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DEMAND FOR AIR CARGO RIPENS IN THE FAST-GROWING FRESH-FOOD MARKET

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DEMAND FOR AIR CARGO RIPENS IN THE FAST-GROWING FRESH-FOOD MARKET - p18

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Expensive appetites

Where did your dinner come from last night? From the grocery store or a nearby restaurant? Unless you actively sought out local produce from nearby farms, it’s a safe bet that most of the food you ate came from hundreds of miles away – perhaps from another continent – and much of it probably spent some time as air cargo.

According to the environmental research firm Worldwatch Institute, the average American plate of food travels between 1,500 and 2,500 miles to reach the dinner table – about 25 percent farther than it did two decades before. There was a time when this could be dismissed as an anomaly, since the United States is a large, wealthy country, with money to burn for exotic foods, no matter the season or the cost. But with each passing year, the middle class around the world continues to grow, while the American percentage of that population continues to shrink. By 2030, said the Brookings Institute, the size of the global middle class will more than double from the estimated 2 billion today to nearly 5 billion, with most of the growth happening in Asia. That’s a lot of money that will be freed up to spend on tropical berries in the dead of winter.

In our cover story this month, we take a look at how much our gourmet dishes are like miniature United Nations assemblies, with fruits, vegetables, meats and seafood gathered together from around the world (see page 18). Conventional wisdom says an increasing amount of even highly perishable food is being transported via seafreight, with high-tech refrigeration techniques being used to extend shelf-lives. But many of the forwarders and carriers we spoke with said that rising incomes worldwide will ensure that there will always be a significant place for airfreight in the perishable food sector to serve the world’s most sophisticated tastes.

From growing appetites, we turn to the shrinking spaces at many of the world’s busiest air hubs to see how ground handlers, forwarders and airport operators are coping with congestion (see page 24). Demand for airfreight continues to rise at many major hubs, like Chicago, Hong Kong, Atlanta or Heathrow, but many of these facilities are surrounded by urban sprawl and have little room left in which to spread out. We discuss some of the innovation designs to ensure that the flow of freight continues unimpeded.

Finally, we look toward what might be the future of the air cargo business – the fertile world of online logistics startups, which have been attracting huge sums of venture capital dollars in the last couple of years. Who are some of the emerging online-to-offline (O2O) players, and what do these VC firms see in this wave of do-it-yourself shipping services? More importantly, how are these companies expected to change the forwarding industry? As you’ll see on page 30, the logistics field is becoming crowded with young firms – and some deep pockets – looking to capture market share.

As we turn the corner into the autumn months, our thoughts turn to the coming peak season. Air Cargo World would like to hear from readers about their expectations. Do you think we’ll have as robust a peak as we did in 2014? What are the main factors that you think will impact airfreight volumes? We thrive on input from our readers, so please share your thoughts at rwoods@aircargoworld.com.

Now, if you’ll excuse me, I’ve got some baked coho salmon and mango salsa to attend to.

Randy Woods,
Editor, Air Cargo World
rwoods@aircargoworld.com
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Air Charter Services was called into action to transport seven wild lions from South Africa to Rwanda, as part of a major conservation project to reintroduce the big cat to the country following the decimation of its population following the 1994 genocide and civil war. The government of Rwanda brought in the wild lions from South Africa and set them free in Akagera National Park. Following the genocide, land ownership and stock became more important than ever, and when lions started killing cattle, the herders fought back, poisoning carcasses to wipe out whole prides at a time. By 2000 they were extinct in the country. The air-chartered lions travelled 2,500 miles, using an Antonov An-26 to provide adequate room and ventilation for them.

Eat your veggies
Perishable Center Frankfurt (PCF) celebrated 20 years of service this summer. The facility handles up to 700 tonnes of fresh produce daily, transferring it directly from the aircraft to one of the PCF’s 20 refrigerated storage areas. The perishable center is a port of first entry. It checks, stores and processes temperature-sensitive goods coming into the EU. And that makes for fresh and delicious veggies.

Lion lift to Rwanda

A job well dung
United Airlines has signed an agreement with Fulcrum Bio-Energy to purchase 15 million gallons of biofuel, consisting of animal waste from farms, over the next three years. Flights between Los Angeles and San Francisco will run on 30 percent biofuel, reducing United’s carbon footprint. Fulcrum also converts household trash into jet fuel and bio diesel. Testing of the poop-based fuel has reported no loss in engine performance and there are no noticeable disadvantages for passengers (vis-à-vis unpleasant odors). Trash and agricultural waste are contained in an airtight, oxygen-free tank and allowed to ferment. This creates methane and carbon dioxide, which can be used as fuel. A little refining, and voilà – we have jet fuel!

Illegal ivory scourge
In early July, Thai customs seized 250 kilograms of ivory, comprised of approximately 130 tusks and tusk pieces, hidden in crates that were being shipped from Congo to Laos. Authorities received a tip-off and began tracking the shipment when it left Addis Ababa airport in Ethiopia, transiting through several countries. Authorities at Bangkok’s Suvarnabhumi Airport stopped the shipment, which was inside two wooden crates marked “marble pieces.” The ivory inside was worth an estimated 10 million baht (US$295,000). This was the 11th ivory seizure the Thai Customs Department made this year. Poachers have killed tens of thousands of African elephants for their tusks in recent years to meet demand for ivory in Asia.

Cause of Bagram crash revealed
The U.S. National Transportation Safety Board has determined that the shifting of heavy cargo was the cause of the 2013 National Air Cargo crash moments after it left Bagram Air Base in Afghanistan, killing all seven crew members. NTSB investigators said at least one armored military vehicle shifted during take-off, smashing the aircraft’s hydraulic systems and horizontal stabilizers, making the 747-400F impossible to fly. There were five of the mine-resistant ambush-protected vehicles onboard, weighing about 80 tonnes, combined. National Air Cargo accepted the investigator’s conclusions, but argued that federal regulators were to shoulder some of the blame for not putting proper regulations in place to ensure cargo carriers follow safety guidelines.
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A clear need for data transparency

Enno D. Osinga has a long and distinguished track record in aviation and logistics. The Dutch national joined KLM Royal Dutch Airlines in 1978 and held several positions there over the next 20 years before moving to DHL Express as managing director for the Netherlands. In 2005 he joined Client Logic as interim CEO, Continental Europe, and in 2006 joined the Schiphol Group as senior vice president – cargo, where he has been responsible for the long-term cargo strategy of the airport. In May, Enno stepped down as vice-chair of TIACA; next month, he will do the same as head of cargo at Schiphol, handing the reins to successor Jonas van Stekelenburg. As he prepared to leave, Air Cargo World spoke with Enno about his long career, the challenges the industry faces, data-sharing issues and what the future might bring for Schiphol.

What do you consider your greatest accomplishment during your tenure at Schiphol and why?

Air cargo is now being recognized by national and local government as a very important driver for the economy. As a result, they are actively involved in innovation projects and economic promotion. In addition, it has become clear that, globally, Schiphol has become an important benchmark when it comes to airport and air cargo, and many airports are now beginning to implement similar strategies.

What are some of the most important innovations at Schiphol?

At Schiphol, we have the mother of all communities. We believe the role of the airport is to act as a catalyst to make sure all the elements of the supply chain run smoothly. We don’t physically handle the cargo, but we bring all the parts of the cargo community together to agree on a common process. We need very good data transparency and data availability throughout the entire system, and one of those examples is a product called eLink. With this system, all the information from the shippers and the forwards is captured on a smart card and given to the driver of the truck. When the truck arrives at the airport, the customer and the handling agent know that the goods are there at the same time. Also, we are in the final phase of our SmartGate project, which has been a collaboration with customs, the airport and the cargo community to facilitate a very smooth process of getting through the inspection process. The system will use remote-sensing and roller-bed scanners at the Joint Inspection Center, which is now under construction and will be operational in 2016.

What are some of the toughest challenges the air cargo industry now faces?

There is an enormous amount of information out there, but it’s not shared between all the parts of the supply chain. So we need to determine, before we create standards, whether we have a system in place where the information that we get from the shippers is also made available to the forwards and the airlines. It’s not enough to just have standards. I’m concerned about what’s happening with data transparency. The concern is that it’s completely unregulated. Also, we have to pay more attention to our shippers. Everything we hear from them, as an industry, is that we aren’t doing nearly enough to meet their needs. And do we listen to them? You look around at the [air cargo] conferences, and where are the shippers? Why don’t we sit down with shippers and know what the industry wants?

Will we be ready for the implementation of the advance data-sharing regulations in 2016?

There is a concern about firewalls and accessibility, driven by genuine concerns over privacy and the fear of giving up trade secrets. But I think our industry has been overprotective of our data. The integrators are all on the same channel – all of them have access to everything. We can’t be a professional industry unless we can get past this. We also have to make sure we harmonize all the additional layers of security. Even with all the scanning, we still couldn’t prevent the Yemen bombing attempt. That was stopped by intelligence work, not scanners.

What are the main benefits of the MoU recently signed between Schiphol and Delhi airports?

Northern India is very active in the pharmaceutical market, and Delhi Airport is one of the very few global airports that has a robust cargo strategy in place, with a single-window customs system. We think Amsterdam can be a gateway for Indian goods destined for Europe, as well as other markets, including the U.S., Africa and Latin America. We want to build a trade lane between Amsterdam and Delhi, making Delhi a hub and a global gateway. We want to identify what the shipper in the Northern Indian market wants, so we regard Delhi as a natural ally, with many common goals.

What are your plans after you step down next month?

I will stay on the Board of the Holland International Distribution Council as well as a non-executive director of CargoNaut, the Dutch Cargo community system. My plans are to definitely take a short break and then focus on non-executive and/or advisory roles. But not limited to the air cargo industry. It is a great industry, but there also is another big and exciting world out there.

Do you have any parting advice to give to your successors at TIACA and Schiphol?

Change, change, change. Our industry is very slow to adopt change or be truly innovative.
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After a heady first quarter of growth in trans-Pacific air cargo traffic, reality is now setting in. Little of that growth was driven by the strength of the region’s economies, or by an increase in world trade. Rather, it came via a temporary modal shift from ocean to air, when labor problems at U.S. West Coast ports created a massive backlog. As is now apparent, underlying growth in airfreight demand this year is actually quite weak, and Asian operators are bracing themselves for a slow summer.

Softer demand, coupled with an increase in capacity between China and North America, has affected yields, but still the trans-Pacific sector remains healthier than the Asia-Europe market, said Mark Sutch, general manager of cargo sales and marketing at Hong Kong-based Cathay Pacific Airways. He added that the slowdown in traffic from Asia to Europe has been exacerbated by rising capacity in that arena, mostly in the bellies of widebody passenger aircraft.

“In past years, we have seen an increase in widebody passenger aircraft replacing traditional freighters, thus reducing main-deck but increasing lower-deck capacity,” agreed Li Wenjun, head and senior vice president of air freight at DHL Global Forwarding Asia Pacific.

A bigger concern, though, is the growing popularity of rail service linking Asia with Europe. In June, DHL Global Forwarding launched a twice-weekly rail link from Zhengzhou to Germany, via Poland. The 17-day service is the company’s third regular rail connection between China and Europe. “Last year we saw a modal shift of shipments from air to rail services for China to Europe. We anticipate this trend to continue as the China-Europe rail infrastructure further stabilizes,” Li said.

With the case for flying freighters from Asia to Europe undermined by both growing belly capacity and competition from the new rail services, Asian airlines have increasingly turned to round-the-world freighter operations that return to Asia from North America via Europe, tapping into eastbound demand from Europe, while avoiding the scramble to fill cargo planes headed west for Europe.

