight intra-Africa primarily for its oil and gas, and mining customers in both West/Central and Southern Africa.

However, such an emerging market has its problems. Claude Picciotto, air freight procurement director for SDV Logistique International, which has a long airfreight history in Africa, says many are attracted to Africa but few have what it takes to succeed there. "Several airlines have started flying to Africa only to stop after six months," he says. "[They] are interested in Africa because the yields are higher and with higher yields so are the margins. [They] were looking at the IATA CASS figures and thought [Africa] was the new Eldorado."

Of those new and existing carriers to the continent, Picciotto only rates a few as having the knowledge to succeed there. "Cargolux, Air France, Avient and Allied definitely understand the market and will be reactive if the market booms in one country or region to quickly place additional capacity."

So, why do so many fail? Local knowledge is apparently essential as the continent's largest problems are political instability, poor infrastructure and handling facilities, and excessive regulations and bureaucracy. Any of these can lead to disruptions to smooth operations and with air cargo's small margins, any disruption can easily lead a venture from profit to loss. Witness the many cancellations of services throughout North Africa following the Arab Spring.

*Claude Picciotto*

In addition to these problems, Nieszner adds the need to improve overall customs regulations and cargo handling security, while Mebrate

*An indigenous consumer goods factory in Kenya*

*Herman Zunker*

adds traffic rights. "One has to go through a long bureaucratic process before securing fifth and seventh traffic freedom rights," he says. "As we develop the air cargo industry on the continent; countries need to ease the stringent policies which are crucial to build a conducive operating environment for airlines."

"There has been an improvement [in professionalism and infrastructure development] in a number of the markets," adds Watson, "but there needs to be continual improvement over the next two or three years to maintain the kind of capacity that is being brought into the markets. Places such as Kenya, Ethiopia, Uganda, need to continue to develop their handling capability in line with market growth."

*Thomas Nieszner*

This will be essential if Africa wants its success to be sustainable in the long-term. If the industry is based on non-African companies, it will collapse if they leave. That is why, Nieszner says, he expects much of Africa's economic growth to come from intra-regional trade. "Large demand for petroleum, oil and gas equipment, and telecommunications products is propelling the need for increased capacity and services. While growth to the traditional Europe lanes is on the decline, the Far East and Latin America is targeted as an area for huge growth."

Mantzavinou agrees that there will be a shift away from a dependency on Europe. She expects African carriers will try to take advantage of the "New Southern Silk Road" and capture a higher percentage of the passenger and cargo traffic by expanding domestically and internationally to China, India and Latin America through partnerships.

"Dubai is already emerging as a gateway to Africa, especially for Chinese companies that are strongly investing in the region, and UAE and Chinese carriers have been increasing frequencies to the continent," Mantzavinou says.

That does not mean that African air cargo will have to manage these developments and changes alone. "Lufthansa is already working with the stakeholders in the supply chain to develop the air cargo business and improve quality and processes," Zunker says. "Personally, my top three wishes for the continent are: one, faster development of e-freight. Most countries are still considerably lagging behind in its development and need to catch up in order to benefit from more transparent and cost-effective processes. Two, security and airport infrastructure needs to improve, especially in West Africa. But even in more developed countries and airports like Johannesburg, there is urgent need for upgrades and action. And three, there needs to be a wider spread of commodities being shipped from Africa. As long as the majority of exports from Africa are perishable goods with relatively low yields, operating freighter routes into Africa will remain challenging."

Certainly more freighter utilization is something Picciotto would like to see. "More freighters would give us more solutions, but we can understand that with the economic situation the way it is, it costs a lot of money for the airline to operate freighters. If we want more capacity we need to commit with the airlines, but with the imbalance in the market today it is difficult to fix regular shipments with the kind of block space agreement airlines want."

*Duncan Watson*

Watson agrees with Zunker that e-freight should be a priority. "We're keen to push the move to e-transactions and eAWBs. There are a couple of markets where the authorities are also keen to move ahead, which is encouraging. It may not be at the pace we like but we're seeing some better reception to the ideas, especially in the last six months."

