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Air Cargo World

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Going Dutch

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Air Cargo World

editorial

The crystal ball grows cloudy

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This is a recession unlike any other. Just when we thought we were through it, governments are paring budgets to the bone and pegging interest rates at historic lows. Consumers, faced with tax rises and uncertain job prospects, are notably failing to consume. Inflation in grain and cotton, among other commodities, could constrain spending on household essentials, let alone discretionary items.

Carriers' recent freight throughputs reflect little of this. For some, airfreight volumes had returned to pre-crisis levels by May. And, having benefited from the early recovery phase during which customers were replenishing inventory, they are still shifting the goods.

These conflicting signals mean no one can confidently predict what next year will bring. IATA captured the mood of uncertainty in its latest forecast, and director general Giovanni Bisignani suggests 2010 may have been "as good as it gets — the peak of the cycle". Some peak.

Carriers are trying to stay philosophical about the threat of double-dip recession, arguing that capacity is better aligned with demand than it was at the onset of the crisis. Few freighters will be delivered over the next year or two, points out Michael Wisbrun, chairman of AF-KL Cargo. Boeing's production line problems aside, lack of demand has brought freighter conversion programs to a standstill. A third factor is the difficulty of securing finance, with banks and lessors understandably cautious.

A final dampener as carriers look to improve their cargo yield is that many parked freighters, mainly the B747-400s, are returning to the market, though Wisbrun believes older fuel guzzlers will not re-emerge from their forced retirement.

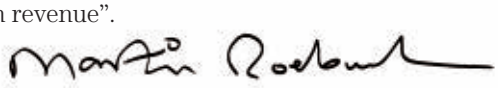
While airfreight's first-half recovery was welcome, it must be remembered that operators lost billions in the last three years. Airlines remain heavily indebted and are still making thin returns. Only when their cashflow is healthy can they contemplate investing again.

"The market remains volatile and uncertain," Wisbrun says. "You can't look forward more than three months. Forwarders and shippers have changed their behavior."

Expectations of a bumper peak season are now fading. Requests for charters have slowed, and new (or reactivated) freighters are serving Asia's key export points. Fashion is only "so-so" at the moment, AF-KL says, and no must-have technology has come along since the iPad.

Rather than try to second-guess future demand, carriers are having to stay flexible — and make rational decisions rather than push for market share at any price.

Pointing out that all airlines "bled" as rates collapsed out of Shanghai, Wisbrun says AF-KL/Martinair has 10 percent of the Europe-Shanghai traffic in both directions. The group wants to hold at that as a minimum — "but we don't want 20 percent if it adds cost rather than revenue".



Air Cargo World

viewpoint

Were we just crying wolf over screening?

The late Ed Kelly, the "Big Man" and former head of TSA Air Cargo, would start every meeting with a reminder that no way in hell was the deadline going to be extended for passenger airlines to have screened 100 percent of their cargo, so don't even bother to ask the question. So we didn't.

Truth be told, we were motivated more by a fear that Ed would descend from on high and beat the crap out of us, than by Congressman Ed Markey tattling on us if we were late.

When the 100 percent screening legislation was passed in 2007, you could mistake the industry howling for a pack of starving wolves. Consequences of biblical proportions were predicted: supply chain meltdown, airport gridlock — the very end of air cargo. Not to mention that the terrorists would simply shift to another conveyance for their mayhem.

Dave Brooks

But were the wolves howling, or were we just crying wolf? I think the answer is that three years ago it was very difficult for supply chain constituents to count on enough regulatory, carrier and technology support to make 100 percent screening happen.

Turns out we all did a pretty good job of making compliance a priority. TSA Cargo, now led by Doug Brittin, set the gold standard for industry outreach and for the smooth implementation of the Certified Cargo Screening Program (CCSP) — without which there would still be Aug 1 cargo sitting on our docks awaiting screening.

The carriers spent money otherwise earmarked for improving their businesses on screening equipment, training, and security infrastructure. And the screening equipment manufacturers finally understood that we really weren't interested in Star Wars-generation technology if it wasn't approved by the TSA.

It would be tempting now to get back to business, firing back up the other projects we had to drop in order to be compliant and thus avoid the night terrors from Ed Kelly.

I would argue that with the 100 percent screening milestone behind us, we can now move from an operating paradigm of compliance to one of introspection.

So is commercial aviation safer? Hard to say no to that one, unless you fret as I do about having to assume all air cargo has the same security risk profile. Maybe it's time to assess the peril of that assumption, that we may screen everything but see nothing.

Take this latest incident with the Yemen-bound passengers traveling to Amsterdam with a wad of cash, box cutters, and cell phones taped to empty liquid bottles. We screened those passengers and their bags, but what did we see? Just pray the TSA is poking at this incident beyond what has been reported.

Since 9/11, cargo security regulations have been added incrementally and the TSA has done a better job of cleaning up conflicting or vague language along the way. So now is the time to streamline and rationalize the body of our cargo security regulations to ensure that more of our resources are spent implementing and supervising wise security practices, and less on duplicative or less valuable activities such as the now-obsolete Known Shipper program.

Finally, there is no better time for the supply chain and its regulators to preemptively face how we will react to an incident, even a false alarm. Without a plan, Congress will wheel into action to save us all by eviscerating CCSP (irrespective of its effectiveness), or by shutting down cargo on passenger aircraft, just to keep things clean and simple.

Security experts — I'm thinking of Stephen Flynn at the Council on Foreign Relations — observe that targets of terror suffer less from the immediate impact of a terrorist act than from how we react to them. Going into shutdown mode exposes us to the least amount of criticism but fails to account for the economic and social ramifications.

We are all a lot smarter today than pre-9/11 about the role cargo security plays in the supply chain. Full screening did force resources behind the global flow of goods by air.

But having made these investments, it would be a shame if we didn't continue to address structural vulnerabilities in our air cargo program as well as develop a forward-looking plan in the event an incident tests our resolve as an industry and as a nation.

Until we take these steps, I worry that Ed Kelly is still restless — and will sleep with my eyes open. ACW

Dave Brooks is president of American Airlines Cargo.

Panalpina flies round world

Panalpina is to base a second B747-400 freighter at its European hub in Luxembourg from this month after signing a multi-year ACMI agreement with Atlas Air.

The aircraft will operate from Luxembourg to Johannesburg and to Hong Kong via Dubai. From Hong Kong it will make flights both in a return westbound direction to Luxembourg and eastbound to Panalpina's US hub in Huntsville, Alabama, marking the freight forwarder's first trans-Pacific service.

The deal was announced on the 20th anniversary of the Dixie Jet service from Luxembourg to Huntsville, also operated by a B747-400 freighter leased from Atlas.

Panalpina became the first forwarder to offer a scheduled cargo service between Europe and North America when it launched Dixie Jet in September 1990 — a "truly pioneering step at a time when it was common to book freight shipments on commercial passenger planes," the company claimed.

An air service under its own direct control allowed it to serve key customers in the energy, high-tech, healthcare and automotive industries, Panalpina believed.

The original weekly Luxembourg-Huntsville service has increased over the years to several weekly frequencies. The flights now additionally link to Mexico City, Guadalajara and London Stansted, and an exclusive road feeder service covers the southern and central states of the US.

Announcing the second aircraft, Karl Weyeneth, Panalpina's chief operating officer, said: "In Atlas Air we have a proven partner with the flexibility, fleet, scope and experience to expand our capabilities and in turn to provide better supply chain management solutions for our customers."

"We will be able to provide upper and lower-deck capacity when and where needed to serve the major trade centers and industrial areas around the globe, providing customized value-add solutions to various industry verticals", Weyeneth added. ACW

Malaysia's port of Tanjung Pelepas opens new sea-air avenues

New line of thinking on sea-air transportation

The sea-air concept has had a troubled passage over the years. Neither fish nor fowl, it has never quite achieved the breakthrough many predicted. The idea probably hit its lowest ebb last year in the market downturn, when pure airfreight rates on many routes effectively tumbled to the level of sea-air rates. But now, just maybe, the tide is turning as a number of factors combine to push sea-air to the fore.

According to Serge Tripet, global head of sea-air product at Danish service provider Damco, the most significant factor is customer demand.

"This is very much a customer-driven phenomenon," says Tripet. "We now have some of our biggest clients coming to us asking for a greater choice of product in the supply chain, in addition to pure airfreight or basic sea freight."

These customers are apparently looking for what he describes as "a third way" to service their supply chains. Sea-air appears to be the answer, paradoxically because of market forces at play in the two individual sectors.

"What you are now seeing are significant increases in airfreight rates and at the same time the introduction of 'slow steaming' by many of the major shipping lines," says Tripet. "Sea-air provides an alternative solution at lower cost and with faster transit time."

In normal market conditions, use of the sea-air combination can make cost savings of 30-40 percent over a pure airfreight solution. At the same time the combination can reduce transit times by 20-40 percent over a pure sea freight solution.

So just how real is the resurgence of the sea-air phenomenon? Serge Tripet's appointment in June as global head of sea-air product based at Damco's Copenhagen headquarters may give a clue to that. Although the company has long been involved in the sea-air business, this is a newly created role, pointing to Damco's intention to maximize its involvement in the sector from now on.

A Swiss national, Tripet previously held various management positions with Swissair, Swissport and most recently as cargo director for Gulf Air.

If Damco is looking to leverage its position in the sea-air business, then it has strong credentials to do so. As part of the AP Møller-Maersk Group it is an affiliate of the mighty Maersk Line, which over the years has gobbled up opposition shipping lines like Sea-Land and Nedlloyd to become a dominant carrier in the container trades.

Tripet points out that Damco operates as a completely separate entity from Maersk Line and has complete freedom of choice as to which shipping lines it works with.

According to an initial business review he has carried out, between 80 and 90 percent of Damco's current sea-air business is moving between Asia and Europe, with textiles and footwear providing high volumes of traffic.

Typically, sea-air calls for a long sea sector and a short air sector. For traffic moving between Asia and Europe, Dubai in the Middle East has proved a prime interchange point. But Tripet says the key to developing a successful sea-air combination is about finding and accessing available airfreight capacity at competitive rates for the second leg.

"Dubai has been a favored transfer point up to now," he says. "But just lately we have turned our attention to Muscat in Oman. There is a lot of under-used capacity flying out of there to Europe."

And if you want to turn the sea-air concept on its head, then look no further than Damco's decision to setup a sea-air hub within Asia itself.

"It sounds a little crazy, but we are now developing business with the air sector originating out of Kuala Lumpur in Malaysia and from Singapore," says Tripet.

The idea arose from the development in recent years of a major container port at Tanjung Pelepas on Malaysia's west coast, in which Maersk Line is a major investor.

"The port is just a short trucking distance from Kuala Lumpur airport and Singapore's Changi airport," says Tripet. "This provides us with very quick throughput times and access to a lot of airfreight capacity."

Tripet: customers are looking for a "third way"

The traffic feed for this in-house interchange, he says, comes from markets such as Cambodia and Vietnam, where pure airfreight capacity is scarce. Maersk Line vessels are instead able to feeder traffic into Tanjung Pelepas, from where shipments can be airlifted to Europe.

Typical sea-air transit times to Europe over this interchange are 7-10 days, compared with 12-14 days transit times over a mid-point interchange like Dubai.

"It is an example of how we are now looking to develop and work the sea-air business beyond its original concept," says Tripet. "What's important is that, whichever crossover point we use, we are able to track and trace shipments throughout both the sea and air legs and maintain visibility and connectivity throughout the entire process."

"It is an example of how we are now looking to develop and work the sea-air business beyond its original concept."