But what of the future? While DHL’s Li agreed that trans-Pacific demand has softened lately, he said he expects China-Europe rail services are beginning to cut into air cargo’s share of that trade lane.

DHL partners with Kazakh rail firm for Europe-Asia access

In an effort to strengthen the rail transport option between Europe and Asia, DHL Global Forwarding has signed a memorandum of understanding (MOU) with Kazakhstan Tenur Zholy Express (KTZE), a holding company based in Kazakhstan, which functions as Kazakhstan’s national multimodal operator. China Money Network reported that the MOU will clear the way for better rail connectivity and enhance trade between China, Europe, Kazakhstan and other former Soviet Republics, loosely referred to as the Commonwealth of Independent States (CIS).

KTZE’s partnership with DHL represents the continuing stability and solidification of rail routes between China and Europe, with KTZE expanding its service offerings and geographic reach.

KTZE will be responsible for operating rail activities from point to point, as well as across the border to China. DHL will focus on developing a relationship with and linking China, Kazakhstan and other CIS countries, while KTZE will add locations to its existing network. Additional rail offerings along the “South Silk Road” trade route to Europe, by way of Kazakhstan, will also be added.

This new partnership is expected to offer new opportunity in the Khorgos Special Economic Zone, which is on the China/Kazakhstan border, and is considered a major trade node connecting China and Central Asia for onward distribution to Europe.

The European Union (EU) reports that the volume of China-EU trade is more...
DHL partners with Kazakh rail firm for Europe-Asia access

shipping for temperature-sensitive can be tracked and remotely modified. DHL GF introduced the first temperature-controlled containers to support businesses in industries like technology and electronics. DHL GF is further spiked by products like perishables and newly launched products from technology companies.

Other industry executives, on both sides of the Pacific, share his expectation that the airfreight market will strengthen for the peak season. Jan Krenus, president of cargo at United Airlines, remarked that some key customers have expressed confidence about the peak, and Titus Diu, COO of China Cargo Airlines, expects new product launches in the third quarter to boost airfreight demand.

At this point, traffic is not rising as fast as capacity, but many carriers are optimistic enough to feel the need to ramp up capacity for the upcoming peak season. Hong Kong-based Cathay Pacific, for example, has increased its North American freighter services over the past year, and Mark Sutch says the carrier is now looking at further expansion.

Sutch said he sees room for growth in Mexico, a market that Cathay has been serving with cargo aircraft since September 2013 with steadily rising capacity. So far, all its Mexico flights have been extensions of runs to Los Angeles, but now management is considering cutting the California stop later in the year on possibly three of the five weekly frequencies to Guadalajara and Mexico City.

“Demand ex-Mexico is also improving. It seems, with time, people understand they don’t need to truck to Los Angeles to get cargo to Asia,” Sutch said. “We are committed to Mexico, and when resources permit, we will get to six [flights] per week.” Cathay currently runs 37 freighter flights a week across the Pacific and is looking to increase this to 43 in the peak season, according to Sutch.

Cathay is not the only airline that is ramping up trans-Pacific freighter activities. Air China Cargo also is preparing to expand its North American footprint. In September, the Chinese carrier (in which Cathay has a 49 percent stake) intends to launch freighter flights from its Shanghai base to Edmonton and Dallas/Fort Worth, returning the same way. It will fly 777Fs three times a week on the new route, according to COO Titus Diu.

Cargolux, which launched twice-weekly freighter flights from Zhengzhou to Chicago in May, intends to double the frequency in the sector. And Shawn McWhorter, president for the Americas at Nippon Cargo Airlines, said that the Japanese carrier for Peak 2015 will operate at the same frequency as it did during the 2014 peak season, which he described as good.

Despite all the planned increase in transpacific capacity, Li said DHL Global Forwarding still sees a need to secure lift for the peak season. “We will continue to work with our carrier partners on long-term block-space agreements and secure selective charters for our strategic customers in support of their peak season spike.”

—Mark Sutch, general manager of cargo sales and marketing, Cathay Pacific Airways

than $1 billion every day. The KTZ group expects annual trade between China and Europe to grow by 1.5 times to reach US$1.2 trillion. The Kazakh government aims to have 8 percent of that trade transported through Kazakhstan.

For its part, DHL Global Forwarding will provide logistics expertise, which includes temperature-controlled containers to support businesses in industries like technology and electronics. DHL GF introduced the first temperature-controlled capabilities, which can be tracked and remotely modified. This allows for year-round multimodal shipping for temperature-sensitive products.

—Linda Ball

In an effort to compete with the bustling airports in Hong Kong, Singapore and Bangkok, Vietnam’s National Assembly voted to move forward with plans to build a US$15.8 billion airport outside of Ho Chi Minh City, Thanh Nien News reported.

The Long Thanh International Airport is being called Vietnam’s most ambitious infrastructure project yet. The airport will be designed to handle 100 million passengers and 5 million tonnes of freight per year by 2050. That would make it larger than the current airfreight throughput at Hong Kong International Airport.

The added cargo capacity would be a significant improvement for Vietnam, which is experiencing rapid growth in traffic. Currently, the country’s biggest airport is Tan Son Nhat in Ho Chi Minh City, which handled about 22 million passengers, but only 408,000 tons of cargo in 2014. To the north, Noi Bai Airport in Hanoi, with a $900 million second terminal added last year, handled 14 million passengers and 355,000 tonnes in 2014.

The new airport will be located in the southern province of Dong Nai, approximately 25 miles northeast of Ho Chi Minh City, on a 19-square-mile site. The first phase is scheduled to start in 2018, at a cost of $5.2 billion. When it goes into operation, in 2025, Long Thanh will be able to serve 38 million passengers annually.

Reuters reported that funding for the huge airport will come from a combination of the state budget, foreign and domestic private investment, and overseas development aid. France’s Aéroports de Paris SA expressed interest, but said it wants to become a strategic investor in the state-run airport operator, Airports Corporation of Vietnam. Opponents said the airport is not urgent, in light of Vietnam’s significant public debt, which amounts to a $900 per year, per capita.

—Linda Ball

Photo: ©Calflier001/Flickr
In the face of a near meltdown, is it time for Deutsche Post DHL to divest itself of its DHL Global Forwarding division?

It is an incredible question to ask, but one that is prompted by the tumultuous events going on within the group’s forwarding business. Has DHL Global Forwarding just become too unwieldy and unmanageable in its present state? Separating the company from its current German parent could provide more corporate focus and allow it to revitalize its prospects.

Paradoxically, DHLGF is still the world’s leading forwarding service provider, which, it should be made clear, is not about to relinquish that crown any time soon. But it has become obvious, in recent months, that the company has clearly lost its way.

The first sign became apparent at the Deutsche Post DHL annual meeting in Frankfurt earlier this year. Embattled CEO Frank Appel announced that the group’s forwarding division had seen a 39 percent drop in operating profits in the last year. The reason, he explained, was quite simple. Management had become too focused on trying to implement a new IT system, which had drained resources and limited customer interactions. The result was loss of contact with its client base.

“The implementation of our transformation program, New Forwarding Environment (NFE), has demanded a great deal of management attention,” Appel said. “This meant that there had not been enough focus on customer care and the day-to-day running of the business.” It also meant, by the way, that there would be no return to growth in earnings within the division before 2016.

Appel, at the time, almost laughed off the profit fall. Such things could be overcome, he told his shareholders. But the Deutsche Post management board was clearly troubled. And a short while after, Roger Crook, CEO of DHL Global Forwarding, tendered his resignation, citing personal reasons. He was replaced by Renato Chiavi, a previous DHL Danzas executive, who had been serving as an advisor to the DHL board.

Soon after Crook’s announcement, Appel said that any further roll-out of the troubled NFE program was to be suspended, admitting the company had been overwhelmed by its complexity.

In the meantime, newly empowered Chiavi had set off on a roadtrip to get a clearer idea of what was happening at the front end of the business. His findings made for unhappy reading back at head office. In particular, Chiavi reported that the company’s North American operation was in serious crisis due to the challenges it faced. This included both the U.S. and Canadian parts of the business, the latter struggling, in particular, as a primary NFE pilot country. Reaction was swift and merciless. By his volition or not, U.S. CEO Christoph Remund quickly stepped down, to be replaced by his North American col-

WFS seeks majority stake in Fraport Cargo Services

When Platinum Equity purchased Worldwide Flight Services (WFS) in April, its intention was to grow and expand in the European market and elsewhere in the world. Now, WFS has signed an agreement to acquire 51 percent of Fraport Cargo Services (FCS), a cargo handling service at Frankfurt Airport for the past 40 years.

The transaction, terms of which have not been disclosed by either party, is expected to close in September. Fraport AG, the airport owner, will retain its 49 percent share of subsidiary FCS.

FCS is the largest independent cargo service provider at Frankfurt Airport, serving international airlines and logistics companies at its freight terminals at FRAs CargoCitySouth. Last year, cargo and mail traffic through Frankfurt rose 1.9 percent to approximately 2.1 million tonnes. FCS has more than 600 cargo handling professionals at CargoCitySouth.

WFS, founded in 1971, employs 14,000 staff, spread out at over 145 major airports in more than 22 countries, handling an estimated 4 million tonnes of cargo each year for 300 airline customers. In addition to this pending acquisition, last month WFS was awarded ground-handling licenses to operate at Spain’s Madrid, Seville, Santiago, Oviedo and Vitoria airports.

—Linda Ball

DHL: Is breaking up so hard to do?

By Roger Turney

AUGUST 2015

Around the world
league, Mathieu Floreani, up to that time CEO for the Americas.

More recently, the management changes sweeping through the company have reached back to Europe.

Rajeev Singh-Molares, CEO for Europe, the Middle East and Africa, has departed and has been replaced by Thomas Nieszner. Sound familiar? Well, maybe that’s because Nieszner will be virtually reprising a role he held until 18 months ago, when he was apparently sacked by Crook to make way for the incoming Singh-Molares. Nieszner will, in fact, be taking on the downsized role of CEO Europe as part of the company’s efforts to streamline its operations.

It is obviously going to be a long haul. First-quarter results show the forwarding division is still struggling to regain lost ground. Reflecting last year’s annual results, operating profits for the first quarter fell badly again. The decline to €17 million is down to 39 percent growth on its American and African routes, but said sales in Europe and Asia were down slightly.

“How has DHL Global Forwarding become so unmanageable when it has actually achieved its goal of becoming the leading global forwarder?”

“Make do and mend” may work as a strategy in the short term to help DHL Global Forwarding recover from its current ills. But it does not address what would seem to be the more fundamental problem confronting the division: the fact that it is a global entity, yet remains just a division within an even greater colossus. It seems challenging for Appel, able CEO that he is, to hold the reins of Deutsche Post, DHL Express, DHL Supply Chain, and DHL Global Forwarding simultaneously.

In his presentation at the group’s general meeting, he applauded the efforts of his mailmen to deliver to the German doorstep, addressed the challenges facing the global express industry and, last but not least, praised the envisioned expansion of the group’s forwarding and logistics activities.

DHL Global Forwarding is big enough to face the world on its own, and may just benefit from being allowed to think for itself within its own universe. How that can be achieved, of course, is the difficulty. If Deutsche Post were to release DHL Global Forwarding, then perhaps it would make sense to also let DHL Express, and for that matter DHL Supply Chain, go their own ways.

In the final analysis, breaking up might not be so hard to do.

In spite of a strong first quarter, Frankfurt Airport’s airfreight and air mail throughput for the first half of the year declined by 1.8 percent, year-over-year, to about 1.04 million tonnes. In June, cargo throughput dropped by 2.5 percent, y-o-y, to 173,984 metric tonnes.

