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DECEMBER 2008

Trends & Analysis
*INTERNATIONAL EDITION*

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Air Cargo World

International Edition

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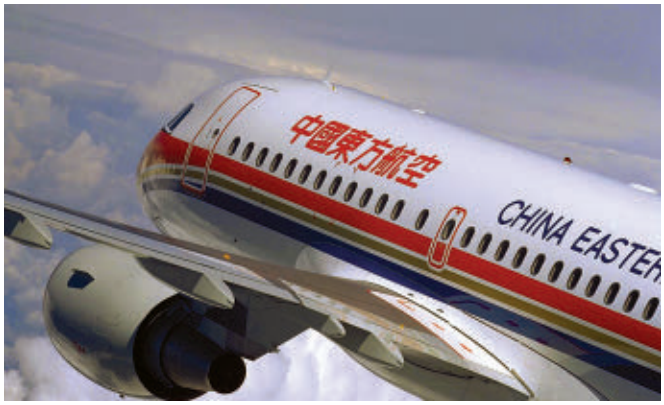


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BPA WORLDWIDE

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## Editor's Note

# Face Time

**Despite a grim forecast, there's no shortage of events in the global air cargo calendar next year, with several major gatherings on three continents between January and April.**

Will they be as big a draw as TIACA? The recent Air Cargo Forum in Kuala Lumpur was generously hosted by MASkargo and superbly organized for about 3,000 exhibitors and attendees—and the odd scribbler.

For us in the trade press, there's always a danger of forgetting that we don't run the United Parcel Service, we just report on it. Exposed to—and subsequently unimpressed by—industry leaders who can misplace $10 billion and still keep their jobs, we are tempted to pontificate, demanding changes and improvements and questioning the efficacy of process and procedure.

Not to mention people.

However, if Ram Menen of Emirates SkyCargo wants to install a pavilion the size of a two-story row house at the TIACA exhibition in KL and ship in a uniformed bevy to hand around the sweetmeats, that's his decision—not ours.

His Chairman must think he's doing a bang-up job; after all, he's been at it successfully for more than two decades.

What was obviously needed in KL was not so much the scribblers but the forwarders. DHL is so functionally ubiquitous (for the time being anyway) it doesn't count. The organizers didn't know why Panalpina, DB Schenker, Kuehne + Nagel, et al. were absent. Maybe they prefer a different forum.

Perhaps we should be grateful there are sponsors still able to fund these events and organizations willing to put them on. Given the financial chaos that now threatens economies worldwide, obviously we could all benefit from more, not less, face-to-face communication.

Whether you turn up at a CNS, IATA or TIACA event, the objective is possibly to explore your golf handicap and to check out the business competition. If you're an exhibitor, you push a product or service. You might be looking for a deal. But you know why you're there—it's to network.

The success, and relevance, of these events is in their repetition—not whether they meet or exceed a scribbler's preconceptions. Apparently, many representatives of the air cargo industry still think there's a good reason to pay the requisite attendance fee and schlepp across the planet for face time.

Maybe that's the real news story.


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# News Updates


## USPS Can Fly Foreign Carriers

**President Bush has signed into law an amendment to section 5402 of title 39, United States Code that allows the United States Postal Service (USPS) to have general negotiations with foreign air carriers for the first time.**

Specifically, "if the Postal Service has sought offers or proposals from certificated air carriers to transport mail in foreign air transportation between points, or pairs of points within a geographic region or regions, and has not received offers or proposals that meet Postal Service requirements at a fair and reasonable price from at least two such carriers, the Postal Service may seek offers or proposals from foreign air carriers."

At the same time, the USPS is raising prices on international shipping 8.5% in a bid to redress a net loss of $2.8 billion for the year ending Sept. 30.

The USPS says the loss occurred despite more than $2 billion in cost-cutting measures that included the use of 50 million fewer work hours compared to the previous year.

Mail volume in 2008 totaled 202.7 billion pieces, a decline of 9.5 billion pieces, or 4.5%, compared to the previous fiscal year. The USPS cites the worsening economy and trends toward the use of electronic mail for the decline.

Total revenue for the 2008 fiscal year was $75 billion, unchanged from last year. Expenses totaled $77.8 billion, including $5.6 billion required by the Postal Act of 2006 to pre-fund retiree health benefits.

"We expect the new fiscal year to be another difficult one for the Postal Service and the entire mailing industry, as economic factors will continue to reduce mail volume and increase expenses," Postmaster General John Potter said.

## Air India Launches Domestic Cargo Service

**Air India will begin domestic cargo service this month after an eight-week delay, using the central city of Nagpur as a hub connecting points east, west, north and south.**

**The airline plans to operate its service to Mumbai, Delhi, Kolkota and Chennai via four freighter-configured 737-200 aircraft and one 310-200 freighter. The city of Chennai, known for its textiles, garments, machine parts, leather products, pharmaceuticals and mobile devices, will also connect to Bangalore and Hyderabad. Air India expects to take possession of a 310-300 freighter by year's end.**

**The move comes after several international carriers have exited the Indian cargo market this year. Etihad Crystal Cargo discontinued service to Mumbai and Bangalore but picked up Chennai and Kozhikode. Cargolux terminated service to Chennai, and China Airlines reportedly pulled out of Delhi. Meanwhile, Cathay Pacific improved its investment in Delhi and Mumbai by increasing flights to those cities earlier this year.**

**Air India was among the many cash-poor Indian carriers to receive government funding in a mini-bailout last month. No word yet if a portion of Air India's $1 billion Indian Overseas Bank loan—which is earmarked for aircraft funding—will be used toward the Airbus freighter purchase.**

## ATSG Profits Up As Largest Customer Disappears

Air Transport Services Group (ATSG), formerly known as ABX Holdings, Inc., has reported a 41% increase in revenues to $403.1 million, and a 107%


TNT Express set a new Guinness World Record at its Liege, Belgium, hub by loading 30 Mercedes Smart Cars in a 747F in 35 minutes and 34 seconds. The whole affair was an event for TopGear Italia, an offshoot of the popular BBC TV car enthusiast show. To celebrate 10 years of the program, the Italian editors wanted to see how many cars could fit. Seven ground staff had a three-hour window to load, unload and then re-load the aircraft with real shipments before it departed for Shanghai.

increase in net earnings to $5.0 million for the third quarter of 2008, compared with the third quarter of 2007.

For the first nine months of 2008, ATSG's revenues were $1.18 billion, and net earnings were $8.2 million. For the same period last year, revenues were $855.3 million with net earnings of $11.2 million.

Commenting on the withdrawal of DHL from the U.S. domestic market, ATSG President and CEO Joe Hete said, "While we understand DHL's situation, we are saddened that its decision will cost the jobs of most of the 7,000 remaining ABX Air employees who have loyally supported DHL in Wilmington and several other locations."

During the second quarter of 2008, ABX Air had 55 DC-9 aircraft in service with DHL. In October, ABX sold DHL fourteen of the DC-9s for $3.7 million and ABX expects to sell up to 40 additional DC-9s to DHL for as much as $11.0 million as they are removed from the DHL network through the first half of 2009.

In September, DHL released one of ABX Air's 28 767s from its U.S. network for conversion to a full freighter.

Hete noted that the cash raised by the DC-9 sales will be used to convert the remaining 27 767s currently operated for DHL for use under dry lease or ACMI arrangements: "That's how we will emerge from this transition as a strong, flexible, and highly competitive global air cargo service company.

"We are not dialing back our commitment to achieve results in keeping with the high quality assets we control, and the talented people who manage them."

## FedEx Earns Environment Endorsement

**Reflecting its sustainability management goals, FedEx Express and FedEx UK have received ISO 14001 2004 certification.**

**The company also announced it will reduce aircraft CO2 emissions and improve the fuel efficiency of its ground**

vehicles by 20% respectively by 2020.

Since 2005, the company has reduced vehicle CO2 emissions by almost 1 billion pounds.

"FedEx recognizes that one of the most responsible steps we and the industrial sector can take for our businesses, society and the environment is to reduce our dependence on fossil fuels," said Frederick W. Smith, FedEx Corp. Chairman, President and CEO.

"Our role is to connect the world in responsible and resourceful ways. The world faces big challenges, and we believe that collective, sustained efforts can create greater possibilities for people, businesses and nations worldwide."

FedEx operates 170 commercial hybrid electric trucks in North America, including the E700 hybrid that improves fuel economy by 42%, reduces CO2 by approximately 25% and cuts particulate pollution by 96% compared with conventional vehicles.

More than 25% of the FedEx Express fleet has been converted to smaller, more fuel-efficient vehicles, saving more than 45 million gallons of fuel in the past three years.

Like DHL, the airline has begun replacing narrow-body Boeing 727 aircraft with Boeing 757 planes to reduce fuel consumption by up to 36% and provide 20% more payload capacity.

The company will also acquire Boeing 777 aircraft that provide greater payload and use 18% less fuel than its MD-11 fleet.


Athens recently saw the addition of a new cargo carrier. Airgo Airlines commenced regional services in autumn with three weekly flights between Athens and Larnaca on the southern coast of Cyprus. The route is operated by a BAE-ATP E-class freighter—subleased from West Air Sweden—with a maximum payload of eight tonnes. Airgo hopes to add a new aircraft in early 2009 and begin service to Turkey, Bulgaria, the Balkan states and Albania. "The region lacks an all-cargo European airline that can [operate] outside the borders of Greece...under the EU safety rules and its institutional framework," said Petros Stefanou, managing director, in a statement. In addition to its regular routes, Airgo also charters flights throughout Southeastern Europe.

## Cargo Carbon Tax To Hit UK

The Association of Asia Pacific Airlines (AAPA) opposes the unilateral imposition of punitive "green taxes" that do nothing for the environment, said its Director General Andrew Hardman.

Speaking at the Air Cargo Forum in Kuala Lumpur, he acknowledged that the industry is under attack and cited a U.K. proposal to add cargo to its current passenger tax.

Harman said the new levy would be based on weight, include both passenger and all cargo aircraft, and apply to both outbound and transit cargo.

If enacted, he predicted it would have a severe impact on the U.K. air cargo industry with rates rising by 25% and more freight being trucked to foreign airports.

Hardman estimated the current-global aviation carbon footprint at 650 million tonnes of CO2 annually, of which air cargo makes up 20% for a potential carbon cost of $3 billion. With air cargo industry revenues of $55 billion and a fuel bill of $25 billion, Hardman said

the additional cost of carbon would only be sustainable if applied in a non-discriminatory way and subject to international agreements, preferably via ICAO.

He acknowledged that while governments set the climate change policy framework, strong leadership from the aviation industry could help overcome political inertia and "move in the right direction." He suggested the most contentious issue facing his airline members is the extraterritorial aspect of a unilateral EU imposition of its carbon trading scheme.

To plan for sustainable growth, he said the airline industry must be seen to be paying for its environmental impact and should plan to factor the cost of emission charges in its growth forecasts.

"Governments are reluctant to compromise on aviation at a time when the global climate change policy debate remains unresolved," he declared. ■

It's not a bird, it's not a plane—it's a plane inside a plane. Or at least part of a plane in a plane. Volga-Dnepr Airlines put one of its AN-124-100 freighters to good use transporting the fuselage of a Sukhoi Superjet 100 to Siberia for testing. The aerospace manufacturer needed to get the aircraft component to the Siberian Research Institute to test the service life of the airframe across variable flight conditions.

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AMERICAS

# UPS Mechanic –What's in a Name?

## A Teamsters campaign to stop outsourcing aircraft maintenance has UPS bemused.


**Currently, close to 1,400 Teamsters mechanics are negotiating a new contract with UPS Airlines. They are worried about their jobs being outsourced to other countries.**

The United Parcel Service employs nearly 240,000 Teamsters. It is the largest single employer of the union, which claims a total membership of 1.4 million.

According to UPS, its line maintenance mechanics are paid a base salary of $43 an hour, or the equivalent of close to $90,000 a year. The group currently enjoys a 401K and pension plan. To date they have not had to pay for healthcare benefits.

To put this in context, UPS supplies a convenient salary comparison: FedEx pays its line mechanics just over $40 an hour while the top rate at ABX is $32.70. US Airways mechanics earn just $29.06 an hour.

According to the U.S. Census Bureau, the median annual household income in August 2007 was $48,200.

The Teamster mechanics, represented by Local 2727, reportedly say the negotiation is not about income—although they'd rather not have to contribute to a health plan—but about the security of their jobs.

Coincident with the UPS talks, the Teamsters Union is campaigning against any form of aircraft maintenance outsourcing on the grounds it eliminates American jobs.

Commenting on a recent court ruling that limited Frontier Airlines' ability to outsource heavy maintenance on its airplanes except as a last resort, Matthew Fazakas, president of the Teamsters' local representing Denver-based mechanics, commented: "Why on Earth does Congress allow laws to encourage the foreign outsourcing of good, skilled, middle-class and critically important jobs?"