Although Damco's sea-air focus is largely on the Asia-Europe trade lanes, it also has sea-air hub operations in place in Vancouver to cover the trans-Pacific market and in Panama to access the South American market.

"What I am now interested in is setting up sea-air hubs in the US, primarily Los Angeles and Miami," says Tripet.

It might just be that sea-air really is about to catch the next Big Wave. ACW

Sea-air dramatically shortens transit times to Europe

In the news...

The **European Union** has banned Ghanaian all-cargo carrier **Meridian Airways** from European airspace after it failed to provide satisfactory maintenance records. Launched as Air Charter Express in 2007, Meridian was renamed in 2009 and has a fleet of five DC-8s based at Ostende-Brugge Airport in Belgium. It flew several relief charters from the UK's East Midlands Airport to Haiti following the earthquake there in January. A second Ghana-registered carrier, **Airlift International**, that operates out of offices in Accra, Miami and Bahrain, has also been severely curtailed by the EU. It can now operate only one of its five DC-8s to Europe following an inspection that showed another of its aircraft fell "well below" international standards... London's **Heathrow Airport** handled 14.3 percent more cargo in August than a year earlier. Takeoffs and landings were 3.5 percent higher. In total, **BAA**'s seven UK airports, which also include London Stansted, saw a 13.7 percent increase in cargo tonnage but just 0.5 percent more air transport movements. BAA said cargo throughput was now 2.8 percent above its pre-recession peak, reflecting the strength of recovery in the air cargo market... Prospects for Europe's carriers have improved thanks to a weak currency that has stimulated exports and boosted airfreight, according to **IATA**'s latest forecast. It projected a loss of $1.3 billion for European airlines, compared with a loss of $2.8 billion forecast in June, but warned of a potential slowdown ahead... **AirBridgeCargo Airlines**, the scheduled cargo business of Volga-Dnepr Group, has launched a twice-weekly service to Paris Charles de Gaulle. The new Boeing 747 route will link with both Domodedovo and Sheremetyevo airports in Moscow. Paris becomes the seventh city served by ABC in Europe, following the arrival of the tenth Boeing 747 in its fleet. GSSA **Airnauti** represents ABC in France... **DHL Express** is expanding its cooperation with **Western Union** to introduce international business payment services to customers throughout Europe. The Western Union Money Transfer service is currently available to the express company's customers in Latin America and the Caribbean, and will now be offered via its 5,000 owned and franchisee operated locations in Europe… **GEC**, the aircraft scales and loadcell supplier, has opened a sales and support center in Amsterdam. The company can advise clients on weight & balance principles or provide specialist training... The highly reputed **Henley Business School** is collaborating with the **Kühne Logistics University** to offer a Leadership for Logistics forum in Hamburg, Germany. The event, targeted at general managers, division heads, executives and consultants, will take place November 24-26. Further information at www.theklu.org/forum... **Polet Airlines** has taken delivery of a third IL-96-400T freighter. The 90-tonne capacity aircraft will operate scheduled services twice a week between Russia, China and Germany. Polet expects to add a fourth aircraft early next year... **SAS Cargo** has agreed to pay around $13.9 million to settle class-action lawsuits in the US relating to alleged fixing of rates to, from and within the US between 2000 and 2006. SAS Group has meanwhile announced it is phasing out all eight of its MD-90-30 aircraft as it seeks to simplify and standardize its fleet. Five-year lease terms were agreed with a US airline, which will take delivery through to the second quarter of 2011. ACW

TNT looks for Saudi verticals

TNT SAB Express Saudi Arabia is promoting its expertise in vertical markets such as oil and gas, automotive, information technology, electronics, industrial and retail to tap into the Kingdom's economic diversification.

Saudi Arabia has seen its domestic industrial and trading base rapidly expand, increasing demand for various logistics services including advanced courier and express delivery solutions.

TNT has begun replicating its European express delivery model in the Middle East, and announced plans in July to reinforce its road network in the GCC countries with 30 new trailers.

The company's Saudi operation is growing particularly fast, and saw its revenues increase by 30 percent in the first half of 2010 over the same period last year. TNT SAB Express is hiring new personnel, recently relocated its main Jeddah office and has added two new retail outlets in the city.

A strong economy and a fast growing population underline the growth potential for the local delivery services sector. More than 28 million people live in Saudi Arabia, an estimated 26 percent of them expatriates. This figure is expected to climb to 31.7 million over the next five years, with expatriates then numbering up to 8.5 million.

"Saudi imports have grown significantly over the past few years and have catapulted the country ahead of other leading Middle Eastern countries in logistics," said Martyn Wright, managing director of TNT SAB Express. "We are adopting fresh strategies to become even more visible in this growth market."

Sales and marketing director Nael Attiyat added: "Economic cities are being developed across the Kingdom to accelerate industrial growth. We will focus on our vertical markets to further streamline the supply chain and ensure swift and reliable delivery from suppliers to end customers." ACW

Air Charter Services coordinated an aid flight from Torrejon to Islamabad

Pakistan's floods need long-term relief effort

Cargo airlines, charter brokers and logistics service providers from the Middle East and further afield moved swiftly into action as the worst flooding hit Pakistan in almost a century.

More than 1,600 people are reported to have died so far, but in the aftermath of the disaster, survivors risked catching potentially deadly diseases including cholera. The flooding has affected almost 21 million people.

Maximus Air Cargo, the largest all-cargo airline in the United Arab Emirates, made three flights to Pakistan free of charge after making a pledge during the UAE Telethon for Pakistan. The three-day telethon campaign, called Awnakum ("your help"), raised $24 million.

An experienced humanitarian operator and official partner of the UAE Red Crescent, Maximus flew around 150 tonnes of vital supplies into the region, including tents, blankets and drinking supplies.

The inaugural flight of Etihad Crystal Cargo's new A330-200 freighter was a special charter carrying medical and humanitarian supplies to Pakistan. The 59-tonne capacity aircraft was deployed to Karachi.

Etihad worked with UK-based Chapman Freeborn Airchartering on the project. The flight flew from Billund, Denmark, to Etihad's home base of Abu Dhabi before continuing to Pakistan.

James Hogan, Etihad CEO, said:

"The UAE and Pakistan have a close bond and Etihad was proud to play a part as Pakistan continues to recover from the devastating flooding."

Shahe Ouzounian, Chapman Freeborn's chief operating officer, added: "We are very pleased to be the first charter company and customer to utilise Etihad's A330-200F. Etihad and Chapman Freeborn worked together with the client to ensure the aid supplies were delivered successfully to Pakistan, on time and within budget."

A series of relief flights coordinated by Chapman Freeborn resulted in nearly 2,000 tonnes of supplies being airlifted to Pakistan on more than 30 flights on behalf of governments and international aid agencies. The company's offices worldwide called in IL-76, IL-96, AN-12, A300, A330, B777 and B747 freighters to deliver shelter, drinking water, food, medical supplies and relief vehicles as well as arranging passenger flights in the region.

Volga-Dnepr Airlines joined other airlines in flying relief flights to help flood victims. An AN-124-100 freighter chartered by the German Ministry of Defence carried 50 power generators, three water tanks and 18,000 kilos of children's food from Leipzig to Islamabad.

Lufthansa Cargo staff in Amsterdam passed a request from the UN Population Fund to their colleagues in Lufthansa Cargo Charter and an MD-11 freighter was immediately organized to fly 50 tonnes of emergency supplies and medical equipment to Islamabad.

The aircraft also carried a pallet of water purification tablets provided by HelpAlliance, a voluntary aid organization set up in 1999 by staff from all areas of the Lufthansa Group.

Air Charter Service offices in two locations became heavily involved in the relief effort. The company's Dubai office was responsible for flying in 90 tonnes of shelter kits on a B777. ACS London arranged an AN-12 from Madrid's Torrejon airport into Islamabad.

Richard Thompson, senior account manager at ACS London, said: "The day I received the phone call confirming they needed the charter, I had the aircraft positioned into the departure airport. It left the following day after the cargo had been loaded and arrived into Islamabad in the small hours. The tents, kitchen kits, stoves and medical kits were then transported to the affected area of the country as quickly as possible."

Air Partner meanwhile arranged the dispatch of an Airbus A300 freighter from Brindisi, Italy, loaded with 32 tonnes of generators, water purification units, water tanks, plastic sheeting, latrines, jerrycans and high-energy biscuits.

DHL deployed a team of logistics experts from its Middle East Disaster

DHL's Disaster Relief Team arrives in Islamabad. The team manage a temporary warehouse at the airport there and assisted with handling up to five relief flights per day, bringing in supplies for the UN World Food Programme

Response Team (DRT) to manage a temporary warehouse at Islamabad International Airport. Working closely with the United Nations Office for the Coordination of Humanitarian Affairs, the DRT assisted with handling of three to five relief flights per day into Islamabad, carrying UN World Food Programme (WFP) supplies and contributions from many foreign governments.

Donations of more than $300,000 had poured in from DHL offices worldwide including Pakistan, the UAE, Saudi Arabia, Bahrain, Kuwait, Oman, Jordan and from its corporate head office in Bonn, Germany, the company said. Humanitarian aid including milk powder, clothes, canned food and medical supplies had also been sent to aid flood victims.

Volunteers from DHL's DRT Middle East and Asia Pacific offices were on the ground in Pakistan for five weeks to help unload and palletize goods for further distribution. They extended their stay beyond the original planned three weeks at the request of Pakistan's National Disaster Management Authority (NDMA).

DHL offices in Pakistan helped set up medical camps as well as delivering food rations. A special challenge was the handling of unsolicited goods that often arrive damaged and need to be sorted and repacked before further transport.

Agility, TNT and UPS meanwhile pooled their resources in joint Logistics Emergency Teams to supply warehousing and transportation services on behalf of the WFP. ACW

Aramex continues on sustainability path

Global logistics and transportation solutions provider Aramex has published its third Sustainability Report, for the year ending 2009.

The report presents the company's ongoing sustainable practices and future goals, and evaluates progress over the last year on its economic, social and environmental commitments. A number of achievements are highlighted, including:

- Developing human capital — Aramex's workforce has grown to comprise 81 nationalities in 46 countries, with women occupying 15% of management positions. The company prioritizes investment in education and youth empowerment, entrepreneurship, community development, sports, emergency relief, and the environment, working alongside organizations such as Injaz Al Arab, Future Generation Foundation and Ruwwad;
- Stakeholder engagement — expanding outreach through new interactive channels including a new website (aramex.org), social media presence, and enhanced internal communication tools;
- Environmental preservation — migrating to low emission vehicles and reducing fuel consumption;
- Quality and safety –ISO14001 certification was acquired at eight locations and OHSAS1800 at 11.

"We are continuously learning along the way," said Fadi Ghandour, Aramex founder and CEO. He added that sustainability now had an inseparable role in the company's operations, performance, and strategic direction. ACW

In the news....

