

The background of the cover is a vibrant blue. On the left side, a vertical column of interlocking puzzle pieces is shown in shades of yellow, green, orange, pink, and cyan. Several stylized, dark grey human figures are positioned around these pieces, some standing on top of them and others reaching up to place or adjust them. The overall theme is one of teamwork and problem-solving.

Air Cargo INTERNATIONAL EDITION

World

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THE SOURCE FOR AIRFREIGHT LOGISTICS

**Searching for answers
to the 'leadership crisis'**
GSSAs grow rapidly
Chinese air cargo shifts

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Transition time

June often brings workforce arrivals and departures for most industries, including air cargo. Our June issue has an example of each.

Our feature, "The answer to air cargo's 'leadership crisis,'" which begins on p. 30, analyzes the industry's urgent need to bring in new blood. The article takes a close look at efforts to draw young, talented individuals into careers in airfreight. A report released earlier this year by The International Air Cargo Association offers a warning to the industry about the need to attract and retain qualified talent.

Several of the young air cargo professionals interviewed for our article believe the industry needs a major public relations effort to stress the importance of air cargo to the overall economy.

Certainly, one of the best ambassadors for the industry has been Des Vertannes, who is retiring this month as the International Air Transport Association's head of cargo. His retirement, and that of Emirates cargo chief Ram Menen last year, clearly illustrate the need for new talent to come into the industry.

Our article, beginning on p. 24, takes a look back at the distinguished career of Vertannes, who wraps up 44 years in air cargo this month. Vertannes' leadership and passion for the industry will be difficult to replace. During his four years with IATA he has been a catalyst for many industry initiatives, most notably the drive to go paperless.

While he leaves air cargo during a period of major challenges for the industry, Vertannes believes better days are ahead as the industry continues to evolve. There will be major changes to be sure, but the self-described natural optimist is convinced that air cargo will have a prosperous future.

"I believe many airlines around the world and their CEOs will begin to take a positive look at cargo's contribution in respect to their prosperity and success," Vertannes tells Air Cargo World. "I expect we will see some vertical integration between the carriers and forwarders as well. I can see some quite dramatic changes in the third decade of the 21st century."

As of late May, IATA had not named Des' replacement, although IATA head Tony Tyler told a CNS audience on May 7 that the successor would be named "soon."

Whoever the choice is, the new IATA cargo chief will have big shoes to fill.



John W. McCurry
Editor

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The backbone of Panalpina's Own Controlled Network are two B747-8 freighters that it leases on an ACMI basis from Atlas Air. The aircraft make direct calls at 10 airports.

Panalpina driven by network integrity

Forwarder Panalpina is doing what many airlines now appear unable to do: operate a successful global freighter network.

The backbone of the Swiss company's so-named Own Controlled Network is two B747-8 freighters that it leases on an ACMI basis from Atlas Air. The aircraft are used to make direct calls at 10 airports with a network that now truly encircles the globe. Further MD-11F capacity is chartered to extend the network reach into Africa. The Own Controlled Network now accounts for up to 15 percent of Panalpina's air-freight movements each year.

Remarkably perhaps, it remains the only global service provider with effectively its own in-house carrier. The seeds of that creation were sown back in 1990 when Panalpina launched its Dixie Jet freighter

service between Luxembourg and Huntsville, Ala., in the U.S. It was the first time a freight forwarding company had offered a scheduled cargo service between Europe and North America.

Today, that original Dixie Jet service remains an integral part of Panalpina's Own Controlled Network.

It is a network that extends from its home base in Luxembourg to Shanghai and Hong Kong in Asia, to Yerevan, Armenia; Abu Dhabi and Dammam, Saudi Arabia, in the Near and Middle East and west to Huntsville and Houston in the U.S., with add-ons to Mexico City and Guadalajara in Mexico with return flights across the North Atlantic calling at Stansted Airport in the UK. This typically east-to-west rotation does not preclude the fact that a transpacific sector is also included between Hong Kong and Huntsville.

"As a forwarder we can provide the trucking services they require, Customs brokerage and many other service options the airlines cannot offer."

— Matt Frey

In addition, Panalpina charters an MD-11 freighter, with an 80-tonne capacity, from Ethiopian Airlines, which flies every Sunday from Luxembourg to Pointe-Noire, Republic of Congo.

As the name implies, the single biggest benefit of the OCN is the control element, says Matt Frey, global head of OCN.

"This is no more clearly illustrated than when handling temperature-sensitive cargo for health care customers," Frey says. "They cannot accept or tolerate any temperature deviation of their product throughout its transit."

Having the OCN in place, he says, ensures that Panalpina is in total control of a shipment on one of its freighter trade lanes during the entire process.

Dubbed "cool planes," both the Boeing 747-8F aircraft run by Panalpina include temperature-controlled shipping technology. Additionally, both the Huntsville and Luxembourg gateways have dedicated temperature-controlled storage areas.

"As a result of the ability to offer this kind of tight control and monitoring means, that 25 percent of traf-

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fic on the OCN freighters between Luxembourg and Huntsville is pharmaceutical products requiring temperature-controlled shipping,” Frey says.

A review of the make-up of Panalpina’s OCN route map lays clue to the type of cargo Panalpina is moving on its in-house network. Points such as Houston, Yerevan, Abu Dhabi, Dammam and Pointe-Noire are largely predicated to moving oil and gas equipment. The two points in Mexico service auto parts moving out of Europe, with return flights mostly made up of perishables offloaded at Stansted in the UK. Flights from Shanghai and Hong Kong are dedicated to high-tech goods moving to the U.S. and for beyond shipment to Latin America.

“Panalpina not only controls aircraft on specific routes, but the company also designs and oversees processes on the ground as well, ensuring the best possible control from door to door,” Frey says. “The dedicated network also enables Panalpina to route some of its flights to suit a particular clients requirements, if the cargo volume is large enough.”

But how is the Panalpina OCN overcoming the shortfalls that appear to besetting some mainstream carriers, who are now either diluting or backing away entirely from full freighter operations?

“The airlines are only able to offer point-to-point service mostly between major gateways,” Frey says. “This is not enough for many shippers today.”

He argues that shippers more and more want their shipments to be under the control of a single service pro-

vider and not a myriad of add-ons.

“As a forwarder, we can provide the trucking services they require, Customs brokerage and many other service options the airlines cannot offer,” Frey says. “Today, service levels are about delivering the final mile.”

It may be an interesting contrast, but IAG Cargo, with its recent decision to dispense of its long-haul freighter operations, returned its three leased Atlas Air B747-8Fs, while Panalpina more successfully, it would appear, continues to operate its two Atlas Air aircraft.

Frey declines to comment on whether or not Panalpina was offered any additional B747-8F capacity at short notice by Atlas Air in recent weeks.

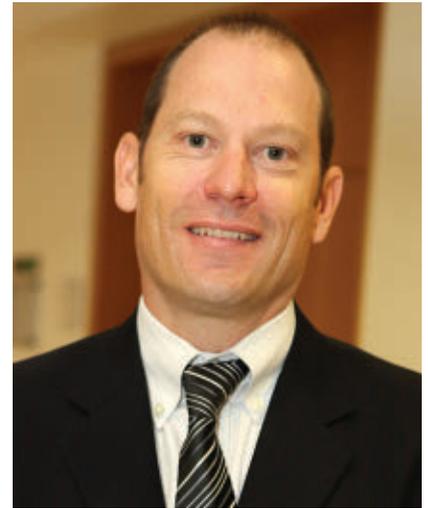
“We are constantly reviewing our network and capacity requirements,” he says. “But for the moment, we will retain the current operation with two B747-8Fs.”

It is a comment that points to the ethos behind the OCN.

“Integrity of the network is everything to us,” Frey says. “We will never overcommit ourselves, if it means threatening our service levels, that I think is proven by our 90 percent on-time performance.”

Panalpina has proved that point by reining in its B747-8Fs when it felt it was over-reaching itself. At one stage, it flew its B747-8Fs beyond Huntsville to Sao Paulo, but it was a stretch too far and threatened the integrity of the rest of the network.

Similarly, the OCN extension into West Africa was proving a difficult fulfillment. So Panalpina chose to



Matt Frey

withdraw its B747-8F capacity and instead, opt to charter an MD-11F aircraft from Ethiopian Airlines in order to maintain its commitment to that market.

In point of fact, the weekly service to Pointe-Noire serves as a good illustration of Panalpina’s dedication in going the final mile on behalf of its customers.

In this case, it is servicing the oil and gas industry with a new transit warehouse in Pointe-Noire. From there, cargo is transferred by a Panalpina-operated cargo ship to customers along the West African coast or by a designated trucking service to neighboring Cabinda, Angola.

“The airfreight element will often only represent one-third of a shipment’s transit,” Frey says. “But if we can also control that element, we really can act as a full-service provider.” **ACW**

Cargolux sees tonnage, revenue growth in 2013

Cargolux recorded tonnage growth for 2013 of 16.7 percent year over year, moving 753,848 tonnes.

The shareholders of Cargolux approved the audited financial

statements in the airline’s annual general meeting in May.

Total revenues for 2013 grew by 14.4 percent to US\$1,988.5 million (1,435.1 million euros), while tonne-kilometers flown increased from 4.8

million in 2012 to 5.7 million in 2013.

Cargolux operated 95,022 block hours, 13,364 hours more than planned for 2013. The high amount of operational activity contributed toward achieving a net consolidated

gain of US\$8.4 million (6 million euros).

Cargolux expanded its fleet with three new Boeing 747-8Fs and retained, on a power-by-the-hour basis, a Boeing 747-400F that was initially planned to exit the fleet during 2013. It also added a Boeing 747-400ERF on the same basis, which brought the fleet to 20 aircraft at the end of the year.

With a bigger fleet and more operational activity than planned, Cargolux recorded an average



Cargolux hopes to expand its global network.

daily aircraft utilization of 14:57 hours. The company's market share

reached 3.5 percent.

"We don't expect market conditions to improve significantly in 2014," Cargolux president and CEO Dirk Reich said. "Our priority is to grow and expand our global network with the continued support and valuable contribution of our hard-working employees while focusing on efficiency and performance improvements. I am also confident in our ability to reap the first tangible rewards

from the cooperation with our new shareholder, HNCA." **ACW**

Heathrow plans to double cargo capacity

Heathrow announced on May 13 an updated plan to expand the airport, including doubling cargo capacity to improve UK export competitiveness.

Heathrow already moves 65 percent of the UK's 400 billion pound (US\$673.4 billion) freight exports.

The plan is meant to create more than 100,000 new jobs and at least 100 billion pounds (US\$168.3 billion) of UK economic benefits.

Heathrow's revised expansion plans will be reviewed by the Airports Commission.

"Expansion at Heathrow matters to the whole country. Only Heathrow will connect all of the UK to fast-growing international markets. The plans we are submitting to the Airports Commission demonstrate major economic benefits from a third runway for the whole of the UK," John Holland-Kaye, development director and chief executive designate of Heathrow, said.

The Freight Transport Association (FTA) said this was good news for freight. Heathrow's announcement echoed the recently published FTA-commissioned document "Sky High Value," which detailed the importance of air cargo to the UK economy.



London's Heathrow Airport hopes to move forward with a third runway. Airfreight accounts for nearly 40 percent of UK imports and exports by value.

"The plans outlined by Heathrow are very much welcomed by FTA and echo the findings in our own recent report," Chris Welsh, FTA's director of global and European policy, said. "We have previously stated that it is imperative that the UK has a single airfreight hub, and that Heathrow fulfills that role. It is an essential hub of connectivity for passengers and freight, bringing together huge resource, expertise and opportunity in one place."

FTA found that airfreight accounts

for nearly 40 percent of UK imports and exports by value and employs 39,000 people, most clustered around Heathrow.

"Heathrow is the UK's main airport hub, but is currently operating at 98 percent capacity and needs to be able to expand to meet the needs of industry," Welsh said. "It is a critical hub for air cargo, offering 191 destinations; it moves 1.5 million tonnes of freight and is vital for UK connectivity to its main overseas markets." **ACW**



Emirates SkyCargo is adding freighter service to Mexico City and Atlanta.

“Both cities are major cargo destinations, with Mexico City being one of the largest manufacturing hubs in Latin America.”

— Nabil Sultan

Emirates expands in North America, Doha’s new airport ramps up

Emirates SkyCargo recently expanded its freighter network in North America by adding Mexico City and Atlanta to its flight schedule.

The once-a-week service to Mexico City starts in Dubai with a stop en route to Frankfurt, while on the way back the flight makes a scheduled stop in Houston and Copenhagen before heading back to Dubai. The freighter service to Hartsfield-Jackson Atlanta International Airport from Dubai, which is also a weekly service, has a scheduled stop in Frankfurt and on the return leg stops at Copenhagen.

Emirates uses its Boeing 777 freighter on both routes. It is capable of carrying 103 tonnes of cargo.

“The recent introduction of freighter services to Mexico City and Atlanta is part of Emirates SkyCar-

go’s continued expansion of our route network to offer customers new trade and business opportunities across the world,” says Nabil Sultan, Emirates divisional senior vice president, cargo. “Both cities are major cargo destinations, with Mexico City being one of the largest manufacturing hubs in Latin America, while Atlanta ranks tenth among North American airports in terms of cargo volume.”

Imports into Mexico City include general cargo, pharmaceuticals, textiles, apparel, machinery and electronic parts, with its exports being mainly general cargo, pharmaceuticals, automotive and ship parts. Goods moving into Atlanta are mainly general cargo, textiles, apparel, footwear and leather goods, while its exports across the Emirates network include general cargo, construction equipment, machinery, electrical and

electronic equipment and products.