Lufthansa Cargo, the airport’s largest cargo carrier, carried 811,000 tonnes of freight and air mail in the first six months of the year – a 0.5 percent increase over the same period in 2014 – and reported a load factor of 67.5 percent, down 2.5 percentage points. The carrier did achieve 4 percent growth on its American and African routes, but said sales in Europe and Asia were down slightly.

“After an exceptionally good start to 2015, we were aware of the challenging market situation again in the second quarter. We are monitoring the market very carefully and can react by adjusting our routes flexibly and quickly to changes in demand,” said Peter Gerber, CEO and chairman of Lufthansa Cargo.

Lufthansa has incorporated the Brazilian city of Natal into its network and will offer service to and from Vietnam this summer.

—Linda Ball

UPS expands pharma service in Netherlands

UPS said that it is adding a new healthcare distribution center in Roermond, the Netherlands, only a month after opening one in Amsterdam at Schiphol airport. The 28,000-square-meter Roermond facility will have 41,000 pallet places. The facility is scheduled to open in January 2016.

The close proximity to UPS’s European hub at Cologne/Bonn Airport, will mean short transit times, including next-day and two-day service to global destinations. Up to 200 jobs will be created once the facility is fully operational. This brings UPS’s number of dedicated healthcare facilities in the area to three.

The new building, which will be fully compliant with EU Good Distribution Practice (GDP) guidelines and licensed by the Dutch Ministry of Health, will provide inventory management, temperature-sensitive storage and quality-assurance services with a direct feeder connection to UPS’s air hub at the Cologne/Bonn airport.

The company’s global healthcare distribution network now includes more than 50 locations throughout Europe, the Asia-Pacific region, and North and South America.

—Linda Ball
LATAM looks to the future after lean years

By David Harris

In 2009, the picture looked rosy for both Chile’s LAN Airlines and Brazil’s TAM Linhas Aereas. LAN hadn’t had a loss since the second quarter of 2002 and was one of the few carriers to have an investment-grade rating. TAM, while not quite at the same financial level as LAN, was the largest airline in Latin America’s most populous country. With the Brazilian real standing at 1.94 to the U.S. dollar, the future looked bright for both carriers, and a merger to create a single dominant Latin American carrier made perfect sense.

The merger was formalized June 23, 2012. Latin American carrier LATAM was born. But the cargo business has been anything but perfect at LATAM since then.

Cargo was a big part of the new company’s post-deal plan. LAN operated a large fleet of 767 and 777 freighters, and, prior to the merger, cargo generated 28 percent of LAN’s revenue – far more than the 5 percent contribution cargo made to the big North American carriers, and in fact more than the 15 percent to 20 percent contribution to the big European combination carriers. TAM did not operate any freighters, but its belly freight operation was significant, generating 9 percent of annual revenue. And both carriers were seeing strong year-over-year growth in their cargo traffic.

With LAN gaining access to TAM’s vast domestic cargo network in Brazil and strong connections to Portugal, and TAM gaining access to LAN’s main-deck and belly freight network throughout the Americas and parts of Europe TAM didn’t serve, the stage seemed set for the development of a cargo operation that could claim a place on the global stage.

But, as the poet Robert Burns once said: “The best laid schemes o’ mice an’ men, gang aft aglay.” Translating from Scottish to English, this means something like “don’t count your cargo chickens before they hatch,” and it applies directly to LATAM’s post-merger cargo business. Brazil’s economy tanked, and its exchange rate fell to 3 reais to the dollar. Intra-Latin American vice president of Lockheed Martin Aeronautics. “We have completed all required FAA certification planning steps for a new class of aircraft and are ready to begin construction of the first commercial model and the completion of the FAA Type certification process.”

According to Hybrid Enterprises and Lockheed, that first commercial model will be available for service “as early as 2018.” It will offer a payload of 21 tonnes (while also carrying 19 passengers), with a range of up to 1,400 nautical miles. Cruise speed will be 60 knots – not quite up there with commercial jet freighters – but sufficient for all but emergency shipments.

—David Harris

The airships are coming

Hybrid Enterprises LLC has been formed to take on the job of marketing Lockheed Martin’s Hybrid Airships.

The need for an airborne cargo vehicle not dependent on airstrips or other ground infrastructure has long been obvious. Outsize and heavy-weight cargo regularly has to be moved to remote locations to support the oil and gas industry, for example. To be able to maneuver into tight spaces, and land on any flat surface (water, ice, snow, sand, a jungle clearing) has been the Holy Grail of the project cargo industry for some time. But it has taken just as much time to refine the lighter-than-air concept into a hybrid airship that can actually work in the real world.

Lockheed Martin claims to have done just that. “We’ve invested more than 20 years to develop the technology, prove the performance, and ensure there are compelling economics for the Hybrid Airship,” said Orlando Carvalho, executor vice president of Lockheed Martin Aeronautics. “We have completed all required FAA certification planning steps for a new class of aircraft and are ready to begin construction of the first commercial model and the completion of the FAA Type certification process.”

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—David Harris

The airships are coming

Hybrid Enterprises LLC has been formed to take on the job of marketing Lockheed Martin’s Hybrid Airships.

The need for an airborne cargo vehicle not dependent on airstrips or other ground infrastructure has long been obvious. Outsize and heavy-weight cargo regularly has to be moved to remote locations to support the oil and gas industry, for example. To be able to maneuver into tight spaces, and land on any flat surface (water, ice, snow, sand, a jungle clearing) has been the Holy Grail of the project cargo industry for some time. But it has taken just as much time to refine the lighter-than-air concept into a hybrid airship that can actually work in the real world.

Lockheed Martin claims to have done just that. “We’ve invested more than 20 years to develop the technology, prove the performance, and ensure there are compelling economics for the Hybrid Airship,” said Orlando Carvalho, executor vice president of Lockheed Martin Aeronautics. “We have completed all required FAA certification planning steps for a new class of aircraft and are ready to begin construction of the first commercial model and the completion of the FAA Type certification process.”

According to Hybrid Enterprises and Lockheed, that first commercial model will be available for service “as early as 2018.” It will offer a payload of 21 tonnes (while also carrying 19 passengers), with a range of up to 1,400 nautical miles. Cruise speed will be 60 knots – not quite up there with commercial jet freighters – but sufficient for all but emergency shipments.

—David Harris
K+N beefs up North American road network

Logistics firm Kuehne + Nagel has acquired U.S.-based ReTrans, a non-asset freight brokerage provider. With 68 locations and annual revenues of more than US$500 million, ReTrans specializes in intermodal transportation, as well as full- and less-than-truckload services in the United States and Canada. Detlef Trefzger, CEO of the Kuehne + Nagel Group, said the investment will help strengthen the company’s North American road-based supply-chain network, which will dovetail with its air- and seafreight logistics operations. The merger, if approved, will put K+N in more direct competition with major North American players, such as XPO Logistics, Coyote Logistics and C.H. Robinson.

UPS adds destinations

UPS has added five Latin American destinations to its UPS Worldwide Express Freight service, the second expansion this year. The freight service is for urgent, time-sensitive and high-value international heavy-weight shipments.

New origins and destinations include El Salvador, Guatemala, Honduras, Nicaragua and Panama. UPS Worldwide Express Freight offers faster palletized shipments of more than 150 pounds, with door-to-door and day-definite delivery, the company said. Customs brokerage service is included, and Saturday deliveries are available in some U.S. and Canadian locations.

“Latin America is undergoing rapid expansion of general industrial, healthcare, apparel and high-tech businesses,” said Nick Basford, UPS vice president of international marketing.

Yusen Logistics opens Mexico offices

Citing rapid growth from the Mexican auto industry, Japanese freight forwarder Yusen Logistics has opened two offices, both inside and outside Mexico City International Airport. By doing so, it has eliminated the need for an agency and will manage its operations internally.

Because of increased demand for imported auto-related freight, Yusen established a customs office within the free trade zone of Mexico City Airport. The customs office is expected to make it easier to check freight status within the airport transit shed, clear customs efficiently and supervise truck loading.

A cross-dock office for air exports has been opened outside the airport. Yusen will now handle its own negotiations of freight charges with airlines and issue its own air waybills. The forwarder plans to arrange a similar structure at Guadalajara and Monterey airports.

can trade declined, demand for imports dried up, competition increased and strong growth in cargo traffic soon became a thing of the past.

Cargo traffic stagnated in 2012 and remained stubbornly flat through 2013. Things got worse in 2014, with LATAM reporting a 3.3 percent drop in cargo traffic. But that was just a prelude to this year, when the bottom fell out of demand, and LATAM’s first-half cargo traffic was down 11 percent, compared to the first half of 2014. Cargo revenue has fallen even more steeply than traffic, with LATAM reporting cargo revenue down 8 percent in 2014, and down 16.3 percent in the first quarter of 2015 (the carrier’s most recent reporting period as we went to press).

Despite the challenges thrown in its path, LATAM is still looking confidently toward the future. It has dealt with the tough times of the last three years by cutting costs wherever possible, and reducing the size of its freighter fleet while adding new cargo-friendly 787 and A350 passenger aircraft. As Alvaro Carril, LAN Cargo’s senior vice-president, sales and marketing, pointed out, when cargo demand does return to the region, LATAM will be well-placed to take advantage of it. He said LATAM’s network is unparalleled in the region. “We can combine our domestic operations in Brazil, Chile, Argentina, Peru, Ecuador and Colombia with our backbone of international and freighter flights serving the key hubs in North America and Europe.”

—Linda Ball

—Linda Ball

—Linda Ball

—Linda Ball

—Linda Ball

—Linda Ball

—Linda Ball

—Linda Ball
Africa builds interconnectivity with new trade bloc

By Randy Woods

Over the years, many aviation experts have said one of the most significant obstacles to air cargo success in Africa has been a lack of intra-continental trade. In June, much of the continent made steps to remedy the situation by forming a 26-country East African free trade zone, running from Egypt to South Africa.

Under the new agreement, known as the Tripartite Free Trade Area (TFTA), the participating East African nations will agree to increase the flow of goods across their borders by reducing tariffs and investing in much-needed infrastructure. The new common market, which includes some of the wealthiest and poorest countries in Africa, is expected to have a combined gross domestic product equivalent to US$1.2 trillion and boost trade for each nation by 25 percent over the next decade.

The TFTA bloc was created by merging the overlapping entities of the East African Community, the Southern African Development Community and the Common Market for Eastern and Southern Africa. Included in the new bloc are Angola, the Democratic Republic of the Congo, Djibouti, Egypt, Ethiopia, Kenya, Libya, Madagascar, Mozambique, Namibia, Rwanda, South Africa, Sudan, Tanzania, Uganda, Zimbabwe and several other countries.

The trade zone will be of interest to many in the airfreight industry, said Tony Tyler, director general and CEO of the International Air Transport Association (IATA). Speaking on June 23 at IATA’s Africa and Middle East Aviation Day in Nairobi, he said the continent is expected to experience a 5 percent-per-year expansion in its airfreight business, but it still must overcome significant challenges in terms of infrastructure, economic development and, above all, connectivity if it is ever to live up to its enormous potential.

Speaking at the opening session of the conference, Tyler said governments, safety regulators and the cargo industry need to step up and be catalysts in driving aviation connectivity and infrastructure development in Africa. He cited four major categories that must be addressed before many African nations can ever become worldwide players in the airfreight business: safety, regulations, infrastructure, and environment.

Safety, Tyler said, is the first priority. “Africa experienced zero jet hull losses in 2014, an excellent result. The all-aircraft accident rate, however, remains considerably higher than the global average,” he said. The Abuja Declaration, a 2001 pledge for participating Africa governments to increase funding for healthcare to at least 15 percent of their annual budgets, must be followed up with action to increase compliance with International Civil Aviation Organization (ICAO) standards, he added.