UPS says it has no intention of outsourcing line maintenance and appears rather bemused by the Teamsters' position. Since the last UPS mechanics contract was ratified in 2002, the airline has acquired more planes—and created more than 200 additional U.S.-based jobs.

"UPS aircraft mechanics perform only line maintenance duties or the routine repairs and maintenance needed to keep our aircraft operating on a day-to-day basis," according to a UPS spokesman.

The company says major maintenance—apparently the focus of the Teamsters' campaign—is a highly specialized business and is not a core competence for a parcel delivery company. Having studied the option, UPS concluded that such a facility would cost "hundred of millions of dollars" and not be used for a quarter of any given year.

So the company has contracted out non-line haul maintenance to FAA-licensed Maintenance, Repair & Over-

haul (MRO) facilities of which 90%, it says, are located in the U.S.

A spokesman acknowledged that outside the U.S. line maintenance is performed by FAA-certified local vendors who are "subject to close scrutiny by the company and government regulators to ensure their services meet exacting aircraft safety standards."

The company also notes it has a scorecard system in place for grading vendors.

In December 2007, the Teamsters' Aviation Mechanics Coalition produced a report based on information about United Airlines outsourcing its heavy maintenance. United reportedly pays its line mechanics $31.25 an hour.

Entitled "Who Is Really Fixing Our Airplanes?" the Teamsters claim United had been outsourcing heavy maintenance to Beijing and Korea using "repair facilities not licensed or certificated by the FAA."

In September 2008 the U.S. Department of Transportation Inspector General's office published a report reviewing the FAA's oversight of nine U.S. airlines and their heavy maintenance outsourcing.

The report concluded that AirTran, Alaska Airlines, America West, Continental, Delta, JetBlue, Northwest, Southwest and United are increasingly outsourcing maintenance to repair stations to reduce operating costs. The nine airlines sent 71% of their heavy airframe maintenance checks to MROs in 2007, up from 34% in 2003. Most of the destinations (661) are located in the U.S.; 69 in Canada; 17 in Mexico; 81 in Central America; and 79 in Asia.

The DOT says MROs performed 27% of outsourced heavy airframe maintenance checks in 2007 for the nine carriers, up from 21% in 2003.

However, the Inspector General also says that "while air carriers increasingly are contracting with foreign companies for heavy airframe maintenance, foreign companies are also sending work to the United States." The DOT says it doesn't know how much this amounts to but noted in its report that 24% of one U.S. carrier's maintenance customers are foreign.

Meanwhile, the UPS negotiations continue under the aegis of the Federal

Railway Labor Act and the National Mediation Board. The company says the discussions are scheduled through January 2009 so there's no threat to its holiday season operations.

*Air Cargo World* contacted the Teamsters national headquarters and Local 2727 to determine why the union should be including UPS in its "no outsourcing" campaign when line maintenance is not the same as heavy maintenance.

No one was available for comment at press time.

## ... Briefly

**UPS** is testing a group of hydraulic hybrid vehicles. The trucks have a 45% to 50% improvement in fuel economy, and the company estimates that a 30% reduction in CO2 emissions will be achievable. UPS is also reducing paper use and operational costs through the implementation of a scanner and paperless printing device from HP. ... **Horizon Logistics** has opened a 176,000 square-foot distribution center in Los Angeles for port drayage using a company-owned Clean Truck and TSA-approved driver identity fleet... **Schneider Logistics** has opened five new forwarding offices in Chicago, Atlanta, New York, Rotterdam and Amsterdam. ... Seattle-based **Naverus** claims the delay in adopting performance-based navigations systems (PBN) costs the aviation industry $8 billion in wasted fuel each year. ... **Southwest Airlines** is adopting PBN system-wide in a move that should reduce its CO2 emissions by 155,000 metric tons annually. ... Chilean carrier **LAN**'s cargo traffic from January through October rose 11.4% compared with the same period the previous year. ... **Worldwide Flight Services** won a contract to handle cargo for Brazil's **TAM Airlines** at **Orlando International Airport**...**Gulfport-Biloxi International Airport** gave the green light to a $3 million project to develop a road linking an Interstate to its new air cargo facility for completion by the end of the year...**American Airlines Cargo** upped the per-piece weight limit for its domestic Parcel Priority Service to 100 lbs. from the previous maximum of 70 lbs. ... **Delta Air Lines** officially merged with **Northwest Airlines** at the end of October and will fly to a new total of 375 cities in 66 countries. Neel Shah remains the head of the combined company. ■

EUROPE

# Going Green, Going Global – Gone DHL?

## Reducing your carbon footprint when it extends across a global network can be a daunting challenge

**Parcel mover DHL Express has set the ambitious target of achieving a 30% improvement in carbon efficiency across its entire network by 2020 in what will be a truly global sustainability initiative.**

But as if that were not enough, it is also launching a parallel campaign offering its customers the opportunity to offset carbon emissions produced when shipping individual parcels. Its GoGreen shipping service has been available in Europe since 2006 but this year is being expanded to 17 countries in Asia-Pacific as part of a network-wide rollout.

According to Dr. George Kerschbaumer, executive vice president, commercial at DHL Express, GoGreen is the first product to be provided by a logistics company that allows the customer the option to offset the carbon outputs of their shipments.

"Using two custom built tools—a carbon calculation system and a carbon management system—DHL can assess the carbon emissions created by a customer's individual shipment moving through our network," he says.

"This allows us to identify the most appropriate abatement projects, coordinate the offsetting of emissions, and then, in conjunction with an independent third party, issue certificates that detail the annual carbon offset date for that particular customer."

Shippers can then use these certificates to prove their contribution to countering the effects of climate change. He adds that customers pay a premium for using the GoGreen service.

"We have had a high uptake for the product in Europe, particularly in Scandinavia and the U.K. market, which have both seen double digit growth rates since the product was first launched," says Dr. Kerschbaumer.

"In Asia customers still tend to question why they should pay a higher premium for this enhanced service," he says. "This I think is more about understanding the need to tackle the issue of carbon efficiency, which politically in many of these countries is still not high on the agenda."

But DHL Express is looking to an "energizing" push in the U.S. market, with a new sponsor for its carbon efficiency initiatives.

"President-elect Obama has made it quite clear that he ranks tackling climate change as one of his most important tasks," says Dr. Kerschbaumer. "We fully intend to support that call."

Prior to taking up his new position at DHL Express just two months ago, Dr. Kerschbaumer was an executive vice president at parent company Deutsche Post World Network (DPWN). As such he was the architect for much of the GoGreen initiative now being rolled out across the company.

"We approached the whole issue of

sustainability the same way in which we would undertake a major cost-cutting program," he says. Every aspect of the business will be audited and every part of the business will be expected to make a contribution. We have deliberately set some very tough targets, particularly that of achieving a 30 percent improvement in carbon efficiency by 2020."

In the air, the company is already committed to replacing 90% of its fleet by 2020. DHL Aviation has embarked on a program to replace older B727F aircraft with newer, more fuel-efficient B757 special freighters that consume 20% less fuel per tonne than the B727. They are also quieter.

"Aerodynamic winglets are being fitted to an initial six of our fleet of B767-300ERF aircraft—a simple addition which will reduce fuel consumption and increase carbon efficiency by more than four percent," he adds.

One might ask: does DHL Express support the European Union proposal to include aviation in its Emissions Trading Scheme, which will require airlines to buy permits allowing carbon emissions over European airspace?

"No, most definitely not," says Dr. Kerschbaumer. "We feel this form of carbon taxation is not the approach to take. In our consideration it would be far more equitable to create a carbon trading futures market, similar to that now being established in the energy market."

On the road, DHL Express is being equally aggressive in efforts to increase carbon efficiency. This ranges from equipping its trucking fleets with hybrid engines for biofuels and the introduction of telematics to help identify the most efficient routes.
"Here again, we have found that it can come down to the smallest detail of, for instance, raising a delivery driver's awareness of how he can improve fuel efficiency by the way he drives a vehicle," says Dr. Kerschbaumer.

In a further example of gaining efficiencies on the ground, DHL Express has installed a rainwater harvesting system at its new central European hub in Leipzig, Germany, to capture and store approximately 3,000 cubic meters of water. The recycled water is used to wash its aircraft fleet, thereby reducing pres-

sure on natural water supplies.

Does a dynamic carbon efficiency program equate to direct cost savings for a major logistics service provider like DHL Express?

"It is too early to say, at the moment," says Dr. Kerschbaumer. "I think when we audit this program, say in two years' time, I think we will find that we have achieved significant economies in addition to achieving our goal of increased carbon efficiency."

## ... Briefly

**TNT** opened a carbon-neutral depot in The Netherlands in October. The facility, the first in a planned group of green buildings, doesn't emit CO2 and is part of the logistics company's plan to reduce emissions across its three million square meters of real estate. ... Spain started e-freight service through **Iberia Cargo** in September. ... **Lufthansa** suspended takeover talks with **SAS** to concentrate on acquiring **Austrian Airlines**. The German carrier will reportedly buy the Austrian government's 41.6% stake in the ailing airline. ... **AirBridgeCargo** says Amsterdam's Schiphol Airport will be strategic to its growth. ABC has acquired three 747-400ERFs and has ordered five 747-8s. ... **Humberside Airport, U.K.** opened a £1.6 million Perishables Hub last month to handle shipments of seafood and other goods. ... **Grupo Marsans** ordered 61 Airbus aircraft, including four A380s and 10 A350s. ... **Fraport Group** reported a 2.9% growth in air cargo tonnage for the first three quarters of 2008 for its combined airports... **Frankfurt Airport** alone posted growth of 1.2%. ... **London's Luton, Gatwick,** and **Manchester Airports** shed approximately 50 cargo and ground-handling staff as part of a 600-employee worldwide layoff at Scottish airport services firm **Menzies Aviation**... **Lufthansa** hopes to add an extra flight between Frankfurt and Luanda, eyeing potential in Angola's oil sector. ... **Air France-KLM** saw its profits plummit 96% in its second fiscal quarter for 2008, due to worsening economic conditions and declining demand. ■

ASIA

# Japan Tries to Find Bottom

## Amid fierce rate pressure and an economic downturn, Japan's carriers keep looking for further cuts


**Over the past two years, news of an Asian airline disposing of 747-200 freighters has become a routine phenomenon in this industry.**

But now Japanese carriers are cutting back on –400 freighters.

After two years of operating with lean capacity as it was taking its –200s out of service, Nippon Cargo Airlines was finally due this fall to grow its freighter fleet, but the latest 747-400F to join its ranks is going straight to the Belgian freighter operator Cargo B, which is dry-leasing the aircraft for three years.

"This is just a way to offset our leasing cost while we are not operating the plane," explained Shawn McWhorter, president for the Americas of NCA. "We don't have a route to use it on today. For the short term it doesn't make sense to expand at this point."

NCA is due to take delivery of its tenth 747-400 at the end of March. Management will evaluate in the coming months how best to use that plane, McWhorter said, adding that there are some 747-200F operators who would welcome a –400 lease.

Besides speeding up the retirement of its 747-200s ahead of schedule, Japan Airlines has jettisoned one 747-400BCF altogether. In late September the carrier announced that its last two –200Fs would exit service at the end of November and that one order for a 747-400 conversion had been cancelled.

This keeps the carrier's 747 freighter fleet at seven aircraft, well below earlier plans. Originally management had envisaged using at least 11 747-400Fs. Moreover, the 767-300F fleet, brought in last year because of capacity shortfalls on intra-Asian routes, will remain frozen at three planes. Management had planned to use four or five of the mid-sized freighters.

According to sources in Tokyo, 767 loads out of China have been disappointing. The coming months are unlikely to bring any improvement as many large Japanese manufacturers have taken steps to decrease production, both at home and abroad, and are scaling down their long-term airfreight bookings.

The domestic market offers little solace. Galaxy Freight, the cargo airline launched two years ago by Sagawa Express in partnership with JAL, Mitsui and Sumitomo, went out of business in October, having been unable to make a profit.

Under these circumstances, pricing competition has intensified both in the domestic and the international arena. According to some sources, All Nippon Airways made UPS an irresistible offer for a partnership deal, which will kick in next March.

Pointing to the need to obtain

regulatory approval, a spokesman for UPS said he was unable to release any details at press time. But the essence of the deal gives the integrator lift on some ANA routes in Asia, while UPS allows the carrier space on its flights to North America and Europe.

UPS has a similar arrangement in place with NCA that is due to expire in March. For his part, McWhorter said that the ANA deal would not affect NCA much, as UPS Supply Chain Solutions is keeping its allocations with the all-cargo airline. The airline codeshare deal would be easy to replace with other carriers, he argued.

For ANA the biggest benefit may be the allocation of some cargo slots in Tokyo, McWhorter reckoned. Be that as it may, the airline is clearly hungry for business. A few months ago it formed a joint venture with Nippon Express and Kintetsu, who hold 30.38% stakes each in the new outfit called "ALLEX" (All Express Corporation).

Other shareholders are Yusen Air & Sea and MOL Logistics, who hold less than 2% each. ANA is the biggest stakeholder with 36.38%. Based at Haneda airport, ALLEX is due to launch express services to Hong Kong and Shanghai with more Asian destinations in the pipeline.