Emirates SkyCargo has a fleet of 12 freighters, 10 Boeing 777 Fs and two Boeing 747-400 ERFs. The fleet began operating from its new cargo terminal at Dubai World Central’s Al Maktoum International Airport on May 1.

Qatar’s new US\$17 billion (12.4 billion euro) Hamad International Airport (HIA) ramped up its cargo service in late May as it moved toward a much-delayed opening.

Cargolux and Etihad Airways moved their cargo operations from Doha International Airport (DIA) to HIA on May 20 and May 18, respectively.

Located in the midfield area, HIA’s cargo terminal will be capable of simultaneously handling 5,700 shipments and up to 1.4 million tonnes of cargo annually. Upon completion of the second terminal, capacity for processing will increase to 2.5 million tonnes of cargo, making it almost the largest cargo terminal in the world. The two-floor cargo facility incorporates warehouse spaces, automated systems/retrieval systems mezzanine, offices and shops. The split-level facility covers 55,000 square meters (592,015 square feet), boasts 11 wide-body aircraft standing bays, 42 loading docks and 31 landside truck-loading facilities. The

facility, which incorporates advanced scanning technology, is being touted as one of the most sophisticated cargo terminals in the industry.

The airport and its cargo operations have been phased in over the past several months. A Qatar Airways Cargo shipment for Qatar Petroleum was the first shipment received at the new cargo facility last December. The facility has 75 percent more cargo capacity than DIA.

More than half of the 2,200 hectare airport site was built on land re-

claimed from the Arabian Gulf.

Qatar Airways recently announced that its second A380 aircraft will begin operations from Hamad International to Paris beginning July 3. The carrier's first A380 is set to begin operations to London-Heathrow effective June 17. Qatar Airways has a total of 13 A380 aircraft on order. **ACW**



Doha's new Hamad International Airport has one of the world's most advanced cargo facilities.

DHL relies on retail expansion in Africa

Retail expansion is key to DHL Express' Africa business strategy, said Sumesh Rahavendra, head of marketing for DHL Express, Sub Saharan Africa.

The recently released A.T Kearney African Retail Development Index further validated the company's plans as it ranked the top 10 countries in Sub-Saharan Africa for retail expansion and highlighted Rwanda, Nigeria, Namibia, Tanzania and Gabon as Africa's most attractive markets for retailers looking to expand.

Africa's middle class has tripled over the last 30 years, and the trajectory suggests that the African middle class will grow to 1.1 billion in 2060, making it the world's fastest growing continent, according to Deloitte.

This growth, coupled with the forecasted GDP growth of over 6 percent that the International Monetary Fund is predicting, drives the potential for retail growth on the continent significantly through increased purchasing power and consumer demand.

The growth of e-commerce and access to technology has further upended the traditional shopping experience for consumers.

"We are now in a position to directly relate growth in our retail

footprint to growth in our earnings, so we know the potential is huge," Rahavendra said.

According to the index, African retailers such as South Africa's Shoprite, which operates in more than 16 African countries, and Nakumatt, which is based in Kenya and has stores in neighboring Uganda, Rwanda, and Tanzania, have done most of the expansion, but global retailers are moving in. In 2011, Walmart acquired South Africa's Massmart, and it plans to open 90 supermarkets across Africa over the next three years.

DHL Express, who has a retail presence in over 2,400 outlets across Africa, will continue its expansion strategy in Africa in 2014.

"We have made great progress in making the global market and world at large more accessible and connected by increasing the number of points where customers can access DHL and our global network. This allows anyone – from a student to a small business – to access over 220 countries and destinations that



DHL Express has big expansion plans in Africa.

we serve," Rahavendra said.

Key retail markets for DHL are Nigeria, South Africa, Kenya, Tanzania, Uganda, Ghana, Senegal, Côte d'Ivoire, DRC, Zambia and Zimbabwe.

"Supply chains in Africa are more challenging than many other markets in the world," Rahavendra said. "The key to success is understanding these challenges in order to offset the risks versus the opportunity which the continent offers. This knowledge will allow retailers to service markets with a supply chain that is agile enough to respond quickly to sudden or unexpected changes, flexible enough to customize products and efficient enough to protect margins." **ACW**



Hawaiian Air Cargo says it has the highest cargo contribution among U.S. airlines. The carrier's share of the parent airline's overall revenues climbed to 3 percent in 2013.

Hawaiian expands in transpacific arena

Hawaiian Air Cargo does not appear to pay close attention to International Air Transport Association traffic statistics and forecasts. The Honolulu-based carrier has seen its cargo business grow 20 percent in the first quarter of this year, comfortably ahead of the modest growth that IATA registered for its worldwide members in the period.

“We have done better than anticipated,” says Tim Strauss, managing director of cargo. “We are probably full on 70 percent of our lanes from the U.S. and Asia.”

To be sure, his projections were somewhat above IATA predictions for the industry, coming after double-digit growth in past years. Hawaiian registered 33.7 percent growth in cargo revenues for the past year, following a 26.3 percent increase in 2012.

The respective average numbers for the major U.S. airlines – American Airlines, United, Delta, Alaska,

Southwest and Hawaiian – were declines of 5.3 percent in 2013 and 6 percent in 2012.

Strauss concedes that the likes of Delta and United have more cargo revenue in a month than Hawaiian generates in a year, but he emphasizes the share of overall revenues as a measure of cargo focus. He claims that of the abovementioned carriers, Hawaiian has the highest cargo contribution – higher than Alaska Air with its main-deck capacity. Hawaiian Air Cargo’s share of the parent airline’s overall revenues climbed from 2.3 percent in 2011 to 3 percent last year, while the collective average for these carriers went down from 2.6 to 2.1 percent over the period.

Hawaiian’s growth resembles more the momentum of the Middle Eastern airlines, and there are certain parallels, namely growth in transit cargo moving over its hub powered by fleet and network expansion. In recent years, Hawaiian has morphed from a carrier focused on intra-islands and

“We are probably full on 70 percent of our lanes from the U.S. and Asia.”

— Tim Strauss

U.S. mainland-Hawaii routes into a player in the transpacific arena.

This came on the back of a fleet overhaul that brought in A330-200s, which have been used to launch flights to points in Asia, Australia and New Zealand. The addition of Taipei, Taiwan, to the network last July turned the balance from a preponderance of U.S. destinations to a majority of international points served.

Auckland, New Zealand, has been another bright spot.

“We are the only U.S. carrier that flies direct to Auckland,” says Strauss, adding that he hopes the frequency can go up from three or four weekly flights to daily frequency. “Inbound, you can sell as much as you like.”

The expansion continues, with two more A330s due to enter service this year and another three in 2015. With all A330s in the fleet, Hawaiian will have 29 or 30 wide-bodies, and it has firm orders for six A350s, plus another six options. The first of the A350s is expected to come on board in 2017, provided Airbus manages to stick to its development schedule for the aircraft.

“We look to add more Asian points in 2014,” Strauss says.

Overall, he is pleased with the network additions of 2013, notably Beijing, the most recent destination on Hawaiian’s route map. Taipei worked well for cargo too, but passenger results were below expectations, leading to the suspension of that sector.

With only negligible origin and destination traffic in its home turf, Hawaiian focuses heavily on transit cargo. Traditionally, much of this has

been interline traffic, but the expansion of the carrier's international network has shifted the balance considerably. Strauss says interline cargo accounted for over 30 percent of the loads in Hawaiian's wide-bodies, but has since declined to about 5 percent. In revenue and volume terms, though, interline traffic has expanded, he adds.

To accommodate anticipated growth, the carrier is in the process of building a new cargo facility at its hub, which will not only boost over-

all capacity but also feature a larger cooler. Perishables are the largest segment among the commodities that Hawaiian hauls on its flights. The cargo facility is scheduled to come on stream at the start of the new year.

Not surprisingly, given the high emphasis on transit traffic, a large chunk of Hawaiian's cargo does not touch the building. About 60 percent of its traffic through Honolulu is transferred directly between planes. Besides cooperation with operations

ground staff on the passenger side, this requires good information flow. Strauss says the system is more than adequate, but he is looking forward to an improved IT platform. Hawaiian uses iCargo, which is currently undergoing a major upgrade.

"I see a lot of opportunities in the interline area," he says.

Hawaiian has registered a rise in interline traffic, which suggests an improvement in the market, as airlines usually fill their capacity on the direct routes first, he adds. **ACW**

Trading conditions dampen demand for Asian goods

Asia Pacific airlines recorded 55 percent less combined net earnings in 2013 year over year, according to preliminary figures from the Association of Asia Pacific Airlines (AAPA).

The airlines made US\$2.5 billion (1.7 million euros) in 2013 and US\$5.6 billion (4 million euros) in 2012. Profitability succumbed to widespread yield pressures arising from stiff market competition and lackluster air cargo demand.

Operating revenue for the region's carriers totaled US\$171.2 billion (123 billion euros), 2.1 percent less than in 2012. Cargo revenue declined by 4.6 percent to US\$20.2 billion (14.5 billion euros), caused by persistently soft global trading conditions that in turn affected demand for airfreighted goods manufactured in Asia.

During 2013, international air cargo traffic, measured in freight tonne kilometers, saw a 1.2 percent decline.

"Overall, Asia Pacific airlines faced challenging conditions in 2013, and registered a net profit margin of just 1.5 percent, compared with the 3.2 percent margin achieved in 2012," Andrew Herdman, AAPA director general, said. "Intense competition in both the passenger and air cargo business segments led to pressure on

fares, and weaker Asian currencies adversely affected costs, even more so for airlines with significant exposure to foreign denominated debt."

Combined operating expenses edged 0.4 percent higher, with lower fuel expenditure partially mitigating the effects of higher non-fuel costs. The region's fuel bill came to US\$59.9 billion (43 billion euros), 3.2 percent lower than in 2012, with a corresponding decline in average jet fuel prices to US\$123 (88.43 euros) per barrel for the year.



Andrew Herdman

"Asian carriers are still facing a difficult operating environment marked by continued market competition and volatile currency markets."

— Andrew Herdman

Consequently, the share of fuel expenditure as a percentage of total costs declined by 1.3 percentage points to 35.8 percent in 2013. Non-fuel expenditure increased by 2.5 percent, due to higher depreciation and staff costs.

"Asian carriers are still facing a difficult operating environment marked by continued market com-

petition and volatile currency markets," Herdman said. "The focus for airlines remains firmly on strict cost controls and further productivity improvements. Overall, however, prospects for a further pick-up in the global economy and expectations of a cyclical upswing in international trade should give some grounds for optimism." **ACW**



China Airlines price-fixing lawsuit continues

With an additional recent partial settlement with China Airlines, Ltd. of US\$90 million (65 million euros), plaintiffs have now recovered more than US\$835 million (602 million euros) in settlements to date to compensate victims of a global conspiracy to inflate prices of airfreight shipping services, according to law firm Robins, Kaplan, Miller & Ciresi L.L.P.

These partial settlements resolve a nearly decade long case against dozens of major airfreight carriers around the globe. The plaintiffs' case against the remaining defendants continues. Of these settlements, more than US\$475 million (342 million euros) has already received final approval by the court.

This most recent settlement follows several additional settlements obtained by the plaintiffs on the heels of a class certification hearing at the end of 2013 in the federal U.S.



Plaintiffs have now recovered more than US\$835 million in settlements to date to compensate victims of the price-fixing of China Airlines' airfreight shipping services.

Eastern District of New York. The parties are awaiting the court's decision on class certification.

In separate criminal probes, 21 air cargo carriers have pleaded guilty to participation in the conspiracy and agreed to criminal fines in excess of US\$1.8 billion (1.2 billion euros).

"We're very pleased with this development, as it brings additional

compensation to the many thousands of businesses harmed by this global conspiracy to inflate prices for air shipping services," said Hollis Salzman, co-lead counsel for the plaintiffs and Robins, Kaplan, Miller & Ciresi L.L.P. in New York.

Robins, Kaplan, Miller & Ciresi L.L.P. attorney Meegan Hollywood also represents the plaintiffs. **ACW**

Transshipments drive Hong Kong's cargo growth

Hong Kong International Airport (HKIA)'s cargo in April grew by 6 percent year over year to 362,000 tonnes.

Continued growth in cargo throughput was driven mainly by transshipments, which were up 18 percent from a year ago. During the month, cargo throughput to and from Mainland China improved most significantly compared to other key regions.

"If we combine the traffic figures for March and April to even out the effects of the Easter holidays, we see strong year-on-year increases in passenger volume (6.2 percent), cargo tonnage (8.2 percent) and flight movements (6.6 percent)," Stanley Hui Hon-chung, CEO of Airport Authority Hong Kong, said.



Hong Kong Airport handled 1.4 million tonnes of cargo in the first four months of 2014.

For the first four months of 2014, HKIA handled 1.4 million tonnes of cargo and 126,595 flight movements, registering year-over-year growth of 5.6 percent and 6.3 percent, respectively.

On a rolling 12-month basis, cargo tonnage increased 3.6 percent to 4.2 million tonnes over the same period last year. The airport handled 379,600 flight movements during the period, up 6.5 percent. **ACW**



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Hamilton International Airport is building a cargo warehouse slated to open in 2015.

Despite stagnated cargo, Ontario airport looks ahead

By Adina Solomon

asolomon@aircargoworld.com

Some in city hall expressed concern that Hamilton International Airport's cargo billable weight was down.

The airport in Hamilton, the third most populous city in Ontario, Canada, saw a slump of 2.5 percent in 2013 compared to the previous year. Meanwhile, Hamilton International is building a cargo warehouse slated to open in June 2015. It will cost CA\$12 million (US\$11 million).

After blaming the freight dip in 2013 on the economy – the perennial explanation – Frank Scremin, president and CEO of Hamilton International Airport, tells *Air Cargo World* that the drop in cargo billable weight is a sign.