Regulations, Tyler continued, can be made “smarter,” to enable better aviation connectivity, such as the liberalization of the intra-African air transport market via the Yamoussoukro Decision. Such open-skies agreements for African carriers, he said, can allow for more air cargo routes to be established across the continent. On the infrastructure side, he said “offering the right capacity at the right price” is essential for growth.

Regarding environmental goals, Tyler said IATA is committed to achieving its goal of carbon-neutral growth. “The negotiations for a global market-based measure to tackle carbon emissions from aircraft are entering a crucial phase ahead of the 2016 ICAO assembly,” he said. “It is vital that African governments support a workable solution, in order for a measure to be in place in time for the industry’s 2020 goal of carbon-neutral growth.”

Etihad Cargo in Brazzaville

Expanding its reach into the African market, Etihad Cargo has begun twice-weekly freighter flights to Maya Maya Airport, in Brazzaville, capital of the Republic of the Congo. The service, which employs a 777F, flies from Abu Dhabi to Brazzaville via Murtala Muhammed International Airport in Lagos, Nigeria.

Brazzaville is a key political, economic and transportation hub in Central Africa, said Kevin Knight, chief strategy and planning officer for Etihad Airways, which will help boost trade between the Congo, United Arab Emirates, and the various other markets in Europe, the Middle East and Asia.

With the Brazzaville freighter service, Etihad Cargo now flies directly to eight destinations in Africa. Through codeshare partnerships with such airlines as Royal Air Maroc, Kenya Airways, South African Airways and Air Seychelles, Etihad can now serve more than 30 destinations across the continent.

–Randy Woods
Third Parties

Remco Overwater is the new head of sales and project execution at Siemens Postal, Parcel & Airport Logistics. Overwater has had many years of experience in management positions in medium-sized companies in the logistics sector. He succeeds Michael Lampen, who is leaving the company.

Katherine Boesen has been appointed senior vice president of global commercial and key account management, ground handling, for Swissport International. Boesen has more than 20 years in positions across sales and commercial solutions in the logistics, financial services and telecommunications industries.

Philip Griffiths has been appointed contract logistics business development director for CEVA Logistics, in Iberia. He joins CEVA from Kuehne + Nagel, where he held the position of lead logistics solutions manager in Spain.

Terry Unrein has been hired to serve as the new vice-president of Crane Worldwide Logistics. Unrein comes to Crane Worldwide from SEKO, where he served in the same role. Prior to his two-plus years at SEKO, Unrein spent 11 years at EGL and CEVA.

Thomas Tieber has been named chief executive for DHL Global Forwarding for ASEAN and South Asia. Previously, he oversaw DHL Global Forwarding in South Asia. Meanwhile, Thomas Nieszner has returned to DHL Global Forwarding as Europe CEO after a two-year absence. The current CEO of EMEA, Rajeev Singh-Molares, has left to pursue other career opportunities.

Tom Pampillon has been promoted to the position of Eastern/Southern Regional director for NNR Global Logistics. Pampillon started with the company as a sales executive in 1993. He has held previous positions as route development manager for NNR, based in Sydney, Australia and Hong Kong.

Larry Rodo has been named president and CEO of Consolidated Fastfrate, Inc., a Canadian logistics company. Most recently, he held the position of president of Day & Ross Freight North America.

Andy Weber has been promoted to COO of Panalpina. At the same time, Ralf Morawietz assumes the position of CIO, taking over from Rod Angwin, who will leave the company later this year. Weber, who started his career with Panalpina, re-joined the company in January 2015 as global head of operations. Morawietz previously worked for Kuehne + Nagel as part of the global IT management team.

Airlines

Ashwin Bhat has been appointed head of cargo for Swiss International Air Lines, taking over the title on October 1. Bhat, who is currently responsible for global sales management at the airline’s Swiss WorldCargo division, will succeed the retiring Oliver Evans. Bhat joined Swiss WorldCargo in 2002 and was appointed head of area management Asia, Middle East & Africa in 2010.

Richard Hartmann has been appointed to the newly created position of regional sales manager – cargo, South Asia, Middle East and Africa, for American Airlines Cargo. Hartmann has more than 30 years of experience in the air cargo industry in both the airline and freight forwarding sectors.

Gisela Schork has been appointed to the position of regional sales manager, cargo, Germany and Switzerland, for AA Cargo. Schork is a well-known figure in the German airfreight market, having joined American in 1989.

Helge Krüger-Lorenzen has been appointed to the position of vice president, capacity management, for Lufthansa Cargo, taking over from Boris Hueske, who led the capacity management team on an interim basis. Frank Naeve, who has been leading LH Cargo’s e-cargo program, becomes vice-president, area management, Asia Pacific. Lufthansa Cargo also welcomes Dorothea von Boxborg, its director for customer experience, who will now head the cargo arm’s global sales management.

Mohd Nadziruddin Mohd Basri has been appointed CEO of Malaysia Airlines’ (MAS) new subsidiary MAB Ground Handling Services, effective September 1. Basri has been with MAS since late 2013, first as CFO and then leading the Restructuring Management Office since late 2014.

Roy Kinneir has been named CEO of Air Seychelles. Kinneir was formerly the executive vice-president cargo for Etihad. He replaces Manoj Papa, who will leave the carrier after 18 months.

Yossi Shoukroun, previously GM of Liège Air Cargo Handling Services (LACHS) has been promoted to CAL Group’s COO, a new position responsible for the ground operations of both CAL Cargo Airlines and LACHS ground-handling services in Liège. Rami Marom will be stepping down after nine years as vice president, ground operations, and COO of CAL Cargo Airlines.

John Mason has been appointed general manager, commercial, for Virgin Australia Cargo. Mason has 25 years of experience in the air cargo, aviation and transport logistics industries.

Airports

Dirk Schusdziara has been appointed to head Frankfurt’s freight development and freight management team for German airport operator Fraport. Schusdziara joined Fraport in 1996 and has held a number of senior roles in Frankfurt.

Maintenance & Manufacturing

Dennis Muilenburg has been elected by the Boeing board of directors to serve as the aircraft builder’s 10th CEO, succeeding Jim McNerney, who continues as its chairman. Muilenburg, a 30-year company veteran, who has served as Boeing president and COO since 2013, became president and CEO on July 1.

In Memoriam

Gary Wilcox, managing director, Europe, for Kerry Logistics, died June 21, at the age of 54 after a short battle with cancer. A statement from Kerry read: “His tireless dedication, his professionalism, his sterling leadership – and most important of all – his genuine warmth and love towards everyone, will be sorely missed by the industry.”
Rosa Mango
Origin: Minas Gerais, Brasil

Snow Crab
Origin: Bering Sea, Alaska

Haas Avocado
Origin: Kona, Hawaii

King Salmon
Origin: Copper River, Alaska

Pacific Cod
Origin: Gulf of Alaska
DEMAND FOR AIR CARGO RIPENS IN THE FAST-GROWING FRESH-FOOD MARKET

By Randy Woods

On an unseasonably hot 90°F day in Seattle, pallets sat prepared inside the comfortable, chilly air of Alaska Air Cargo’s recently expanded cool-chain facility at SeaTac Airport. A 737-400 freighter had arrived earlier from Anchorage to unload its bounty: freshly caught Pacific salmon straight from Alaska’s waters. Crews had quickly sent the fresh fish on its way via reefer trucks or connecting flights to various seafood distributors around the country.

Now the floor was readied with neatly arranged pallets full of fresh produce, herbs and other groceries from the Lower 48 for processing and immediate storage in the coolers. These shipments would then be loaded on a morning 737-400 combi, informally called the daily “Milk Run” flight, heading back to Alaska. The flight is named for its short hops into small towns along the way, such as Ketchikan, Wrangell, Petersburg, Juneau and Yakutat — all located in the rugged Alaska panhandle, with little access to local produce and virtually inaccessible by anything but airplane and boat. Roughly 50,000 pounds of dairy products, meats, poultry, fruits and vegetables per day are shipped in Alaska’s cargo holds. More than daily flights, the Milk Run, and many other Alaska flights, are lifelines to the communities they serve.

“Walk through any produce aisle in Alaska’s communities,” said Betsy Bacon, managing director of Alaska Air Cargo. “We probably got a large percentage of it there in our planes.”

A taste for the exotic

Alaska Air Cargo is a good example of how much the world has come to rely on airfreight delivery of high-quality meat, fruit and vegetables virtually anywhere with a runway across the globe. Foods that used to be considered “exotic” or limited to narrow growing seasons — such as blueberries,
strawberries or asparagus – are now routinely shipped globally, 12 months out of the year, as various regions of the world experience growing seasons at different times.

The demand for fresh food is also no longer just a small niche between developed countries. Today, the rising middle class around the world has developed an appetite for a rapidly expanding menu of items, and they no longer want to schedule their consumption by season. While most food is still sent by truck and container ship – each of which has perfected the art of maintaining freshness for weeks after the food is harvested – there will always be certain foods that cannot last beyond a few days; in some cases, it’s a matter of hours.

“You can never completely switch everything to seafreight,” said Christian Helms, CEO of the German-based Cool Chain Group, an organization dedicated to promoting the quality of temperature-sensitive goods. “For commodities like asparagus from Peru, you have to use airfreight. In the higher-wealth countries, there will always be a portion that will go by airfreight, because it will always be seen as a new and valuable commodity, like raspberries in December.”

The way much of the world buys salads from the supermarket these days is another testament to the ubiquity of food sent by air. “It used to be you would shop for the various separate vegetables that were available each season,” he said. “Now we have convenient pre-washed, pre-packaged salads. Now we go to the supermarket and pick up whatever organic mix we like.”

Another way to measure the health of the perishables market is to note the growth of cool-chain facilities specializing in perishable food. For example, at Schiphol Airport in Amsterdam, Prime Fresh Handlers, a perishable products handling specialist operating jointly with Worldwide Flight Services (WFS), is preparing to open a new 3,000-cubic-meter warehouse next month for perishables with direct airside access. The new facility has nine truck doors, will maintain three different temperature zones, have a cool room large enough to store up to 50 pallets and will house the world’s largest vacuum cooler. The facility, with both warehouse and distribution capabilities, will specialize in handling fruits, vegetables and seafood, among other perishables.

Back in Seattle, Alaska Air Cargo’s Bacon said the carrier has doubled the capacity of its cool-chain and freezer rooms, so it can hold up to 100,000 pounds of seafood at once. The facility’s freezer room now measures nearly 22,000 cubic feet, while the two cooler rooms have a combined capacity in excess of 45,000 cubic feet. And Alaska’s focus on perishables extends beyond facilities and equipment; customers can use Alaska’s “seafood desk” call center to track seafood shipments all the way through the supply chain and help determine the best possible route.

Like a roadside motel, the coolers don’t have occupants that stay very long. One day, live lobsters will fill the entire space. On another, it will be the temporary home of coho salmon and crab legs. Other times it will house boxes of vegetables. “We always have to keep things moving,” said Jason Berry, Alaska Air Cargo’s director of cargo operations and compliance. “That’s our business.”

**Competition from the sea**

Air cargo divisions can install all the cool rooms they can buy, but it still won’t change the fact that seafreight will always be cheaper than airfreight.

Today, the ocean mode remains one of the chief threats to air carrier’s market share of the food market.