Observers in Tokyo say ANA's appetite springs in part from disappointing volumes generated by Japan Post, its partner in the joint venture all-cargo airline launched last year.

The post office has given mixed signals about its future direction. Prior to a split-up into several divisions in 2007—a prelude to privatization—it had signaled ambitions to develop into an international logistics player. However, the focus appears to have shifted after a change at the top last year which saw an executive from the post office banking arm take over from the previous incumbent—who had a strong background in shipping and logistics.

The logistics ambitions are not fully buried, though. According to reports in the Japanese media, next year Japan Post is planning to establish a logistics service in four European countries to support Japanese electronics and automobile manufacturers.

## Trade Slowdown Concerns KLM

**Air France-KLM Cargo reported overall cargo volume in October fell 4.4% from the same month in 2007. Traffic in September was also down by 12.2% compared to the same month last year. The airline experienced a 6.8% drop in cargo traffic for its second fiscal quarter of 2008.**

**Jean-Jacques Castillo, director, China for AF-KLM Cargo, says airfreight business in the past years has prompted an increase in capacity, mainly to Europe. Growth until now, he says, has been driven by a steady demand in Europe thanks to a strong Euro, an undervalued Chinese Yuan, and positive market dynamics for high-tech shipments, consumer electronics, and the garment industry.**

**"Competition has increased mainly since 2005-2006 with additional capacity on passenger flights [and] more freighters operated by all-cargo airlines... from other gateways in China like Beijing, Tianjin, Guangzhou and Shenzhen," says Castillo.**

**AF-KLM operates 40 weekly flights out of Shanghai, including 12 B747-400ERF freighters, 14 B747-400E combis and 14 B777-200s and –300s with a total weekly capacity of more than 1,900 tonnes. Out of Beijing, the carrier maintains 23 weekly scheduled flights, representing 700 tons of capacity. With so much capacity to offer, it's "this slowdown in worldwide trade [that] is the main concern to us," Castillo comments.** (*For more on Shanghai, see page 36.*)

## ... Briefly

**Maximus Air Cargo** is under new ownership by **Abu Dhabi Aviation**, which has a 95% stake in the company. ... **HACTL** picked up Skopje, Macedonia-based cargo carrier **STAR Airlines** as a new customer. **... British Airways Cargo** opened its own sales office at **Suvarnabhumi Airport**, replacing **Qantas Freight** as its general sales agent for Thailand... **Australian Air Express** is the new cargo-handling vendor for **Virgin Atlantic Cargo**'s operations in Sydney. ... **Emirates SkyCargo** plans to increase its cargo capacity in India to 2,647 tonnes on 163 weekly flights by February 2009. ... **Air New Zealand** completed the first test flight using commercially viable, sustainably sourced biofuel. ... **Delta Air Lines** chose **National Aviation Services** as the ground handling agent and general cargo sales agent for its Kuwaiti operations. ... **Air China** implemented AIMS Corp.'s Airline Information Management System to support its cargo operations....The governor of Kwara State, Nigeria says that construction of "cargo-friendly" **Kwara Airport** should be completed this month. ... South Africa's **Durban TradePort** started a search for a company to operate the cargo terminal at its planned aerotropolis. ■

Feature Focus:
Seabury Forecast

# No Break in the

by Jan Maurits de Jonge

# 2009 will be a grim year for the air cargo industry

# A Storm

Against the backdrop of the worst economic crisis in decades, the convergence of weaker demand, lower net yields and higher fuel costs drastically reduced air cargo profitability.

Capacity reduction measures only partially offset this decline. Air trade in 2009 is likely to see an amplification of 2008's lows, with negative consequences for the industry through 2010.

Although air cargo executives knew that weakening economic conditions would dictate severe belt-tightening throughout 2008, the magnitude and simultaneous occurrence of a global slump in trade growth, a decline in net yields and a spike in fuel costs took even the wisest veterans by surprise. And just when they thought that the "perfect storm" had arrived, the blackest of black clouds appeared: a worldwide economic crisis.

That 2009 will be one tough year for the air freight sector is a certainty. Seabury forecasts a 3.1% growth in air trade in 2009—the same growth rate as in 2008 but far below the annual average of 7.4% from 2002 to 2007. And it is rapidly becoming clear that the road to recovery is likely to be long and bumpy. Based on the most recent analysis and trends, Seabury anticipates a 4.2% growth in 2010, picking up to 5.1% to 5.6% from 2011 to 2012. Of course, that assumes a minimum of stability in an otherwise difficult economic environment.

But before we dive into the details of this projection, let's look at the following:

- What really happened in 2008
- Four major trends that will affect air trade in 2009 and beyond.

## 2008: Triple Trouble

So what happened to our industry in 2008? Several concurrent factors contributed to making it a more than difficult year, with numerous themes weaving in and out to complicate management of the unfolding events. In the shadow of the deepening financial crisis, weakening demand, depressed yields and high fuel costs, air trade growth slowed dramatically.

Trade volumes began to lose altitude as the global economy, led by weakening demand from the U.S., softened early in 2008. As the credit crisis unfolded, volumes slid further, resulting in 2008 growth in air trade of just 3.1%—a far cry from the 7.1% of just one year earlier.

The four largest trade flows all showed a slowdown in growth. Trade between Asia Pacific and Europe grew by 4.2% compared to an annual average of 10.2% from 2002 to 2007, while Asia Pacific/North America trade declined by 7.9%, down from 6.0% annual growth over each of the preceding five years. Intra-Asia Pacific trade expanded by just 3.8% compared to the 2002-2007 annual average of 7.0%, and trade between Europe and North America fell from 5.2% growth annually for that period to only 0.8%.

Meanwhile, escalating fuel costs pumped up gross yields (that is, net yields plus surcharges), eclipsing the fact that net yields remained under pressure. Seabury's analysis of the top 100 airlines reveals that net yields declined by 4% in 2007; and a further 2% decline in 2008 is anticipated.

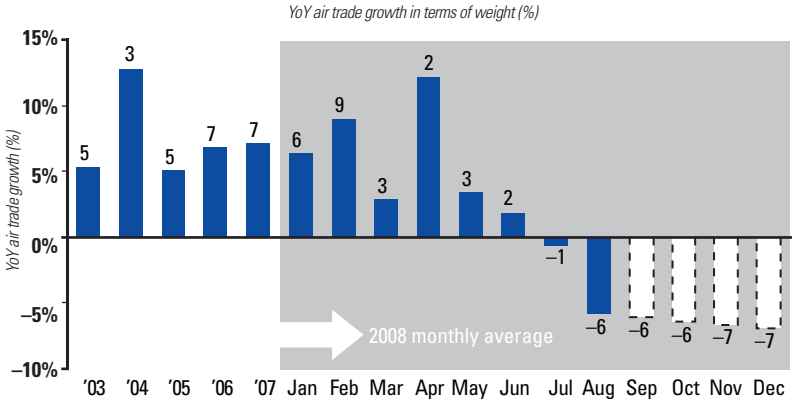
While oil prices currently are below $60 per barrel—a huge relief following the record highs of mid-2008—the 2008 average oil price is likely to end up around $100—an increase of almost 40% compared to 2007. With fuel prices accounting for 40% to 60% of an air cargo carrier's costs, fuel surcharges fail to protect profitability.

However, fuel costs were not sufficient to force the industry shake-out predicted by some. Only two major cargo carriers went bankrupt in 2008, representing less than 0.4% of global capacity in terms of ATKs, leaving most of the industry's incumbents in competition.

In response to the challenges, surviving air cargo players did cut some capacity, but the relief was slight. In the first half of 2008, it was possible to see a reduction in growth of international capacity for both freighters and passenger aircraft and to anticipate further declines in the third quarter of the year. But actual capacity cutbacks for freighters didn't start to show up until August, with further declines in November and December. The net result: Overall international air cargo capacity still grew by 6.1%

### Growth decline since early summer

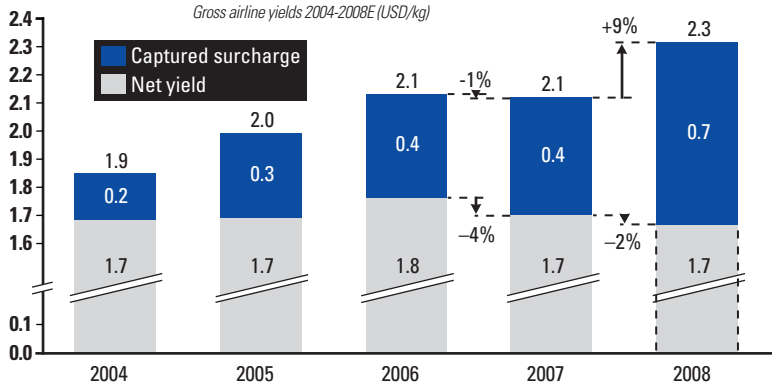
*Air cargo igrowth has declined since May 2008, and is expected to drop further in September-December.*




*Source: Seabury Trade Database & Forecast November 2008; Seabury analysis*

### Net yield decline

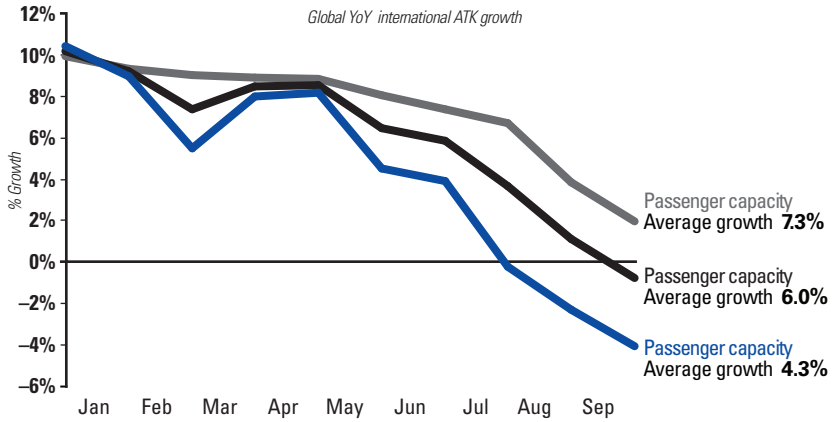
*Gross airline yields are expected to grow by 9% in 2008 due to an increase in surcharges, disguising a decline in net yields of 2%.*




*Source: Seabury.*

## Growth international air cargo capacity

*Total international capacity grew on average by 6% in the first 10 months of 2008.*




*Source: Seabury*

in the first 10 months of 2008, with freighter capacity alone up by 4.3%.

Will those headwinds continue into 2009? Let's have a look at the key trends affecting air trade in the future and what we can expect for the next few years. We will see that, in fact, several of the trends that contributed to the early difficulties described above have existed for quite some time.

Air trade growth was decelerating even before the credit crisis hit. China's export engine had begun to cool down, and several major nations were in danger of "flat-lining"—facing years of zero or even negative air trade growth.

The fall-off in China's air cargo growth is a setback for air freight companies after years of double-digit revenue growth. Where air trade growth rates averaged 28% in 2002-2004, they dropped to a 13% average in 2005-2007. Indeed, June 2008 registered one of the first year-over-year declines in air exports from China, and air exports in 2008 are expected to register only a 5.2% increase, versus 14% a year earlier. Although Seabury anticipates a return to double-digit growth in 2012 or 2013, and even though China will remain the largest air export market for the foreseeable future, it can no longer be viewed as the "constant producer."

No other countries will make up for this absence of growth. In 2012 alone, China's air trade growth gap (the difference between the nation's air trade growth rate and its 20% annual average in 2002-2007) will be larger than the total air trade of the three other BRIC countries (Brazil, Russia, India) combined. Other nations that promise longer-term growth—Vietnam, for example—also lack the industrial potential and therefore the export trade volumes to compensate for China's declining export volumes.

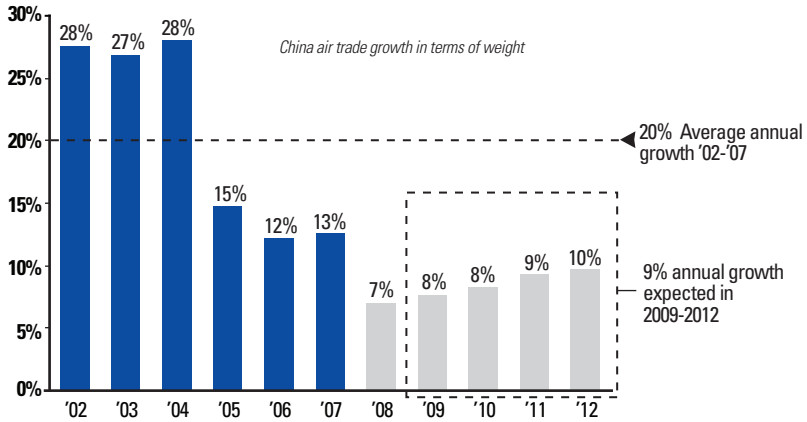
The "flat-lining" phenomenon is of serious concern. It now appears to be afflicting powerful trading nations such as Japan, the U.K., Australia, Taiwan, and even Singapore. These five countries, collectively representing roughly 15% of all exports by air, have shown less than 0.3% annual average growth between 2000-2007.