Kuwait-based logistics provider **Agility** (The Public Warehousing Company KSC) has won a ruling from a US Magistrate in Atlanta, who determined that prosecutors failed to follow the correct process when they indicted the company for alleged fraud over Prime Vendor food contracts in respect of US troops in Iraq and Kuwait. He rejected the US government's charge that Agility's response to the allegations made it a "fugitive" from US justice. Prosecutors indicted Agility in November 2009 for attempts to defraud the US military over the supply contracts. The magistrate's ruling serves as a recommendation to the US District Court in Atlanta, which must now decide whether or not to accept it. The US Defense Logistics Agency has extended Agility's work on the food contract until December 4... **Abu Dhabi Airports Company** said cargo traffic increased by 12.3 percent in July, reaching 36,755 tonnes... Cargo volumes will continue to rise in the **United Arab Emirates** over the next five years, despite a likely global slowdown towards the end of this year and into 2011, according to Business Monitor International. The research company predicted, however, that maritime freight will outperform airfreight over the 2010-2014 period, growing at 11-18 percent compared with 4-5 percent for air... **Etihad Crystal Cargo** has commenced scheduled services with its first Airbus A330-200 freighter, operating from Abu Dhabi to Tripoli, Libya. The aircraft will also operate to other key cargo destinations including Hahn, Milan, Beijing and N'Djamena, Chad. Etihad is the launch customer for the type and is scheduled to take delivery of a second in December... **FedEx Express** has upgraded its shipment clearance systems in accordance with standards set by Dubai Customs' Mirsal 2 Business to Government (B2G) service for the clearance of goods. It is the first express transportation company to do so. Mirsal 2 provides a number of benefits such as the reduction of human errors, the automation of a collaborative business process with Customs, and a faster channel for declaration submissions that do not require clients to be physically present... Low-cost airline **Flydubai** will expand its network to the Russian city of Yekaterinburg from October 16. CEO Ghaith Al Ghaith said: "Trade between Russia and the UAE has grown considerably in recent years." Formerly known as Sverdlovsk, the city is a hub for heavy industry and a major centre for business and finance... **Emirates SkyCargo** has appointed **SNTTA Cargo** as its GSSA in Sharjah, building on an existing GSA agreement... Saudi Arabia's **Sama Airlines**, founded in March 2007, ceased operations following losses of $266 million... **Egyptair** has received its first Airbus A330-300 aircraft... **Qatar Airways** has introduced B777s on its Doha-London route, the first time it has brought the aircraft into Europe... Lebanon's central bank has announced the postponement of an initial public offering in national carrier **Middle East Airlines** owing to unfavorable market conditions. ACW

Cargoitalia puts in key service to Shanghai

Cargoitalia has begun twice-weekly scheduled services to Shanghai Pudong airport from its Milan Malpensa hub with its latest MD-11 freighter.

The company said the addition of the new Chinese destination allows for transhipment traffic to and from the US via Milan, using the airline's New York and Chicago services.

Cargoitalia will increase its Shanghai frequencies to three times a week from October. The airline's network now includes New York, Chicago, Dubai, Sharjah, Hong Kong and Shanghai.

Cargoitalia's commercial director Roberto Gilardoni commented: "We expect some imbalance in traffic flows initially but as Italian industry continues to recover and the market becomes more familiar with our new service, this should even out demand eastbound."

IATA director general and CEO Giovanni Bisignani confirmed Gilardoni's view, saying: "Compared to the June forecast, the prospects for Europe's carriers improved from a loss of $2.8 billion to a loss of $1.3 billion (in 2010). The gains are largely attributed to traffic into Europe, boosted by the low currency which has stimulated exports."

In a revision of its 2010 industry outlook, IATA said Asia-Pacific carriers are expected to post a $5.2 billion profit. This is better than the $3 billion recorded during the previous peak in 2007 and double the previously forecast $2.2 billion. The strong improvement is based on strong market growth and yield gains. Renewed buoyancy in airfreight markets has been particularly important for the Asia-Pacific region, where it can represent up to 40 percent of revenues, Bisignani said. The 23.5 percent improvement in high volume intra-Asia premium traffic, due to a surge in business travel, was another driving factor. ACW

MASKargo has ordered two more A330-200F freighters to increase the airline's firm orders to four. "We are confident that the A330-200F is set to become a game changer in the mid-size freighter market," said MASkargo managing director, Shahari Sulaiman. "The aircraft will enable MASkargo to efficiently match capacity closely to demand on many medium lift sectors across our cargo network, and especially those operating via intra-Asia."

Taiwanese carriers build bigger presence in China

China Airlines (CAL), long barred from the lucrative market across the Taiwan Straits, is now rapidly expanding its footprint in China.

On September 4 the Taiwanese carrier mounted freighter flights to Xiamen, followed by the inauguration of all-cargo service to Nanjing on September 11. A new route to Fuzhou from Taoyuan was due to be started at the end of September. The Fuzhou freighter operation is planned to run twice weekly, while the other two new destinations in China are served once a week.

These flights came on top of CAL's existing freighter links to Shanghai and Guangzhou. CAL management has signaled that it aims to run a total of 12 weekly cross-strait freighter flights to five destinations on the mainland.

The new services were mounted in the wake of CAL's announcement to separate from Yangtze River Express, the freighter subsidiary of Hainan Airlines, in which the Taiwanese carrier had taken a 25 percent stake back in 2005. CAL will sell its equity in the cargo carrier back to Hainan Air for 312.5 million Yuan ($46 million). Yang Ming Marine Transport and Wan Hai Lines, two Taiwanese companies that had acquired stakes of 12 and 6 percent respectively in Yangtze River at the same time, are also going to sell their shareholdings back to Hainan Air.

CAL has attributed the decision to the Chinese cargo airline's "lackluster performance". Yangtze River, which runs a fleet of 12 freighters, was hit by soaring fuel prices in 2007 and 2008 and was further hurt by the downturn of 2009. However, other

factors have clearly influenced the split-up. A spokesman for CAL stated that the investment in 2005 was made to tap the Chinese market in the absence of direct air links between China and Taiwan. With the launch of direct flights and closer business ties between the two countries. CAL management decided to divest its investment and look for new business opportunities, he added.

One clear signal of CAL's changing affiliation in China came in April, when CAL and China Eastern Airlines signed a memorandum of cooperation, under which they plan to represent each other in their respective home markets. The partnership extends from the passenger segment to maintenance, ground handling and cargo.

In September, CAL announced it would join the SkyTeam alliance by the middle of next year. In light of the weakening of the alliance on the cargo side, notably with the end of the commercial joint venture between Korean Air, Delta and Air France in North America, this looks like a step with few ramifications for cargo. On the other hand, China Southern Airlines has been looking for closer cooperation with SkyTeam members in the cargo sector, so far with little in the way of tangible results.

Questions are looming over EVA Air's cargo venture with Shanghai Airlines, following the takeover of the Chinese carrier by China Eastern. China Cargo Airlines, a joint venture between CEA and shipping giant COSCO, will merge with Shanghai Airlines Cargo, a joint venture between Shanghai Airlines and EVA. The Taiwanese airline's management is confident that its involvement on the mainland will continue.

"The commercial relationship between EVA and Shanghai Airlines Cargo won't be affected. Our joint venture will carry through to the merged cargo carrier," declared EVA executive vice president KW Nieh.

"EVA has been looking for opportunities to expand our cooperation with China Cargo Airlines. We're confident that this cooperation between our two companies will lead to greater opportunity, not greater competition," he continued.

Both Taiwanese airlines have rebounded sharply from the slump of 2009. For the second quarter of this year EVA tabled a net profit of NT$5.2 billion ($163.6 million), up from a $50.1 million deficit in the same period 12 months earlier. CAL's net income in the same period shot up six-fold from the second quarter 2009 result to NT$3.7 billion ($116 million).

In July CAL made NT$5.1 billion in

cargo revenues, more than double the figure recorded in July 2009. Cargo yield advanced from 5.7 percent to 8.78 percent. For the first seven months of 2010 the airline's load factor was 71.9 percent, with yield at 8.49 percent, up 45.4 percent.

Despite the pair's strong rebound, analysts at Morgan Stanley downgraded them together with Korean Air, arguing that the strong cargo results were unsustainable, faced with the prospect of a slowdown in freight demand in the fourth quarter and in 2011. Investors should shift to airlines with premium passenger offerings, they wrote.

EVA had no comment on the matter, remarking that Taiwan Stock Authority regulations prohibit the airline from commenting. ACW

ABC adds fourth China destination

AirBridgeCargo Airlines, part of the Volga-Dnepr group, has begun a new twice-weekly B747-400 freighter flight from Zhengzhou to Frankfurt via Moscow.

The airline says it plans to increase the service to four B747F flights a week by the end of this year and offer a daily frequency by 2011.

The service is the first result of a partnership between ABC and Zhengzhou airport as a result of a move by China's central government to accelerate the development of inland regions. Henan province — with a population of over 100 million — is attracting investment from major export-oriented manufacturers.

ABC expects the link between Zhengzhou and global cargo markets to benefit the development of neighboring cities such as Wuhan, Chongqing, and Chengdu with easier access to airfreight capacity.

Zhengzhou joins Beijing, Shanghai and Hong Kong as ABC's fourth China destination. The company operates a double-daily service to Shanghai and daily flights to both Beijing and Hong Kong from its Moscow hub. ACW

Oy Procargo - Professional Cargo Care in Finland and Ocean Knight Shipping in Shanghai chartered one of Volga-Dnepr Airlines' new IL-76TD-90VD freighters to transport a 34-ton metallic roll and equipment to a paper factory in China.

In the news....

Jade Cargo International is to begin a round-the-world service in October. The Chinese carrier, a joint venture between Shenzhen Airlines, Lufthansa Cargo and a German investment house, operates six B747-400 freighters and has appointed World Airways (Atlanta) to operate an additional B747-400 on its behalf under a one-year agreement. The plan is to operate from Shanghai and Yantai in northeast China to Chicago three times a week. But instead of returning across the Pacific, the aircraft will fly on to Amsterdam and then continue east to Shanghai... **AF-KL Cargo's Martinair** arm has added a twice-weekly B747-400 ERF flight between Amsterdam and Shanghai via Moscow, increasing the cargo group's weekly schedule to 31... **The Association of Asia Pacific Airlines** (AAPA) reported a 27.7 percent increase in freight tonne-kilometers in July 2010 compared to the same month last year. With a 20.3 percent increase in capacity, the overall load factor climbed by 4.2 percentage points to 71.6 percent. Andrew Herdman, AAPA director general, said: "During the first seven months of the year, international air cargo demand has recorded 33.7 percent growth. The very high growth rates recorded in recent months, as a result of the surprisingly sharp V-shaped recovery, will obviously taper off as the economy stabilizes and reverts to a more normal pattern of growth..." **IATA** director general and CEO Giovanni Bisignani has told the Confederation of Indian Industry that India's airlines are carrying a collective debt of $13 billion and are expected to lose $400 million in 2010. "In a market as rich in potential as India, the precarious financial situation indicates that structural weaknesses must be dealt with," he said. "India allows 100 percent FDI in transit systems, ports, harbors, hotels, ocean transport and road systems. But airline FDI is restricted to 49 percent. Moreover, no foreign airline can invest in an Indian airline. The inconsistency is difficult to understand..." **Japan Airlines'** drastic reduction of its domestic and long-haul networks has strengthened fears that Japan has too many underused airports. Only four of Japan's 26 main airports, mostly run by the central government, are profitable. Analysts, critical of poor decisions on location, failure to take account of alternative means of transport and unrealistic expectations on traffic levels, have recommended that some of the loss makers should be closed... **Air China's** plan to form an airfreight joint venture with **Cathay Pacific** has obtained the approval of China's National Development and Reform Commission. It is thought a Shanghai-based JV, 51 percent owned by Air China and 49 percent by Cathay Pacific through direct equity and an offshore trust, could be in place as soon as the fourth quarter... **TNT** has acquired a fleet of zero-emission electric delivery vehicles powered by lithium batteries and feature monitoring systems that record power consumption data during operation. The vans can travel more than 65 miles before recharging and are now deployed in Shanghai after a three-month trial... **Hong Kong Airlines** has taken delivery of the first of three A330-200 freighters from aircraft lessor **Aircastle**... Singapore-based logistics group **YCH** has broken ground on a multimodal facility in Xiamen on China's southeast coast. The XPD-YCH DistriPark, part of a joint venture with Xiamen Port Development Co, is a $40 million project scheduled for completion by the end of 2011. ACW

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Airports challenged by airline volatility

Airports Council International (ACI) director general Angela Gittens says airlines need "to refresh their understanding of airport business requirements" with passenger traffic expected to more than double by 2029 to 11 billion a year worldwide.