Also, shippers are constantly experimenting with new techniques to extend the shelf-life of various commodities for long sea voyages. In the last few years, some of these methods include higher-quality reefer containers; microwave sterilization, where certain types of packaged goods are heated with microwaves to kill pathogens; antimicrobial edible coatings on meat to extend shelf life up to 13 days; and placing carbon-dioxide-emitting patches to slow down decomposition of meat and seafood. As a result, some perishables with longer shelf-lives, such as pineapples and stone fruit, made the switch to ocean transit long ago.

In reality, though, a modal shift is rarely that simple, said Markus Fellmann, global vice president of forward Hellmann Perishable Logistics. “Certain commodities on certain lanes and certain volumes have transferred to ocean. However, it is usually never just ocean or air,” he said. “Oceanfreight has attracted some volume, but airfreight will definitely continue to play a very important role in perishable logistics – not at previous years’ growth rates, but certainly with expected growing numbers, year over year.”

Some of Hellmann’s top-volume lanes for food include Latin America to Europe and North America to Asia and the Middle East. More specifically, Fellmann said, there is stronger traffic from the U.S. West Coast to Australia, Asia and the Middle East. “Larger-volume lanes mean usually larger individual shipments, which enable us
to move more volume with the same amount of staff,” he said.

One way to be more competitive with seafreight is to provide better protection for the cargo, Fellmann said. In cooperation with an engineering firm, Hellmann has created the “Smart Visibility Tool,” which provides a real-time tracking device in each shipment, constantly monitors temperature, sends alerts when doors are opened and records the G-forces the air cargo experiences. The tool, he says, is “increasingly popular” with customers who ship high-value commodities. “Exceptions often can be detected when occurred and damage can be prevented,” he said. “The majority of its cost can be offset by reduced transport insurance cost.”

**Listening to your shippers**

Hellmann also pays close attention to the beginning and ends of the growing seasons for some commodities. “At the start of certain fruit seasons, the return on the early-arrival fruit is quite often higher and hence the higher freight costs by airfreight can be absorbed,” Fellmann said. “Many sellers use fruit as consumer drivers, and their aim is to provide fruit with the highest possible quality at all times.”

Similarly, at Lufthansa Cargo, “natural maturity” is a key consideration in the handling of highly sensitive foods, said Uta Frank, the carrier’s product and solutions manager for temperature-sensitive logistics. Through close co-operation with supply-chain partners from the farm until delivery to the final consignee, forwarders and carriers can time delivery for a very narrow window of opportunity for ripeness.

“For example, an airfreight mango is harvested at a later stage than a mango which will be transported by sea,” Frank explained. “This means the airfreight product can be bought as ‘ready to eat’ in the supermarkets, and customers will experience a big difference in quality and taste.”

Since 2002, Lufthansa Cargo has also operated its “Fresh/td To-Door” service from its Frankfurt Perishables Center hub, which has evolved over the years to help serve customers more directly. At first, Frank said, the service was set up to deliver perishables directly into the hub, which has evolved over the years from its Frankfurt Perishables Center operated its “Fresh/td To-Door” service to help serve customers more directly.

It’s difficult enough to maintain the freshness of perishables like salmon during a trans-ocean journey – just imagine how much harder it is when the air cargo destined for dinner that evening is still alive. That’s the task undertaken by Canada-based KF Aerospace, which has recently reinvented itself as a part-time lobster wrangler.

Formerly known as Kelowna Flightcraft, the carrier had been Canada’s largest cargo operator, with a longtime contract to provide overnight express service for Purolator and Canada Post. Last year, however, the company lost the contract to Cargojet, forcing Kelowna to find new business in the general cargo market for its DC-10-30 and 727 freighters. This year, it struck a deal with an agreement to airlift live lobsters from Moncton, Canada, to Brussels Airport, in Belgium.

If it seems strange that the renamed KF Aerospace went into the seafood business, there was a little serendipity involved. “We were at a show in South Korea when we happened to stumble upon the Brussels Airport booth,” said Bryan Akerstream, the carrier’s senior manager, business development. “We were at a show in South Korea when we happened to stumble upon the Brussels Airport booth,” said Bryan Akerstream, the carrier’s senior manager, business development. “We were at a show in South Korea when we happened to stumble upon the Brussels Airport booth,” said Bryan Akerstream, the carrier’s senior manager, business development. “We were at a show in South Korea when we happened to stumble upon the Brussels Airport booth,” said Bryan Akerstream, the carrier’s senior manager, business development. “We were at a show in South Korea when we happened to stumble upon the Brussels Airport booth,” said Bryan Akerstream, the carrier’s senior manager, business development.

KF soon learned that there was a growing demand for the Canadian delicacies. “So we started talking with a bunch of forwarders in the Asian and North Atlantic countries about lobsters and other cargo.”

Since May 30, Toronto-based KF has flown one of its DC-10-30Fs four times per week between Toronto and Europe by way of Moncton and Brussels. “We’re very excited to have landed the lobsters, but the market has been a little flat,” Akerstream admitted. “So far it’s been more like 15 to 20 tonnes,” he said. “But there is a consistent weekly volume and it continues to grow. It’s a pretty decent-yield product.”

Although they spend their lives completely in the ocean, lobsters can live out of water for a surprisingly long time – as much as 12 hours at a time, Akerstream said, as long as they are in a relatively moist environment. The containers are also stored in the lower forward compartments of the DC-10, where it’s easier to maintain the necessary 2° to 8°C temperature. “Ours is a six-hour direct flight, which is about as good as you can get going to Europe,” he said.

Most of the lobsters are harvested off the coast of Nova Scotia and sent in reefer trucks to a cool-chain facility in Moncton. Shipments must be ready five hours before push-back, so with the two-hour drive to Moncton and the six hour flight to Brussels, plus a few stops to “rest” the lobsters on the way, the tasty cargo can go from the bottom of the Atlantic to a European market in less than 18 hours.

Loads coming back to Canada are “not where we thought they’d be,” Akerstream said, but the situation is slowly improving. So far, most of the ex-Brussels shipments have been industrial freight, general cargo, vehicle parts and fashion industry products. KF also plans to expand the lobster shipments within the next two months to add routes through Calgary, Vancouver and Anchorage to reach Asian markets.

Any new live cargo options on the horizon? “Tiny baby eels from Moncton,” he added.

Continued on page 22
main perishable import markets, such as the U.K., Switzerland and France, without having a direct flight offered to these markets. “Now, we can deliver directly into the warehouses of the customers,” she said.

Clearing the Air

There’s a colorless, odorless, hard-to-detect gas, and it’s coming to get you. Well, it won’t hurt you physically, but if you’re a shipper of highly perishable food, it might steal from your bottom line.

The gas is ethylene, sometimes referred to as the “ripening hormone.” It’s a naturally occurring byproduct of the decaying process, slowly seeping out of fruits and vegetables as they ripen. The problem with this comes when there’s too much of it – such as in a cargo hold or warehouse, where a lot of fruit and veggies are packed together. The higher the ethylene concentration, the faster the decaying process accelerates and the more ethylene that is produced. This vicious cycle, left unchecked, can be a death knell for your shipment.

That’s why, when Alaska Air Cargo expanded its chillier facilities in Seattle last year, it invested in an ethylene filter. “This is something new for us,” said Alaska’s Jason Berry. The carrier has situated an EF-100 unit, made by CJS Ethylene Filters, in each of the two cooler rooms in the facility. The two filters scrub out ethylene by forcing air through about 100 pounds of special pellets located within the unit. These pellets absorb the gas and can be used for three to twelve months before being replaced, depending on the amount of produce and the size of the room. According to CJS, each EJ-100 can clear any room between 75,000 and 150,000 cubic feet.

In 2014, LH Cargo began working with a new Fresh/to-Door delivery partner and has increased the number of its customers, Frank said. At the start of this year, the carrier launched a new Fresh/to-Door lane from South-America to Russia, using the vacuum-cooling facility in Frankfurt.

While these methods are laudable, Helms, with the Cool Chain Group, said a more holistic strategy is needed to improve overall food quality. According to the organization’s research, 30 percent of perishable food shipments routinely arrive spoiled. “This is happening globally, and it’s not improving at all,” he said. “Most retailers will refuse spoilage of just 5 to 10 percent.”

In some regions, there are major infrastructure issues that contribute to spoilage. “Look at some of these coastal cities that export fish around the world, like Lima, Peru,” he added. “Go 20 kilometers away by land and you will not see a fish delivered. You cannot go anywhere quickly on these roads.”

But the core reason for the dismal spoilage figures is the complexity of the supply chain and the weakness of certain links. “If somebody in the supply chain won’t do their job, there’s little an air operator can do,” Helms said. For instance, while most large trucking companies do an excellent job of shipping perishables, he said there are a lot of “very small operators that don’t give a rat’s ass.” To save fuel, some unscrupulous drivers will turn off their reefer units during their shipment. “Until they get these operators under control, nothing will change,” he added.

Fresh always sells

Despite these logistical headaches, many shippers and forwarders are optimistic about the air cargo future for perishable food.

“We don’t foresee any revolutionary, new, up-and-coming commodities on the horizon, but the blueberry is certainly a fruit that we expect to [see in] increasing volumes in coming years,” Fellmann said. “Many perishable items are moving in large volumes and, in general, the industry sees softer margins in comparison to general cargo.”

The main drivers, he added, will be continued population growth, genetic engineering of plants to increase crop yields per hectare and the growth of the worldwide middle class.

James Wilkinson, perishables sales director for Yusen Logistics’ International Division, said the most lucrative commodities his company handles are chilled and frozen beef, pork and prepared meats. “Over the next 15 to 20 years, I believe there will be a shift towards Africa, as the population is growing very quickly and there will be a greater demand for grains, processed foods, fresh meats and produce on that continent,” he said. South America and South Asia should also be growth markets, he added.

Then there are the various political factors that can have a significant impact on food shipments, such as the U.S. West Coast port crisis from earlier this year. Wilkinson recalled a situation where Yusen had to scramble to move 50 ocean containers of chilled meat that had to be rerouted by air. “It was a lot of work, but it enabled us to ensure that our clients received their perishables on time and intact,” he said.

Helms cites a few other possible developments that could affect the perishables market, such as the ban on European temperature-controlled shipments into Russia, the volatile EU bailout situation in Greece and the recent warming of relations between Cuba and the U.S. “That will be big, when Americans will buy real Cuban food,” he said. “It’s about more than just cigars.”

The appetite for international delicacies will likely never be sated, which is a good thing for airfreight. “There is a never-ending demand for the freshest produce and meat available, especially among certain commodities, such as fresh fish, sushi, cherries and high-end prime cuts,” Wilkinson added. “Airfreight will always have a place in the perishable food supply chain.”
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During the U.S. West Coast port crisis early this year, shippers desperate to serve their clients had to turn to airfreight to get their goods to their appointed destinations on time. Many U.S. airports were overwhelmed with cargo, causing mass confusion. At Chicago O’Hare, truckers reported waiting four to nine hours to get to freight facilities. Some of this delay was due to road construction around the airport, but 200 unscheduled charters flying to Chicago in April and May added to the mayhem.

Brandon Fried, executive director of the Airforwarder’s Association, said 105 people showed up at a town hall meeting organized at O’Hare. The ground handlers reported being swamped, but unable to hire more help because security clearance for new personnel takes six weeks. Freight forwarders were also inundated, and had to spill over into airlines’ warehouses.

Although the meeting was called to deal with problems in Chicago, Fried said there were two representatives from the Atlanta Airport, simply to observe. When he asked why they were there, he was told that the overcrowding was becoming unbearable in Atlanta, too. “Things are starting to stabilize [from the port crisis], but it just shows what can happen as facilities get overwhelmed,” Fried said.