Whatever focus on development Africa needs, even Ethiopian's Mebrate admits the entrance of non-African airlines to the market can be beneficial. "Africa is attracting huge capital and investment flow from all over the globe. African carriers alone may not satisfy the growing demand so, as long as there are fair, competition practices, validates the presence of carriers from other regions to develop the continent's air cargo industry for mutual benefit." ACW

# cargo facts ASIA

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# Five Questions with... Jonathan Kletzel

Jonathan Kletzel is the new Transportation and Logistics leader for PwC's U.S. Industrial Products practice. Kletzel, based in Chicago, is responsible for delivering various business and technology services to the airline, railroad, trucking and shipping industries. He has more than 15 years experience in the transportation and technology sectors. He recently provided his observations to Air Cargo World on some of the key upcoming issues affecting air cargo.

**1.** How will new FAA regulations on crewing, which might include cargo airlines, affect costs?

Kletzel

*If the new FAA regulations become applicable to cargo, there would be a substantial increase in costs for those companies flying long haul routes, as they would require incremental crewmembers on board. This is already being felt by the passenger airlines as these FAA regulations (FAR 117) are costing the industry millions to implement. When you combine this with forecasts of fewer pilots and more demand over next several years, there is significant pressure for crew costs to rise. Also, those companies with ACMI contracts are at risk for crew costs, and it is difficult to pass these increases on to customers.*

**2.** What are some of the latest air cargo technology trends that you have observed?

*The air cargo carriers are gradually trending towards more fuel- efficient and technologically advanced aircraft that can be operated with less crew and have an extended range. Carriers are generally only interested in new technology if it has a track record of reducing cost. We are starting to see growing market adoption of the IATA e-freight initiative and expect this to continue over the next few years as airlines update antiquated systems and look to streamline processes and drive out costs — tablets are also starting to replace paper manuals for aircraft. Cargo carriers will continue to implement more advanced inventory management systems across areas such as ULDs and capacity. Also, a key demand of sophisticated integrators and shippers is greater real-time shipment information, including advanced track and trace capabilities provided to them in an integrated fashion.*

**3.** How do you view the competitive landscape in terms of air cargo versus other modes of freight?

*Non-air transit options will continue to increase their competitiveness against air cargo. In today's environment where cost is king and air remains by far the most expensive transport option, greater investment in supply chain management practices, including better demand planning and near-sourcing of distribution facilities, combined with increasing sea, rail and ground service capabilities are taking their toll on the air sector.*

*Key segments impacted include electronics, garments and automotive. However, this is being offset by continued growth in the middle class in China, India, and other developing markets in Asia and Latin America that are driving demand in products that depend on air freight. Rapid growth of online commerce in developing markets, where China will become the largest market by 2014, will also drive demand for time-sensitive products that will benefit air cargo.*

**4.** What are the ramifications of the ongoing emissions debate for air cargo?

*The EU recently announced a one-year deferment of its carbon emissions trading scheme (EUETS) after significant pressure from several non-EU countries including the U.S. The U.S. has strongly come out against the EUETS, and with the EU Emissions Trading Prohibition Act, which President Obama signed in December, it is now illegal for U.S. airlines to comply with the EUETS. Much of the debate over the EUETS stems from the fact that the scheme incorporates carbon emissions not within EU jurisdiction.*

*Airline carbon emissions constitute about 2 percent of total global emissions. An international solution is needed as regional solutions, like EUETS, have inherent complications and several points of contention for non-EU based operators. ICAO (International Civil Aviation Organization) is currently working on a global solution, but with only a one-year deferral of the EU for non-EU carriers, there will be a lot of ground to cover on such a complex topic in a short period of time.*

*The International Air Transport Association (IATA) has announced the global airline industry's emissions goals which are to cap emissions at 2020 levels and then over time reduce 2050 emissions by 50 percent on 2005 levels. Attainment of these goals might be achieved through technical advancement (e.g., newer, more efficient aircraft), use of bio-fuels and carbon offsets.*