"I think that really highlights the fact to look for other opportunities to continue to grow our business, so that makes this warehouse even more critical for us," Scremin says.

Hamilton Airport has a strong presence in the overnight, integrated courier segment. It is a gateway for DHL, UPS, Cargojet and Purolator. In 2013, the airport moved 76,000 tonnes of cargo.

Manufacturing is the most important industry in Hamilton, and it is the largest steel-manufacturing city in Canada, producing about 60 percent of all steel used in the country, according to an economic impact study released by the airport in April. Health care is also an important industry in Hamilton.

Scremin says right now, all of the cargo warehouses at the airport are proprietary, meaning each company has its own warehouse.

"In our discussions with forwarders and shippers, one of the big gaps that always comes up is there's no common-use cargo handling facility in Hamilton that I can utilize if I

want to move a load of livestock, of cattle, or if I want to consolidate a shipment and put it on a carrier, or if I have a shipment of perishable products and I want to get them off the aircraft," he says. "Not having any type of common-use infrastructure for us has been, we believe, a bit of a barrier in terms of being able to attract other business opportunities, and that's the gap this warehouse is going to fill for us."

One-third of the funding for the facility came from the Canadian

"Not having any type of common-use infrastructure for us has been, we believe, a bit of a barrier."

— Frank Scremin

federal government. Another third was on the Ontario government's tab, and the last third came from TradePort, a company that operates the airport in a contract with the city of Hamilton.

Half of the 70,000-square-foot (6,503-square-meter) cargo warehouse will be leased to Cargojet as an anchor tenant. Addressing the lack of a perishable handling facility at the airport, part of the new warehouse will also have refrigeration.

Airfreight is a big employment driver at the airport. Air cargo couriers, carriers and integrators provided 70 percent of direct full-time employment at the airport in 2013, according to the economic impact study.

Hamilton Airport is focused on cargo growth. Scremin says courier

freight drives cargo volumes, so the airport hasn't really tapped into the international freight market, meaning opportunities abound there, especially in niche markets such as perishables, flowers and pharmaceuticals.

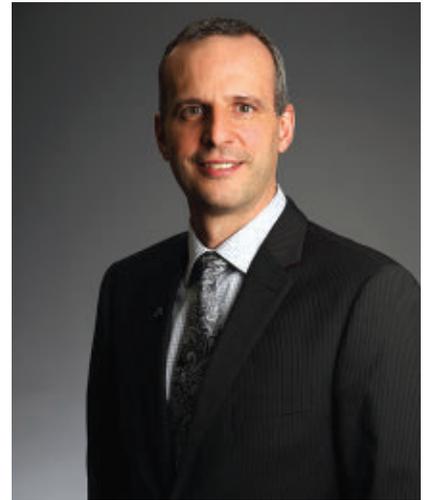
"It presents an excellent opportunity for us to continue to generate jobs and economic activity for the surrounding area," he says.

In 2013, more than 2,700 jobs were created through airport activity, according to Hamilton International. There was also CA\$218 million (US\$200 million) in direct financial benefit to the city of Hamilton.

"If we can continue to build the business, it only opens up the opportunity to add to that," Scremin says.

The city of Hamilton has also undertaken a rezoning study to rezone about 555 hectares of land surrounding the airport from agriculture to commercial industrial. It's called the Airport Employment Growth District.

"For us, that again creates the opportunity to attract logistics organizations, advance manufacturing, all those types of companies that benefit from being close to good transportation infrastructure," Scremin says. **ACW**



Frank Scremin

Boeing, Embraer to open biofuel research center

Boeing and aerospace conglomerate Embraer S.A. will open a joint research center to advance a sustainable aviation biofuel industry in Brazil.

The two companies will perform joint biofuel research, as well as fund and coordinate research with Brazilian universities and other institutions. The research will focus on technologies that address gaps in a supply chain for sustainable aviation biofuel in Brazil, such as feedstock production and processing technologies.

"Boeing is working aggressively around the world to expand the supply of sustainable aviation biofuel and reduce aviation's carbon emissions," said Julie Felgar, managing director of environmental strategy and integration, Boeing Commercial Airplanes. "With our joint biofuel research center, Boeing and Embraer are making a strong commitment toward a successful, sustainable aviation biofuel industry in Brazil."

The companies' biofuel research center will be located in Sao Jose dos Campos Technology Park.

"Embraer is committed in supporting the development of sustainable biofuels for aviation, and the joint ef-



"Boeing is working aggressively around the world to expand the supply of sustainable aviation biofuel and reduce aviation's carbon emissions." — Julie Felgar

forts with Boeing will undoubtedly contribute to the company continuing to be in the forefront of research in this area," said Mauro Kern, executive vice president, engineering and technology, Embraer. "Brazil has tradition in the area of alternative fuels and enormous potential yet to be explored in bioenergy research."

When produced sustainably, aviation biofuel emits 50 to 80

percent lower carbon emissions through its lifecycle than petroleum jet fuel.

"Boeing and Embraer have a tremendous opportunity to work together to enhance Brazil's aviation biofuel capabilities, as well as the global industry's access to aviation biofuel," said Al Bryant, vice president, Boeing Research & Technology-Brazil. **ACW**



MIA freight blooms on flower power

Total freight at Miami International Airport grew by 2.2 percent in the first quarter of 2014 year over year.

The first quarter saw more than 500,000 tonnes of air cargo.

International freight shipments increased by 3.3 percent, a number buoyed by the annual influx of Valentine's Day flowers that arrive at MIA on their way from the growing regions of Latin America to destinations across the U.S. In all, U.S. Customs and Border protection estimates that 398.5 million stems of cut flowers arrived at MIA between Jan. 27 and Feb. 14. Annually, more than 91 percent of all flower imports to the U.S. come through MIA.

The uptick in international freight offset a 5.2-percent dip in domestic freight, which accounted for just 12.5 percent of the total freight tonnage.

Meanwhile, total passenger traffic at MIA grew by 1.4 percent in the first quarter of 2014.



Miami International Airport saw more than 500,000 tonnes of cargo in the first quarter of 2014. International freight shipments increased by 3.3 percent.

"The positive momentum that carried MIA through 2013 has continued right into 2014, and we're very excited for what's to come, whether it's on the passenger or freight side of the business," Emilio T. González, Miami-Dade aviation director, said.

"The many stories behind these statistics – new jobs for locals, new investment in our community and increased global access for residents and visitors alike – are every bit as important as the numbers themselves." **ACW**

DHL starts helicopter service to avoid traffic

DHL started flying a helicopter for early morning delivery services for several major banking customers in the downtown Los Angeles area.

DHL Express introduced the helicopter service into its Los Angeles operation as a way to guarantee 9 a.m. delivery service, regardless of traffic bottlenecks. Used by specific financial services customers, this service will expand to include additional customers in the Los Angeles area.

"DHL is always looking for innovative ways to move our customers' shipments with the greatest speed and reliability," said Mike Parra, CEO of DHL Express U.S.

International shipments arrive at the DHL Los Angeles Airport gate-



DHL Express' helicopter service guarantees 9 a.m. delivery service, despite traffic.

way, with specific packages transported by helicopter to a dedicated heliport in downtown Los Angeles. A DHL courier meets the helicopter and provides the final-mile deliveries.

The DHL helicopter, a "Twinstar" Eurocopter AS355, is operated for

DHL by Helinet of Van Nuys, California and can transport up to 800 pounds of letters and packages.

A DHL helicopter service is also used in New York, providing lifts from the DHL JFK gateway to U.S. bank headquarters and federal bank locations. **ACW**

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The growth of GSSAs in the U.S. has not kept pace with Europe and Asia. Jens Tubbesing of Airline Network Services says the GSSA model is slightly different in the U.S. and not as developed overall as in Europe. Costs are higher compared to parts of Europe.

U.S. slow to embrace GSSA business model But global growth has been rapid

By John W. McCurry
jmccurry@aircargoworld.com

The U.S. air cargo sector has been slow to adopt the use of general sales agencies (GSAs) and general service and sales agencies (GSSAs) compared to Europe and Asia. However, the market is getting larger with some firms going the acquisition route and others growing organically.

Jens Tubbesing, CEO of Airline Network Services (ANS), which operates solely in the U.S., says the last few years have proven challenging.

“Rates go down and margins go down, and that generally reduces your income levels,” Tubbesing says. “The rate decline has been pretty solid for the past 18 to 24 months.

Companies need to have a diversified carrier portfolio to make the best out of a difficult situation.”

The ongoing capacity glut is another challenge.

“You have a combination of new and more efficient aircraft entering the market and airlines aggressively adding routes and lanes,” Tubbesing says. “That’s happening everywhere in the world, but certainly in North America. There are also more seasonal carriers coming in, and you don’t have demand that comes close to it.”

Tubbesing says the GSSA model has always been slightly different in the U.S. and not as developed overall as in Europe. He says costs are

higher compared to parts of Europe.

“The model is certainly evolving, but are we at the European stage? No. The infrastructure in the U.S. needs to be significantly greater,” he says. “Carriers are looking for national partners, not just a regional partner. Changes are coming, but in general, the model here has always been slightly different because you traditionally have fewer flights.”

The economic challenges notwithstanding, Tubbesing says he feels good about the second half of 2014.

“I am actually cautiously optimistic. The first quarter was good, and rate levels were competitive. There has been an uptick in certain parts of the economy. This year will certainly

seven offices in the U.S. and employs 56, about 10 percent of its global workforce. Its U.S. headquarters is in Miami. It represents 13 carriers of various sizes in the U.S. Globally, it operates in 21 countries with 4,300 customers.

“For us, the U.S. is a huge market obviously, and it’s one where we see opportunities, not only for the bigger carriers, but also for the medium and small carriers looking for total representation and transparency,” Hawkett says. “We have seen some growth here in the last six months with our current portfolio of carriers and some new ones which we have added.”

The GSSA business has also had to deal with industry consolidation, both with forwarders and airlines.

“That has been a concern, but I think we have come out the other side with that,” Hawkett says. “The world has gotten smaller, but certainly in terms of Africa, the Far East and the U.S., there have been some huge opportunities over the last two to three years. In terms of the negative, yields are under still under great strain. There are no two ways about it.”

Hawkett has a positive outlook for the second half of 2014.

“We bring the French attitude of being an eternal optimist regarding what happens in the market,” Hawkett says. “There is freight out there, and it’s a matter of how you look after it and what you do with it.”

In terms of products being shipped, Hawkett says ECS clients have seen recent growth in perishable, pharmaceuticals and machinery parts.

“We see Africa as a strong growth area with a mix of everything. We’ve seen big growth in Europe over the past nine months,” he says.

Hawkett notes that ECS is keeping a watchful eye on developments in Ukraine since Ukraine International Airlines is one of its new customers.

Some firms in the business consider themselves to be general sales agencies (GSAs) only. Others go for the full general service and sales agencies (GSSAs) description and there are some who are both, depending on the locations. Stephen Dawkins, chief operating officer for UK-based Air Logistics Group, says more airlines are now looking at or-



Stephen Dawkins

ganizations where the second “S” is important.

“The service bit is absolutely critical,” Dawkins says.

GSSAs handle more than 20 percent of the world’s cargo business, but Dawkins says the figure in the U.S. is probably less than 5 percent.

“The U.S. is in an infancy role in the U.S. because it’s so big,” Dawkins says. “We’ve been in the U.S. for 11 years, and it’s a challenge because



GSSAs handle more than 20 percent of the world’s cargo business., but Stephen Dawkins of Air Logistis Group says the figure in the U.S. is probably less than 5 percent. He says the market in the U.S. for air exports has declined each of the past three years.

the margins are very slim.”

Air Logistics Group operates in seven U.S. locations. Dawkins says the market in the U.S. for air exports has declined each of the past three years. While the airlines are seeing growth, it’s being overshadowed by new capacity arriving in the marketplace, he says.

Air Logistics Group has been growing largely through acquisitions over the past few years. Dawkins says the company has seven deals ready to close over the next several months, two of which are in the U.S., two in Europe and three in Asia.

“The expectation from our shareholders in 2012 was that we would double our business within four years, and you can only do that with acquisitions,” Dawkins says. “We normally do about five per year.”

Dawkins says Air Logistics Group has invested heavily in IT over the last eight years to create one global

platform.

“You have to become a worldwide player to give an airline what it needs.”

Dawkins believes the GSSA model will grow significantly around the world over the next several years.

“We anticipate in the next five years that the outsourcing part will grow from 20 percent to 35 percent,” he says. “It’s a natural progression.”

Dawkins says ongoing shifts in the global economy will change the direction of airfreight.

“The world economy is coming out of the recession,” he says. “The wealth is changing and the money, the consumable revenue, is in China. The people with money are in China, India and South America. Those countries are spending money on regional scenarios in double digits. They want products made in the U.S., U.K. or Japan. There are huge amounts of capacity flying into India



Jens Tubbesing

and to South America. The Middle Eastern carriers are flying in there. All these markets are now becoming available for retailers to sell products to. The world has completely changed, and airfreight is absolutely an integral part of that.” **ACW**

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AIR CARGO'S PASSIONATE VOICE CALLS IT A CAREER

Vertannes looks back over 44 years in industry

By John W. McCurry
jmccurry@aircargoworld.com

Des Vertannes, with his retirement as IATA's head of cargo in June, brings to a close a 44-year career in air cargo. He has become known as a passionate airfreight ambassador and an ardent catalyst for the movement toward a paperless industry.

Vertannes began his career with British Airways in 1970, holding several management positions across 14 years. In 1984, he established his own forwarding business before joining Air Canada as general manager, cargo, in 1991. He subsequently was chief executive with Air Menzies International, was managing director at Menzies World Cargo and was head of cargo at Gulf Air and Etihad. He joined IATA four years ago.