The shift from air freight to ocean shipping is very much on the minds of most air cargo executives today. And so it should be. Although air penetration—the share of all goods' weight shipped by air—has not fluctuated much, in defiance of the warnings of some observers, there is indeed an incremental migration of product shipments from air to sea.

Seabury's historical analysis of commodity flows confirms that over the last few years, the growth of ocean freight volumes has exceeded that of air freight. However, the differential

## China air trade growth

*Gowth began to decline in 2005, a trend that is expected to continue after 2008; average growth 2009-2012 will be 9% vs. 20% in 2002-2007.*




*Source: Seabury.*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BOEING
TOGETHER, ONE BIG ADVANTAGE AFTER ANOTHER.
The new 777F and the 747-8F make for an unbeatable combination. Already the most capable and flexible freighters in the industry, together they fulfill virtually any large payload (from 100-135 tonnes), range and market requirement. Add to that industry-leading efficiency and you've got the biggest advantage of all—the highest profit potential combination in the business.
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to date has been modest. Since 2001 for example, air has lost only 4% of its weight to sea as most products that shifted from air to sea were replaced by successive waves of new products—many of them driven by the consumer electronics boom of the last decade.

The change in air penetration varies by commodity group. For products such as fashion apparel and accessories, air has been losing out for years. And even some perishable commodities, such as flowers, are being moved by sea as shippers turn to new refrigeration techniques and better supply chain planning methods. A few commodities, including machinery parts and high technology products such as laptop computers, have shown modestly positive penetration in air freight's favor.

Also, the shift varies by trade lane: For instance, for mobile phones shipped from Asia to North America, air penetration declined from 86% to 70% between 2002 and 2007 while penetration for those shipped from Asia to Europe stayed constant at around 80%.

While high-tech was less than 19% of air weight in 2002, it now makes up more than 21% and is expected to make up 22% in 2012. Yet, four of the five leading high-tech products in terms of absolute growth are growing faster by sea than by air. Moreover, high-tech products, with their typically short life cycles, are very dependent on the introduction of new products. Over the last few years, we have seen plenty of exciting new product introductions—iPods, iPhones, other mobile phones, Xbox video game consoles, and more—these days there are few such 'breakthrough' products on the horizon.

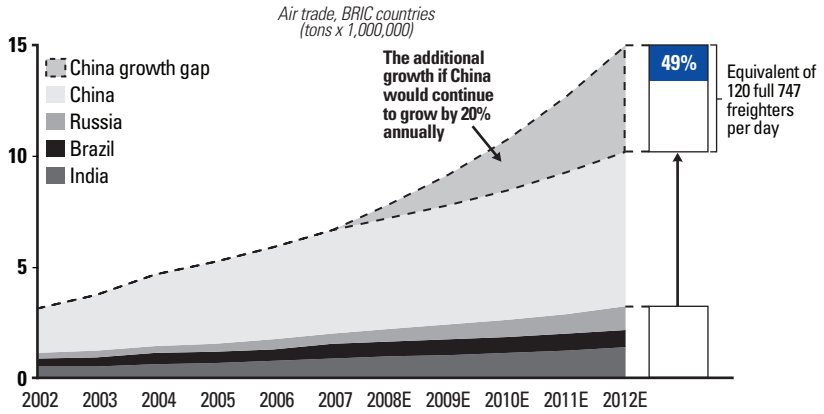
Yet the threat is not limited to high-tech. Time-definite delivery is giving way to day-definite delivery as supply chain managers work harder to contain costs, a trend that will only increase with fuel costs. Express carriers collectively reported disappointing volumes of their premium express products in 2008.

Further proof of this trend can be found in the growth numbers for air express: While 'express outpaced conventional air freight by 6 to 9 percentage points in 2005-2006, by 2007 the growth difference was less than 3%.

Trade lane imbalances have long been a curse for the air freight sector. The premium obtained on the stronger leg of a round trip is undercut substantially when considering the yield and load on the weaker leg. Seabury's forecast of trade flows shows that relative current trade imbalances, although declining somewhat in the next four years, are here to stay for the foreseeable future. As a result, absolute imbalances will grow in most cases,

## China growth gap

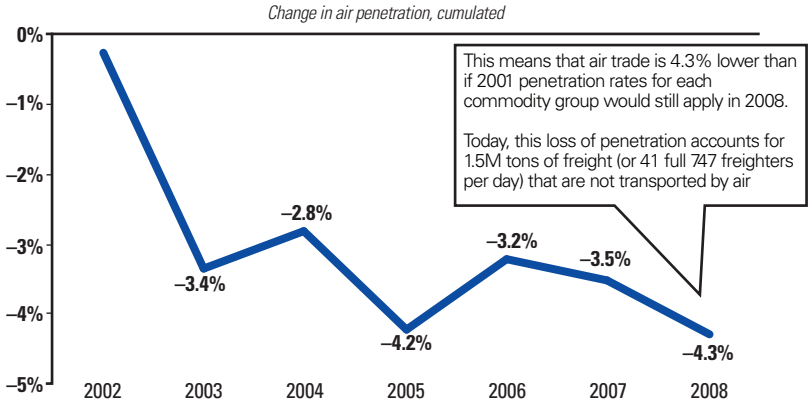
*China's growth reduction has resulted in a 'gap' that is 49% larger than all air trade to and from Russia, Brazil and India combined.*




*Source: Seabury.*

## Change in air penetration

*Air penetration (share of total shipped by air per commodity group) has declined 4% since 2001 (equivalent to 41 full 747F flights per day)*




*Source: Seabury Aviation*

and that is not welcome news.

Looking at the largest flows, there are sizeable imbalances between China and the U.S. and between China and Europe. For every three to five kilograms shipped from China to those regions, only one kilogram goes in the other direction. Air trade profiles between the rest of the Asia Pacific region and Europe, and between those nations and North America, will be far more balanced, as will transatlantic trade.

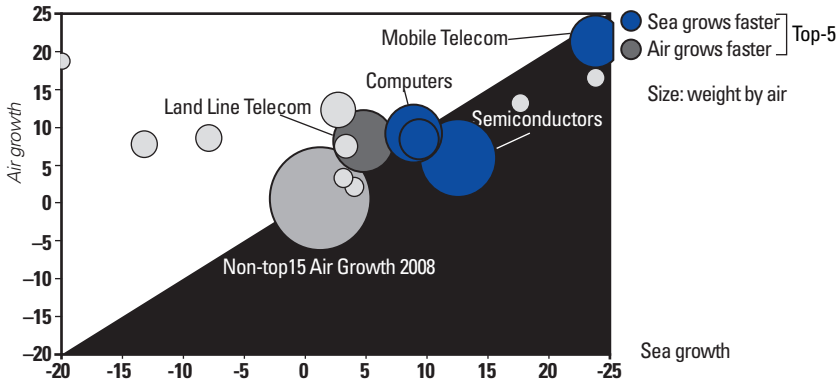
Trade imbalances are the result of underlying imbalances of consumption and production, both driven by economic and physical factors. But imbalances can also be affected by exchange rates.

With respect to the underlying consumption and production imbalances, the picture is not expected to change significantly in the next five years. Although China's imports likely will grow quickly due to increased consumer spending, this growth is not enough to significantly offset the trade imbalance with the U.S. and

## High-tech growth air vs. sea

*Of the fastest growing high-tech commodities by weight transported by air, four of the top-5 product groups are growing faster by sea.*

*Air vs. Sea, high-tech top-15 in terms of air weight growth, CAGR 2000-2008*

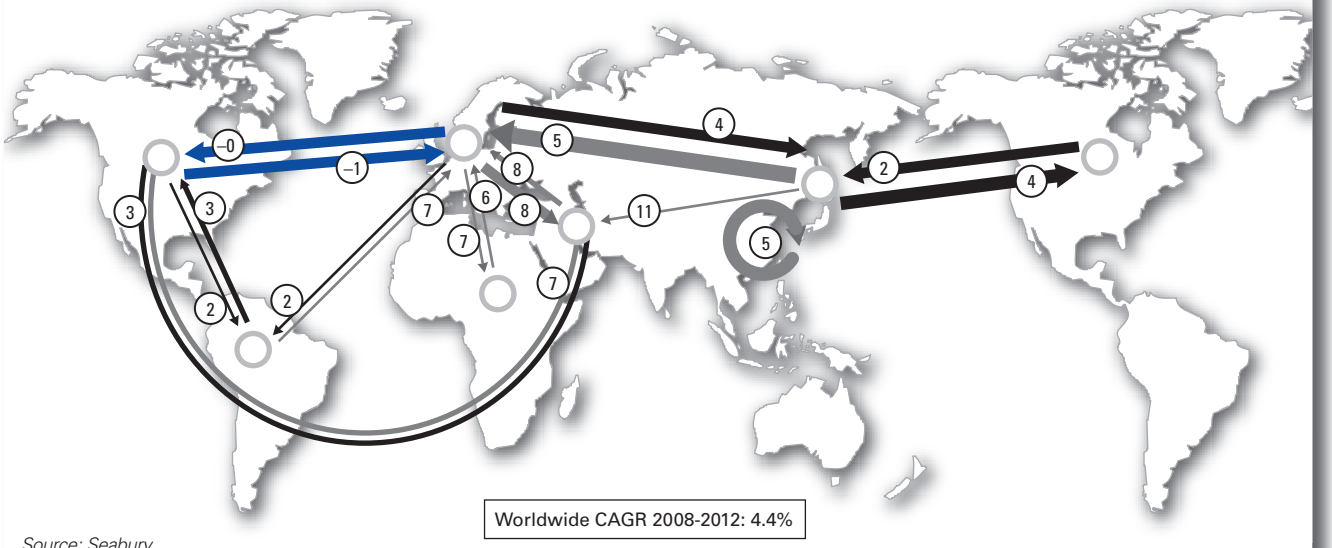



*Source: Seabury.*

## Intercontinental air trade growth

*Worldwide trade will show a 4.4% annual growth until 2012; growth on transatlantic lanes will stagnate while transpacific segments will do only slightly better due to continuous growth in China.*

*Intercontinental air trade growth 2008–2012 (CAGR %)*




*Source: Seabury .*

Europe: The increase is low in absolute terms, and a large amount of the nation's imports will be sourced from Asia. Increasingly, China will source from within its borders as well. In absolute terms, by 2012 the imbalance between China-Europe and China-U.S. is expected to widen by 0.2% to 1.2 million tonnes and by 0.3% to 1 million tonnes, respectively.

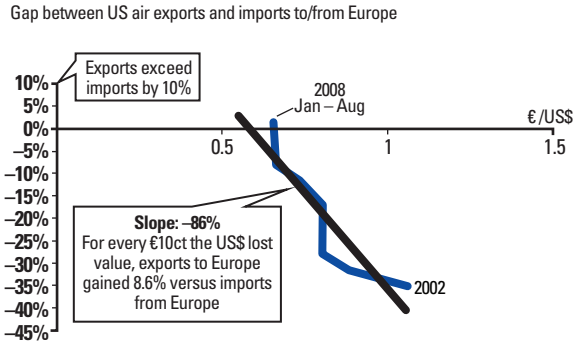
We can also expect the imbalance between the U.S. and Europe to widen somewhat with a stronger dollar. The chart below shows how the weakening dollar closed up the air trade gap between the U.S. and Europe. Imbalances are not limited to the largest flows, however.

Other imbalances that have major impacts are the movements of perishable goods (often highly seasonal) from nations such as Kenya, Ecuador and Peru, which far exceed return goods flows from the Northern hemisphere. Seabury expects the imbalances of those three countries, in terms of a Northbound to

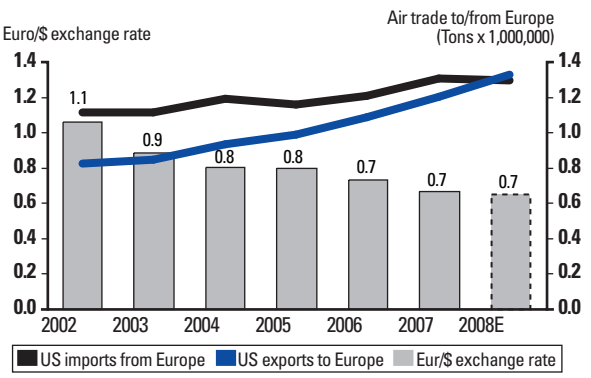
## Impact exchange rate on trade imbalance

*The weakening dollar closed the air trade gap between the US and Europe, but as the dollar gains strength, the gap is likely to widen again.*

**US$/€ exchange rate has a clear impact on the trade imbalance between the US and Europe**




**A weakening dollar closed the air trade gap with Europe**




*Note: 2008 trade based on 8 months actual data and 4 months forecast*
*Source: www.exchange-rates.com; Seabury.*

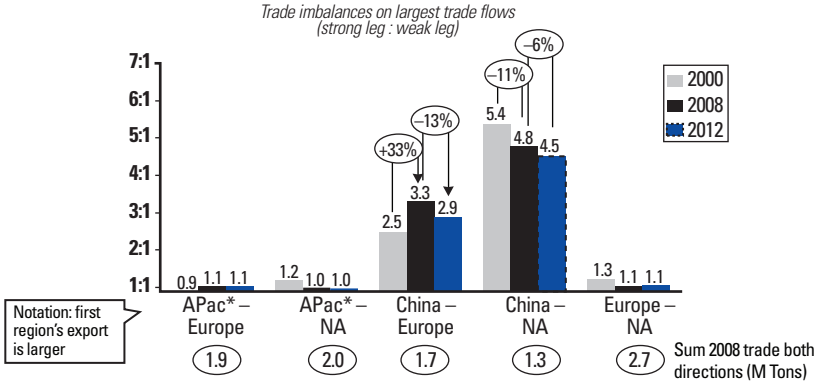
Southbound weight ratio, to expand from 6:1 in 2007 to almost 8:1 in 2012.