Congestion is one of many challenges facing major airports around the world today, with passenger and cargo services often operating under one roof. Attempting to manage these two different services at the same time is creating problems for many airports as they lose focus or are distracted from the objective of the business. With airfreight demand growing, particularly in e-commerce, the issue of unfocused airport operations is becoming a significant problem, particularly in developing countries.

Airport expansion is not always the answer, as in many cases there is nowhere to expand. Adding runways and slots for aircraft and building cargo facilities requires vast areas of land. Building new, more efficient facilities
TRAFFIC

HOW THE WORLD’S MOST CONGESTED AIRPORTS ARE FINDING ROOM FOR CARGO

By Linda Ball

on the footprint of old ones, or creating cargo villages where everything is consolidated into one area are solutions that airlines, forwarders and airports are putting into action.

Feeling the squeeze

O’Hare and Atlanta are obvious examples, but almost all airports in the United States are old and equally...
Runway Fever

As the world population grows and the need for fast movement of freight increases, airports worldwide are facing the need to build more runways. At Hong Kong International Airport (pictured above), where cargo volume has increased from 1.63 million tonnes in 1998 to 4.38 million in 2014, the need for a third runway is evident. Trading and logistics make up 23.9 percent of Hong Kong's GDP, so it is no surprise that HKIA's capacity crunch has prompted studies and planning for a third runway.

HKIA believes that if work can start in 2016, a third 3,800-meter runway could be a reality in eight years. It's a complex project, since 650 hectares of land will have to be created, using non-dredge methods, to increase the size of Lantau Island (out towards the islands in the distance, pictured above). The total cost to build the runway is estimated at HK $141.5 billion, with $36.8 billion of that for land formation. But Hong Kong is facing competition from several of its growing Asian neighbors.

Seoul's Incheon Airport will construct a fourth and fifth runway beginning in 2020; Singapore Changi is planning to convert a military runway into a third commercial runway in 2020; Guangzhou Baiyun will construct a fourth and fifth runway in 2020; Shanghai Pudong will construct a fifth runway in 2017; and Shenzhen Bao’an is constructing a third runway in 2018.

In the U.K., the British International Freight Association (BIFA) is growing frustrated with the country's infrastructure and is calling for a greater investment in air cargo facilities and a new runway at London Heathrow. An emergency budget approved July 8 by Chancellor of the Exchequer George Osborne was initially greeted as a positive sign, but it did not specifically earmark money for a third runway.

The prolonged delay over when and whether to extend runway capacity in Southeast England is perhaps the most extreme example of the procrastination that is at the heart of the U.K.’s transport policy, BIFA said. “It is time to get down to some long-term, strategic airport planning before the UK finally and irrevocably runs out of airport capacity,” said Robert Keen, director general of the BIFA.

The debate over where to build a new runway in Southeast England has been ongoing for 25 years, with residential opposition to expansion at London Heathrow the biggest concern. An independent government-appointed commission published a long-delayed report in July, recommending Heathrow as the site for a new runway, but representatives of nearby Gatwick say the numbers in the report are flawed. Boris Johnson, the flamboyant mayor of London, has publicly expressed his opposition to an additional runway at Heathrow. Prime Minister David Cameron said he will make a decision by the end of the year on whether it should be built at Gatwick or Heathrow, but many political commentators expect that his “decision” will be to postpone a real decision once again.
loading and unloading times for customers.

Further north, in Philadelphia, a strategically important U.S. pharmaceutical corridor, AA has unveiled a new pharmaceutical handling center. This is America’s first fully dedicated pharmaceutical and healthcare handling facility and the only one of its kind in the Northeastern U.S., the airline said.

Across the carrier’s entire global network, AA Cargo has implemented cold-chain-specific infrastructure within its warehouse operations. All of the temperature-control handling at PHL moved to the new facility from an existing warehouse, which is still used for general cargo. Called Expedite TC cold storage, it is a dedicated AA Cargo facility only for the use of American’s cargo customers booking Expedite TC temperature control services.

The Philadelphia location was chosen not only for its close proximity to the pharmaceutical corridor, but also for easy global reach to Europe, Latin America and Asia. The airline believes this new Philadelphia facility will not only give it the space it needs, but also address the increasing demand for better temperature control within the supply chain.

Facilitating movement

While sparkling new facilities can help ease the squeeze at many older airports, sometimes a few new roads to provide better access can make a world of difference.

Take JFK, for example. An airport travel plaza opened in March 2014 and parking for large trucks just opened in June 2015. Both additions cater to truckers and the trucking industry by providing high-speed diesel fueling, a 24-hour food court, a 24-hour medical facility, and now parking. The plaza is centrally located on airport with access from off-airport locations and easy truck maneuvering within the facility.

“This is vital for 53-foot trailers, which continue to be the industry standard,” said Michael Bednarz, manager, air cargo business development for the Port Authority of New York and New Jersey. “It makes JFK especially attractive to the longer-haul truckers, freight forwarders and shippers that are making choices in terms of which airport to move their goods through.” Bednarz said it also offers a heightened level of security. Although the facility has only been open a short time, the operator reported already seeing increased interest and activity, whether from individual truckers looking for short-term parking or entire fleets looking for long-term arrangements.

Bednarz added that the Port Authority is also in negotiations with a ground handling agent and a developer to build a new cargo facility in the north cargo area at JFK. It will be configured in a two-story design, which will be unique among cargo facilities in North America, he said. The facility will be approximately 350,000 square feet in Phase I, with another 200,000 when it is completed.

It takes a village

In some cases, an airport can feel hard to navigate, even when there is ample land to expand. Such is the case in Edmonton, Canada. One of Canada’s fastest growing cities, Edmonton is the logistics center for the province of Edmonton.
Continued from page 27

Alberta’s oil and gas industry and home to the country’s northernmost international airport.

Edmonton International Airport has seen five consecutive years of growth in cargo volume, mainly driven by the energy industry and manufacturing to support it. Although the price of oil is in a slump, the energy market in Alberta, now based on extracting oil from tar-sand deposits, hasn’t declined but rather has flat-lined, according to Alex Lowe, the manager of cargo business development at EIA. “It was time to push toward more modern, larger facilities,” he said.

While the focus is on air cargo, Lowe said ground transportation is equally important, and so EIA is following the trending concept of the “cargo village.” Rather than having cargo infrastructure scattered around a sprawling airport, a cargo village places members of the supply chain in a more logical and efficient manner, close to customs staff as well as freight forwarders.

Already up and running is a 110,000-square-foot new airside facility, half of which is now occupied by Canadian forwarder Braden-Burry Expediting. Lowe emphasized that real estate is just one part of modernizing EIA. “In these facilities, we are cognizant of the need for cooler space and large cargo x-ray machines,” Lowe said. Braden-Burry, for example, has everything needed for temperature-sensitive cargo.

Another 110,000 square feet of new airside space will be built in the next year or two by private developers, which Lowe said is a strong indication of confidence in the air cargo market. Groundside, a 250,000-square-foot facility is under construction, which will be completed this year. Included in this facility is a 211,000-square-foot truck terminal and a warehouse being built for Rosenau Transport Ltd. Rosenau, established in 1957, is one of the largest regional carriers in Western Canada, so building on airport is important to its ability to move freight expeditiously.

In addition to its trucking services in Western Canada, Rosenau Transport has warehouses in three provinces, and company president Carl Rosneau said he has plans to add cold storage capacity for airfreight arriving or leaving EIA, as well as for short-term storage. He also saw a need to be near the Leduc-Nisku Industrial Park, across the highway from the airport, so his facility could serve both the aircr freight industry and the industrial park, which lacks warehousing capacity.

The highway adjacent to EIA is part of the Canada-Mexico corridor, a trade route that has four lanes running all the way from Grand Prairie, Alberta, to Bakersfield, Calif. where it continues to Mexico on highway I-5. With such a strategic location, Rosenau plans to build another 220,000-square-foot warehouse, which will be operational in 2018. “We hope all carriers flying in and out of EIA will use our services. That is why we built there,” he said.

EIA’s Lowe said yet another groundside building is planned, for lease to freight forwarders. Additionally, EIA has invested $15 million into more aircraft engine test zone, which are important for Finnair’s widebody aircraft handling of growing cargo flows.”

 Helsinki’s considerable traffic led to its main carrier, Finnair, maxing out its cargo space.

Widening Helsinki horizons

Clearing space for new business was also the main impetus for a new project in Helsinki, where Finnair Cargo had reached its limit. The carrier’s 161,000-square-foot terminal at the Helsinki Airport was no longer practical. Milla Nyholm, manager marketing and sustainability, said the existing facility would not be able to handle growing cargo volumes that the new A350 fleet will bring, nor was the existing space designed for special cargoes, which are important for Finnair’s growth and profitability.

The airline broke ground this summer on a major project to build a new terminal that will have 333,000 square feet of warehouse space, at a cost of around €80 million. The terminal is being built on land that was partially vacant and partially occupied by the aircraft engine test zone, which has been relocated. Included in this new facility will be a special cargo handling area for pharmaceutical and life science products, as well as consumables, including fish and seafood.

An option to add another 107,000 square-feet at the south end of the terminal is in the works, but has yet to be defined. “The terminal project is related to Finnair’s widebody aircraft fleet renewal,” Nyholm said. “The first [A350] will be introduced on the Shanghai route in October. Over 80 percent of shipments transported by Finnair Cargo is transit freight, and Finnair’s new A350 fleet will bring 50 percent more cargo capacity by the year 2020. Therefore, we need to have a new cargo terminal to ensure smooth handling of growing cargo flows.”

In other words, when it comes to cargo at airports, it’s all about the elbow room.
If you or your company used the services of certain freight forwarders, you may be entitled to a potentially significant cash payment from class action Settlements. This is the second notice in this case. Settlements have now been reached with 19 additional Defendants. Settlements were previously reached with 10 Defendants.

The Settlements involve a lawsuit claiming that certain freight forwarding companies secretly agreed to prices for their freight forwarding services worldwide, including on routes in the U.S. and between the U.S. and China, Hong Kong, Japan, Taiwan, India, Germany, the U.K. and other parts of Europe. Some of the companies (“Settling Defendants”) that were sued have agreed to Settlements (see list below). The Settling Defendants deny that they did anything wrong. The lawsuit continues against the Non-Settling Defendants.

**Freight Forwarders** provide transportation, or logistics services for shipments relating to the organization or transportation of items via air and ocean, which may include ancillary rail and truck services, both nationally and internationally, as well as related activities such as customs clearance, warehousing, and ground services.

**Who is Included**

You may be included in one or more of the Settlements (as a Class Member) if you: 1) Directly purchased Freight Forwarding Services; 2) from any of the Settling or Non-Settling Defendants, their subsidiaries, or affiliates; 3) from January 1, 2001 through January 4, 2011; 4) in the U.S., or outside the U.S. for shipments within, to, or from the U.S. All you need to know is in the full Notice, located at the settlement website: www.FreightForwardCase.com, including information on who is or is not a Class Member.

**What Do the Settlements Provide?**

The Settling Defendants will establish a Settlement Fund with a minimum of $197.6 million. The amount of your benefits will be determined by the Plan of Allocation, which is posted on the settlement website at www.FreightForwardCase.com.

**How to Get Benefits?**

You need to submit a Claim Form, online or by mail, by March 31, 2016 to get a payment from the Settlements. You can obtain a Claim Form by calling one of the numbers below or by visiting the website. If you already submitted a Claim Form for the first round of Settlements, you do not need to file a new claim. You will automatically be paid from this second round of Settlements.

**Your Other Rights**

Even if you do nothing you will be bound by the Court’s decisions. If you want to keep your right to sue a Settling Defendant yourself, you must exclude yourself by September 18, 2015 from that Settlement. If you stay in a particular Settlement, you may object to it by September 18, 2015. The Detailed Notice, available at the website, explains how to exclude yourself and object.