As he looks back over 44 years in the business, it's no surprise that the personable Vertannes says what he will miss most is the people of air cargo.

"Certainly, the people I have worked with at the six companies I have worked for have been an influential part of my life," Vertannes says. "I've been fortunate to have been able to work in different parts of the world and make contributions within the industry."

Vertannes embraced innovation throughout his career and in recent years became perhaps the industry's biggest catalyst for going paperless. He says it's a bigger challenge than most people think, but he is convinced the industry will get there in a few years.

"I have always felt very passionate about the industry and its need to serve its principal customers," Vertannes says. "My view is that the need to innovate and evolve has always been there. I think when I look at the paperless aspirations, it's one small component of the need for the industry to redefine its value proposition. I am extremely motivated by the fact it needs to achieve the goal. A lot of people do not understand why it has taken so long to get here. The sheer complexity of the paperless aspiration with the architecture and infrastructure the industry has in place today – I would love to see it escalated and accelerated. I believe we will see that in the months and years ahead."

Looking into his crystal ball, Vertannes believes there will be much more interaction along the industry's chain with airlines, forwarders, GSSAs and handlers working in partnership, as they never have before. He also believes his proposal to peel 48 hours off transit times is achievable as the industry embraces more cohesive data transfer procedures.

The industry's myriad challenges notwithstanding, Vertannes sees a bright future.

"I have always been an optimist, a natural optimist, about the industry. I really believe that given how I see world trade and the need for extended world trade with a growing population, particularly the growing population within what I call the megacities of this world and an increasing urban population, I believe air cargo will have a very prosperous future. You cannot sustain life in the big urban cities without very good air cargo service. I also believe airports will wake up to importance of air cargo and we will see far greater investments in facilities in the decades to come."

Is there a chance of Vertannes returning to cargo down the road? Not in the near future, he says.

"I made a promise to the family that I will dedicate quite a bit of time to [my wife] Gloria and the children, and the expanding number of grandchildren coming my way. We had No. 6 in April and No. 7 is due in August. I would like to spend some quality time with my family. Who knows what the future brings? My immediate plans are to take a complete break." **ACW**



Vertannes speaks with delegates at Air Cargo India in 2010.

Des will be sorely missed by all those who shared paths with him throughout his illustrious career within the air cargo industry. While I did not have the privilege of working with him during his tenure at Air Canada Cargo, where he held the position of general manager cargo-Europe from 1995-1999, I still hear very positive comments from those he did lead at the time. Des' wonderful

leadership and deep understanding of our industry served to teach us and to lead us down the straight road. Always a good listener, solution-oriented and forever the perfect diplomat, he reassured and inspired us all. We will miss his gentle turn of phrase and good humor. I wish Des the very best for this well-deserved retirement. Over to us now to pursue the direction, which he has so clearly articulated for our industry.

— **Lise-Marie Turpin**, vice president, cargo, Air Canada

I've known Des for many years and always admired how he was one who dared to dream out loud, often stating what many of us in the industry felt but didn't dare speak. He inspired us to pursue those dreams and press for the many changes and initiatives we see materializing today.

We'll never replace Des, but hopefully he's spawned a whole new generation of dreamers who will continue to follow the vision.

As a relative "newbie" to cargo back in the early to mid-90s, I came from the passenger world very dependent on finding mentors and learning from the cargo veterans. Many were more than willing to impart their knowledge and experience about how things were done. Eventually, I had the opportunity to interact more with Des since he was our general manager for Europe based in the UK.

He made me see that we shouldn't limit ourselves to how things were done, but to let my imagination visualize how things could be done.

Aside from his ability to capture the imagination and inject his enthusiasm into a crowd of one or 1,000, anytime I ever sought advice from Des either during or after his time with Air Canada, he has always been there to provide his own very sincere advice and encouragement.

— **Michael Morey**, director, operational strategy for Air Canada Cargo

Photos contributed by Des Vertannes

Having known Des for over 20 years through football and business, there are a few descriptions that best align with my memories of him.

Great family man. Great competitor. Great humor. Great strength. Great character.

Des has been very supportive to the industry, his respective positions and more importantly to so many people within the industry. He is always available, shows great humility and is willing to help and go that extra mile or put in that extra effort.

The most valuable asset we all have as individuals is time. It cannot be borrowed, repeated or swapped. Des always manages to give you his time and to be genuine with its use and value.

In these days, it is easy to offer accolades and awards, but in the case of Des, he is truly one of this industry's great characters and valuable ambassadors. His wealth of experience and vision needs to be used beyond his departure, and his polite interaction on sensitive subjects is always welcomed and will be missed.

I am sure that from friends and family, colleagues and the industry community, Des will be missed but not forgotten, and his impact will continue to ripple towards many local and foreign shores within our world of cargo.

Well done, Des – good luck with the next chapters!

— **Chris Notter, veteran air cargo executive**

I am sure many words will be written re Des, mostly focusing on his great work in re-establishing IATA as a credible association that would have cargo as a core concern, not just a sideline to other things.

The industry has evolved and changed over the years, and Des was able to again focus everyone's attention on the fact that without cargo, many of the world's airlines would not be profitable on a high percentage of their routes. Change is always a difficult thing, and there were deep-rooted suspicions and even worse mistrust between the various players in the industry. Only Des could bring different industry groups and individuals together with his uncanny ability to charm, intelligently discuss and powers of persuasion. I can only hope that the industry listened to what he had to say for the past four years, because it will be a huge mistake if they didn't.

With his retirement, we lose another industry veteran with so much knowledge to share, and I can only hope that in retirement with his lovely family, he can still find some time to pass on some of that knowledge to the next generation. Being selfish, now that he has more time we can do some of those things together we never seemed to have time for while he was with IATA, but that is another story.

— **Stan Wraight, air cargo consultant**



Des Vertannes in his 2008 Etihad file photo.

knows the subject matter, people not only listen but are mesmerized by him, a true voice of the industry and friend.

— **John Batten, air cargo industry veteran**

I first met Des about 40 years ago in British European Airways, BEA, and we played football together in the Merchantman Team.

Des has been a man of the industry for many, many years, and his leadership at IATA has been exemplary. He brought them into the 21st century and engaged with all other partners in the industry that had never been done in IATA before, shippers councils, FIATA, ASA, WCO and countless others, to form true partnerships to take our business forward.

He will be deeply missed in the cargo industry, and I really hope that IATA chooses his replacement very carefully and very wisely and that person continues to engage with all parties to get our business back on track and growing again.

Losing people like Des, and Ram Menen, together so quickly makes us weaker in the short term.

— **David Ambridge, general manager, Bangkok Flight Services, cargo**

The air cargo industry bids farewell to somebody who contributed in so many ways to our progress. Des Vertannes, in his four years as head of cargo, IATA, led by example, motivating his team to use all the knowledge and expertise at their fingertips to establish a roadmap for air

Another icon bites the dust...

Des has been a roll-model to me along with Ram [Menen] throughout my time in the industry. In many respects, it feels like losing my dad and granddad. (I will leave it to you to work out who is who.)

Des inspires people and through his knowledge brings people along on a journey. He knows the industry and can elaborate upon it in a manner not many can. He is solid when he presents and as he

cargo, which the rest of us could incorporate in our own activities. He recognized that much of the slow progress of the past and the frustration, which had built up, was due to the naiveté of IATA communications, and the conviction of airline CEOs that a formula for paperless ticketing on the passenger side of the business could easily be transferred to the cargo side.

A man with the deep knowledge and experience of the cargo business like Des immediately saw that this ambition and confidence was misplaced, and that, as airlines are only in charge of one part of the supply chain, a cross-industry, joint effort with forwarders and others would be necessary to accomplish our goals. He set about building this coalition with his usual diplomacy and enthusiasm, and was instrumental in bringing about the GACAG steering committee. Above all, Des accomplished things by recognizing that we are in a people business, he showed respect and even humility in everything that he did, and I am far from the only one who has developed a deep, lasting friendship with him, built on mutual trust. He will be remembered for his hugs and quick hand or arm squeezes, literally the human touch that makes the difference. In his last official industry meeting, at CNS in San Antonio [in May], Des participated in the E-freight workshop, which was very well attended. Asked by the facilitator, Mike White, to share his take on the past four

years of endeavor to achieve paperless cargo processes, he launched into the most astonishing, confident, articulate, motivating speech that ever graced the air cargo industry, something to rival Martin Luther King's famous speech or the best efforts of Barack Obama. It is for such warm, intelligent words that I shall remember him, and no doubt countless others will join me in that assessment. I wish him all the best in his years of retirement in which his own family, parents, wife, children and grandchildren, will take center stage.

— **Oliver Evans, chief cargo officer, Swiss International Airlines**

In the twilight of his career, Des made personal sacrifices that resulted in significant cargo industry changes to which our industry will forever be indebted to him for, no more so that the industry's governing body taking cargo seriously and recognizing the contribution it makes to all airlines' bottom lines.

— **Stephen Dawkins, chief operating officer, Air Logistics Group**



Vertannes is pictured during his Air Canada years.



Hangzhou, the capital of Zhejiang Province in Eastern China, is home to a UPS health care facility.

China in transition

With its economic momentum showing signs of flagging, China has lost some of its luster, but Brian McCarthy is upbeat on the market potential he sees there in the coming years. The vice president of aircraft trading of Precision Aviation Solutions expects strong interest in converted B757-200 freighters, the core of his company's activities

"We see demand for a good 25 planes in this part of the world," says McCarthy, adding that the 757 freighter marks a good stepping stone for intra-China routes on which the volume is insufficient to sustain a wide-body freighter at this point.

Precision Aviation is in the process of completing an order for Air China Cargo, which signed up for four converted 757s last year. Two have already been delivered, and the third was due by early June, with the fourth scheduled to be handed over in August.

Air China, historically an operator of 747 freighters, has not used the 15-pallet freighters to haul its own cargo so far. They are flown for China Post, which uses them for overnight domestic line-haul of its soaring express parcel traffic, which is fueled by the rapid rise of e-commerce in China.

There were 2.6 billion express deliveries in the first quarter of this year, up 51.9 percent from the first three months in 2013, according to Xinhua News Agency. This generated revenues of US\$6.64 billion (4.7 billion euros) for express firms, 45.6 percent above last year's level. An estimated 85 percent of this volume moves on the ground, but this leaves

a considerable chunk of traffic to be flown between Chinese cities.

Hong Kong-based Kerry Logistics has tagged this traffic as a key focus for growth and is planning to set up an e-commerce platform in Hangzhou, China.

"Beijing wants to shore up the economy through domestic consumption, and e-commerce could facilitate this goal," Edwardo Erni, managing director for Mainland China operations, says.

China Southern Cargo is trying to tap directly into China's express bonanza with a premium service. Since its launch last year, A-Class Express has been extended to 14 cities across the country.

Titus Diu, COO of Air China Cargo, says the carrier may get more 757s, noting that the domestic express market is the only segment where it has seen growth in recent years. Now that staff members are familiar with them, he is looking to utilize the narrow-body freighters in the daytime to feed general cargo to Air China's long-haul wide-body network from points such as Chengdu or Chongqing, China.

"We have a strong foothold there. We can operate the 757s to Shanghai to feed our freighters," he says.

Demand for lift should not be a problem, but there are other challenges for a daytime operation. Airports such as Chengdu allow freighter flights only during the night, owing to congestion from passenger flights during the day, Diu notes.

China's air cargo market is in transition, with the economy having slowed down to 7.4 percent growth in the first quarter amidst predictions of further slowing in the months ahead. Low-end production has been

migrating to the interior or countries in Southeast Asia such as Vietnam or Myanmar. Electronics and textiles still dominate airfreight volumes. Aerospace is showing promise but has not generated significant traffic so far, one European carrier executive observes. One segment that is coming on strong is pharmaceuticals, he adds.

"Market demand has stabilized and is improving, but the rate is the worst in the past four or five years, so the bottom line is unchanged."

— Titus Diu

UPS sees promise there too. Last year, the integrator opened a 22,000-square-meter (236,806-square-foot) health care facility in Hangzhou, an emerging hub for this traffic.

To the relief of airlines, airfreight demand has picked up in recent months, but this has failed to improve their situation so far.

"Market demand has stabilized and is improving, but the rate is the worst in the past four or five years, so the bottom line is unchanged," Diu says.

"Our business out of China has been improving volume-wise. How-

“We are waiting for an acceleration in consumer spending in the U.S.”

— James Woodrow



The domestic express market is the only segment where Air China Cargo has seen growth in recent years, Titus Diu, COO of Air China Cargo, says.

ever, yields remain under pressure,” James Woodrow, director of cargo at Cathay Pacific, observes. “All freighter operators continue to suffer from the high fuel price and yields that are too low to cover a fully-costed operation.”

Shanghai, China’s premier air-freight gateway, suffered a slight decline of 0.3 percent in throughput last year to 2,928,527 metric tonnes, but business picked up in the first quarter. Handling firm Shanghai Pudong International Airport Cargo Terminal Co., Ltd. (PACTL) clocked up 14.4 percent growth in the first quarter to register its best result for the first quarter.

Predictably, the migration of manufacturing to the interior has brought new gateways to the fore, notably Zhengzhou, Chongqing and Chengdu. Xian is another promising candidate, thanks to the construction of a large manufacturing plant for Samsung, Diu notes. For the moment, this means large volumes of inbound cargo but no exports, which is the reverse of the situation at the three top contenders. Woodrow says inbound flows there are on the rise, but the imbalance is adding to the costs for carriers operating to these points.

Unlike their international rivals, the Chinese carriers have the advantage of being able to combine these points with other gateways on their long-haul freighter routes. Air China typically makes a stop on one of the three interior points en route between a

European destination and Shanghai.