As discussed earlier, the 2008 average oil price will likely be around $100 a barrel—higher than ever before. In 2008, we also saw how unpredictable the oil price can be, with the maximum price more than double the minimum. Despite recent drops during the global economic crisis, average oil prices will continue to rise over the long term—a continuation of the pattern since 2002. It is reasonable to say that today's prices are at a temporary low, and they will remain unpredictable.

Oil prices will therefore continue to put pressure on the industry. Seabury's trade forecast is based on an oil price of $75 per barrel in 2009 (a figure that remains a serious issue for those flying older aircraft types), rising to $106 in 2012. For every dollar increase in the price of oil, aviation industry costs go up by $1.6 billion, according to IATA. Although the lofty prices reached in the first half of 2008 did not structurally

## Trade imbalances top-5 flows

*In relative terms, China's trade imbalances with Europe have grown by 33%, while the imbalance with North America has decreased by 11%; both imbalances are expected to decline in the next 4 years.*




*Source: Seabury.*

## Top-10 Countries & Commodities

**EXPORTS**
Top-10 countries in terms of compound annual growth rate 2008-2012*

| | Country | CAGR |
|---|---|---|
| 1 | **Peru** | 12.6% |
| 2 | **India** | 9.1% |
| 3 | **Kenya** | 8.7% |
| 4 | **China** | 8.4% |
| 5 | **Chile** | 7.8% |
| 6 | **Pakistan** | 6.1% |
| 7 | **Russia** | 6.0% |
| 8 | **Brazil** | 5.9% |
| 9 | **Spain** | 5.6% |
| 10 | **Philippines** | 5.1% |

**IMPORTS**
Top-10 countries in terms of compound annual growth rate 2008-2012*

| | Country | CAGR |
|---|---|---|
| 1 | **Russia** | 19% |
| 2 | **Kazakhstan** | 18% |
| 3 | **Nigeria** | 14% |
| 4 | **Vietnam** | 12% |
| 5 | **India** | 11% |
| 6 | **United Arab Emirates** | 10% |
| 7 | **China** | 10% |
| 8 | **Saudi Arabia** | 9% |
| 9 | **Indonesia** | 8% |
| 10 | **Korea** (South) | 6% |

**COMMODITIES**
Top-10 commodities in terms of compound annual growth rate 2008-2012**

| | Commodities | CAGR |
|---|---|---|
| 1 | **Cereals & products** | 11.4% |
| 2 | **Vehicle electricals, lighting, instruments, audio/video** | 10.0% |
| 3 | **Radio & mobile telecommunications** | 9.2% |
| 4 | **Industrial electrical power control & distribution machinery** | 9.0% |
| 5 | **Electrical generators** | 8.9% |
| 6 | **Transport vehicles** | 8.7% |
| 7 | **Computers & laptops** | 8.5% |
| 8 | **Fruits, fresh: other fruit** | 8.4% |
| 9 | **Tubes & pipes for the oil & gas extraction industry** | 8.0% |
| 10 | **Fruits, fresh: soft berries, grapes & figs** | 7.6% |

**Note: only countries with a larger export /import volume of 150,000 tons in 2012 are included*
***Note: only commodities with a volume larger than 50,000 tons in 2012 are included*
*Source: Seabury .*

change the air cargo industry, there is no guarantee that the weaker players will remain unchanged by elevated and unpredictable oil prices in the future.

## 2009: No Silver Lining

Following the G20 summit in Washington D.C. last month, the global financial system is expected to recover in 1-2 years. However, the global economy has already sustained great damage as a result. The outlook for the U.S., Europe and Japan is discouraging enough, but emerging markets also are being pulled down. The result: From 2008 until 2012, the global economy will be much weaker than in recent years. Specifically, average GDP growth is forecast to be almost 1.5% lower—down from an annual 3.8% between 2004 to 2007 to about 2.4% a year from 2009 to 2012. The largest drop will be in 2009 with an average GDP growth of just 1.3%, with only slow recovery after that.

Air trade is expected to echo that decline in 2009 with a growth of just 3.1%, and then a pick-up from 2010 to 2012 for a year-over-year average of 5.3%. From 2009 to 2012, annual growth will be just 5%—less than half that for the years preceding 2008.

The rapid deterioration of the global financial markets undercut growth at the start of the forecast period, and fuel price increases will still cause pain as the global economy begins to improve. Here's how the global market breaks down by region:

The U.S. has fallen into a recession in 2008 that will continue into 2009. The Economist Intelligence Unit (EIU) expects a full year of negative GDP growth in 2009. (During 2001—the previous U.S. recession—GDP still grew by 0.8%). The worsening of financial markets still has to filter through to affect conditions for consumers and non-financial companies. A very gradual recovery is expected in 2010-2012 when GDP growth will average 1.9%. And the weakened U.S. economy is certainly hurting air trade.

On a trade lane level, the U.S. Westbound transpacific lane is expected to slow to a compound annual average growth rate of 2.6% in the next four years with Eastbound freight expanding by 4.5%—a contrast to the 7.0% annual growth in both directions over the last few years. Within this trade lane, China has lost some growth momentum, but it remains a growth driver of some significance, with a forecast of 7.7% and 9.2% annual growth East- and Westbound, respectively.

The Transatlantic sector also faces slower growth. Westbound will grow annually by 0.2% in 2009-2012 versus 4.0% in 2004-2007. The U.S. Dollar's recent strengthening against the Euro will result in an Eastbound annual growth rate of just 0.6%—a huge drop from 2004-2007's average of 9.2%.

Trade from Latin America to North America will grow at a reasonable level of 2.9% a year, but Southbound trade will expand at just 1.7% annually.

Like the U.S., Europe has experienced its own burst housing bubble and the impact of the expected correction is barely built into the current economy. The EIU forecasts zero GDP growth for the region in 2009, slowly recovering

to 2.2% in 2012. As a result, European imports will slow considerably, hurting imports from Asia and the U.S.

European exports to Asia and especially the Middle East will continue to show strong annual growth of 4.3% and 7.6% respectively between 2009-2012. Germany will remain the driver for European exports to Asia, albeit at lower levels than of late. Imports from Asia and the Middle East into Central Europe will show continuous growth—12.6% a year—but imports into Western Europe will drop to 3.1% from the 7.9% average between 2004-2007.

Exports to Africa will show somewhat lower growth (trade with South Africa will decline most). Imports of perishables will remain important, making up 81% of Northbound air trade in 2012. This traffic can be expected to continue to grow by 6.4% annually, strengthening (seasonal) imbalances.

European exports to South America overall will grow 2.1% annually; while exports to Brazil will demonstrate growth of 1.6% each year. Imports from South America will exhibit healthy growth of 8.0% a year; and imports from Peru and from Chile will show double-digit growth.

Economic growth in Asia and Australasia (excluding Japan) is projected to decelerate to 5% in 2009—down from 8.3% in 2007 and 6.5% in 2008. Growth is expected to fall markedly in 2009 as the sharp drop in demand from Europe and North America deflates Asian export growth and this feeds into domestic investment and employment in the export sectors.

As world trade begins to recover later in the forecast period, growth will rise to 5.8% in 2012. This is especially true in Northeast Asia, where annual growth, driven by China's imports, will reach 6.2%. Japan is set to flatline, with zero or fractional growth at best.

Niche trade flows are set for the strongest growth, although at a slower pace than recently. Many combine a North-South with an East-West movement—for example, between Asia and Latin America, where annual growth will average 6.5%, and between Asia and Africa, 8.6%.

Clearly, air cargo companies are entering particularly troubling times. It is not simply that their growth will be curtailed by worldwide slowing of economic activity coupled with sharp drops in demand in many industrial sectors. They will also have to deal with the sizeable volumes of additional new capacity that will take to the air in about a year with deliveries of new 747-8s, 330-200Fs and 777Fs. And even when the global economy starts to pick up again, they will be faced with steadily rising fuel prices.

The next few years will be a true test of air cargo management skills. ■

*Based in Amsterdam, The Netherlands, Jan Maurits de Jonge is a senior analyst with Seabury Aviation & Aerospace.*

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# Sustainability
## A Fertile Arena

*A sustainable future requires practical steps. What can the air cargo industry do to build benefits for today and for 20 years down the road?*

Knowing what Sustainability is and why it is important is much easier than knowing how to do it. But do it we must, for the long-term viability of the air cargo sector, as responsible individuals, and as business leaders who have fiduciary responsibilities that extend beyond the next quarter.

This article explains how air cargo organizations can begin the sustainability journey in ways that are both good for the business and good for the society and planet that support that business.

When our company, SustainAbility, began operations 21 years ago, people often asked us how to spell the word. Today, with titles such as Chief Sustainability Officer ever more common in leading global companies, and with more than 2,500 companies publishing annual sustainability reports, the word has fully entered the business lexicon.

In essence, sustainability is acting so that we are able to meet the needs of the present without compromising the ability of future generations to meet their own needs. It means asking questions that go beyond the immediate to understand the implications of our actions across a longer time horizon. It means, for example, asking about where the timber for palletized cargo comes from and whether the way it is harvested can be sustained not for a week but for a decade or a century; and not only how the air cargo industry impacts climate change but also how climate change will impact the industry.

Sustainability is often used as a short-form for sustainable development, a phrase also defined 21 years ago in a landmark report prepared for the United Nations World Commission on Environment and Development. Titled "Our Common Future" and also known as the Brundtland Report (Norwegian Prime Minister Gro Harlem Brundtland chaired the Commission), it rooted the idea of sustainable development in the now increasingly clear reality and imperative of global interconnectedness. Not that we need new evidence in light of the global financial crisis, but government polices and business practices in one part of the world have direct implications for people around the globe.

More richly yet, sustainability requires an appreciation for the business truism that corporate success must be measured by financial, social and environmental indicators. This triple bottom-line approach enables leading companies to drive near-term financial success without incurring off-the-book debts in their social and environmental accounts.

Once upon a time we thought there was no charge for using Nature's supply of water; we have learned otherwise. Once upon a time we thought there was no charge associated with emitting carbon dioxide into the atmosphere; but we are discovering differently now. However we frame it—as economists, environmentalists, or business people—the costs are there and the bill always comes due, whether in this generation or the next.

Sustainability demands that we not simply pass this debt on to the next generation but do what we can now to manage both the opportunities and the costs associated with our current actions and practices.

So how, given sustainability's cross-generational meaning and broad scope, does any company, organization or single business manager "do" sustainability? What does it mean, in practice, to implement a financially sound, global sustainability program? Despite the differences that one finds across companies and sectors, there are some approaches and steps we have developed over 20 years in this business that have broad applicability.

Absent formal data capture and reporting systems and a sustainability champion (that can range from a corporate responsibility manager to a chief sustainability officer who reports directly to the CEO), companies often don't have a full grasp of all that is going on related to sustainability. A first step for many companies is thus to develop a small team to assess and plan approaches to sustainability and to identify

gaps in both performance and data. Team members need to be chosen carefully, with attention paid to function, expertise, politics, and authority.

A materiality analysis is an essential early step in the process of determining where the company should focus its efforts. Drawn from the parlance of the legal and financial worlds, a sustainability materiality analysis helps companies determine where resources can be most effectively channeled to advance business goals by addressing sustainability issues. The most useful materiality analysis will help a company assess and understand issues from three vantage points: potential impact on the company, degree of societal concern and the company's ability to influence. This kind of analysis will help identify and prioritize both risks and sustainability opportunities; gain a competitive advantage; anticipate and manage change; and assess performance over time.

Rather than a simple ranking exercise, the assessment looks across all phases of the product/service life cycle—from raw material procurement, to supply chain management, to internal operations, to customer experience, to end-of-life/disposal—and ranges from the tactical to the strategic.

Often conducted in tandem with materiality work, benchmarking the performance of other companies, both within one's industry and beyond, can pinpoint what leading companies are already doing and can help identify appropriate pathways forward.