Speaking at the Global Aviation Strategy session in Vancouver hosted jointly by ICAO, the World Bank and UBM Aviation Routes, Gittens said the rapid adjustments to networks made by "financially strapped airline customers" make it difficult for airports.

"Airports carry high fixed operating costs and have scant opportunity to streamline their operations and reduce costs operationally. An airport can't maintain half a runway because it is used less often. Rarely can an airport consolidate facilities, and it can never pick up and move to a better market."

Noting that airports are always under pressure to improve their facilities, she said the challenge is how to balance intensive long-term investment with the short-term business model of airlines. "Those [airport] investments have to be made even during a downturn in order to finance the assets that must be ready in time for the upturn," she added.

Currently, ACI members invest $40 billion per year and carry about $250 billion in debt while their collective gross revenue is only $95 billion.

"The reality is that airports are no longer public utilities that serve a fixed market and established carriers. Their customer base will continue to change. They have new service and facility requirements, new aircraft and operational requirements, and of course new security and environmental objectives.

"By gaining better understanding of these parameters and their implications, airlines can hopefully work with airports more smoothly for the future sustainability of the industry," concluded Gittens. ACW

Martinair leased a B747-400 freighter to Frankfurt Hahn-based Air Cargo Germany in September. Two weeks after the aircraft began flying to Asia, part of its main landing gear collapsed while turning to take off at Hong Kong airport — blocking a main runway for several hours. The airplane reportedly had been fitted with a new landing gear six weeks earlier

Martinair cargo executive indicted

An Atlanta grand jury has indicted Maria Ullings, senior vice president cargo sales and marketing for Martinair, for conspiracy to fix and coordinate air cargo shipment surcharges to and from the US.

Ullings is charged with price fixing in violation of the Sherman Act, which carries a maximum penalty of 10 years in prison and a $1 million fine.

The US Department of Justice (DoJ) said Ullings is charged with conspiring with others "to suppress and eliminate competition by fixing and coordinating certain surcharges, including fuel surcharges, charged to customers located in the United States and elsewhere for international air shipments to and from the United States from at least as early as January 2001 until at least February 2006".

As part of the conspiracy, the DoJ claimed Ullings and co-conspirators monitored the surcharge agreements and accepted payments at noncompetitive rates.

A total of 17 airlines and eight executives, including Ullings, have been charged in the DoJ's ongoing investigation into price fixing. To date, more than $1.6 billion in criminal fines have been imposed and four executives have been sentenced to prison: Bruce McCaffrey of Qantas, Keith Packer of British Airways, Frank de Jong of Martinair and Timothy Pfeil of SAS Cargo.

Jan Lillieborg, a former vice president of global sales for SAS Cargo,

Joo Ahn Kang, former president of Asiana and Chung Sik Kwak, former vice president of the Americas region for Asiana, have also been indicted on a similar charge. No date has been set for their trials.

The airlines that have pleaded guilty, or have agreed to plead guilty, as a result of the department's ongoing investigation are British Airways, Korean Air Lines, Qantas Airways, Japan Airlines International, Martinair Holland, Cathay Pacific Airways, SAS Cargo, Société Air France, KLM Royal Dutch Airlines, EL AL Israel Airlines, LAN Cargo, Aerolinhas Brasileiras, Cargolux Airlines International, Nippon Cargo Airlines, Northwest Airlines and Asiana Airlines.

Polar Air Cargo was charged in September and is expected to enter a guilty plea prior to sentencing next month. ACW

Atlas forecasts record earnings — but still no pilot deal

Atlas Air Worldwide Holdings (AAWW) expects 2010 adjusted earnings to exceed $5.30 per share from an earlier forecast of $4.35, due to stronger demand and continued tight supply.

"2010 is expected to be a record year for commercial airfreight demand and a record year for AAWW," said William Flynn, president and CEO. "Our view reflects the global scale and scope of our operations and the global customer base that we serve."

"Pilot morale is at an all-time low at Atlas and Polar."

The company released its updated forecast a week after the International Brotherhood of Teamsters' airline division announced that negotiations with AAWW had ended without a collective bargaining agreement.

The Teamsters and 800 flight crew working for AAWW have been in negotiations to merge the existing Atlas Air and Polar Air Cargo contracts for nearly two years. DHL has a 49 percent stake in Polar Air Cargo.

"Instead of reaching an agreement with its pilots, AAWW management has decided to let an arbitrator determine the core provisions in the pilots' contract," said Capt. David Bourne, the Teamsters' airline division director. "Consequently, an arbitrator will impose contract terms affecting the rules for airline acquisitions, mergers, asset disposition, marketing agreements, joint ventures, foreign operations, subcontracting, salary, health insurance, retirement, profit sharing and contract duration."

Under the terms of an agreement between the Teamsters and AAWW, all unresolved contract sections must be resolved by final and binding arbitration with no judicial review. The arbitration hearing is scheduled to begin in October.

"Pilot morale is at an all-time low at Atlas and Polar," claimed Bourne. "The company is one of the most profitable airlines in the world, in part, because of lucrative government contracts, but management is putting its past success at risk by refusing to enter into a fair contract with their hard-working pilots, who are unified in their demands."

Meanwhile Atlas Air has provided a B747-400 freighter to TNT Airways under an aircraft, crew, maintenance and insurance (ACMI) agreement. The aircraft and crew have begun operations out of TNT's Liege, Belgium hub. ACW

Atlas Air is heading for a record year, but pilot negotiations have stalled.

FedEx to cut freight workforce after further losses

FedEx is to close 100 facilities and make redundant 1,700 full-time employees by Jan 2011 with the combining of its FedEx Freight and FedEx National LTL operations at an estimated cost of $150-$200 million.

The company said in a statement that the charges will include severance costs associated with personnel reductions, lease terminations and certain non-cash charges and will "substantially improve the profitability of the FedEx Freight segment in fiscal 2012".

For the first 2010/2011 fiscal quarter ending Aug 31, FedEx Freight generated revenue of $1.26 billion, up 28 percent from last year's $982 million, but made a loss of $16 million – down from an income of $2 million a year ago.

FedEx Corp. reported gross revenue of $9.46 billion in the quarter, up 18 percent from $8.01 billion the previous year; operating income of $628 million, a 99 percent increase from $315 million last year; and net income of $380 million, a gain of 110 percent from $181 million in 2009/10.

A Rodberg responds

Sir,

My ex-sales manager from Burlington Northern Air Freight notified me that there was a nice tribute article written about my father Larry L Rodberg, founder and CEO of Burlington Northern Air Freight / BAX Global in a recent cargo magazine.

I did a quick Google search and while I could not find the article I was seeking, I did stumble across your "People, Not Planes Deliver" article on Cargoitalia. I felt it important that you know where that slogan actually came from.

I am proud to tell you that my Dad coined the phrase "People, Not Planes Deliver" back in the early 70s. I assume you had heard this hundreds of times, but could not put your finger on it.

Please understand that it was this slogan that bonded our employee's together and made Burlington a very tight-knit family.

The goal of "People, Not Planes Deliver" was to empower each person to excel beyond mediocrity and use their talents, hearts and minds to achieve a higher level of success.

Above all, it affirmed that it's the human element that makes things happen, and we all rallied around this. This slogan gave us a sense of belonging, it was our pride and more importantly was our battle cry. Back then, and even today, it means more to the Burlington family than you could ever imagine. It brought an important sprit to us and was a large part of the reason we were so successful.

As an editor, I am sure you can fully appreciate the power that words can generate. It was truly amazing to see how far a simple slogan could carry a generation of quality minded individuals. These were great years that will never be repeated.

Sincerely,

Jon C Rodberg
Vice President
Sales & Marketing
Eden Outsource
9740 Irvine Blvd
Irvine, CA 92618

"Strong demand for our services resulted in higher volumes and better revenue per shipment at FedEx Express and FedEx Ground," said Fred Smith, FedEx Corp. chairman, president and CEO. "This increased demand comes from improved global economic conditions and the benefit provided by the strength and flexibility of our unparalleled global networks."

FedEx Express produced revenue of $5.91 billion, up 20 percent from last year's $4.92 billion, and an operating income of $357 million, up 243 percent from $104 million a year ago.

"We expect continued strong demand for our package transportation services through at least December," noted Alan Graf, FedEx Corp. executive vice president and CFO.

The company said its International Priority (IP) average daily package volume increased 19 percent during the period, led by exports from Asia. IP freight volumes increased 41 percent, led by exports from Latin America, Asia and the US, with unit revenue up 10 percent.

US domestic revenue per package grew seven percent due to higher fuel surcharges, weight per package and rate per pound, while average daily package volume increased three percent.

The company's capital spending forecast for fiscal 2011 has increased to $3.5 billion, primarily due to anticipated aircraft purchases for continued international growth. FedEx currently operates 11 daily transpacific flights between Asia and the US. The company operates six B777Fs with two more due to go into service in October. ACW

African demand for new aircraft set to grow

Boeing expects Africa's airlines will take delivery of 700 aircraft valued at $80 billion over the next 20 years.

The manufacturer said the continent's 4.8 percent economic growth this year following a 2.9 percent increase is an indicator of future expansion.

"As the demand for African commodities grows and foreign development and tourism increase, African carriers will require a modernized fleet in order to compete on routes historically dominated by foreign carriers," said Mike Warner, senior market analyst for Boeing Commercial Airplanes. "Africa's current fleet is nearly 20 years old on average in a market that demands newer, more fuel-efficient airplanes to help offset the rising cost of fuel."

"Africa's current fleet is nearly 20 years old on average."

Boeing noted strong demand for an increase in non-stop routes between Africa and Europe, the US, Middle East, India and China. The manufacturer forecasts twin-aisle airplanes will account for 32 percent of new deliveries to African carriers over the next 20 years compared to 23 percent worldwide. ACW

Eurozone in crisis?

Surprisingly rapid growth in the Eurozone economy in the second quarter, at an annualized 4.1 percent, led the European Commission in September to uprate its full-year forecast.

The Commission now thinks third-quarter growth will have been 2 percent when the figures are collated, up from its estimate last spring of 0.8 percent, thought it still expects a "moderation of growth" to 1.2 percent in the fourth quarter.

Recovery more generally across the broader European Union, "while still fragile, is progressing at a faster pace than previously envisaged," economists said in their twice-yearly forecast. They suggested Europe is becoming less dependent on exports and domestic demand is improving.

Germany continues to lead the way and is predicted to end the year with economic growth of 3.4 percent, double the average of the 11 countries that adopted the euro in 1999.

Prospects for the other larger euro economies have also brightened except for Spain, whose economy probably contracted further in the third quarter. At the beginning of September, the European Central Bank raised its own growth forecast for the region from one percent to 1.6 percent for this year.

Although the financial crisis of the last two years was global, there has been particular focus on the euro, and on whether something has gone fundamentally wrong with the grand vision of monetary union as a route to fuller European integration.

The countries that signed up for the single currency were supposed to meet a number of stringent criteria that would exclude weaker economies, but that was never going to happen in practice.