The Court has appointed lawyers to represent you at no charge to you. You may hire your own lawyer at your own cost. The Court will hold a hearing on November 2, 2015 to consider whether to approve: (1) the Settlements, (2) a request for attorneys’ fees up to 33% of the Settlement Fund, plus interest, and reimbursement for litigation expenses. You or your own lawyer may appear and speak at the hearing. At the end of this litigation Class Counsel may ask the Court to award each Class Representative an amount not to exceed $75,000 in recognition of each Class Representative’s service in recovering funds for the Class. Notice of any such request will be provided at the website, www.FreightForwardCase.com.
WHAT'S BEHIND THE WAVE OF INVESTMENTS IN ONLINE LOGISTICS STARTUPS?

By Randy Woods
M
ing Tavshikar, CEO of Smart-Kargo, has a relatively unusual pedigree for the air cargo business. Trained in computer engineering at India’s University of Pune and holder of an MBA from MIT’s Sloan School of Management, he seemed to fit the bill of an “IT guy” all the way; he has even helped build SAP systems for a number of Fortune 100 companies.

Once, while Tavshikar was talking with some MIT colleagues about technical challenges for air carriers, the topic of air cargo came up in relation to the passenger side of the business. Rob Britton, now the vice president of marketing for SmartKargo, tells the story:

“MIT has always had a long and abiding interest in the air travel industry and played a major role in putting a lot of those services online. Somehow, in this conversation about IT and aviation, the topic of air cargo came up. They began to discuss why it was that the passenger side always seemed to get all the IT investments, while the cargo industry got stuck using stone tools.”

At one point, Tavshikar paused and thought for a moment and said, “Huh, I wonder if this might be a business.”

That was about six years ago. Today, Britton said, Tavshikar presides over Cambridge, Mass.-based SmartKargo, the cloud-based air cargo management platform and data analytics tool that sprung forth from that casual MIT conversation. In January of this year, SmartKargo received an investment from Detroit-based venture capital firm Fontinalis Partners, LLC. The specific terms of the investment were not disclosed, but Fontinalis principal Chris Stallman said the typical range of investment by the VC firm is about US$5 million to US$8 million over the life of the startup.

SmartKargo is just one of dozens of new companies that are beginning to attract the attention of angel investors, venture capitalists and private equity firms. Much of this stems from the explosion of e-commerce around the world and the growth of “online-to-offline,” or O2O, companies such as car-sharing service Uber, which provide ultra-fast, door-to-door delivery of goods and services with the swipe of an app. Earlier this spring, Chinese mega-retailer Alibaba reached a milestone by investing roughly US$1 billion, with help from its subsidiary Ant Financial, into a restaurant and shopping O2O service called Koubei.

Nowadays, everyone in the logistics industry — traditionally one that is slow on the uptake of the latest technologies — seems to want to be the “next Uber,” where customers have more control of the products and services they buy from the “next Alibaba.”

According to a database maintained by Crowd Companies, an organization that tracks investments across various business sectors, more than $457 million was invested in logistics companies between 2011 and 2014. Companies that are attracting the largest investments tend to be the more consumer-oriented Uber-like courier services, like Shyp and DoorDash, which recently raised $50 million and $40 million, respectively, in Series B rounds, led by Kleiner Perkins Caufield & Byers, a blue-chip venture capital firm. Another startup, called Postnates, which can arrange one-hour courier service from restaurants and stores across a city, raised $80 million in a Series D round in June from Slow Ventures, Spark Capital and Tiger Global Management, increasing its total funding to $138 million since its launch.

But there are many other e-commerce startups raising more modest sums that are revolutionizing the way goods are being shipped domestically and internationally, providing end-to-end delivery services via mobile app. For instance, ShipBob, a startup from Silicon Valley’s Y Combinator incubator, raised $1.5 million in June and arranges 8,000 package shipments a month via smartphone. There’s also Flexport, a global online shipping platform, which secured a $6.9 million investment with 10 backers in 2014.

“There’s a tremendous opportunity for later-stage companies right now to find funding in logistics,” Stallman said. “We’re on the cusp of another wave of investments right now in this sector.”

— Chris Stallman, Principal, Fontinalis Partners, LLC

Can I quote you on that?

One of the most obvious and urgent areas where these online startups are gaining traction in the airfreight industry is in the price-quote side of the business — the source of many complaints from shippers when dealing with freight forwarders. Zvi Schreiber, founder of Israeli online startup Freightos, said he first experienced his frustration with shipping when he took over his father’s electronics business in 2010 and did a lot of business shipping goods from Shenzhen, China.

“I saw that the world of airfreight had gotten very far behind other industries,” he said. “Just getting a rate quote from a forwarder would take up to three days. For air cargo that is insane! It’s an old industry, but the passenger business changed itself dramatically. Why not cargo?”

Having some experience in the software world, Schreiber saw that the industry needed software to speed up the quote process. So he set out to create Freightos, a system that could automatically scan thousands of rate quotes and provide the best options within seconds. “Buyers are human beings — they expect everything right now. Young people, especially, don’t want to wait.”

After obtaining some seed funding to get Freightos off the ground, Schreiber began looking for investors. Michael Eisenberg, founder of Tel Aviv-based, early-stage venture capital firm Aleph, has known Schreiber for 20 years and backed some of his earlier ventures. When he heard the idea for Freightos, he said it immediately made sense.

“The timing is right for an electronic revolution to take place in the cargo industry,” Eisenberg said. “We also thought Zvi had the right model — to make it look like a travel app, but one...
Continued from page 31

designed not to cut out forwarders. They should be able to participate in the market, not be replaced.”

With Freightos working together with forwarders and cargo handlers, Eisenberg said his company’s original round of investment has performed ahead of his expectations. “You never know what adaptive technology is going to be successful,” he says. “The idea behind Freightos makes all the sense in the world, since there’s all this overhead you can get rid of. Until now, it’s been very difficult to do.”

Currently, Freightos is working with data from CEVA Logistics, Hellmann Logistics and a few medium-sized forwarders. One of Freightos’ first clients, forwarder JSI Logistics, was at first reluctant to sign on with the company in 2013, said Sisi Kim, JSI’s manager, global strategic alliances. A year later, however, JSI, which does a lot of business in the high-tech industry, was finally sold when it saw Freightos’ mapping system that allowed clients to pinpoint shipments via Google Maps. “The customer service was better,” Kim said. “We’re getting positive feedback from our clients about the automation of the process.”

In the early days, Freightos had the market to itself, but now the heat is on. Schreiber said that at least 10 more venture-backed companies have entered the forwarder price-quote space in the last year or so.

Slow dance

Logistics are a hot commodity now, but because the concept of online freight logistics is still relatively new, there are not yet a lot of funds that have been created specifically for the space, other than those looking for general transportation investment. As a result, many angel investors and VCs are still understandably skittish. For instance, while SmartKargo and Fontinalis are funding partners with a three-year-old functioning product, the process of financing and founding the startup took longer than expected. Fontinalis, launched by Bill Ford, of the Ford Motor Co., and an investor in the Lyft ride-sharing service, specializes in the transportation sector and

Money at the doorstep

A round up of a few notable logistics startups that have received venture rounds in the last 18 months.

<table>
<thead>
<tr>
<th>Most Recent Round</th>
<th>Firm</th>
<th>Funds Raised</th>
<th>Lead Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2015</td>
<td>ShipBob</td>
<td>$1.5M, Series B</td>
<td>WeFunder, Y Combinator (3 others)</td>
</tr>
<tr>
<td>June 2015</td>
<td>Postmates</td>
<td>$138M, 7 rounds</td>
<td>Spark Capital, Founders Fund, Slow Capital (16 others)</td>
</tr>
<tr>
<td>April 2015</td>
<td>Shyp</td>
<td>$62.1M, 3 rounds</td>
<td>Kleiner Perkins Caufield &amp; Byers (27 others)</td>
</tr>
<tr>
<td>March 2015</td>
<td>DoorDash</td>
<td>$59.7M, 4 rounds</td>
<td>Kleiner Perkins Caufield &amp; Byers, Sequoia Capital, Khosla Ventures (13 others)</td>
</tr>
<tr>
<td>March 2015</td>
<td>Shipster</td>
<td>(undisclosed), Seed</td>
<td>1 undisclosed investor</td>
</tr>
<tr>
<td>Jan. 2015</td>
<td>SmartKargo</td>
<td>(undisclosed)</td>
<td>Fontinalis Partners</td>
</tr>
<tr>
<td>Jan. 2015</td>
<td>Cargomatic</td>
<td>$8M, Series A ($2.6M seed)</td>
<td>Canaan Partners, Morado Venture Partners, Sherpa Capital, SV Angel (14 others)</td>
</tr>
<tr>
<td>Oct. 2014</td>
<td>Freightos</td>
<td>$9.3M, 3 rounds</td>
<td>Aleph Ventures, Israel Cleantech Ventures (3 others)</td>
</tr>
<tr>
<td>Oct. 2014</td>
<td>ShipHawk</td>
<td>$5M, Series A ($1M seed)</td>
<td>Rothenberg Ventures, Karlin Ventures</td>
</tr>
<tr>
<td>Sept. 2014</td>
<td>Shippo</td>
<td>$2.3M, 5 rounds</td>
<td>SoftTech VC (11 others)</td>
</tr>
</tbody>
</table>
has a history of backing later-stage startups. SmartKargo would have to prove itself first.

“We first heard about SmartKargo in 2013,” said Stallman of Fontinalis. “They had a lot of known individuals and were very well-connected. But we took a long period of time to get to know them. We understood the ‘asset utilization’ part, but we were a little slow to embrace the technology, especially the cloud base.”

SmartKargo’s Britton said the company expected as much and relied first on a loan from the U.S. government-backed Overseas Private Investment Corp. (OPIC) to prove their concept. “The industry is always resistant to new players,” he said. “We wanted to get forwarders away from Excel spreadsheets and telephones. People are so used to seeing new software product that when someone has a superior product, they don’t know it when they see it.”

After another year of work, Stallman said SmartKargo “did a tremendous job” proving that the cloud system would improve load factors and would be well-received by airlines. “They had experience building ERP [enterprise resource planning] systems, which is incredibly difficult to do. Those folks from MIT have the right DNA for this stuff.”

In January 2015, Fontinalis and SmartKargo signed a financing deal for an undisclosed sum. In the spring, SmartKargo got even more star power when it added air cargo veteran Des Vertannes to its team as a “strategic advisor.” Then, in late June, SmartKargo announced it had signed on Hawaiian Airlines as a client.

“A lot of entrepreneurs tend to overpromise and under-deliver, but that was not the case with SmartKargo,” Stallman said. “They’re a pretty conservative bunch and know what they’re doing. They’re one of the few entrepreneurs that exceed expectations.”

Jeremy Bodenhamer, co-founder and CEO of startup firm ShipHawk, said he had similar struggles to find initial financing for his online oversize shipping service. “In 2012, seed money took awhile to find. They weren’t throwing money at something that was unproven,” he said of VCs.

After spending time in an executive services firm, Bodenhamer had to do a lot of shipping requests and got to know the business by constantly talking with integrators like UPS about shipping unwieldy objects. “In 2011, I got tired of people asking me over and over about how I can find discounts on shipping, so I decided to turn my job into another small business,” he said.

Bodenhamer launched ShipHawk in 2011, but had to wait until last fall to secure $5 million in a Series A round of funding from Silicon Valley-based Rothenberg Ventures and Karin Ventures. “It took awhile, but this business finally became sexy over time,” he said. “The reasons this took off were guys like me who started talking about the problem openly and working on software to help clarify the pricing in this industry.”