As is quite apparent now across a myriad of sectors, there is fierce competition among companies to be seen as green or responsible or sustainable. Sustainability has the potential to be a market differentiator for some companies, to enhance consumer recognition of trusted brands, and to help develop new relationships with niche customers as well.

Critical to this effort, however, is the absolute necessity to deliver on promises. While public relations campaigns are relatively easy to launch, the demonstration of actual, measurable and meaningful changes in operations or approaches is essential to avoid being called to account in the marketplace for "greenwashing."

As metrics are developed and internal processes as well as lines of authority mature, one quickly realizes the need for accurate reporting. And whether following guidelines created by the Global Reporting Initiative or other leading organizations in the field of reporting, companies report on their sustainability and corporate responsibility work for a host of reasons.

Akin to annual financial reports for many organizations, companies seek to keep their stakeholders informed via CR or sustainability reports. They want to let investors know of challenges and opportunities; they seek to drive internal change and rectify problems by shining a bright light on practices; and they seek to position themselves in the marketplace of ideas as forward-looking and innovative.

And since it is often from customers or clients that sustainability issues are first called into light, companies must be accountable to such stakeholders.

Beyond reporting—and a critical component of accountability—companies develop any number of means for keeping in regular contact with their stakeholders. Viewed narrowly, stakeholders would include employees, customers and owners. And while there are many existing mechanisms in place for communication with these stakeholders, companies find that sustainability issues are often a very fertile arena for new forms and types of engagement.

But well beyond this tight circle of stakeholders are many other groups of people who have a stake one way or another in the operations of any given company. These might be people living around airport flight paths, suppliers, civil society organizations, customers or business partners. So an efficient engagement process aligned with the early materiality work can ensure energies and limited resources are focused appropriately.

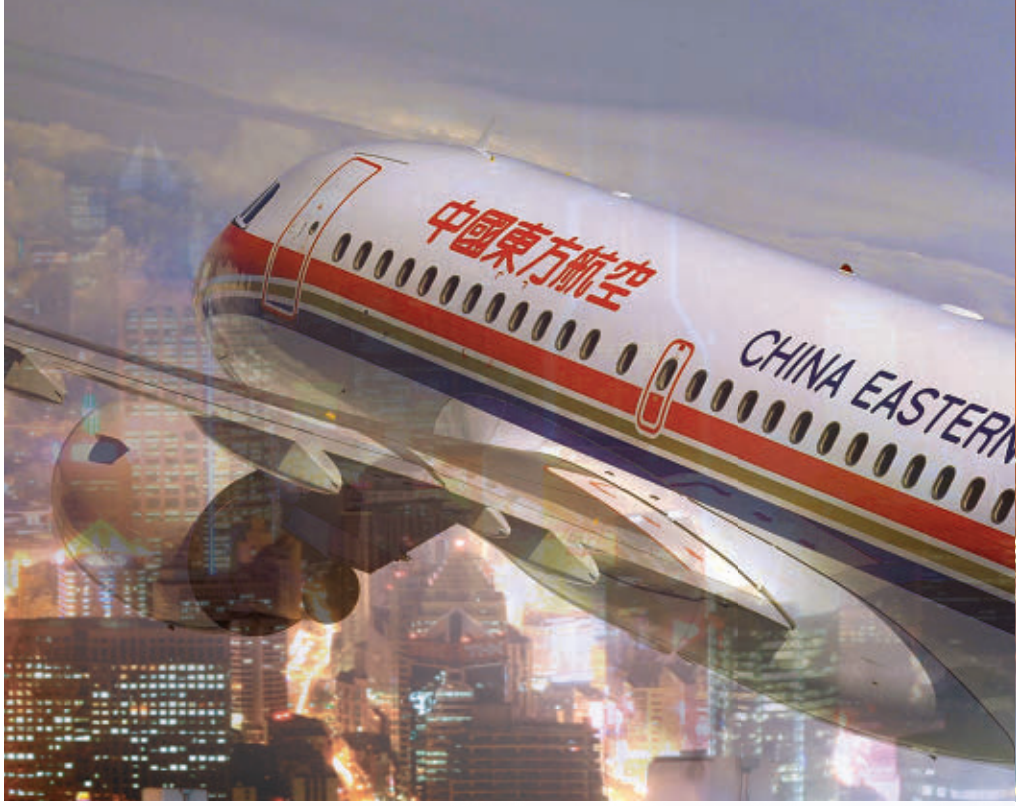
Sustainability is a powerful lens for companies to use across a tiered approach. At an operational level, applying the sustainability lens to fuel use, facilities management, packaging, staffing, compensation patterns and community involvement often leads to early cost savings and efficiencies that are just plain good business sense.

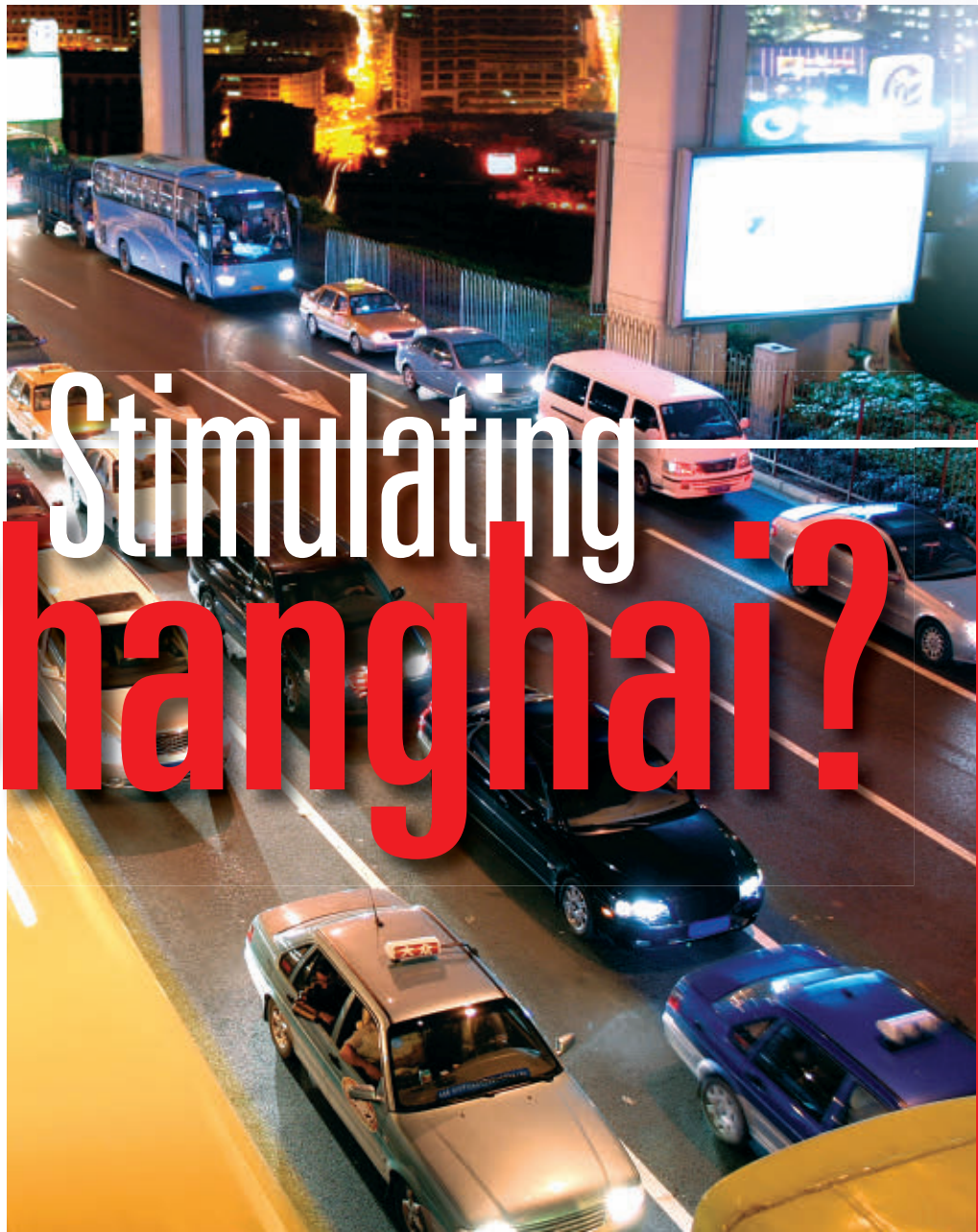
Applied externally, the sustainability lens enables companies to imagine, test, develop and launch new products. At its most advanced setting, the lens lets companies accomplish even more in terms of experimenting and testing new ways of doing business, new models for marketing or supply chain management, or creating new business units that help their customers get what they want in wholly new ways.

Sustainability has always been about thinking differently—thinking about what we do today and how it affects the next generation. In application, it poses the core question from which fundamental business value is derived: how can we meet the needs of our customers not just today but across generations?

It is a long-term perspective. The time to start is now.

*Based in Washington, D.C., Jonathan J. Halperin is a director at SustainAbility, the strategic consultancy and independent research center.*



# Stimulating Shanghai?

Long known as China's cultural capital, Shanghai has become an economic powerhouse in its own right. Home to the world's fourth-busiest cargo airport by freight tonnage, Shanghai continues to develop into an increasingly strategic logistics center.

Taiwanese shipping company Evergreen Group recently established its Chinese headquarters in Shanghai, which company chairman Y.F. Chang described as China's "economic and transportation center." Perhaps tellingly, Chang said, "After 15 years of growth and success, Shanghai is the economic and transportation center for the entire Asia-Pacific region. Evergreen will continue to choose Shanghai in the future because we believe it is becoming the economic and transportation center for the world."

UPS sees Shanghai as a strategic transportation center as it expands its operations around the globe. The carrier expects to open its newest hub at Shanghai Airport on Dec. 9, linking all of China to its international network with direct connections to Europe, Asia and the Americas. The Shanghai hub will also support domestic package service via all-cargo carrier Yangtze River Express.

The hub occupies nearly 1 million square feet at the West Cargo Terminal Area at Pudong International Airport. Upon opening, the hub will employ 600 staff and have the capapbility to sort 10,000 pieces per hour. UPS expects the hub to reach a sorting capacity of 17,000 pieces per hour by 2012 and to employ 1,000 staff by 2010. The carrier will operate 104 flights per week through Shanghai via 15 747-400s plus MD-11s, 767s and chartered airlift. Pudong added a third runway to support the project.

The southeastern metropolis also established a sister-city relationship with Dallas, announcing Shanghai Airport and Dallas-Fort Worth Airport as Friendship Airports. DFW, the third busiest airport in the world, offers strategic access to the headquarters of 24 Fortune 500 companies. China Cargo Airlines operates 747 freighters five times weekly between Shanghai and DFW with nonstop service. Notably, cargo service to China composes 21% of DFW's entire cargo market.

As countries around the world turn more attention to cargo crime, DHL Global Forwarding announced over the summer that it is entering into strategic partnerships with critical handling and airline partners in Shanghai to improve security of high-value and high-risk cargo. DHL, Shanghai Pudong International Airport Cargo Terminal (PACTL) and Air China Cargo are working toward an agreement on standard operating procedures and will share best practices and information on crime trends and statistics.

There's a particular emphasis on high-value cargo, and a working committee composed of airport cargo terminal operators, freight forwarders, trucking companies and carriers will convene to increase security surrounding high-tech, high-priced commodities—a favorite target of criminal gangs. DHL and its partners are also assembling a joint action taskforce to focus on cargo crime prevention.

Greg Reynolds, vice president airfreight USA for Hellmann Worldwide Logistics, a non-asset based forwarder, says that while the outlook for China in general and Shanghai in particular isn't as rosy as in past years, there's still hope for steady volume going forward. "We, as has everyone else that operates in China, have seen a contraction in the market this year. After five years of economic growth in excess of 10% annually, the

## Wal-Mart China Shifts Sustainability Gears

Wal-Mart CEO Lee Scott hosted more than 1,000 suppliers, government officials and NGOs in Beijing to launch a socially responsible supply chain plan.

"Sustainability is about building a better business. We think it's essential to our future success as a retailer and to meet the expectations of customers," he said. "Maintaining the trust of our customers, today and in the future, is tied hand-in-hand with improving the quality of our supplier factories and their products."

The company announced it would focus on areas aimed at meeting or exceeding social and environmental standards, driving innovation and efficiency and building stronger partnerships with suppliers, government and NGOs. "I firmly believe that a company that cheats on overtime and on the age of its labor, that dumps its scraps and chemicals in our rivers, that does not pay its taxes or honor its contracts—will ultimately cheat on the quality of its products.

"And cheating on the quality of products is the same as cheating customers. We will not tolerate that at Wal-Mart," Scott added.

Mike Duke, vice chairman for Wal-Mart's international division, outlined a number of requirements for suppliers who want to continue to do business with Wal-Mart. The company is creating a new supplier agreement that will require factories to certify compliance with laws and regulations where they operate as well as implement rigorous social and environmental standards. The agreement will begin with China–based suppliers in January 2009 and expand to the rest of the world by 2011.