Some fear the deep-rooted structural problems that have since emerged in countries such as Greece, Spain, Portugal and Ireland could jeopardize the very future of the euro. Hundreds of billions have been set aside to keep the currency afloat, but even in the stronger performing countries, a growing band of public opinion favors a return to the old national currencies.

Detractors argue that for the euro to function, full political union and a single economic policy is necessary to keep control over debt and inflation.

Inflation is much lower in Germany than in Spain, so interest rates should be higher in Spain. Unemployment is running at 20 percent in Spain, the same as it was before the euro replaced the peseta, and is 40 percent among younger workers.

The jobless rate only fell when the new currency arrived and investment poured in. Spain spent money to keep people in work, but was not keeping to the rules set out in the Maastricht treaty, and cheap borrowing simply allowed huge public sector debts to build up.

Europe's governments are now doing what they should have done in the 1990s and slashing spending. The inevitable downside for the freight industry is that lower expenditure on public projects impact on flows of construction materials and on the labor market – while people who fear for their jobs will spend less on consumables.

Many of the same principles are apparent outside the Eurozone, in economies such as the UK, which is likely to slow considerably as tax rises and spending cuts loom.

The UK Manufacturing Purchasing Managers' Index (PMI), calculated from data on new orders, production, employment, supplier performance and stocks of purchases, fell from 56.9 to 54.3 in August, its lowest level for 10 months. Any figure above 50.0 shows continued growth, but there are fears that the closely followed index reveals an economy that is running out of steam

Rob Dobson, senior economist at consultancy Markit and author of the PMI, said: "Taken alongside the published Eurozone figures, it looks as if a broad industrial slowdown is occurring across much of the EU.

"The forward-looking orders-to-

"The jobless economic recovery is keeping consumer confidence fragile."

inventory ratio is also pointing to further slowing in the UK in coming months and, following a surge earlier in the year, the hoped for support from exports has been fizzling out in recent months. However, there are still some positives to take from the latest survey. Most indicators are still consistent with growth continuing, further job creation was recorded and, although the intermediate and consumer sectors are cooling, the capital goods sector accelerated which suggests that investment spending is still supporting growth."

Europe's shoppers, fearful for their jobs, are in no mood to spend

Globally, therte is no doubt that the picture is brightening. The International Monetary Fund now predicts growth in the world economy of 4.6 percent this year and 4.3 percent in 2011, faster than analysts had previously expected. Countries such as India and China will grow fastest, but the IMF predicts 2.5 percent growth for developed economies such as the US and the UK.

The value of world trade rose by 25 percent in the first half of this year compared with the first half of 2009, according to the World Trade Organisation.

Freight data confirms for Ronan Carr, a strategist at Morgan Stanley, that economic activity is strengthening. "Demand for airfreight in particular is a good concurrent economic indicator, and remained strong through July," he says.

IATA figures showed a 22.7 percent year-over-year improvement in scheduled airfreight traffic for July. This was slower than in June, when the increase was 26.6 percent, but the organization said the apparent slowdown was entirely due to the fact that traffic was already starting to recover by July 2009.

After adjusting for seasonality, IATA said the improvement in demand was still accelerating in July. The annualized cargo growth rate for the year to July was 17 percent.

The figures came with a caveat from IATA director general and CEO Giovanni Bisignani, however. "The recovery in demand has been faster than anticipated. But, as we look towards the end of the year, the pace of the recovery will likely slow," he said.

"The jobless economic recovery is keeping consumer confidence fragile, particularly in North America and Europe. This is affecting leisure markets and cargo traffic. Following the boost of cargo demand from inventory restocking, further growth will be largely determined by consumer spending, which remains weak."

"Bisignani: pace of recovery will slow"

European carriers continued to see weaker growth of 12.1 percent in July across their passenger and cargo businesses, less than half the 25.3 percent increase by Asia-Pacific carriers or the 27.1 percent growth recorded by North American carriers.

"Improving demand is an important component of the recovery. But it must translate to the bottom line," Bisignani warned. "The anticipated 2010 profit of $2.5 billion is only a 0.5 percent return on revenues. Hence, the financial situation of the industry remains fragile.

"We must go beyond recovery to secure sustainable profitability at levels exceeding the 7-8 percent cost of capital. For this, we need a change in the industry's structure. We must work together to secure our future by finding solutions to reduce costs."

Consolidation in Europe and the US had been followed in Latin America by the merger announcement from LAN and TAM, but Bisignani said a new regulatory structure was urgently needed.

"We remain an industry of over 1,000 players with only very limited opportunities to consolidate. It is critical that governments find a modern regulatory structure that is free of outdated ownership restrictions and able to facilitate opportunities for consolidation globally – something that other industries take for granted." ACW

AIRBUS

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Carriers confident Europe can avoid double-dip

Cargolux, Europe's largest all-cargo carrier, is as well placed as any airline to take a global economic view after launching trans-Pacific services in April this year. These are essentially round-the-world flights that leave Luxembourg for Hong Kong and continue east via the US back to Cargolux's European hub.

The service built to four times a week by August, all flying on from Hong Kong to Chicago and New York before returning to Luxembourg. On September 4, Cargolux introduced a fifth trans-Pacific service, adding Singapore to the rotation and replacing the Chicago and New York stops with a sole US call in Los Angeles.

Robert Van de Weg, senior VP sales and marketing for Cargolux, says the strongest leg for the services is Hong Kong to the US, despite the muted US economy. Support from Luxembourg to Hong Kong is predictably less strong and prone to fluctuations, but he says the four weekly services ran OK through the summer on this weaker leg at 70 to 90 percent utilization, justifying the additional service.

Overall, Cargolux saw a nine percent increase in volumes from January to July 2010 compared with the first seven months of last year, and registered an 11.4 percent increase in freight-tonne kilometer terms thanks to its longer routes. With yield improving significantly, revenue was over 30 percent higher for the period.

The carrier also expanded its Asian services in May 2010 to exploit the continued market recovery, adding third weekly freighters to Komatsu, Japan, and to Seoul, Korea.

"These routes have not seen spectacular growth but the loss of Japan Airlines' freighters has provided an opportunity," Van de Weg says. "Even if the market is not performing well, the supply-demand ratio still works for you. Japan is not really a growth economy, but capacity is falling."

As a launch customer of the Boeing 747-8F, with 13 on firm order for delivery by 2015-16, Cargolux expects a bottom-line benefit as well as lower noise and emissions. "We will have an additional payload of 18-20 tonnes per sector compared with our 747-400s at a quite similar absolute fuel burn. That will be an important driver of profitability," Van de Weg says.

On the carrier's current fleet plan, the three stretch 747s that should arrive next year will be mirrored by sales of older aircraft. But Cargolux will look at wet- or dry-lease opportunities if the market supports it.

The fact that the European economy is rebounding more slowly than North America and Asia has resulted in a more cautious approach by its carriers. A slower Europe may affect only 40 percent of an Asian carrier's business, Van de Weg says. "But it's a base line handicap for us as 100 percent of our network starts or terminates here."

Europe is not trading weakly across the board, however. "Germany is seeing record economic growth and is exporting like mad to Asia," he points out. "And even if governments are spending less, I don't see consumers slowing down."

The reduction in consumer spending in 2009 was only three percent. It was overreaction from supply chain managers "putting their foot on the brake" that hurt airfreight, and this likewise drove the first phase of the recovery as customers found themselves short of stock, Van de Weg says.

"Airfreight will not be so badly affected as it was by the first recession, because supply and demand is now in better balance. If the market falls away or even starts to decline, there will still be a shortage of capacity and that will act as a buffer. It won't be like 2009."

Boeing's problems getting new aircraft down the runway could even help the industry, he claims. "Delays to the B747-8 and the 787 will mean there is not so much capacity coming in 2011."

Van de Weg does not speak directly for Cargolux Italia, the group's Milan-based subsidiary, but professes little concern over the two-speed Europe feared by analysts, and the potential impact on Italy.

"The Alitalia situation was an opportunity, as freight forwarders needed a direct service. Cargolux Italia runs four Hong Kong flights a week and one in combination with us, and is looking for ways to expand. Italy

is part of Europe, not an 'island', and there will always be lots of trucking to and from other stations."

Roberto Gilardoni, commercial director of Cargoitalia, has a similar upbeat view. "China, and Asia in general, is the engine of the growth, so it is not surprising to see very robust growth there. The road to recovery in Europe is going to be long, and different from country to country.

"The risk of double-dip recession definitely exists, but at this stage there is no real evidence of it. The Italian situation is definitely weak in terms of public spending constraints, but other indicators are positive, with industrial and export production growing steadily," Gilardoni says.

"Our economy is based on small and medium-sized companies, all oriented towards high quality production mainly for export. So public sector activity does not have the huge impact it has in other countries.

"Loss of consumer confidence is a big risk to manage, but I believe volumes are not the issue. Some 45 percent of Italian airfreight is moved from airports outside Italy, so I believe that there is room to maintain load factors, assuming we are offering a reliable, quality service," he adds.

"It always comes back to yield, which relates directly to the capacity available on the market. We have now seen capacity return to pre-crisis levels, so the issue is what happens if the recovery slows down, with too much capacity again on the market."

These factors will play into Cargoitalia's choice of new aircraft, with the A330 potentially a viable smaller option alongside more conventional B747s, B777s or additional MD-11s.

A B747-8F emerges from its paint hangar in Seattle, in a new Cargolux livery. After a number of production delays, however, Boeing has not yet confirmed a delivery schedule. The new freighter promises dramatically enhanced performance. Almost six meters longer than the 747-400F, it offers 148-tonne capacity, but will burn 17 percent less fuel than its predecessor, with a corresponding reduction in carbon emissions from the new GEnx engines and a 30 percent smaller noise footprint.

Air France-KLM Cargo meanwhile resumed freighter services from Paris to Tokyo in September, with a twice-weekly B747. AF-KL said in a statement that Asia "remains a strategic growth market". Its Amsterdam-Tokyo frequency will increase to three freighters and seven combi aircraft a week from November 4.

The group faced probably Europe's most severe overcapacity as the economy worsened in 2008. "Our main concern was to stop the bleeding, and we reduced our pure freighter capacity by around 40 to 45 percent," says Air France Cargo spokesman Jean Claude Raynaud.

AF Cargo had already replacing its seven fuel-inefficient B747-200Fs with B777Fs, for which it was the launch customer. Boeing's delay in delivering the 777s led the carrier to modify three B747-400 combis as Boeing Converted Freighters (BCFs) and it also initially kept its five B747-400 ERFs, giving it 12 freighters.

As the crisis deepened, two of the ERFs went to AirBridge Cargo. The BCFs were phased out, and two of the B777F sold to FedEx. The Paris CDG-based AF Cargo fleet now comprises three B747-400 ERFs and two B777Fs.

For its part, KLM Cargo transferred its four B747-400 ERFs to the group's Martinair subsidiary. Martinair "parked" some of these, Raynaud says, and currently has an operational fleet of five MD-11Fs plus the four KLM aircraft, making a fleet of nine freighters based in Amsterdam.

KLM still operates 16 combis, offering additional maindeck capacity. Raynaud also notes that both AF and KLM have added many B777-300 ERs to their passenger fleets in recent years — strong cargo performers offering 10 bellyhold pallet positions and up to 25 tonnes of capacity even on long-haul sectors such as Paris-Tokyo.

One more B777F will be added to the AF Cargo fleet in October 2011. But for the time being, the ratio of

cargo carried on freighters has decreased to 30 percent from a historic average for Air France of 50 percent, because most long-haul passenger services have been retained.