The next next wave

Now that the logistics business is finally warming up to the O2O space, the question becomes, what will be the next phase in the online evolution?

Ken Fleming, CEO of Eyefreight, said ventures like his that focus mainly on shippers and managing their transportation costs will be a huge market. “We’ve already reduced manufacturing to bare bones now,” he said. “The only place left is the supply chain, which is one of those industries that are generating a lot of interest from private equity firms.” By examining thousands of route structures via its automated algorithm, the company can let shippers and forwarders know the optimal route to schedule – even if it happens to be longer than point A to point B.

Eyefreight received a $17.3 million seed investment from the Dutch government in 2012. Then, in early 2014, it landed another $12.3 million investment from Dutch funds De Hoge Dennen Capital and Global Cleantech Capital. The service was designed to provide forwarders a return on investment in as little as six months, Fleming said.

Freightos’ Schreiber said now that forwarders are using theses online tools to speed up the shipping process, they can also focus on business intelligence suites that can tell them how well their business is doing.

“There’s certainly no shortage of capital and lots of willing investors,” said Britton of SmartKargo. “For a lot of people in this business, though, the real barrier to it is acceptance. We have a lot of cultural and institutional barriers in the air cargo business that prevent innovation. Air cargo folks have a hard time moving beyond the P’s – the paper, pen and phone.”

If the last six months are any indication, this old bias may be crumbling, Aleph’s Eisenberg said. “There are not a lot of venture capital funds yet, but we’re starting to see more angel funds,” he said. “We will certainly see more activity with ships and shipping of cargo. You want to show that you can capture the entire logistics market – air, road and ocean – before you focus on one mode.”

Now that the early arrivers in this business, like SmartKargo, Shipster, and Eyefreight, are beginning to establish themselves, the floodgates are starting to open. Aleph’s Eisenberg summed it up: “I think you’ll see lots more piling into this sector in the next few years.”

As SmartKargo’s Tavishkar wondered years ago, yes, “this might be a business” after all.
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Air cargo demand, in freight ton kilometers (FTKs), increased by 2.9 percent in the Asia-Pacific region in May. However, freight capacity grew by 5.1 percent, leading to a 1.4 percentage point decrease in the average freight load factor. Andrew Herdman, AAPA Director General, said international air cargo markets rose at a “moderate pace” compared to preceding months. “Overall, Asian airlines registered a 6.3 percent increase in international air freight demand for the first five months of the year,” he added.

Worldwide airfreight volumes, measured in FTKs, rose a mere 2.1 percent in May, compared to a year ago, while the year-to-date growth stood at 4.0 percent. Carriers in the Middle East led all gains with a solid 18.1 percent, y-o-y, spike in May traffic. Europe, however, suffered a 1.3 percent y-o-y drop in May. Such results confirm that “we are seeing some slowdown in air cargo growth, which is consistent with developments in trade activity and weakness in some emerging markets,” IATA said.

The price for U.S. Gulf Coast, kerosene-type jet fuel fell to US$1.73 per gallon in June after spiking to $1.85 the previous month. The drop continues a period of mild fluctuation after the price fell a full dollar per gallon from $2.88 in June 2014 to $1.80 in December 2014.
SEPTEMBER 1-3, 2015
Air Cargo Handling Conference – Bangkok, Thailand: The seventh annual ACH conference will be held at the Shangri-La Hotel, the first time this event has been held outside of Europe. Panel discussions, workshops and focused presentations will cover the most up-to-date developments in airport and cargo operations. For more information, visit evaint.com/tour-events/air-cargo-handling-conference

SEPTEMBER 8-13, 2015
FIATA World Congress – Taipei, Taiwan: The congress attracts a wide range of freight forwarders and logistics providers, with participants coming from more than 40 countries. Expect to see slappers, customs brokers, warehousing service providers, logistics experts and more. For more information and registration, visit fiata2015.org/Registration

SEPTEMBER 9-10, 2015
Fly Pharma – London, U.K.: Industry experts will address the pharma supply chain’s hot and cold topics in a lively and motivational manner. For more information, visit flypharmaconference.com

SEPTEMBER 23-24, 2015
World Maintenance Symposium – Turnberry Isle, Miami, U.S.: This event brings together IATA’s Maintenance Cost Conference with the World Maintenance Symposium for the first time. Innovative cost reduction and productivity improvement solutions will be discussed. For more information, visit iata.org/events/Pages/maintenance-symposium.aspx

SEPTEMBER 27-30, 2015
Council of Supply Chain Management Professionals Conference – San Diego, U.S.: Over 95 educational sessions, 15 continuing education units for SCPro certification holders, networking opportunities and exhibits. For more information, visit cscmp.org/annual-conference/2015-registration

SEPTEMBER 29-OCT. 1, 2015
11th Annual Cargo Claims and Loss Prevention Conference – Montreal, Canada: This event also includes a ULD regulatory forum, a cargo security and facilitation forum, a cargo XML workshop and a lithium battery workshop. For more information and to register, visit ems.retracer.com/iatacargo

OCTOBER 6-9, 2015
inter airport Europe 2015 – Munich, Germany: This event will be held at the Munich Trade Fair Center. A third hall has been added for an expected 610 exhibitors from 42 countries. For more information, visit interairport.com/europe

OCTOBER 13-15, 2015
MRO Europe Conference and Exhibition – London, U.K.: Discover the crucial issues impacting the MRO industry today and network with airlines, maintenance providers, OEMs, suppliers, and key regional players. For more information, visit http://bit.ly/1LQQ6Y

OCTOBER 13-16, 2015
12th Annual Sino-International Freight Forwarders Conference – Qingdao, China: Open to all independent freight forwarders from around the globe and industry-related companies. Co-organized by the China International Freight Forwarders and WCA. For more information and registration, visit http://bit.ly/1dQBT1g

OCTOBER 18-20, 2015
Freighters and Belly Cargo World Conference – Abu Dhabi, UAE: To be held at the Park Hyatt, Abu Dhabi, this 16th annual conference provides a forum for industry debate on key belly cargo themes. For more information and to register, visit aircargocontinence.net/freighter-and-belly-cargo-world-conference

OCTOBER 26-28, 2015
Cargo Facts Symposium - Miami, U.S.: The Cargo Facts Symposium is where the air cargo aviation community gathers to network and shape the future of the industry. Presented by Air Cargo Management Group, Air Cargo World’s sister company, the symposium promises the latest industry information and updates, the highest-quality presentations, and accessible and thought-provoking interactive discussions. For more information, visit cargofactsvesposium.com

NOVEMBER 4-6, 2015
Air Cargo Americas - Miami, U.S.: The Air Cargo Americas International Congress and Exhibition in 2014 is one of the largest air cargo exhibitions in the Western Hemisphere. For more information, visit aircargoamericas.com

NOVEMBER 17-18, 2015
Asian Logistics and Maritime Conference – Hong Kong: For the fifth year, this conference brings together logistics services providers, airfreight specialists and users, including manufacturers, traders and distributors, to explore business opportunities in the region. For more information, visit almchk

DECEMBER 13-15, 2015
Life Sciences and Pharmaceuticals Conference – London, U.K.: This will be of interest to those engaged in the supply and distribution of pharmaceutical products, including product wholesalers, airlines, air cargo suppliers, ground handlers and more. For more information, visit aircargoicwes.net/lifescienceandpharma-conference.html

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Data screening harmonization still out of tune
by Brandon Fried

The airfreight industry was probably not on Duke Ellington’s mind when he wrote his famous “It Don’t Mean a Thing (If it Ain’t Got That Swing).” But that tune would have been the perfect backdrop for a recent day-long debate on cargo and data screening harmonization that took place in Washington, D.C. (which happens to be Ellington’s hometown).

Why? Because as the United States draws closer to the expiration of one important international screening agreement and the implementation of another, serious questions remain on how nations will be working together in balancing the job of keeping passengers safe and cargo moving on time. Clearly, success in this endeavor will depend on getting the “harmony” right and getting everyone “swinging” together.

We’ve learned this from our previous experiences in addressing air cargo security challenges. To be effective, security rules have to be harmonized across nations. By that I mean we need to have agreement on key principles for air cargo security, minimum baseline requirements and a common language, where all nations “sing from the same sheet of music” in implementing physical and data screen programs.

Unfortunately, in the current round, the orchestra has not yet found a way to play a harmonized tune.

The progress of pre-loading advanced cargo shipping information programs is being followed closely by the World Customs Organization (WCO) and the International Civil Aviation Organization (ICAO), and these institutions have established a Joint Working Group on Advance Cargo Information (JWGACI) to consider global issues related to advance data regimes. This is a positive step, but several challenges still exist that should have us all concerned.

The U.S., itself, has seen tremendous success in allowing supply chain screening of selected shipments. The Certified Cargo Screening Program enables forwarders and shippers to screen outside the airport while enabling the resolution of any questions resulting from targeting analysis. But, unfortunately, some mutual-recognition countries will not allow supply chain screening of selected shipments, presenting a challenge in allowing targeting issues to be resolved.

In the European Union, the differences in technological capability of the 28 member states, combined with disparate points of view about high-risk meanings, could begin to impede the flow of commerce for transit freight passing through the EU itself. These differing risk standards and definitions between EU countries and other nations may result in multiple screenings for such cargo so that it meets all of the different requirements. With no solution in sight, mutual recognition agreements between the Air Cargo Advance Screening (ACAS) program in the U.S. and its European counterpart looks like it could be a pipe dream.

ACAS was the first advanced data targeting initiative in the wake of the October 2010 Yemen incident, in which terrorists shipped explosives in toner cartridges within printers on cargo flights to the U.S. Since then, pilot security enhancement programs have been undertaken in the U.S., EU, and Canada, with the understanding that the U.S. would serve as a model from which other programs could be derived. But, five years later, we still have yet to see its proposed rulemaking from U.S. Customs and Border Protection, and many operational questions remain unanswered.

For instance, will the different systems be harmonized in terms of data elements, dual filing, decoupling, message requirements and others? Will carriers and freight forwarders be required to make three separate submissions? What screening protocols will be required, when and where can they be carried out and how will they be recognized at the transit hubs? What happens when multiple airlines are involved? And, perhaps most urgently, in the absence of a U.S. rule proposal, what happens if other countries get tired of waiting and develop their own systems?

In June, TSA expressed concerns about certain aspects of the EU and other programs covered under the National Cargo Security Program (NCSP) mutual recognition agreements for physical cargo inspection. Since the TSA does not have the authority to establish screening programs overseas, inspection of air cargo originating from foreign countries must have the cooperation of those nations in carrying a level of security commensurate with U.S. security measures.

In letters drafted by The International Air Cargo Association and signed by a broad stakeholder coalition, the industry expressed its strong concern about the impacts that changes to the existing NCSP agreements could have on the air cargo supply chain and U.S. commerce. The agreements have themselves been significant facilitative achievements for the entire air cargo supply chain and have ensured that a high level of security is maintained, commensurate with U.S. security programs, while allowing carriers and forwarders to streamline their procedures and operations.

If TSA has concerns about certain foreign government policies and is leaning towards not renewing all existing NCSP agreements, we expect industry would be consulted on the renewal process. TSA must be mindful that, given these agreements are with many U.S. trading partners, these countries are likely to respond in kind to any TSA action changing the agreements and could have a dramatic impact on U.S. export shipments, as well as imports.

Failure to address this reality will likely not play well for the U.S., as it struggles to sing in regulatory concert with other nations. The tune won’t have that swing. And it won’t mean a thing.
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