Wal-Mart will partner with suppliers to improve energy efficiency by 20% by 2012 in the top 200 factories it sources from in China. The company said it would share information and best practices with all of the factories as well as its competitors.

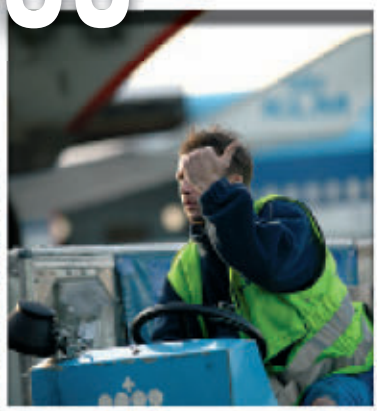
By 2009, Wal-Mart will require its suppliers to provide the name and location of every factory they use to make the products it sells. By 2012, it will also require its direct suppliers to source 95 percent of their production from factories that receive the highest ratings on environmental and social practices.

"Achieving the goals that we lay out today is going to require a common commitment. It's going to take even stronger and deeper relationships. And it is going to take all of us working together." said Duke. "We are expecting more of ourselves at Wal-Mart, and we will also expect more of our suppliers."

Wal-Mart also announced a major effort to make Wal-Mart China a leader in sustainability by designing a new store that uses 40 percent less energy. In addition, during the next two years, Wal-Mart China will aim to cut water use by 50% in all of its stores. Outlining the steps the company will take to become the most environmentally responsible retailer in China, Wal-Mart China President and CEO Ed Chan called for collaboration between Wal-Mart, the company's suppliers and the Chinese government.

"Few challenges in our world today are more pressing than protecting the environment and, in China, Wal-Mart has a unique opportunity to lead," said Chan. "With the world's largest population, and a robust manufacturing industry, no market presents a greater opportunity for environmental sustainability to take hold than China."



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Agility is one of the world's leading providers of integrated logistics to businesses and governments. It is a publicly traded company with $6.3 billion in annual revenue and more than 32,000 employees in 550 offices and 100 countries. Agility brings efficiency to supply chains in some of the globe's most challenging environments, offering unmatched personal service, a global footprint and customized capabilities in developed and emerging economies alike.

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Agility believes in giving back to its local communities. Over the last two years, Agility has completed more than 120 community projects in 40 countries, including deploying a logistics emergency team to assist the humanitarian community during the Myanmar cyclone, delivering medical supplies to 10,000 people in Iraq for the International Medical Corps and sponsoring a children's cancer center in the United States.

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growth rate has declined for six consecutive quarters, dropping from about 12% last year to 9% in Q3 of this year. Growth forecasts for Q4 are 6% or less."

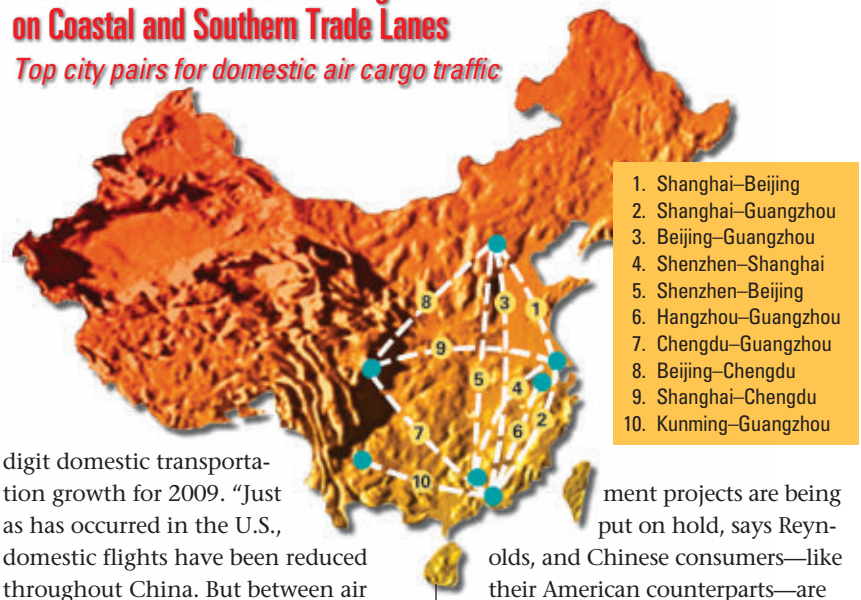
Reynolds attributes the acceleration of the pace of the decline partially to the global financial crisis. But beyond that, he says, rising labor costs, reduced consumer spending in the U.S. and EU, a reduction in factory orders and the closure of some 4,000 factories throughout China this year have also been contributing factors. "In Shanghai, as well as our other 18 offices throughout China, we are seeing a softer peak season this year and anticipate a relatively flat 2009," he adds.

With the export market weakening, the central government has been putting additional focus on domestic growth. Domestic tonnage in China has increased by 7% compared to last year, and according to Reynolds, some local economists are even forecasting double-digit domestic transportation growth for 2009. "Just as has occurred in the U.S., domestic flights have been reduced throughout China. But between air and surface transport, there is sufficient capacity to accommodate domestic shipping needs," he says.

Companies that sell in China are beginning to be negatively impacted by the financial crisis because major investment projects are being put on hold, says Reynolds, and Chinese consumers—like their American counterparts—are beginning to reduce spending. "The Chinese government's recently announced stimulus package will focus on infrastructure so there could be some positive effect on Chinese import and export traffic in the coming months," he adds.

## Current China Domestic Air Cargo Traffic Is Concentrated on Coastal and Southern Trade Lanes

*Top city pairs for domestic air cargo traffic*



To maintain a competitive edge, Hellmann operates its own scheduled chartered service to the U.S. to supplement its blocked space agreements with carrier partners. "We have been running these charter flights for several years and with the carrier capacity reductions over the past several months these flights have become an even more important component of our service offering for exports from Shanghai and the surrounding region," says Reynolds.

Effective Nov. 1, the Chinese government raised the taxation refund rate for various commodities, including textiles and toys, to 14% to stimulate exports. "This should have a positive effect for Chinese exporters as we move through Q4 into Q1 2009," he concludes. ■

## Goods and Growth

China's GDP is projected to grow 7.3% per year to 2027. The country's domestic cargo market is forecast to grow 9.9% per annum during the same period.

At 2.6 million tonnes annually, China's domestic air cargo market accounts for 6.7% of the world's total by weight and has become the second largest, exceeded only by the U.S.

China's domestic scheduled freight grew 11.5% in 2007, following growth of 12.2% and 11.5% in 2006 and 2005. Mail tonnage grew 18.9% in 2007, following growth of 19.3% and 26.3% in 2006 and 2005, respectively.

Most of China's air cargo activity is concentrated in the coastal and southern provinces where the bulk of the country's 1.3 billion people and $2.3 trillion economy is located. The top 10 city pairs (see opposite page) generate approximately 32.6% of all domestic air cargo tonnage.

The types of goods transported on domestic routes vary by region. In the southeastern provinces, especially the Pearl River Delta, traffic consists largely of apparel, home electronics, and telecommunication equipment and light industrial products.

Goods that flow between regions include textiles, apparel, electronics, perishable foods and live animals from the east, precision instruments supplement apparel and electronics from the north and pharmaceuticals, cashmere, cut flowers, and industrial equipment from the west.

Between 2001 and 2007, China spent nearly $19 billion on its 147-airport infrastructure and plans to spend a further $64.3 billion to increase the number to 244 by 2020. $8.8 billion will be spent in its western region, including construction of 37 new airports, expansion of 31 existing facilities and the relocation of six.

*(Source: Boeing)*

# Airport Screening from the TSA?

*Edward Kelly, General Manager Cargo for the U.S. Transportation Security Administration told delegates at the TIACA Air Cargo Forum in Kuala Lumpur, Malaysia last month that the current Administration's policy for screening international inbound cargo is based on securing agreements with foreign governments for the process.*

**But when the U.S. Congress passed a law in 2007 saying 50% of cargo shipped on passenger aircraft leaving the U.S. after Feb. 3, 2009, must be screened, the legislators never really considered the problem of airport implementation—in either direction.**

And the fact that it will be 100% after August 3, 2010, just adds to the pressure, says the air cargo industry.

To meet the congressional mandate, from Oct. 1, 2008, all cargo shipped on narrow-body aircraft originating from U.S. airports both domestically and internationally is now screened at the piece level. According to Christopher R. Bidwell, vice president for security and facilitation at the trade body Airports Council International–North America, the process has gone "reasonable smoothly," adding there have been a few "isolated challenges" largely due to the use of cargo screening technology that has been adapted from the passenger side. The TSA says explosive detection systems, physical inspections and more than 500 dogs are currently screening cargo on narrow-bodied aircraft throughout U.S. airports.

Bidwell, the former managing director, security for the Air Transport Association, suggests a dog remains the best method for screening cargo and expresses concern that new technology to replace passenger-derived equipment won't be available by Feb. 1, 2009—and that this might lead to bottlenecks at some airports.

To mitigate this possibility, ACI-NA members have been asked by some manufacturers for either on or off-airport facilities to screen their shipments. Bidwell expects some manufacturers to go ahead next year. Meanwhile, on Sep. 30, the EU and the TSA reached an accord to harmonize their cargo screening processes in order to ensure that both the 50% and 100% rule apply in both directions within the mandated timeframe.

European governments have their own processes for U.S-bound cargo. The object of the new accord is to ensure an equivalent process on both sides of the Atlantic. This would mean that an airline flight from Frankfurt to Newark would have to comply with EU and TSA screening rules as well as U.S. Customs & Border Protection manifest-based inspections.

According to Dave Wirsing of the Washington, D.C.-based Air Cargo Security Alliance (ACSA), the TSA multilayered approach currently relies on airlines and other "interested parties" to participate in a Certified Cargo Screening Program (CCSP) that will allow freight forwarders and other Indirect Air Carriers (IACs) to conduct screening at off-airport sites so long as a proper chain of custody is maintained until the cargo is placed on a plane.

However, ACSA—which claims 125 members—believes that the CCSP must be a complement rather than substitute for federal air cargo screening at America's airports: In short, it wants the TSA also to be part of the solution.

As currently envisioned by the TSA, the CCSP program would require a participating company to acquire the necessary screening equipment, warehouse space and trained employees to process all of its cargo.

ACSA says the vast majority of the 4,200 IACs nationwide don't have the financial resources to do this.

Wirsing comments: "In response to a recent question regarding the options that a company which doesn't participate in CCSP would have to ship their cargo, TSA stated that the company could ship their cargo using FedEx, ship their cargo using a company that participates in CCSP, or don't ship.

"Such a response is senseless and the attitude that it reveals towards the thousands of small businesses that make up the air cargo industry nationwide is reckless."

According to the 2007 Act that cre-

ated the screening requirements, Congress instructed the TSA to establish an air cargo screening program "commensurate with" the passenger screening program already run by the TSA.

Wirsing believes the word "commensurate" is open to interpretation. His group thinks the TSA should provide screening at airports where cargo on narrow-bodied aircraft is already subject to screening and allow the screened cargo to go onto any airline that is shipping air cargo. The program should also reimburse an airline that is currently conducting screening for the costs of such screening and should work in conjunction with the CCSP program.

"Such a program would ensure that the entire air cargo industry would retain the ability to service [its] customers and maximize the flow of cargo at U.S. airports.

"Airfreight forwarders are as diverse as the shipping community they serve. They come in all sizes and offer 'niche' services as well as a full menu from managed global transportation to warehousing, distribution, trade compliance, and even financial services.

"The small to mid-size forwarder with an entrepreneurial bent can provide an equally competitive service as a multinational given a level playing field. However, TSA's proposed cargo screening regime will take away that level playing field and force the small to mid-size forwarders and


IACs to face insurmountable costs and logistical hurdles.

"For many, the TSA proposal is a threat to their very existence."

As an airport representative, Bidwell's concern is that despite the canine legion, if the new technology doesn't arrive before February, bottlenecks are going to become a problem at various U.S. airports. He won't say which. Wirsing wants to ensure this doesn't happen by getting the TSA involved in the airport screening process and have it paid for by a levy on each shipment.

Currently, the TSA will certify anyone appropriate for the role rather than have to do the work itself.

At the moment a combination of airlines, shippers and IACs are screening cargo on passenger aircraft at 18 U.S. airports. TSA Air Cargo Manager Doug Brittin thinks this is a successful first step to meeting the new screening mandate as "cargo received by passenger carriers already screened and secure will not require further screening, and thus can bypass the anticipated airport backlogs and potential delays. While this program will have some impact in assisting carriers in attaining the 50% milestone, its key impact will be towards attaining 100% by August 2010.

"However, the ultimate responsibility to ensure that cargo uplifted on passenger aircraft in the U.S. meets the screening requirements remains with each carrier."

Meanwhile, nobody really knows what will happen in February next year—will the new technology be available? Will the TSA get involved? Will enough IACs manage the pre-airport screening to avoid Bidwell's bottlenecks?