*Potential ramifications for air cargo carriers could include risk management efforts around costs and commodity exposure to carbon credits, increased economic and regulatory pressures to operate newer, more fuel-efficient aircraft, biofuels and uncertainty around developing global regulations.*

5. Besides China, which countries will generate the most air cargo growth in the coming years?

*(Continued on next page)*

*China will continue to generate the greatest growth in air cargo on an absolute basis, including growth in time sensitive cargo volume within the country. However, shifts in manufacturing trends will likely drive higher growth rates in Malaysia, Indonesia, Vietnam and other southeastern Asia countries. Likewise, rising middle classes in India, Brazil and other pockets of Latin America will continue to fuel high growth rates there. The challenge for air cargo providers is the directional imbalances these environments are creating.*

## AIRLINES

BELLINDER

**United Cargo** has named **Kyle Betterton** as vice president airports Americas, Asia and EMEA. He was previously United's managing director of airport operations and cargo for Europe, the Middle East and Africa. The airline also announced the appointment of **Jim Bellinder** as vice president, sales for United Cargo. In his new role, Bellinder reports to United Cargo President Robbie Anderson and is responsible for all United Cargo Sales activities around the globe. **Etihad Airways** made several appointments within its cargo division. **Robert Fordree** has been promoted from senior network performance manager to Head of Cargo Handling. **Rory Black** has been appointed head of cargo commercial planning and joins Etihad Cargo from Gulf Air. **Roberto Casabianca** joins Etihad Cargo from British Airways as head of cargo sales. **Bmi** regional has appointed **Ingeborg Gillego** as sales manager. Gillegot was previously head of global accounts management for Brussels Airlines and area manager for the airline's Africa region. She has also held senior roles within Air New Zealand.

## AIRPORTS

**DFW International Airport** CEO **Jeff Fegan** announced his plans to retire after serving 28 years with DFW Airport, the last 19 years as its CEO.

## THIRD PARTIES

**Swissport International** has named **Sabine Meinitz** as vice president for corporate communications and marketing. Meinitz, who has many years experience in senior communications with companies including NEC Display Solutions Europe and Texas Instruments, will be responsible for Swissport's corporate communications and marketing strategy development and execution, including public and investor relations. Swissport says the new position was created as a result of the company's growth.

MEINITZ

## OTHER

Daniel Cook, air export manager at **Midwest Transatlantic Lines** in Berea, Ohio, and Heeseung Chee, general manager, cargo service, for Asiana Cargo in San Francisco, are the winners of a random drawing of subscribers participating in Air Cargo World's annual Air Cargo Excellence Survey of Air Carriers. Both are winners of a $200 Amazon gift certificate. ACW

COOK

## events

**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 2013 IATA World Cargo Symposium carries the theme of "action under sustainability," bringing a focus on long-term strategies to the event. Visit *www.iata.org* for more information.

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## AIR FREIGHT BUSINESS OPPORTUNITIES

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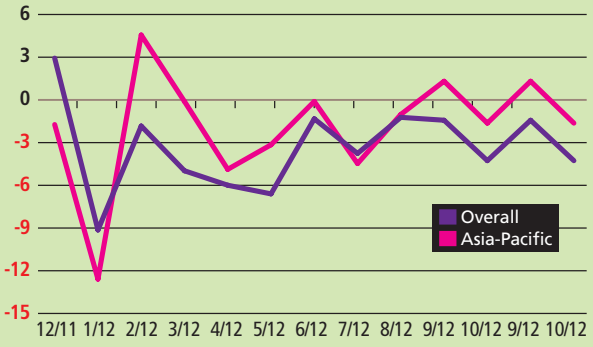
## CARRYING EUROPE

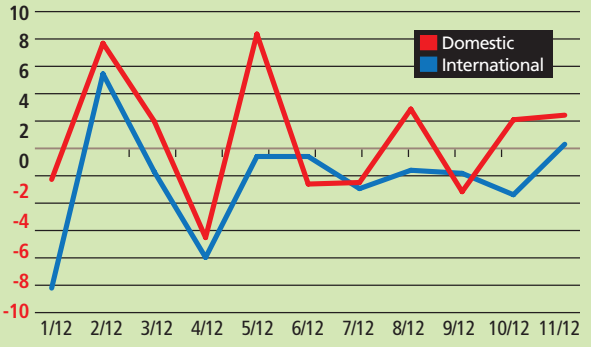
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.