The carrier has shed its 747-400BCFs as it brings in 777s and fielded the first three on its European sectors. Diu expresses huge satisfaction with the new type – not only because of its operating economics, but also because it has the range to bypass the interior points if output there is low, and fly direct between Shanghai and its European gateways in Frankfurt and Amsterdam.

When it got rid of its 747-400BCFs and got its first 777s, Air China whittled down its transpacific all-cargo routes to a mere six weekly frequencies, supplemented with belly capacity on the main passenger routes, while the new freighters plied the routes to Europe. With more 777s due to arrive, the airline is now working to get its U.S. extended range twin operations (ETOPS) approval to launch freighter flights to North America. Diu hopes to have this in the bag before the end of June to kick off flights in July.

The routing has yet to be determined. One big question mark is over the return leg to China. Given sluggish demand westbound across the Pacific and good volumes from Europe to China, Diu is examining the viability of going for a round-the-world routing.

Cathay has already ramped up its main-deck capacity to North America.

“We are waiting for an acceleration in consumer spending in the U.S. and the corporate re-investment that this will stimulate. We have

added frequency to Los Angeles and Chicago and also now service to Mexico City and Guadalajara three times per week. Transpacific is now serviced by a base schedule of 32 747-8 freighters per week,” Woodrow says.

Like Air China and Cathay, China Southern has moved to sideline its 747-400Fs and now relies on a fleet of eight 777Fs, with four more on order, which will come on stream in 2015. At this point, the carrier is boosting its transpacific lift with belly-hold capacity. In February, it mounted flights from Guangzhou to Vancouver with B787 equipment, and in July, it will deploy newly delivered B777-300ER aircraft on the Guangzhou-New York route.

The cargo division is tinkering with its portfolio.

“For our international products, we will extend our Equation and Variation-Pharma service gradually to more international routes,” a spokesperson for China Southern declares, adding that another focus is on the improvement of ULD transits at its home base.

Air China is tackling an overhaul of its product line-up, based on a new IT platform that was installed last September. This year, the focus is on the development of time-sensitive products, including a deferred service.

“Next year, we will spend time on the cold chain. Pharmaceutical traffic is showing strong growth in China,” Diu says. **ACW**



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Embry-Riddle Aeronautical University Worldwide offers undergraduate and graduate degrees that prepare students for careers in the air cargo industry. Embry-Riddle has more than 150 locations in the U.S. and abroad and also has online courses available.

The answer to air cargo's 'leadership crisis'

By Adina Solomon
asolomon@aircargoworld.com

One observer likens the air cargo industry to a village. As its longest-time residents retire and leave, empty spaces remain. New residents need to move to the village if it hopes to innovate.

"It's not a really big industry," Joost van Doesburg says. "The world air cargo industry is just a small village where people know each other, and that's really the positive aspect. But it's a global village, so we have many different cultures. It has a really international dynamic that I really like. It's about enabling trade."

Van Doesburg, the European Shippers' Council airfreight policy manager in Brussels, was a participant in the International Air Transport Association's Future Air Cargo Execu-

tive Summit (FACES) at the World Cargo Symposium in March. FACES is a program tailored for air cargo professionals under 35 years old who have the ambition to become a future executive – in other words, the exact people the airfreight industry is trying to attract.

Right now, air cargo does not attract younger employees as well as it should, says Jim Edgar, chairman of The International Air Cargo Association's (TIACA) education and research committee and Boeing's regional director cargo marketing.

"I think it's a very underestimated and underappreciated industry," Edgar says. "It's a tremendous contributor to our lifestyle that we enjoy and facilitating trade, and my experience is that the people that are involved in it, get it and are

very excited and very enthusiastic. And as a result, it has an unusually strong amount of longevity among its participants and executives. People tend to stick with it."

But the airfreight industry finds itself with a potential "leadership crisis," according to the results of a two-year research project focused on identifying educational needs for the next generation of air cargo managers. A task force led by TIACA, with active support from IATA and other industry organizations, published the results at the start of 2014.

The report stresses that without access to accredited educational programs, the air cargo industry faces the difficulty of equipping qualified talent and the loss of rising managers to other sectors or industries.



Aman Gupta

But the report's findings are a warning of what could be – not what is. It is up to the air cargo industry to act.

The hurdles to great air cargo leadership

“Retaining people is always a big challenge for any kind of industry, not just the air cargo industry,” says Aman Gupta, program chair for logistics and supply chain management at Embry-Riddle Aeronautical University worldwide campus.

Edgar says air cargo leaders have stayed in the industry a long time because airfreight was especially exciting a few decades ago. But because of that longevity, there were not as many opportunities for younger employees. That leaves few people to take the leaders' place as they now start to retire.

“It's a two-edged sword,” Edgar says. “The good news is that people stayed, and we had a tremendous amount of experience and longevity...The bad news is that didn't create as many opportunities as there should have been for other people to come along to take leadership roles.”

Ann Drake, CEO of DSC Logistics, is founder of Achieving Women's Excellence in Supply Chains Operations, Management and Education (AWESOME), an organization she

began in 2013 to help female executives in the supply chain industry, including air cargo, connect with one another.

Drake says fewer women may work in supply chain management because of a belief that people must possess physical strength to work in transportation.

“It didn't appeal to women, and women weren't seen as fitting into that environment. That's all changed now. That's all changed as it becomes much more sophisticated than it used to be,” she says.

Now, air cargo requires analytical, technical and engineering talent.

“It's not about working in a dusty air cargo warehouse,” Drake says.

Van Doesburg says the industry needs more women.

“Females are thinking in a different way, and thinking in a different way is really positive in an air car-



Joost van Doesburg

go world where everybody almost thinks the same,” he says.

Many interviewees say air cargo has an image problem that is affecting its prospects for leadership: People either aren't aware of airfreight or have the wrong idea of it.

“It's unfortunate that we haven't done as good a job as we should have in telling the air cargo story

and what it's contributed to globalization, to lowest cost producer, to multiple assembly processes and that type of thing,” Edgar says.

The common thread in the industry is that people began working in it by accident, says Mike Bonnett, Jet-Blue Cargo's manager of West Coast



Ann Drake

cargo operations in Seattle.

“Once people learn about the industry, they really love it, and once people get into it, I think everybody is really passionate about the industry,” says Bonnett, a participant of IATA's FACES program. “But I don't think the industry or the players within the industry do a really great job of getting the message out about what air cargo does and how it helps the economy and what the exciting opportunities are within air cargo.”

Freight transportation has a bad name, van Doesburg says, while air passenger transport has a great name.

“Everyone wants to work with an airline, but nobody wants to work with the freight part of an airline. I really think that both industries are as attractive for people, but due to this image of the airfreight part, a lot of talented people in the airlines, when they had the opportunity, they

went to the company with a better image, the passenger side,” he says. “Definitely in the past, many talented people went from freight to passengers – and this was a promotion.”

Gupta says air cargo doesn’t make itself appealing in terms of work culture in comparison to tech companies, which have beanbag chairs and bike programs in the office.

Nina Hampel, manager sales and customer service at LUG air cargo handling in Frankfurt, says air cargo is an exciting industry, but she also summarizes its problems. Hampel is a FACES participant.

“It is also a very conservative industry and very male-dominated. Many of the work practices are outmoded. It certainly has not arrived in the digital age yet, in contrast to the passenger aviation industry. It is still a paper-driven industry,” Hampel says. “The focus remains on manual processes and personal relationships.

This would be not critical if yields were not so poor and many participants were hemorrhaging cash. I firmly believe change is needed.”

How to ensure the future of airfreight

On a Thursday in May, 15 graduating students from St. Joseph High School in Connecticut visited freight forwarder BTX Global Logistics.

Their goal was to learn more about the industry.

BTX executives presented to the high school seniors, and afterward, the students split into smaller groups to create their own products, everything from LED screens to men’s shampoo.

Ultimately, the mock businesses were faced with the challenges of managing a supply chain. BTX led each group through the transportation process of getting their products manufactured, warehoused and finally shipped to market.



Mike Bonnett

“The air cargo industry is somewhat of an unknown to many – certainly to high school seniors just starting out on their own paths,” Ross Bacarella, president of BTX, says. “Pulling back the curtain on how air-



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freight winds its way through the supply chain of all business is exciting, even at this stage in their lives.”

This day teaching students about air cargo is an example of what many think the industry needs to thrive. It starts with finding the younger people who are interested in airfreight.

“Once people find it, they love it, but the question is are we finding the people that are really going to drive change within the business?” Bonnett says.

Bonnett mentions career fairs and development initiatives such as FACES. He also says colleges with similar logistics programs could partner in order to talk about how to develop air cargo into a curriculum.

The industry should not only appoint people to go to universities to promote air cargo, but also work on a standard textbook to use, van Doesburg says. Gupta says the air cargo industry should approach middle and

high schools, much like BTX does.

Air cargo companies also need to collaborate with universities more closely, he says, pointing out that technology companies already do so.

“They kind of work with universities to develop their curriculum in a manner that addresses their current and future needs, which is very powerful for me,” Gupta says.

TIACA identified that the air cargo industry requires soft skills such as planning and forecasting, Edgar says. So with that in mind, TIACA is holding a three-day workshop in Amsterdam in June for 20-25 students, who will range from first-level supervisors and managers to MBA students. Topics will include supply chain management, interpreting data and revenue management.

Edgar says TIACA wants to eventually develop that workshop into a three-year online certificate.

“This is kind of a new endeavor for



Nina Hampel

us,” he says.

Jennifer Haigh, strategic accounts manager at Morpho Detection in Boston and a FACES participant, says aviation-focused educational programs at universities rarely mention cargo. Offering a course in cargo operations would be helpful, Haigh says.

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Achieving Women's Excellence in Supply Chain Operations, Management and Education (AWESOME), an organization to connect female executives in the supply chain industry, held its first annual AWESOME Symposium in May 2013.

iversity is launching a joint program with IATA. Each organization will offer a few online courses for a certificate program in airfreight and air logistics, which is launching in June, Gupta says.

Education is one of the keys to workforce development.

Gupta says if air cargo companies offered opportunities such as sending employees to development programs, employees would feel that their company is ready to invest in them.

He also talks about free massive open online courses, saying some companies allow workers to take an hour or two a day to attend those classes and complete the assignments.

Drake exudes enthusiasm when she talks about AWESOME, which has a network of more than 500 women, and how it has helped female supply chain managers network.

Drake hopes AWESOME will offer mentorship opportunities and have a greater international reach in the future.

"I do believe supply chain is the field or industry or megatrend of the 21st century," she says. "I get really jazzed up when I think about what I can do with these incredible, talented women we're finding who are buried



Jennifer Haigh

in organizations, sort of on their own."

Hampel says the airfreight industry does not market itself effectively, adding that most businesses do not realize the importance of "employer branding."

"Very little is done to attract and develop young talent and promote gender diversity. Also, the further development of existing staff and career planning for junior managers is sorely neglected in many a company," she says. "There is an urgent need to invest more in people."



Jim Edgar

Attracting the next generation of leaders – and making sure they stay – will help the industry innovate. Van Doesburg says it falls upon the younger generation to change the industry. On average, people in air cargo are 50 years old, so they have been doing their job a certain way for a long time.

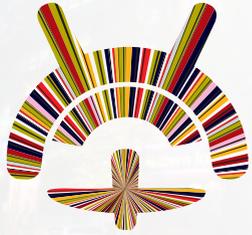
"We cannot really expect change from this group of people. They have done so much for our industry," he says. "It really depends on the younger generation." **ACW**



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The question of social media and air cargo

By Adina Solomon
asolomon@aircargoworld.com



The passenger side of aviation is well-known for its social media campaigns, rallying followers to share vacation photos in exchange for tickets and communicating with the public during crises.

But the cargo side still has a ways to go.

It remains unclear how many companies dealing in airfreight use social media, what people in the industry think of it and its usefulness in a business-to-business (B2B) environment.

Air Cargo World sent a survey to its readers asking for their take on social media in the airfreight industry, and 265 people — those with airlines, freight forwarders, airports, shippers and others — responded. Nearly 70 percent reported having 11 or more years of experience in airfreight logistics.

Having a social media presence is no longer a choice, says Silvia Cappelli, Swiss WorldCargo senior public relations and online communication executive.

“It is not any more an exception, but it has become the norm when it comes to communicating,” Cappelli says. “It cannot just be a nice-to-have but it’s really crucial in the communication mix because we have realized that communication is not one-way anymore, but it has become a two-way street.”

Nick Smith, investment director at Scottish Widows Investment Partnership (SWIP), deals with logistics warehouses at major UK airports, including London Heathrow Airport. Smith says he can only see social media use — such as Facebook, Twitter and LinkedIn — growing in the air-

freight industry.

“Wherever anybody is located globally, then it’s a great way of getting great market penetration and engagement,” he says. “Certainly being based in Edinburgh, that’s not necessarily the pinnacle of the air cargo world or anything, but through social media, we’re able to communicate with a very broad base of customers.”

Social media also can facilitate a global conversation, says Michael Sanfey, business development manager at Aer Lingus Cargo, Ireland’s flag carrier.

“We have a lot of things that we share in common, and both customers and suppliers in the different countries are facing the same issues, so certainly I think social media can allow people in different parts of the world to share those conversations and learn from each other’s mistakes, and things that have worked in one country will probably work in another country,” Sanfey says. “It’s a useful forum for people to engage with each other across long distances.”

Right now, passenger airlines use social media to a greater extent than their cargo counterparts.