Wirsing and his group would like Congress to cut the industry some slack by revisiting the law and its implementation timeframe. But with a Presidential Inauguration just weeks away, most eyes will be on the musical chairs in Washington. ■

# People

## Airports


Ryan

**Chicago Rockford International Airport**: RFD hired **Kenneth Ryan** as director of cargo development. The 30-year industry veteran previously was vice president of Cargo Connections Logistics International.

## Airlines

**Aloha Air Cargo**: The Hawaiian carrier named **Mike Malik** to the role of president. He previously was chief information officer of Aloha Airlines.

**Atlas Air Worldwide**: AAWW tapped **Raymond Sisson** to lead its aircraft leasing division, Titan Aviation Leasing. Sisson assumes the title of president and CEO and will be based in Dublin where Titan is headquartered. He comes to the company from GE Commercial Aviation Services where he spent several years as senior vice president and regional manager for Russia, Africa, and the Middle East in addition to handling sales and marketing for Asia-Pacific. Sisson has a background in corporate law with special experience in aviation finance.

**American Airlines Cargo**: AA Cargo named **Roger Samways** to managing director of global accounts and sales strategy. He started with AA Cargo in 1998 as a London-based cargo regional manager.


Karnik

**Air Jamaica**: The Caribbean carrier named **Subodh Karnik** to executive vice president, commercial sales. In this role, Karnik will oversee marketing, planning and sales. He previously was engaged with Delta Air Lines, ATA Airlines, Global Aero Logistics and Continental Airlines. The airline also appointed **Howard Hall** to the role of senior vice president and chief financial officer.


Eagle

**British Airways World Cargo**: BA Cargo appointed **Stephen Eagle** to the role of global key accounts manager. The 18-year industry veteran is charged with managing the strategic development of BA Cargo's key client portfolio. He comes to BA Cargo from Continental Airlines.

## Third Parties

**Menzies Aviation**: The Scotch airport services provider tapped **Neal Moran** as vice president of cargo for its operations in America. Moran previously was engaged with Cargo Airport Services and DHL Express at JFK Airport.


Chuang

**Singapore Airport Terminal Services**: SATS recruited **Lim Chuang** to the role of senior vice president, finance.

**Trans Global Logistics**: The third-party logistics provider tapped **Paul Yip** for the position of executive director of ocean freight and logistics. Yip previously co-founded and was executive director of Wako Logistics Group.

**TranSystems**: The transportation design and security firm hired **Robert Bielek** to run its Aviation Practice in Ft. Worth. Bielek brings 39 years' experience to the role. The company also brought on **Charles Everett, Jr.**, as vice president of its aviation consulting group in Alexandria, Va.


Everett

**APL Logistics**: The supply chain services company appointed **Peter Knapp** to the role of vice president of contract logistics. Knapp previously spent 12 years with DHL.

**Aviapartner Cargo**: The aviation services provider brought **Henning Dieter** on board as general manager, cargo services in Germany. **Associated Global Systems**: AGS tapped **Jason Wells** for the position of regional manager sales and service, Southeast.

**CEVA Logistics**: The European supply chain company named **John Klompers** managing director for Central Europe.

**Associated Global Systems**: AGS tapped **Jason Wells** for the position of regional manager sales and service, Southeast. Wells previously held positions with Eagle Global Logistics, Sea-Land Service and Tazmanian Freight Systems.

## Technology


Robinson

**CargoWise**: The supply chain logistics management systems provider appointed **Andrea Robinson** to the position of business development manager, U.K. She brings 21 years' experience in the freight forwarding software industry to the role.

**FreightScan**: The freight and logistics technology solutions company appointed **Larry Fullerton** to the role of chief scientist.

## Consultants

**Seabury Group**: The transportation consultancy appointed **David Turnbull** to chairman of its newly formed Seabury Aviation & Aerospace Asia subsidiary in Hong Kong. Turnbull previously served as CEO and deputy chairman of Cathay Pacific Airways for eight years. ■

# Events

## Dec 10-12

**Washington, D.C.: The 2nd Annual Global Infrastructure Leadership Forum** unites members of the public and private sectors to discuss the future of the biggest infrastructure projects around the world in light of reduced credit availability and shrinking investment banks. For information, call 202-776-0990, or visit: *www.cg-la.com/global2*

# 2009

## Feb 18-20

**Bangkok: The World Air Cargo Event** gathers representatives from airlines, airports, freight forwarders and other cargo players for networking and more. For information, e-mail: *p.cooper@aircargonews.net*, +44 (0) 1784 255000, or visit: *www.worldaircargoevents.com*

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## Feb 24-25

**Miami: The World Mail and Express Americas Conference 2009**, at the Hilton Miami, the annual meeting for all elements of the mail and express industries across North, Central, South America and the Caribbean. For information, e-mail: *john.mood@triangle.eu.com* or *nigel.ashton@triangle.eu.com*

## Feb 26

**Frankfurt: The Lufthansa Cargo Environmental Conference**, in its inaugural presentation, addresses the issues of aviation emissions and other environmental effects created by the air cargo industry, and discusses solutions for carriers going forward. For information, call +49 69 696 911 23, or visit *www.lhcargo.com*

## March 2-5

**Bangkok: IATA World Cargo Symposium 2009**, the weeklong compendium of seminars, meetings and public discussions has become the strongest annual gathering focused on the key business issues of the global air cargo industry. For information, call +41 22 770 2525, or visit: *www.iata.org/events/calendar*

## March 10-12

**Memphis: ACI-NA Air Cargo Conference 2009**, located at the Peabody Memphis Hotel, attracts airport directors and CFOs, air cargo managers and airlines, freight forwarders, terminal developers and transportation officials to discuss key concerns facing the industry.

**For more events, visit:**
*www.aircargoworld.com/dept/events.htm*

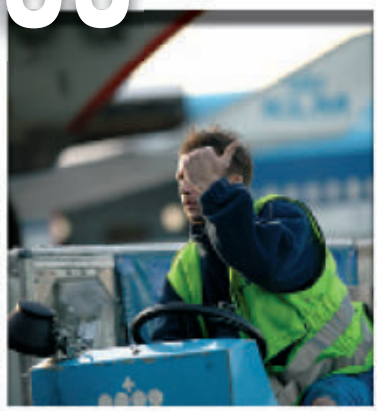
## March 30-April 2

**Dubai: SCM Logistics Middle East 2009**, the weeklong conference focused on solutions to supply chain and logistics challenges in the Middle East. For information, call +65 6322 2737, e-mail *stella.teo@terrapinn.com* or visit*: www.terrapinn.com.*

## April 1-2

**Brussels: 7th Annual Cargo Aircraft and Operations Conference,** the two-day meeting illuminates key issues facing air cargo operators. For information, call +44 (0) 207 579 4856, or e-mail: *alicem@aviation-industry.com.* ■







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# ALASKA — Air Crossroads of the World!

Air cargo flights make more money when they stop in Alaska on flights between Asia and North America. It works like this — a nonstop cargo flight between China and Oakland can carry a payload of 65 tonnes … however, if they stop in ANC, the same flight could carry a payload of 110 tonnes … generating an additional $90,000 per flight. At five flights a week per year, that's a whopping $2,340,000 in additional revenue.

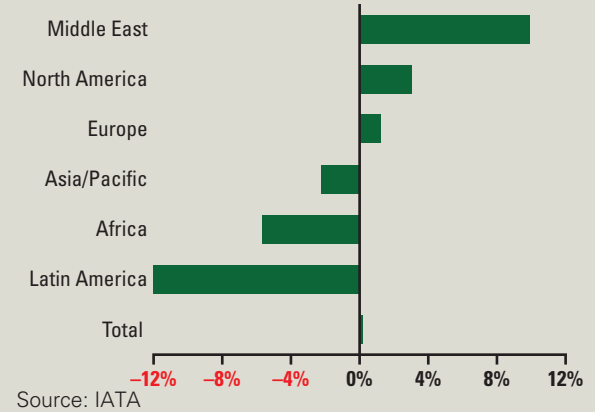
More than 30 major air cargo carriers and 15 passenger carriers serve the Ted Stevens Anchorage International Airport. Located 9.5 hours or less to 90 percent of the industrialized world, ANC is the No. 1 airport in North America for cargo landed weight and No. 3 in the world for cargo throughput. The airport has continually received the Air Cargo Award of Excellence for the airport category of 1 million tons of freight or more.

ANC — together with its sister airport — Fairbanks International, compose the Alaska International Airport System. Sharing many of the same attributes, these airports combine to make an unbeatable combination able to give every customer exceptional and dependable 24-7-365 service. In fact, FAI recently opened a new cargo aircraft parking apron able to accommodate four wide body aircraft. Whatever your aviation needs may be — we have you covered.

# the AirCargo Bottom Line

## Sharing Markets

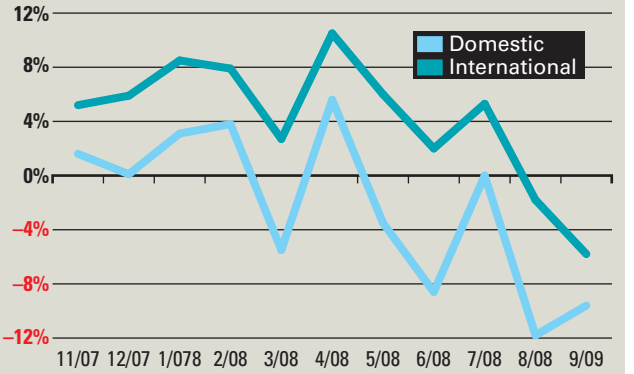
**International air cargo year-over-year change for the first nine months of 2008.**




Source: IATA

## U.S. Airlines

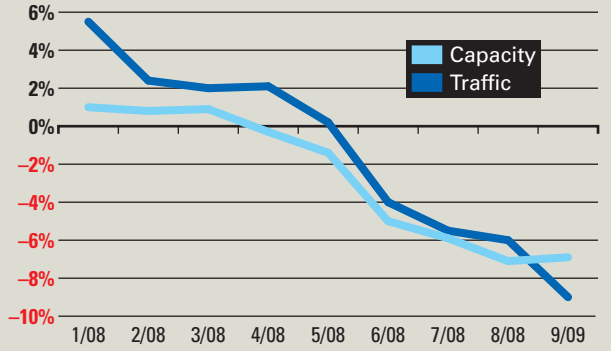
**Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.**




Source: Air Transport Association of America

## Carrying Asia

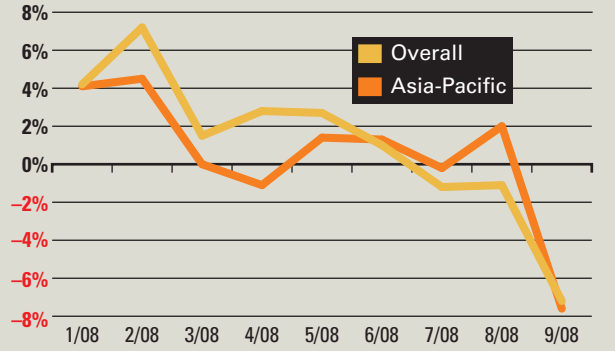
**Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.**




Source: Association of Asia Pacific Airlines

## Carrying Europe

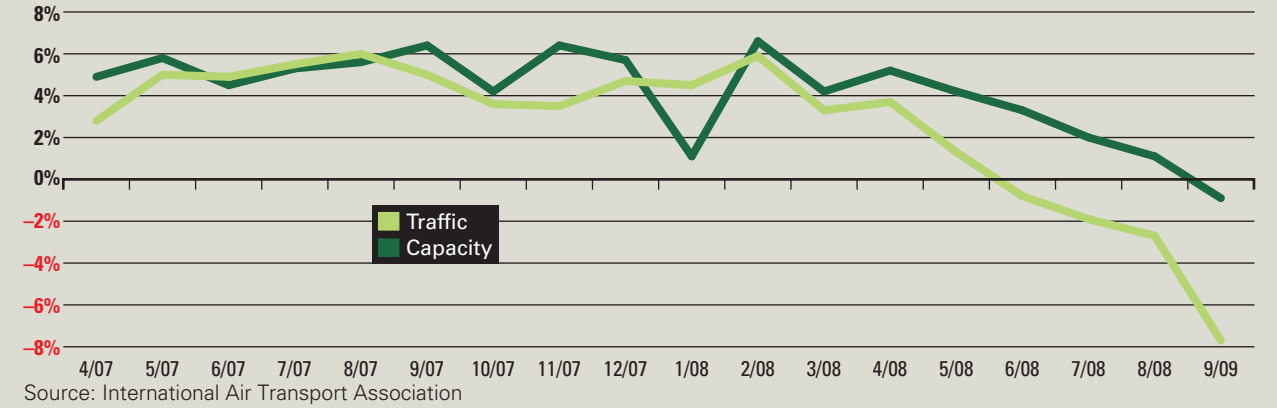
**Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.**




Source: Association of European Airlines

## Carrying International

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




Source: International Air Transport Association

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