*Source: Association of European Airlines*

## U.S. AIRLINES

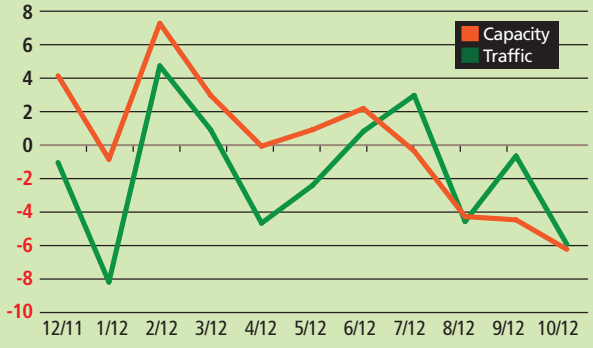
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.




*Source: Airlines for America*

## CARRYING ASIA

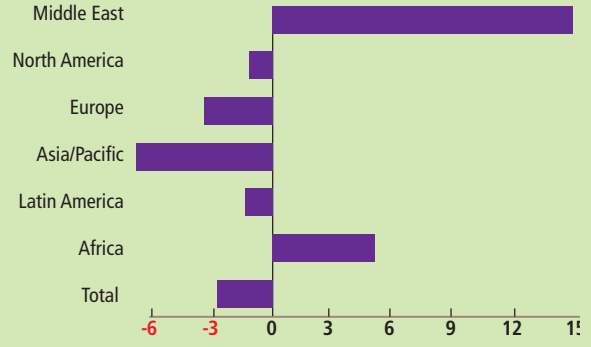
Monthly year-over-year percent change in capacity, in available-tonne kilometers, and traffic, in freight-tonne kilometers, of Asia-Pacific airlines.




*Source: Association of Asia Pacific Airlines*

## SHARING MARKETS

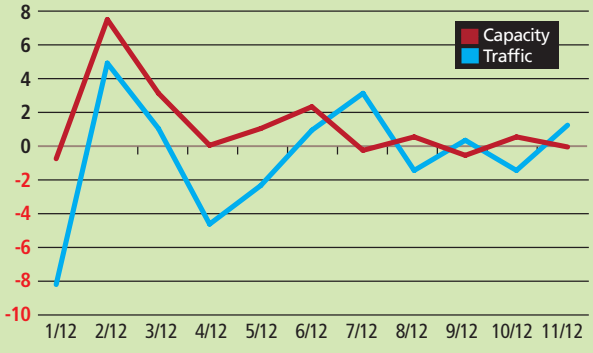
International air cargo year-to-date percent change for October 2011 vs. October 2012




*Source: IATA*

## CARRYING INTERNATIONAL

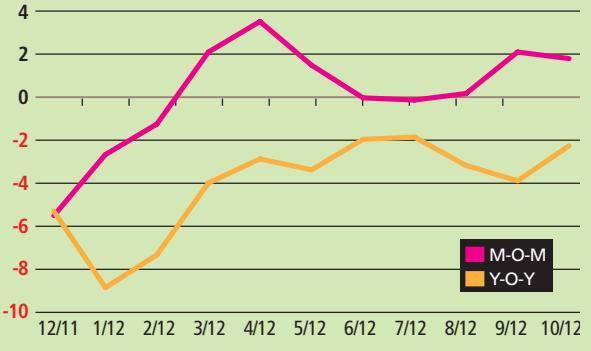
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight-tonne kilometers and available-tonne kilometers.