“Some people have a different audience and a different customer base than we do, so you’re going to see them react more like AirAsia, where they’re dealing with more of a consumer population that is totally social media-driven,” explains Jennifer S. Torlone, Amerijet senior director, technology and information services. “Then there are some that are just business-to-business, and they’re going to be posting things that are somewhat different, more

like newsfeeds.”

Airlines manage their cargo and passenger social media in different ways. Some cargo carriers, such as Swiss WorldCargo, have their own social media accounts.

“The air cargo business is completely different,” Cappelli says. “It has a different target group.”

On the other hand, American Airlines, which used to have dedicated AA Cargo social media channels, decided in summer 2013 to merge AA Cargo with American Airlines on social media.

The airline did that because, as many in the industry lament, people generally aren’t aware of airfreight.

“We determined that the best strategy for us was to really look at building general cargo awareness among all of American’s customers utilizing all of our social media channels,” Matt Maynard, senior media relations representative at AA Cargo, says. “It’s a fun way to make it known that cargo exists and build that general awareness.”

In fact, some of AA’s cargo posts have ranked as the most popular, Maynard says.

Alfredo Roussos, business development manager at Leadership Freight Group in Sao Paulo, gives his reason for why companies aren’t using social media much.

“Maybe they don’t know how to do it or what kind of information would be interesting for the customers,”

Roussos says.

Whitney Starling, AA social media analyst, says avgeeks (a term for “aviation geeks”) make up much of the airline’s social media community, so they like to read little-publicized cargo information.

“I’m really trying to think of what would be particularly interesting to our audience and what would they find kind of special and unique for them to learn about,” Starling says.

Aer Lingus Cargo recently got its own LinkedIn presence separate from the passenger airline.

“I think part of our challenge is being able to create some meaningful content that people will want to come and look at and share,” Sanfey says.

Companies are still grasping how to use social media, which have traditionally been business-to-consumer, in a B2B environment such as air-freight.

“It’s a great way of promoting information, communicating extremely quickly,” Smith of SWIP says. “Certainly most industries now, in particular air cargo, are looking for innovation and quick communication and information.”

A survey respondent from a marketing company in Europe doubts the utility of social media.

“In a business-to-business environment, social media has little function — the cue is in the name ‘social’ media,” the respondent writes.

Sanfey says Aer Lingus has used social media to help find buyers and influencers in new markets and untapped customers in existing markets.

Maynard also says AA’s cargo social media have a sales aspect to it.

“We never know who’s out there. It could be a potential customer who grows fruit or is looking for a freight forwarder that can help them try to get their cargo across the world,” he says. “We want them to think, ‘Hey, have you guys ever thought about American?’”

Maynard and Starling also say social media help in problem resolution for customers and damage control. If

AA must issue a “controversial message,” the social media and cargo teams work together to create reactive talking points, Starling says.

“If someone has a question or is maybe upset at the information we’re sharing, we know how to properly respond and mitigate that issue and kind of give them the correct information and lessen their concern,” she says.

Cappelli says social media help share knowledge in real time about industry news and organizations’ latest developments.

Torlone says Amerijet is still not as mature in its social media presence.

“Maybe it’s just the strategy that we have at the moment — but we found that social media isn’t really driving shipments at this moment,” she says. “We’re not seeing shipments come from social media yet, but that doesn’t mean that they won’t and that doesn’t mean we can’t get out there and make a bigger presence. It’s just that we’re maturing in that space.”

She theorizes that social media aren’t as important for Amerijet’s prime markets: the Caribbean and

Latin America.

As for which social media networks rank as the most popular in the air cargo community, the biggest share of survey respondents — 26 percent — reported that their company uses LinkedIn. A quarter reported using Facebook, while 18 percent use Twitter.

About one in 10 said their company isn’t on any social media sites.

Swiss WorldCargo works with Twitter, Facebook and LinkedIn. Cappelli says the airline realized that one platform is not better than the other.

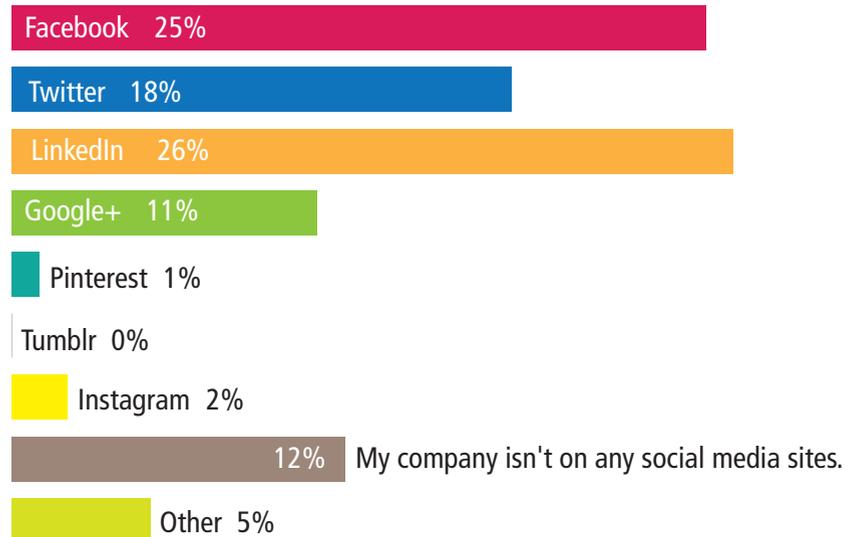
“The same community member — talking about the air logistics community — could use all the different social media for different purposes or with different expectations,” she says.

Cappelli and Starling of AA say LinkedIn tends to be the most suitable platform for B2B communication. On LinkedIn, users can create industry and discussion groups.

“You’re taking a step further than just a comment or retweet,” Starling says. “You really have the ability to network and engage with people on a large scale.”

Air Cargo World sent this survey to its readers, asking a series of questions about social media in the air cargo industry, and 265 people — those with airlines, forwarders, airports, shippers and others — responded. You can view additional graphs on aircargoworld.com.

What social media websites does your company use?



Maynard says LinkedIn allows people to participate in air cargo discussions that were inaccessible before.

“Their voice is equally just as important and impactful through social media, more so than it might be in person,” he says.

Amerijet has started using Yammer, a social media platform for internal communications. If necessary, the airline can invite customers and shippers into its Yammer feed to ask questions and conduct focus groups, Torlone says.

Eric Pouille, Air France-KLM-Martinair Cargo project manager external communication and public relations, says popular social media sites aren't a good fit for the carrier.

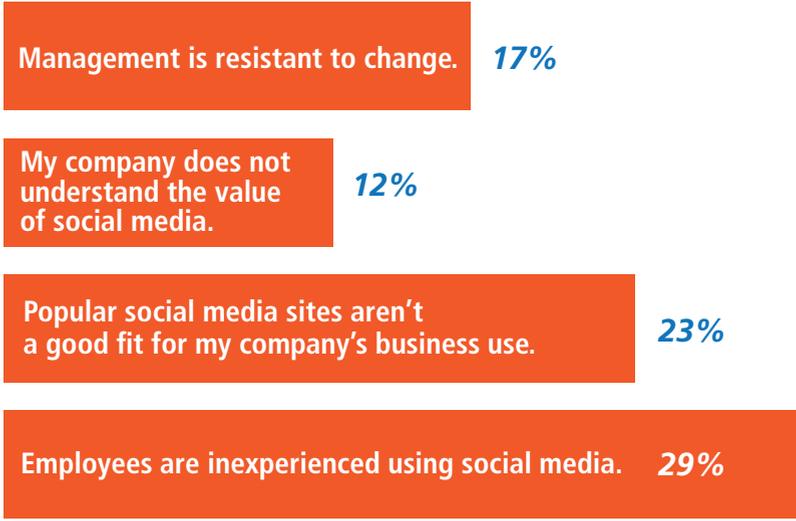
“We need a little bit more sole interaction with the customer rather than having something out in the open” such as on Facebook, he says.

Smith believes social media can help airfreight through challenging times because companies can promote positive news, he says.

“That can help build up the success and build up the positive atmosphere within our market,” Smith says. “Social media, if handled correctly, can help that process. It's about trying to promote information very quickly and very efficiently.”

Torlone says air cargo companies should develop social media universities or classes, perhaps as part of em-

What are the biggest hurdles to greater usage of social media by your company?



ployee orientation. Amerijet is working on having a class by the end of 2014 that could teach employees the rules of engagement and how to respond on social media on the company's behalf.

“All of our employees would become ambassadors,” she says. “I think there's companies out there in the social media universe that have done this very well, and those people have personal or company accounts, and they're able to respond to anything that they see, positive or negative sentiment, and really become a brand ambassador.”

Smith says companies must take

care in what information they promote.

“What that audience that receives it can do, depending upon the security requirements or arrangements within the social media setup, is that can then be forwarded on,” he says. “There's very little that a promoter can do if something goes viral.”

Social media are as just another tool in a company's marketing arsenal, Pouille says. Fifteen years ago, when email first took off, people probably asked how it would affect the air cargo industry, he says. Now, with email so widespread, this question is no longer asked.

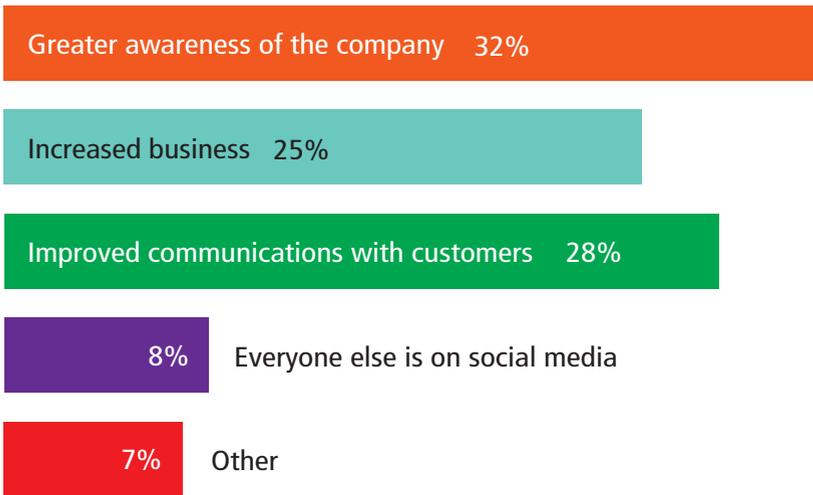
“I think in the next few years, yes, interactions through social platforms will probably be another asset in the communication that we have with our customers,” Pouille says.

Social media are not a science. Each company must find out what approach works for it. Cappelli says companies need to explore social media and see what happens.

“Communication is the success of air cargo,” a respondent from a North American software company writes. “You can't talk to each other, you can't transport to each other.”

(A longer version of this article with additional charts can be found at aircargoworld.com.)

What are your company's objectives in using social media?



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Cargo Chat: Frank Guenzerodt

“Frank Guenzerodt joined Dachser USA as president and CEO in August 2004. Guenzerodt, a German national, is based in Atlanta. Before joining Dachser, he was COO at ABX Logistics and manager at LEP International. Guenzerodt spoke with Air Cargo World about the company’s U.S. operations and how Dachser is opening locations in St. Louis and possibly Seattle, Nashville, Tenn., and the Kansas City area over the next year.”

What is your outlook for the U.S. airfreight market in the next year?

I think it will remain stable with very little growth for 2014. Short of any global disasters and Russia being totally stupid, I don’t think we’ll see any major declines. We see a fairly stable market with not too much revenue from the air-based side of the carrier.

What is the outlook for Dachser USA’s airfreight business in the next year?

We continue to expand in key global economies worldwide. On the U.S. side, we have currently 11 locations with just over 200 people, and our expansion plan for 2014 plans on an additional two to three locations, and the business goes up approximately 20-25 percent in fiscal [year] 2014. So being still a smaller player in the air cargo arena of the market of the United States, we see ourselves growing on the market share side quite a bit. Obviously, you have a lot of mega-mergers going on



majority focus would be Brazil as the largest economy. And [the focus] on trans-Pacific [would be] Asia overall; within Asia, [the focus is on] greater China and India. We’ve actually a very strong presence in China, but even more so in India with some city offices.

What trends are going on right now with the U.S. and air cargo?

Twenty-something years ago, somebody invented Cargo 2000. Now we’re 14 years past 2000, [and] we still do the same thing. So [with] development in air cargo in regards to technology and transit time, I don’t think much has changed, although on the technology side, I see more and more development. We need to continue to focus on mainly in the e-cargo environment, [where] we’re heavily investing and continue to build e-

cargo with the carriers, standardization, visibility on air tracking and tracing interfaces to carriers, so customers have a seamless follow-through on their reporting and internet tracking of their shipments and of their cargo movements. But really, not that much has changed in air cargo in general. As far as the volume of air cargo is concerned, we do see some movement to oceanfreight — some shift in the mode of transport. But it’s still somewhat limited.

How do you think the airfreight industry can improve?

The problem with the airfreight industry is profitability. I think still overall if you look at carrier profitability, more and more airlines [are] getting out of the cargo aircraft business. I think the biggest problem has been rate volatility. There are rate levels where it doesn’t allow carriers — it’s, by the way, similar on the oceanfreight side — it doesn’t allow carriers to make money. I think a more stable environment, a bit of lift planning, a bit of capacity planning would probably help. As you know, the revenues coming into the U.S. are much higher than the revenues going out of the U.S. just because of trade imbalances. So I think there’s certainly a few approaches that can be done. The problem is you would have to have the shipping public, especially large airfreight shippers, to be part of it because in order to make it sustainable, there has to be a certain rate level, and it can’t be every day spot rate. Ultimately, these carriers — especially cargo-only carriers — are in loss-making situations. **ACW**

“We need to continue to focus on mainly in the e-cargo environment ...”

with some of our very large competitors. Fortunately, that leaves some customers dissatisfied, which is certainly our target group. The focus on our expansion goes to the life science sector and vertical. We’ve made quiet a few in-roads there. And of course, a lot of life science products are airfreight products ... The other vertical we are aggressively building sales teams and account management teams on would be automotive.