"Our present focus is on filling our bellies better and improving load factor on our passenger aircraft, which were operating far from optimally in the last few years," Raynaud says.

"The freighters are still there to meet additional cargo requirements — provided this is cost-effective. To return to profitability we need to increase tariffs, which had dropped to unsustainable levels during the crisis.

"As the last two years demonstrated, shippers and forwarders can shift their freight from air to sea according to the circumstances – but also the other way round," Raynaud says. "There will always be specific freight that must go only by air, either for speed considerations or because of other technical requirements. That definitely gives us some oxygen for the future."

From the German perspective, Lufthansa Cargo reports that "the first six months of the year have been outstanding and we do not see signs of an end to the good economic development". But the carrier admits: "It has become more difficult to forecast the development in our industry. The cycles have become less stable and the number of uncertainties has increased severely."

Asia remains the main driver, but other markets such as South America are also performing well. LC is bringing the last of the aircraft it suspended back into operation in November.

With bellyhold capacity on more than 400 passenger aircraft plus 18 freighters, in addition to 14 airplanes operated through joint ventures, Lufthansa Cargo carries 4,100 tonnes a day. The group's share of the global market is around 10 percent, Martin Schlingensiepen, senior VP product management, told a Frankfurt media briefing in August.

The group estimates it has increased its share of the cargo market by 4.6 percent so far in 2010, compared with respective losses of 2.7 percent for AF-KL, 1.9 percent for Cargolux and 0.1 percent for BA World Cargo.

Schlingensiepen: recovery has been "strongest ever"

Schlingensiepen showed how Europe is a surprisingly balanced import/export market (see table) and said the devaluation of the euro had helped exports. The recovery in airfreight in 2010 had been "the strongest ever", and came sooner than expected.

Thanks to fleet adjustments, new destinations and changes to incentive agreements, LC saw load factors increase from below 55 percent in January 2009 to more than 70 percent by May 2010. Yet this did not come at the expense of yield, which by March 2010 was 15 percent above its level of January 2009.

European airfreight volumes 2009 *(thousands tonnes)*

Trade lane	Exports	Imports
North America	1,000	900
Asia	1,200	1,600
Middle East	900	600
Africa	400	500
Latin America	500	400

Source:Lufthansa Cargo

continue, Schlingensiepen said, projecting annual airfreight growth for Germany of five percent through 2014. He believed freighter ordering had been "irrational", but saw overcapacity now becoming less of an issue, allowing carriers to increase productivity and stabilize yields.

International Airline Marketing, the leading GSA in Ireland, says the airfreight market "remains fragile" after Dell Computer ceased production there in April, followed in June by IBM stopping manufacture of most of its high-end computer servers for the Asia Pacific market.

Ireland has its lowest level of widebody capacity this winter that it has seen in seven years, according to Ian McCool, MD of IAM. "This should see yields increase as natural economic factors come into effect and capacity starts to match demand," he says.

The trans-Atlantic trade, which accounted for 46 percent of total Irish airfreight exports in the first seven months of 2010 has no direct widebody capacity at all this winter following seasonal downsizing by American Airlines and Air Canada, and Aer Lingus's earlier withdrawal of its Washington and San Francisco services.

After a "horrific" 2009, McCool says export volumes from Ireland increased 6 percent year over year from January to July. Rates are on the way back up to markets such as South Africa, South America and Japan — "but they still have a long way to go".

He adds: "Some of the the newer, expanding Gulf-based carriers continue to sell below cost but this policy does not make sense in the longer term. Most carriers have announced their intention to increase rates from Europe."

Aer Lingus expects passenger demand to stay depressed into next year, and is focusing on cost cutting rather than trying to follow the low-fare strategy of rival Ryanair.

Chief executive Christoph Mueller says there are no plans to boost capacity unless the market significantly improves. Passenger numbers fell 7.1 percent in August as the carrier continued to cut capacity

on some routes, and the year-to-date figure was 9.4 percent down.

Aer Lingus posted a loss of EUR 20.8 million ($26.7 million) for the first six months of this year, but cargo revenue at EUR 19.2 million for the six months to June was 13.6 percent ahead of the first half of 2009. Tonnage increased 31.1 percent but average yield, excluding fuel surcharge, decreased by 23.7 percent.

Mueller noted in Aer Lingus's half-year presentation that passenger traffic levels through the main European airports have been correlating closely with their countries' GDP trend except in Ireland, where GDP in the first quarter of 2010 was approximately level with Q1 2009 but passenger numbers through Dublin shrank 13 percent.

In May, he said this trend accelerated with an 18 percent loss of passenger traffic year-over-year, which suggests that if more services are cut, Irish shippers will have to truck to and from the UK or mainland Europe in the search not just for maindeck capacity but for bellyhold space as well.

Assessing more recent data, however, McCool said passenger numbers in July and August had started to close the gap, at five percent below 2009 levels.

In Spain, one of Europe's hardest hit economies, Iberia reported an operating loss of EUR 72 million ($92.4 million) in the six months to June. This beat analysts' forecasts for an operating loss of EUR 88 million. The carrier moved into profit in the second quarter, and said cargo traffic was showing signs of recovery. ACW

Athens seeks Balkan gateway role

The recession reached Greece months later than the rest of Europe and volumes are still heading downwards at Athens International Airport (AIA), says cargo development manager Alexis Sioris.

Tonnage in the first eight months of 2010 was 64,700 tonnes, almost 6 percent down on the same period in 2009.

Greece has traditionally been an importer, with an import/export ratio of around 60:40. The recession and the Greek government's budgetary controls have brought a sharp fall in imports, which fell 21 percent in 2009 and are down a further 6.7 percent so far this year.

JFK, Canada and Johannesburg were among the destinations cut from the former Olympic Airlines network as the carrier restructured. Although many carriers are still serving the US, Olympic's former A340 capacity is still missing from the local cargo market especially in the case of perishables, Sioris says.

Yet with airlines predicting that passenger numbers will continue to decrease in both 2010 and 2011, further bellyhold capacity could be lost.

"Airfreight forwarders are facing a big challenge, and a consolidation of forwarding companies is expected to take place in the Greek market during the next year," Sioris says.

In the last few years, AIA has focused on attracting transit traffic originating mainly from the Eastern Mediterranean and Middle East region and destined for Northern Europe or North America. The airport has been promoting the sea-air concept in collaboration with the port of Piraeus since 2006, and Sioris is now extending his effort to develop multimodal solutions that may offer customers better rates.

"Sea-air transport can be a viable alternative to pure airfreight and the same is valid true for air-road. We are currently also investigating the possibility of a truck (RFS) network," he says.

"Greece has a strategic geographic location, and AIA is ideally located to act as the gateway to Southeast Europe. Economic growth in the Balkan countries offers new potential markets, with imported goods arriving from the Far East or the US distributed via Athens.

"Facilities within the Balkans will remain very limited for years to come. Greece can uniquely provide the capacity to move goods by road to most destinations within the region," Sioris says. ACW

"Every mile of dead flying costs a fortune"

The business of flying outsize cargo is consolidating, according to some players

As of September 1, the Antonov-124 is no longer welcome in Australia. In March the Australian government moved to ban noisy aircraft, which applies to B727 freighters as well as the AN-124. The first stage of the new legislation, which came into effect on July 1, banned new services with hush-kitted planes; phase two put an end to all existing noisy plane flights at Australia's major airports.

The 150-tonne Ruslan has made steady, but not exactly numerous appearances Down Under. Shaun Aisen, executive director of Australian charter broker and aircraft operator Strategic Aviation, put the annual number of AN-124 flights in Australia at between 12 and 20. Bringing it in from Europe costs about $1 million, and there is only a limited number of airstrips in Western Australia that can accommodate the aircraft, he says.

Dennis Gliznoutsa, group commercial director for charters at Volga-Dnepr, reckons that the ban will not make a significant difference. Special permits were always needed for AN-124 visits to Australia, and this practice will continue, he says.

Based on the authorities' handling of noisy aircraft bans so far, Aisen thinks that exemptions will be granted for a number of reasons, including matters of national interest or lack of alternatives. The ban will bite in

The AN-124 is now barred from Australian airspace. Will other countries follow?

cases where the loads can be moved on other aircraft, he reflects.

Will other nations follow with similar legislation crimping the stage for the AN-124? Justin Bowman, group commercial director of Air Charter Service, thinks that some countries may follow Australia's lead if the action there proves successful, but reckons this is unlikely to happen in the near future.

"The Antonov 124 and the Ilyushin 76TD-90 are fully compliant with all existing requirements and regulations," Gliznoutsa stresses. He does not see legislative barriers come up any time soon to hamper Volga-Dnepr's activities.

The carrier currently has 10 AN-124s and three IL-76s in operation. The latest of the new IL-76TD-90s, which have a payload of 50 tonnes, joined the lineup in May, and two more are due in 2011 and early 2012. Gliznoutsa would not mind getting another AN-124, but he does not see any changes in that fleet in the near future, notwithstanding some moves toward a resumption of AN-124 production. Specifications for a modernized model were approved a year ago, and in December Russian president Medvedev voiced his approval for a new production run.

AN-124 activity at Volga-Dnepr this year has been largely unchanged from the previous year, according to Gliznoutsa. For 2009 the company reported 69,655 tonnes carried on the AN-124s, on a par with the 2008 level, while traffic on the IL-76s was up 12 percent.

Bowman: oil projects back on stream

This year the larger aircraft have moved a satellite for the Russian space program to the launch site in Kazakhstan; ferried construction and tunneling equipment to the Russian city of Sochi in preparation for the 2014 winter Olympics; and hefted a 47-tonne kiln tyre for a cement plant to India. In addition to the AN-124s and the IL-76s, Volga-Dnepr has also used B747s from AirBridgeCargo for charter work. This spring, the daughter company hauled 600 tonnes of telecommunications equipment from Canada and the Netherlands to Chad.

Some sectors, notably mining and the oil and gas industry, are showing signs of growth, says the airline. Oil and gas traffic to South America and the Russian Far East has gone well. Montreal-based project forwarding specialist Mercator Transport Group has expanded into several African countries where it sees an increase in mining activity, says Xavier Ayme, chief operating officer.

However, the overall picture remains spotty. Calgary-based Aerodyne Cargo Services, a charter broker and also GSA for the AN-124 in western Canada, has found the going slow this year. In the first eight months of the year it handled just three charters with large aircraft. "Normally we would have done six to eight charters by now," says managing director Ron Buschman.

Bowman, on the other hand, is upbeat for the final stretch of this year and into 2011. The recession caused a lot of projects in the oil industry to be put on hold. These are now coming back on stream, but it takes time for them to translate into logistics contracts, given the lengthy lead times, he notes.

The other sectors that form the mainstay of the outsize charter business, such as aerospace, have been relatively steady. Project forwarders see strong interest in alternative energy projects, but this type of cargo seldom moves on aircraft.

"We do flights for alternative energy customers, the majority from Europe to the States. We've also moved some wind power to the Pacific are-

na," says Gliznoutsa. "Alternative energy is supposed to be cheaper, so companies try to keep the budget as low as possible. Air only comes in as a last minute solution if there is a delay. In general this is scheduled for ocean transportation."

Air Charter Service has also done some work for clients involved in wind energy projects. "Other 'new energy' sectors are not really in the charter market – yet," Bowman says.

One sector that has given ample work to carriers in recent years has been the contract flying for the military or other government-controlled entities. The withdrawal of US troops from Iraq, however, heralds a drop in income from that side.

"There is a slowdown in government operations into the Middle East, for obvious reasons. It was expected," Gliznoutsa says. "The commercial market is compensating to a certain level for the slowdown on the government side, but not totally," he adds.