*Source: IATA*

## SEMICONDUCTORS

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




*Source: Semiconductor Industry Association*

Julian Keeling, CEO of Consolidators International

# Moving freight Just-In-Case

Hurricane Sandy was the most destructive force of nature to hit the Middle Atlantic States in 200 years and one of the most financially expensive in the history of the entire United States. Sandy left a trail of destruction that still is hard to comprehend weeks after the actual onslaught. Millions of peoples' comfortable lives were uprooted totally by the storm's fury.

Sandy was only the latest in a series of horrific disturbances around the world. Nature has been on the warpath in the 21st century. Almost two years ago, a severe earthquake and tsunami shook Japan's east coast. Japanese society went into shock as thousands of lives were lost and billions of dollars vanished in its GDP. The nation's industry was crippled. An even more destructive event from a global manufacturing and logistics perspective occurred shortly afterwards: the major floods in Thailand. The nation is a critical supplier of parts and components to the world's electronic industries. Some 30 percent of Thailand's manufacturing capacity was shut down for months with horrendous consequences. One major U.S. electronics company, Intel, reported sharply lower earnings in one quarter because lack of critical supplies from Thailand.

These cataclysmic events are having a profound effect on global industry's favorite method of moving goods: Just-In-Time or J-I-T. Just-In-Time is simple in theory but devilishly difficult in practice. J-I-T means delivering needed parts and supplies to the factory floor or distribution warehouse almost to the last minute for precise manufacturing schedules. It allows cutting inventory to the bone. There is a saving on inventory costs and interest charges while at the same time increasing production efficiency.

Successful application of J-I-T demands no pause in any link in the supply chain. Parts and supplies must flow smoothly from shipper via road, air or sea to consignee to ensure that assembly lines keep humming and with a sufficient amount of goods for retailers to sell. With J-I-T, the shipper is rolling dice hoping a seven comes up every time. With all the supply disruptions during the past few years, it's more like snake eyes. The trillion dollars each year spent on global transportation by shippers, carriers and their agents are at stake.

I believe there is a better way to move freight. I think of it as a fresh breeze blowing through the global economy. That fresh breeze is Just-In-Case (J-I-C).

Just-In-Case means moving freight by land, sea or air in a number of days rather than hours before it is needed on the factory floor or distribution center. It means moving 10,000 tons of cargo in a single shipment rather than dividing the freight into multiple shipments of 1,000 tons each. A single shipment minimizes loss or delay so often the case with a number of shipments.

Utilizing Just-In-Case offers other advantages. Using Just-In-Time, enormous stress develops along the entire supply chain. The "get it fastest with the mostest" mentality generates not only severe strains at each link in the supply chain, but also can lead to serious mistakes. Documentation is particularly error-prone with J-I-T because of continual time pressures with the dire prospect of customs inspectors turning back freight for lack of a comma, thus negating the advantages of last minute delivery of cargo. Physical damage of cargo often can result with handlers loading or unloading freight too quickly under time constraints. With Just-In-Case, there is a measured decline in strain for everyone involved, from dockworkers to back office employees. With less pressure, there is less margin for error.

A less obvious but important benefit utilizing Just-In-Case is the national gain in the value of inventory. One of the key factors in the U.S. and other nations as they emerged from the recent recession is the buildup of goods. With greater inventory, nations' economies should strengthen as manufacturers and wholesalers add to GDP to spend billions to restock inventory.

Let me turn for a moment to the relationship between shipper and his agent, the forwarder. As a freight forwarder, I welcome a more level playing field between the consolidator and the shipper when using J-I-C. With J-I-T, customers save considerable amounts of money by keeping inventory to a minimum. Not only are dollars saved in direct costs, but also in interest charges. The shipper guards these savings jealously. Almost none of these savings are passed on to his forwarder, who, of course, is responsible for moving the customer's freight safely, efficiently and with no hassles. Shippers constantly are pressing their agents to lower their rates. Too often, they are successful. With J-I-C, there is more of a balance. ACW

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Source: IDC Worldwide Quarterly Smart Connected Device Tracker, December 10, 2012.