What sectors is Dachser USA concentrating on in regards to air cargo?

Our main concentration is two-fold. The first concentration is on trade lanes which are network-enhancing. We do it, but not necessarily promoting black African destinations because it’s not a target market for us at this point. So we want to focus on those trade lanes and target markets where we have Dachser locations on the other end, which in a nutshell is mainly Europe and within Europe, of course, Germany since it’s our home country. In Latin America, the

AIR FREIGHT BUSINESS OPPORTUNITIES

ASSOCIATIONS



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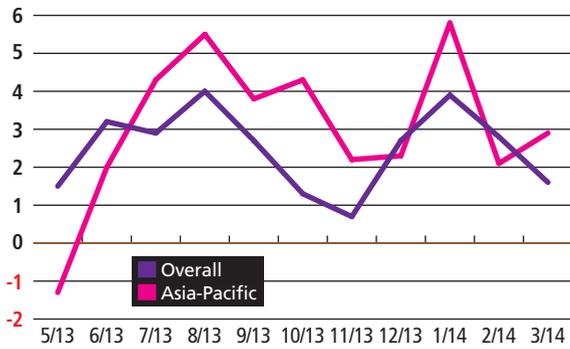


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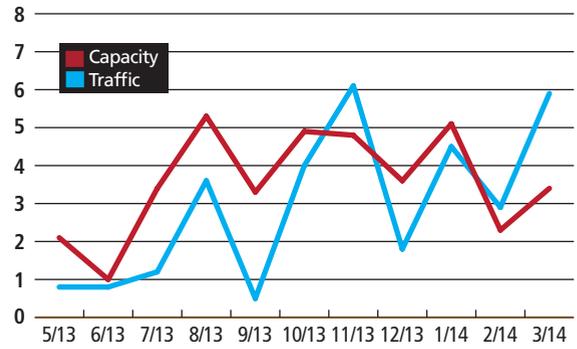
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines.

Total Freight Carried

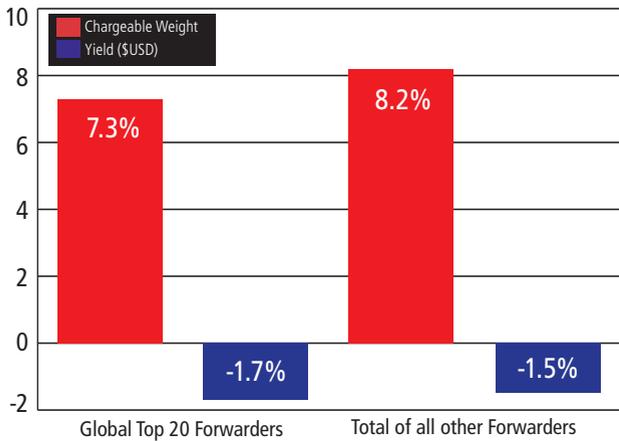
Monthly year-over-year percent change in total scheduled freight traffic and capacity worldwide in freight-tonne kilometers and available-tonne kilometers.



Source: IATA.

Sales Distribution

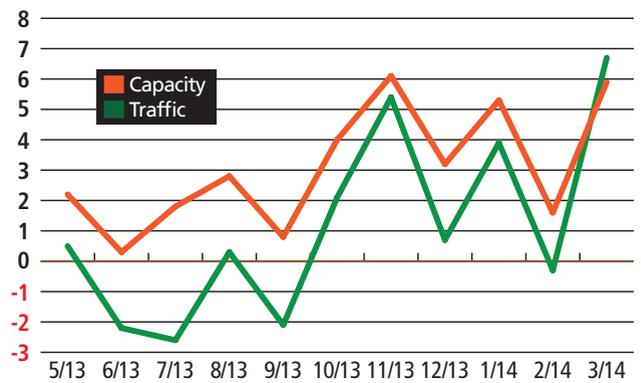
Air cargo worldwide change Year-over-Year (February 2014).



Source: WorldACD Market Data.

Carrying Asia

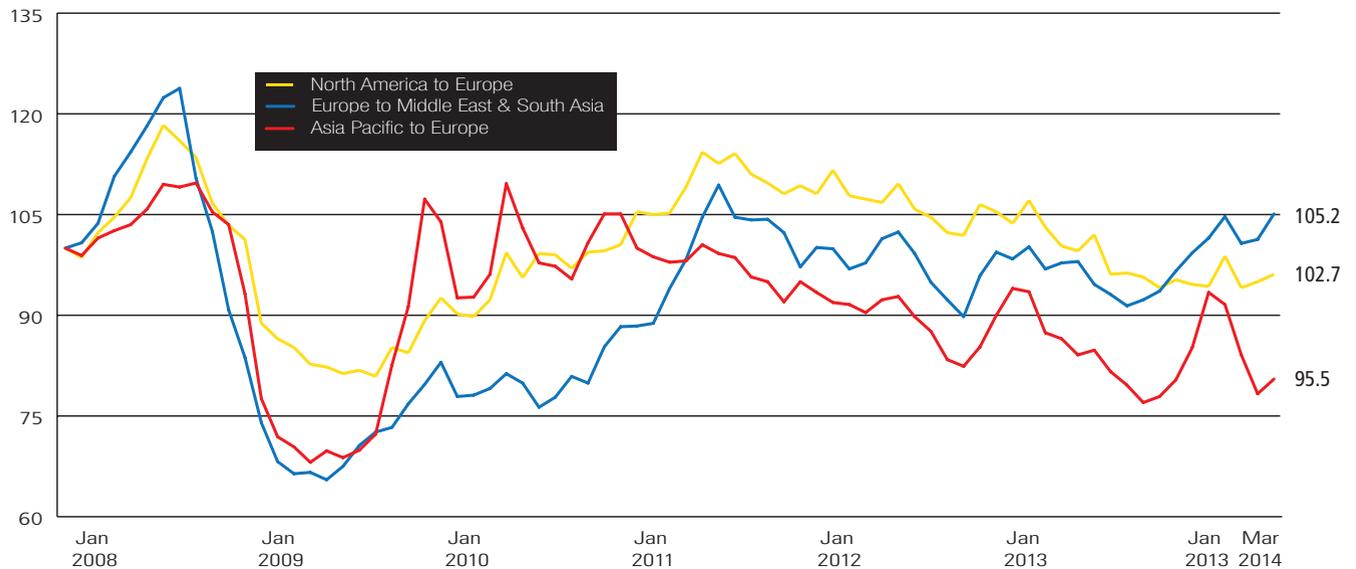
Monthly year-over-year percent change in capacity, in available-tonne kilometers, and traffic, in freight-tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines.

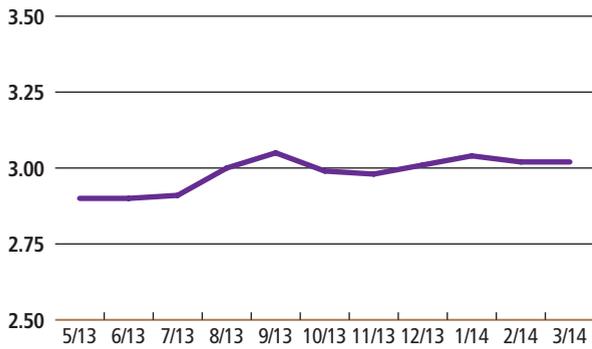
Yield Index Regions

Air Cargo (USD) Yield Index (Jan 2008 = 100)



Source: WorldACD Market Data.

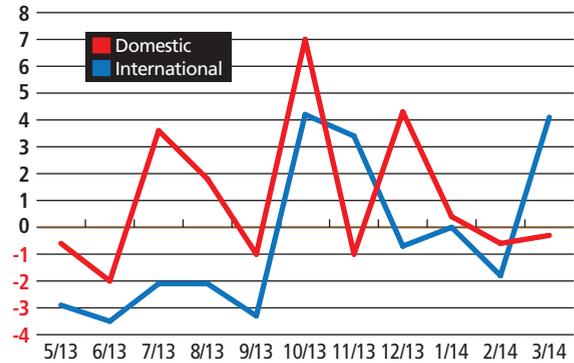
Fuel Cost For U.S. Carriers



Source: U.S. Bureau of Transportation Statistics.

U.S. Airlines

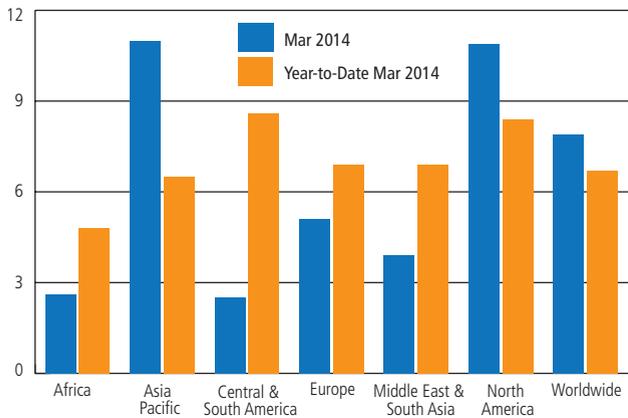
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Airlines for America.

Growth Per Region

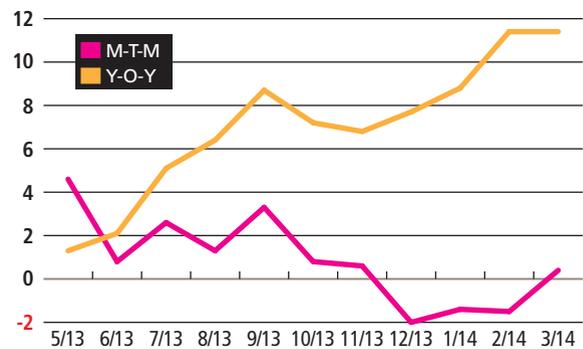
Air Cargo Chargeable Weight Change Year-Over-Year



Source: WorldACD Market Data.

Semiconductors

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



Source: Semiconductors for Industry Association.

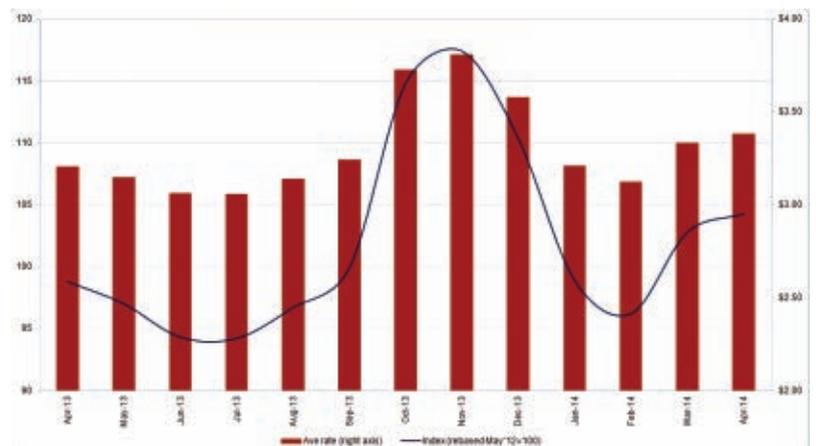
The Drewry Report:

Drewry's East-West Air Freight Price Index, a weighted average of air freight rates across 21 East-West trades, gained 1.5 points in April to 104.3 points. This represented the second consecutive month of pricing gains and the highest level the index has reached since the end of last year.

Despite the improving market conditions, Drewry expects overall pricing to fall in the coming months as more seasonal bellyhold capacity comes into the market.

Market improves in April

Drewry East-West Airfreight Price Index (May 2012 = 100)



Source: Drewry Sea & Air Shipper Insight.

AIRLINES

After seven months as managing director of **Coyne Airways**, **John Batten** is leaving.

Coyne Airways appointed **Liana Coyne** as COO as part of the restructuring. Batten left his previous position at Swissport International on Aug. 31, 2013, as executive vice president cargo services and member of the group executive management. He began his job at Coyne Airways in September 2013. Liana, who is CEO Larry Coyne's daughter, has been a director at Coyne Airways since 2010 and will head up five new market-focused divisions, including Iraq, the Caspian and Central Asia, Afghanistan, Africa and contract logistics. She worked for international law firm Baker & McKenzie in both their London and Hong Kong offices for nearly six years prior to joining the family business.



COYNE

After nearly 40 years of service, **Terry Scherz**, vice president of aircraft maintenance at **ABX Air cargo airline**, retired. Scherz joined Midwest Air Charter, ABX Air's predecessor, in 1974 as an aircraft mechanic. In 1980, when **Airborne Express** acquired Midwest and renamed the airline to ABX Air, Scherz was named director of maintenance. He was named vice president of aircraft maintenance in 1986. **Phil Flowers**, who worked with Scherz as acting vice president for the past six months, has been promoted to vice president of aircraft maintenance. Flowers joined ABX Air in 1992 as an aircraft mechanic before becoming an aircraft inspector and a work controller. He has held several positions in management, including director of maintenance control and director of technical services.