Bowman sees huge ramifications from the US exit from Iraq. "We're already seeing rates for the Antonov 124 go down," he says, adding that lower charter rates could lead to an uptick in activity overall, as some shippers may shift their traffic from ocean to air as a result.

Aisen sees a chance of rates going down, but not really in the AN-124 segment. Given the limited number of planes and operators, those prices are not likely to drop significantly, whereas 747 operators are more likely to make aggressive price moves, he comments.

So far, getting hold of capacity has not been an issue. By and large, operators see a relative equilibrium between supply and demand. In some markets, notably on outbound routes from North America, the available lift on scheduled freighters has affected the charter market, Buschman says.

"We are heavy into Libya, but you don't need charters for that traffic. It can go on regular freighters," he declares. "It's the same to the Caspian Sea. We can handle that with existing capacity."

However, a surge in the upcoming peak season would wreak havoc with the existing balance, warns Bowman.

ACS chartered a Polet Airlines IL-96 to move a critical 4.5 tonne blast furnace part from Liege, Belgium to Adelaide, South Australia

"Now capacity is just about right, but if demand goes up a few percentage points, it will be tough to get a 747 anywhere," he says.

Suggesting large companies like his would find it relatively easy to get their hands on lift, he claims smaller charter brokers are finding it harder to make themselves heard. Bowman sees consolidation sweeping through the market, bringing about a similar change to that in the express sector where a handful of global mega-players has taken the place of a myriad operators.

"We will see four or five large brokers with 40, 50 offices around the world," he predicts. "The big three charter brokers last year had collective revenues of about $1.1 billion. Three years ago it was probably half that figure."

This year Air Charter Service has opened offices in Toronto and St Petersburg, and two more will come on stream before the end of the year, Bowman says. According to him, charter brokers' clientele, who look for global reach and for financial strength, drives this global spread.

Some project forwarders are also building up international reach. Mercator opened branches in Houston, Ghana, Zambia and Tanzania in the past 12 months. "We're going to expand in Burkina Faso, especially in the mining industry," Ayme says.

Aisen confirms that there has been consolidation in the ranks of charter brokers, but cautions that logistics and charter decisions by the shippers are not necessarily done at the corporate level. In the Australian mining industry, the regional unit often makes the call rather than at headquarters level, he adds.

Strategic Aviation, which had started out as a charter broker, has since diversified its business model, which now includes a charter contract for the Australian military and the operation of international passenger flights from western Australia. The project charter segment accounts for about 15-20 percent of its activities but has shown little growth recently.

Air Charter Service finds a mix of local and corporate arrangements works best. "Clients are looked after locally by each office, but procurement is done globally," explains Bowman. He adds that the global spread helps charter brokers find loads for return legs of charter flights. At Air Charter Service the office at destination is utilized to generate return loads.

"Nowadays fuel is too expensive to fly planes around empty. Every mile of dead flying costs a fortune," he says. ACW

Shared best practices sharpen logistics of emergency relief

According to latest reports from the United Nations and British Red Cross, the flooding in Pakistan has affected 18-20 million people and left six million dependent on emergency food assistance.

Nearly 1.8 million homes have been destroyed or seriously damaged and many buildings remain under water.

"It's like nothing we've experienced before," says Pete Garratt, British Red Cross disaster relief manager. "The land area of the affected provinces is larger than the UK."

As well as making people homeless, the flooding has destroyed crops, agricultural equipment, businesses, health services, roads, rail lines and telephone networks.

"The aid effort has been hampered by bad weather, broken bridges, landslides and washed out roads," adds Garratt.

By Sept 19, as the UN Pakistan flood appeal reached $1.1 billion of a $2.0 billion target, the Asian Development Bank (ADB) responded by underwriting $1.5 - $2 billion of trade finance to help the country.

ADB president Haruhiko Kuroda says the new flood relief financing will be split between supporting short-term food and medicine imports and capital equipment for agriculture and infrastructure reconstruction.

Following the Dec 2004 Indian Ocean tsunami, Agility, TNT and UPS recognized there was a need for better humanitarian logistics coordination. They decided to share best practices and develop a multi-company Logistics Emergency Teams (LETs) unit.

The initiative was the first such commitment to the humanitarian sector and was launched in 2008 at the World Economic Forum Meeting in Davos, Switzerland.

Central to the LET model is the partnership of otherwise competing companies to utilize their corporate expertise, local resources and relationships in support of humanitarian relief efforts.

In 2007, TNT, Agility, and UPS launched the first operational Logistics Emergency Team in Indonesia, bringing together specialists from each company

Pakistan flooding: "The LET program presents an incredible opportunity to bring the full weight of the logistics industry to bear at a time when lives are in the balance," says Dan Brutto, president of UPS International

Currently the three companies are providing warehousing, transport and logistics support throughout Pakistan. The LETs work with the UN World Food Programme (WFP), the lead logistics coordinator for all disaster response.

By the end of September the WFP expected to reach six million people despite a shattered infrastructure, according to Martin Ohlsen, WFP's logistics director. The floods in July and August hit a country where 46 million people are considered by the UN to be "severely food insecure" and 10 million rely on the WFP for food support.

"The LETs are an important component in our overall response strategy and their generous contribution of logistics assets and personnel has significantly boosted the speed and

effectiveness of our response," Ohlsen adds.

The LETs from Agility, TNT and UPS have provided 8,000 square meters of warehousing in Multan, Peshawar and Islamabad, refrigerated containers for pharmaceuticals, and light trucks for distribution.

"In the face of such devastation, it is critical for relief operations to be set up quickly and efficiently. Logistics play a key role in helping to reach affected families, especially in remote areas — a very real challenge in the current situation," says Tarek Sultan, Agility's chairman and managing director.

As well as warehousing and transport assets, the LET partners provide expert local knowledge to get food, shelter, medicine and water sanitation to the most affected communities.

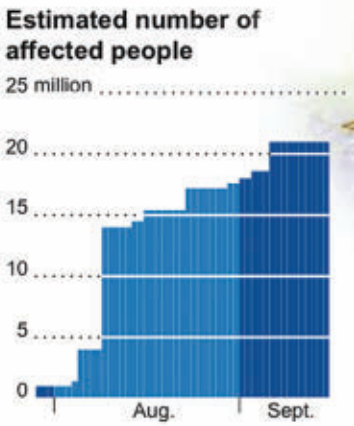
After eight years of Moving the World, TNT's name for its bilateral relationship with the WFP, the company is now taking what it describes as a "natural next step" in its strategic partnership with the UN organization.

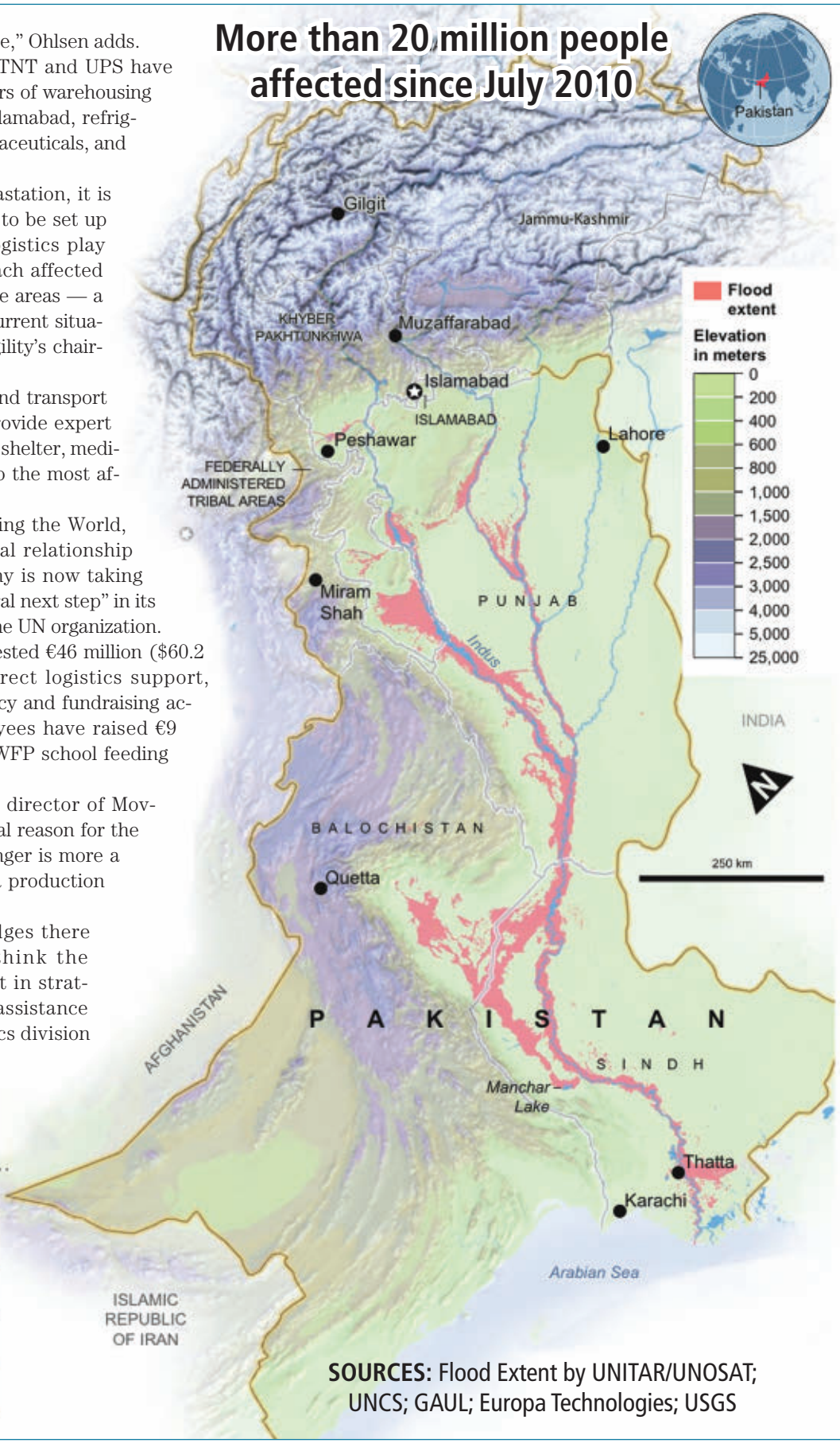
Since 2002, TNT has invested €46 million ($60.2 million) in the form of direct logistics support, knowledge transfer, advocacy and fundraising activities. In addition employees have raised €9 million ($11.7 million) for WFP school feeding projects.

Rose Verdurmen, TNT's director of Moving the World, says the initial reason for the partnership still stands: hunger is more a distribution problem than a production problem.

However she acknowledges there were two reasons to rethink the partnership: the WFP shift in strategy from food aid to food assistance and TNT's sale of its logistics division (now CEVA Logistics).

More than 20 million people affected since July 2010





SOURCES: Flood Extent by UNITAR/UNOSAT; UNCS; GAUL; Europa Technologies; USGS

Rose Verdurmen

After graduating in European Studies (French, Italian and Economics) from the University of Amsterdam in 1988, Verdurmen joined TNT Express Benelux in 1999 as a key account manager for the company's telecom and computer sector. This was followed by a promotion to first sales manager and then general manager of the Rotterdam depot; sales and marketing director for the Netherlands; and finally strategy director for the Benelux region. In March 2009 she was appointed the director of Moving the World.