AIRPORTS

Miami-Dade Aviation Department (MDAD) filled four positions. Longtime MDAD executive **Gregory C. Owens** was promoted to assistant director for business retention and

development. In his new role, Owens oversees the commercial operations, marketing and real estate management divisions for **Miami International Airport (MIA)**. Previously at MDAD, Owens served as division director for real estate management. Before joining MDAD, he was director of Miami-Dade County's Department of Business and Economic Development. **Joseph Napoli** was named chief of staff and senior policy adviser. Napoli oversees a few of MDAD's divisions, including communications, intergovernmental affairs and international affairs. Before joining MDAD, he was senior associate and South Florida lead at the Miami office of Booz Allen Hamilton, a national strategy and technology consulting firm. **Dan Agostino** joined MDAD as assistant director for operations, responsible for overseeing the terminal, landside and airside operations divisions at MIA and the county's general aviation airports. Agostino brings more than 25 years of airline industry experience to the job, having held private sector positions at both MIA and New York's JFK Airport in the areas of airport operations, cargo sales and cargo operations. **Hiram L. Barroso** was named senior executive assistant to the director and deputy chief of staff, responsible for overseeing the day-to-day operations of the Office of the Director and providing advice to the director on management issues. Previously, Barroso served as chief of staff to Miami-Dade County Commission Chairwoman Rebeca Sosa and director of immigration constituent services for U.S. Senator Marco Rubio.

ASSOCIATIONS

James Hogan, president and CEO of **Etihad Airways**, was inducted into The British Travel and Hospitality Industry Hall of Fame in honor of his "significant part in creating and developing the travel and tourism industry in Britain and globally." Hogan was selected for this honor by a nominating committee of senior industry leaders, including past inductees into the Hall of Fame, which was first established in 1995.

MAINTENANCE & MANUFACTURERS

Boeing named **Ursula English** as vice president of environment, health and safety. She is responsible for leading the company's workplace safety programs and its efforts to improve the environmental performance of Boeing products, services and global operations. English replaces **Kim Smith**, who was recently named vice president of attack helicopter programs for Boeing Defense, Space & Security. English previously served as the director of supplier management for the Commercial Aviation Services business of Boeing Commercial Airplanes, where she was responsible for leading the extended supply chain. Before that, she was director of supplier management on the 787 Dreamliner mid-body team. English joined Boeing in 1988 as an aircraft mechanic on the MD-80 program.

THIRD PARTIES

Larry Humble was appointed vice president, business development for the technology sector in the **Americas at CEVA Logistics**, a supply chain management company. Humble joined CEVA in 1999 and since then has held various positions in business development. He has more than 18 years of transportation and logistics industry experience. In 2009, Humble became head of the consumer and retail sector for the Americas. In his new role, he will remain based in Portland, Ore.

BBA Aviation Flight Support, a global aviation support provider, appointed **Mark Johnstone** as managing director EMEA. BBA Aviation Flight Support's EMEA operations are undergoing growth following the recent contract awards for ground handling and passenger services at London Heathrow's new Terminal 2. Johnstone has been with BBA Aviation for six years.

DB Schenker appointed **Matthias Kraus** as its new UK airfreight director. Kraus has been working within the DB Schenker Group since 1997. He started his career at Schenker Deutschland AG and then moved to Taiwan. In 2007, he was appointed

events

JUNE 17-19

Shanghai: Air Cargo China attracts more than 15,300 attendees from 73 countries. The conference is a meeting place for the transport, logistics and air cargo industries in Asia. For more information, visit www.aircargochina.com/en/home/home.html.

JUNE 22-24

Victoria Falls, Zimbabwe: Last year's Routes Africa hosted more than 300 delegates for more than 30 airlines, 50 airports and 15 tourism authorities. For more information, visit www.routesonline.com/events/168/routes-africa-2014/.

JULY 1-2

Johannesburg: The Cargo Show Africa is an exhibition for the African cargo-owning community. For more information, visit <http://www.terrapinn.com/exhibition/the-cargo-show-africa/>.

SEPTEMBER 17-19

Milan: The 2014 Air Cargo Handling Conference will feature panel discussions, workshops and presentations covering the most up-to-date developments in airport cargo operations. For more information, visit <http://evaint.com/our-events/air-cargo-handling-conference>.

SEPTEMBER 20-23

Chicago: 2014 will see World Routes return to the U.S. for the second year in a row after the Las Vegas event in 2013. For more information, visit www.routesonline.com/events/170/world-routes-2014/.

SEPTEMBER 21-24

San Antonio, Texas: The Council of Supply Chain Management Professional's Annual Global Conference provides supply chain industry information with practitioners, academics and service providers. For more information, visit <http://cscmp.org/annual-conferences/annual-global>.

OCTOBER 7-9

Seoul: The International Air Cargo Forum and Exposition will attract people from the airfreight industry. For more information, visit www.tiaca.org/tiaca/ACF.asp.

OCTOBER 12-14

Kuala Lumpur: The Freight Summit is about making it easier for independent freight forwarders to network. For more information, visit www.thefreightsummit.com/.

OCTOBER 13-18

Istanbul: The annual FIATA World Congress will feature regional meetings and an airfreight institute. For more information, visit www.fia-ta2014.org/Default.aspx.

NOVEMBER 4-6, 2015

Miami: The Air Cargo Americas International Congress and Exhibition in 2013 was the largest air cargo exhibition in the Western Hemisphere. For more information, visit www.aircargoamericas.com/.



KRAUS

Nuneaton, UK.

branch manager at Schenker Inc. in Richmond, Va., where he stayed until he moved to the UK, taking up a similar role at Manchester in 2009. In 2012, Kraus became general manager in

Geodis Wilson India appointed **Sascha Von Ometzinski** as national sales manager. Von Ometzinski is responsible for sales and marketing development of Geodis' freight forwarding and logistics division in India. His main priorities will be to strengthen the company's trade lane activities with a focus on Brazil, China and the U.S., and to expand the business in



OMETZINSKI

of the Indian industry. **ACW**

key market segments such as fashion, retail, industrial, automotive, high-tech and pharma. Von Ometzinski has 14 years of experience in the industry and an in-depth knowledge

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Highway repairs will keep air cargo moving

Anyone struggling to understand just how bad our winter was this year in the U.S.'s capital need only go as far as the local tire store. Thanks to the thousands of potholes caused by the extreme cold, two of my car tires were damaged beyond repair and needed replacement. Upon arriving at my local tire center, I soon learned that my experience was not unique, as there were 20 other customers in the waiting room who had suffered a similar fate.

My tire replacement experience taught two lessons. First, that tires, regardless of manufacturer claims, will not survive a large pothole encounter when obeying local speed limits. Second, unless roads are repaired quickly, damage to other cars and commercial vehicles caused by rough street and highway conditions slow us down and begin to have an adverse effect on the U.S.'s ability to keep up with a rapidly globalizing and modernizing world.

You might be asking why a guy running an air cargo organization would care about road conditions. After all, the freight we handle flies high above the roads, right?

However, in addition to having to deal with potholes on our way to and from work, forwarders have a lot at stake in the condition of the nation's roads and highways, over which most of the cargo we handle must travel at some point in the journey from shipper to receiver. Inadequate road repair can result in damage to our equipment and our freight, and poor quality roads can cause shipment delays while cargo is transported to and from airports, maritime ports and rail yards.

In sum, while forwarder truck assets may be limited, our reliance on the national road infrastructure has a direct effect on keeping our shipments moving.

The U.S. is now at a crucial decision point with regard to how necessary road construction and repair across the country is funded. The country's transportation funding source, also known as the Highway Trust Fund, has seen its balance decline in recent years and is now on the brink of depletion.

The Highway Trust Fund was created by Congress in 1932 and has used the gasoline tax as its primary source of revenue for building American highways. The tax was really a user fee, as both private and commercial vehicle operators paid for construction and maintenance of the roads they used. Funding throughout the 20th century helped build the nation's highway system as presidents regularly signed gas tax increases to keep up with inflation and our growing infrastructure needs.

But the gas tax has not been raised since 1993 and sits at 18.3 cents per gallon for gasoline and 23.4 cents per gallon for diesel. The U.S. transportation secretary recently said the fund could begin "bouncing checks" by this summer, forcing a halt to construction projects around



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

the country while undermining as many as 700,000 jobs. Many states have already postponed or cancelled needed transportation projects because they don't want to assume obligations that they will not be able to afford if federal highway aid coming from the Highway Trust Fund does not come through.

Washington, D.C., is currently divided on various approaches to inject money into the fund. The Obama administration wants to see a solution involving business tax changes and allowing states to collect tolls on existing interstate highways. For years, states have been restricted from doing that except for specific test projects. Critics contend that tolling is inefficient, diverts traffic off highways and increases supply chain costs that hurt businesses.

Another proposal gaining momentum is to increase the gasoline tax for the first time since the Clinton administration. Big industry groups including the American Trucking Associations and AAA back this approach, but increasing fuel efficiency and forecasted use of electric vehicles may adversely affect revenue in the long-term. A vehicle miles tax would alleviate this concern, although verifying and measuring the miles traveled by motorists is going to be a challenge.

Another proposal features a gas tax that would be a levy paid on oil production at refineries. Gas producers would simply pay a tax on each barrel of gasoline that would presumably be passed to cars and trucks at the pump.

Congress seems paralyzed on the issue, knowing of the general distaste among voters for raising taxes or fees of any kind. But it is essential to our economy and our quality of life that they come up with a workable solution. Smooth roads are essential components in keeping freight moving economically and on time – and to keeping voters like me out of the tire stores and car repair shops.

As the Midas Man used to say on television, "You can pay me now, or pay me later." **ACW**

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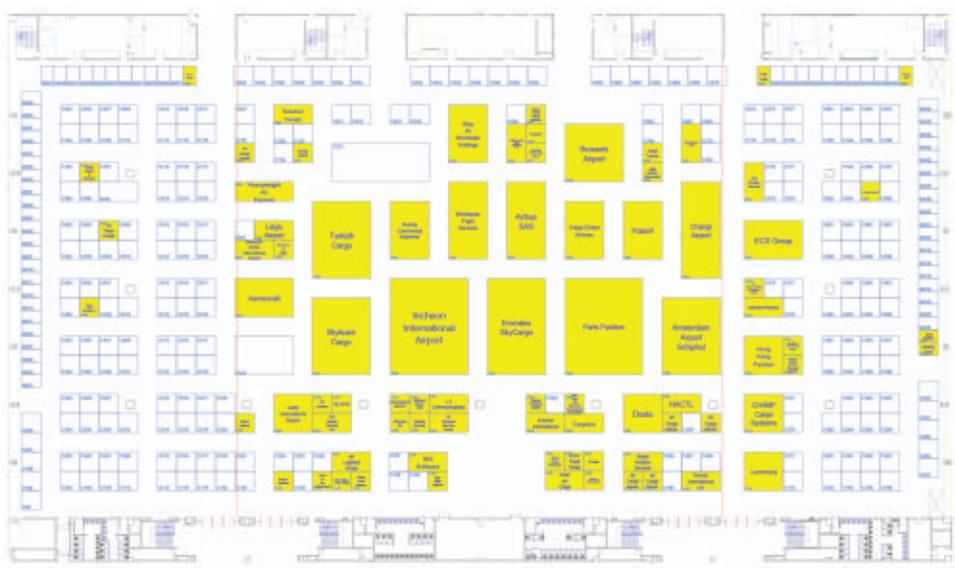


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*Floorplan correct at date of issue

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Wednesday October 8th - 10:00am - 6:00pm
Thursday October 9th - 10:00am - 6:00pm

Where – Coex Exhibition Centre in Seoul, Korea, where it will be hosted by Asia's fastest growing cargo airport – Incheon.

- Boeing's World Air Cargo Forecast shows Asia has the largest share of the market in total freight traffic and will continue to lead industry growth through to 2031.
- South Korea is the third largest economy in Asia and the 13th largest global economy.

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- Connecting Commerce and Customs around the globe
- Korea shippers panel

Full details of the forum will be available on-line this summer.



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SEOUL**

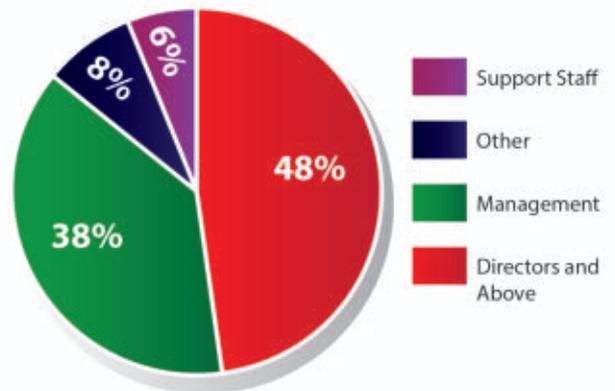


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- Changi Airport
- Chateauroux Airport
- Consignments magazine
- Dallas/Ft Worth International Airport
- Delhi International Airport
- DGM Software Development
- Dnata
- Domodedovo Airport
- ECS Group
- Emirates SkyCargo
- Fraport Cargo Services GmbH
- Global Aviation Services
- GLSHK
- HACTL
- Hangzhou International Airport
- Hartsfield-Jackson Atlanta International Airport
- Heavyweight Air Express
- Hong Kong International Airport
- HudHud Worldwide Logistics
- IBS Software
- Incheon International Airport
- L-3 Communications
- Liege Airport
- LUG Aircargo Handling Luxembourg
- MidAmerica St Louis Airport
- Morpho Detection
- New York City Economic Development Corporation
- Nordisk Aviation Products
- Pan Asia
- Paris Pavilion
- Payload Asia
- Pittsburgh International Airport
- Polar Air Cargo
- Prologis
- Qantas Airways
- Ruslan International Ltd
- SACO Airport Equipment
- Siemens AG, Logistics & Airport Solutions
- Skyteam Cargo
- Southwest Airlines Cargo
- Spire Flight Solutions
- St Louis-Lambert International Airport
- STAT Trade Times
- Swissport International
- Turkish Cargo (Turkish Airlines Inc.)
- United Airlines
- Voice of the Independent
- Volga-Dnepr Airlines
- Wayne County Airport Authority
- WIN
- Worldwide Flight Services

Listing correct at the time of going to press

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