As a result, TNT says it will now leverage its core competencies to optimize WFP processes and operations; support WFP in its emergency preparedness and response to ensure more efficient emergency logistics; keep hunger on the global agenda and engage TNT employees as well as the general public; and develop multi-stakeholder partnerships to support long-term WFP objectives.

Verdurmen explains: "Our gain is that we are able to develop our people in a way we could never do in our day-to-day activities. Sharing our knowledge on supply chain solutions or transport cost reduction at WFP provides challenging dimensions to our employees, that help them develop their skills." And it enhances TNT's reputation, she adds.

TNT's "twinning" program, where company regions are twinned with five WFP countries, is now broadened to where TNT countries and business units can choose to twin with a WFP country, specific region or emergency response.

"You could say that country units are now able to choose from a menu for their twinning country. If a country feels there is a better fit to be active in the field of emergency response instead of fundraising, they are free to do so," notes Verdurmen. The result is more regional involvement and execution for the country units.

In terms of best practice, Verdurmen says the past eight years have taught the company not only to pursue a common goal but also build a strong relationship with the WFP and a strategy that has to be "applied continuously and tested occasionally".

By shifting slightly its focus from fundraising to advocacy TNT says it hopes the frequent telling of the WFP story will raise awareness — and funds. Verdurmen thinks this approach will give her "more time to listen to people" and hopes the WFP will turn to TNT for its opinion on future developments.

"The partnership goes even beyond the core competences of TNT. WFP asks our opinion even on matters as customer service, organizational change, marketing and other process improvements," she adds.

It should be noted that the WFP doesn't pay TNT for Moving the World's annual budget. Providing logistics services to the WFP is paid for on a cost-only basis and the company acknowledges it is "heartwarming" that all its supply chain partners do the same thing for emergency logistics.

The non-profit approach is not a competitive arena for the Dutch logistics giant. "We fundamentally believe that humanitarian logistics is not a sector we should compete in at all. In fact, TNT believes that all corporate responsible issues are not an area we should compete on.

"We value competition because of its apparent merits, yet relief aid is so pivotal that we believe partnerships are the preferred way forward," states Verdurmen, who adds: "UPS

A Logistics Emergency Team (LET) unit of Agility, handlers, managers and warehouse staff as well as

and Agility may be our competitors in everyday life. However, we are true partners when it concerns our swift help to the logistical challenges that the UN faces in disaster areas."

The Move the World director concludes by saying TNT and its peers should not just talk about doing, or be talked about in the media. "Logistics companies should take more responsibility and adopt an action-based role in humanitarian aid."

According to Wolfgang Herbinger, the WFP Pakistan representative, there are some early signs of recovery in the country's north-west Khyber Pakhtunkhwa province, the first area to be hit by flooding.

"We have been able to reach out to almost two million people including those previously cut off in the mountainous heavily flooded areas in Swat and Kohistan through cable cars, mules and helicopters," he says.

However, it is likely to be a long road to anything resembling recovery: "We are seeing the equivalent of a new disaster every few days in Pakistan", notes Valerie Amos, UN under secretary-general for Humanitarian Affairs and emergency relief coordinator. "New breaches of the embankments of Manchhar Lake in Sindh have flooded more villages. Millions of people have lost everything.

"In these difficult financial times, countries have been extremely generous in helping those in need around the world, contributing over $5 billion to appeals this year", adds Amos.

"But more is now needed. We simply cannot stand by and watch the immense suffering in a disaster of this scale."

Previously, the $1.5 billion for Haiti was the UN's largest disaster relief request. This year, over $11 billion is required for humanitarian aid worldwide — the largest amount since the beginning of the UN appeal process in 1991. ACW

TNT and UPS in Thailand. An LET includes airport logistics assets

Schiphol remains a 'team player'

Being below sea level doesn't mean you're out of earshot. Ask the management of Schiphol airport. They've been able to reach agreement with Dutch parliamentarians, environmental groups and local residents to allow 87 flights a night (from 11pm to 7am) until 2010. The incentive for the airlines is the quieter the aircraft, the less the landing fee.

With Schiphol closer to Germany's industrial heartland than Frankfurt, Lufthansa Cargo boss Carsten Spohr's opposition to a reduction or ban of 40 flights a night at the company's hub is more than understandable. Frankfurt's loss should be Amsterdam's gain.

And Air France-KLM wouldn't mind. August cargo traffic measured in revenue tonne-kilometers (RTKs) only increased 0.5 percent overall as capacity dropped by nearly one percent. Year-to-date traffic rose just 1.9 percent as capacity fell 4.6 percent. Only the Americas saw any significant gain at 4.0 percent in August and 5.7 percent for the year. And despite a 6.7 percent year-to-date reduction in Asia capacity, the group only managed to increase RTKs by 0.6 percent overall while August traffic actually declined by 1.7 percent.

So with times still tough for Europe's largest carrier group, any business German environmentalists can push its way would no doubt be very welcome.

The Schiphol Group also could do with the help. First half 2010 results saw a 3.6 percent drop in aviation-related revenue to EUR 318 million ($414 million) compared to the same period in 2009.

Saying he's "not happy" with the result, group president and CEO Jos Nijhuis attributes the fall to an "inability to set-off the high level of security costs" during the period. Although airport user charges rose 1.2 percent to EUR 193 million ($245 million), income from security fees dropped 11.1 percent to EUR 106 million ($135 million) as rates remain unchanged from April 1 2009.

But while passenger traffic was hit as a result of the Iceland ash cloud in April, Schiphol reports cargo tonnage for the first six months rose 21.7 percent to 719,000 tonnes compared to 2009.

According to Enno Osinga, senior vice president cargo for the Schiphol Group since 2006, it's almost business as usual. "Significantly in July we were almost at the pre-recession level of 2007," he notes.

Despite KLM statistics that might suggest otherwise, Osinga says "air cargo is generally ahead of the economic trends and we have noticed a strong recovery in Europe over the last year. Especially encouraging in our business has been the strong growth in exports to China thereby reducing the traditional imbalance between east and westbound. As of now Schiphol offers the largest number of frequencies to China of any Eu-

ropean airport which certainly helps to build the growth," he adds.

Osinga notes his airline customers, of which KLM and Martinair make up "almost 50 percent" of the airport's cargo capacity, have been carrying high volumes to China this year and have therefore contributed to reducing that historic east-west imbalance.

"We are very happy with the way things are going right now. For 2011 we expect growth figures to stabilize just over 5 percent in volume which should then get us back to a more stable market".

Rather than worry about the two Dutch carriers' historic cargo dominance, Osinga and his management have adopted a deliberate policy of supporting the members of SkyTeam: "This is why we have taken a stronger role in [New York] JFK and have a strong relationship with Aéroports de Paris [AdP]." He adds: "We will continue to look for opportunities to cooperate with other SkyTeam airports so that we can strengthen the supporting network."

Confirming recent IATA data, Osinga says Schiphol has seen strong growth with Africa and South America markets with the arrival of LAN Cargo's B777 freighter adding "significant volumes" to the already strong flower market between Latin America and Europe.

With cargo expected to grow faster than passenger traffic in the long term, Schiphol is busy developing a multimodal facility in the southeast section of the airport known as Amsterdam Connecting Trade. This will allow the airport to double its current capacity over the next 15 years to 3.5 million tonnes per annum. Current tenants include Ceva Logistics, Martinair, Menzies, Panalpina, Rhenus Logistics and Swissport.

An agreement from all stakeholders for Schiphol to handle 510,000 flights a year by 2020 prompts singa to wonder whether future growth will be via belly capacity or freighter aircraft: "We don't know the answer but we do know that we have a lot of room for growth."

With so much of the Netherlands below sea level, the Dutch have a particular interest in sustainability. The airport, which used to be an inland sea, is no exception. Together with the ports of Rotterdam and Amsterdam, it is working on a national program to reduce road congestion and support multimodal onward transportation. One solution is to build a cargo transhipment point where the high-speed rail connection to Paris intersects with Schiphol.

Osinga: room to grow

"Companies are getting more sophisticated at determining sea versus air, which is good. It means logistics management is becoming more professional which will benefit us all in the long term," explains Osinga.

Unsurprisingly, he doesn't think Europe has too many major hubs and their proximity is a disadvantage: "In an open economy the market mechanism will ensure a balance between supply and demand. There is adequate capacity available but in reality the supply chain needs volume to operate effectively. That is why focus will always remain on a small number of highly effective hubs."

Last year's Airport Council International traffic shows Schiphol trailing Paris and Frankfurt in cargo throughput. Paris remained in 5th place overall with 2.05 million tonnes handled. Frankfurt was No 9 at 1.88 million tonnes and Schiphol one below London (1.34 million tonnes) at No 17 (1.31 million tonnes).

Perhaps more significantly were the respective traffic falls in 2009. Paris dropped 9.9 percent from 2008; Frankfurt fell 10.6 percent; London was minus 9.2 percent and Schiphol minus 17.8 percent.

On the comparative airline side, Air France produced 4.6 billion FTKs last year and dropped one place to eighth in IATA's top 50 rankings. Lufthansa kept its No 3 slot with 6.6 billion; British Airways stayed at No 11 at 4.3 billion and KLM remained one place below at 3.9 billion FTKs.

From a Schiphol Group view, its partnering with AdP and support for SkyTeam means the combined Air France, KLM and Martinair traffic is obviously a huge influence on its future growth.

Osinga says the much-discussed Frankfurt ban has already prompted operators to move further north in anticipation of a negative ruling from the German appeal court in Leipzig. Meanwhile, the country's booming economy is also benefiting Schiphol: "Germany is very important as a destination so yes, their growth is important to us and to the Dutch economy in general.

"The fact that every year we are opening a new airside facility for a major forwarder proves that the forwarder community believes in focusing on a number of key airports and clearly Schiphol is recognized as one of them."

Osinga adds that his airport is not suitable for the "different business model" of the integrators because of their reliance on night flying — which

is why TNT is in Liege and DHL is in Leipzig. Not to mention the lower airport charges.

"Leipzig of course has a lot of capacity but ultimately in the supply chain it is the strength and size of the market place that is key and not the capacity of an airport."

So with Frankfurt busy with a new runway, London's BAA somewhat strapped for cash and Paris perhaps preoccupied with an Air France recovery, it has fallen to Schiphol to be the northern Europe host for TIACA's next major event.

"The Air Cargo Forum will bring the supply chain together in one of Europe's leading air cargo hubs. It will be the opportunity of the year to discuss business and market developments," says Osinga.

Well, he would say that. In addition to his many other responsibilities, Enno Osinga is also a board member of TIACA. ACW

With new airside facilities opening every year, forwarders recognize Schiphol's key role

Enno Osinga joined KLM in 1978 after a stint as a Royal Netherlands Marine and an MBA student at the university of Bradford in the UK. He joined DHL Express in 1998 as managing director for the Netherlands and subsequently became a member of the company's European board of management and vice chairman of Transport and Logistics The Netherlands, the employer's organization. In 2005 he joined Client Logic as interim CEO for Continental Europe and a year later he joined the Schiphol Group in his current role. He is a non-executive board member of Cargonaut; a member of the executive board of DINALOG, the Dutch Institute for Advanced Logistics; and a board member of ACN, the Dutch air cargo association, and of TIACA.

All cargo counts, emphasizes remodeled Air France-KLM

Air France-KLM now assesses cargo through its bottom-line contribution rather than in outright profit terms.

The apparent change of approach follows the group's reduced reliance on freighters. Passenger aircraft and combis now account for 66 percent of its capacity.

"Revenues minus all cargo costs shows the value to the airline," Michael Wisbrun, executive vice president of KLM Cargo and chairman of AF-KL Cargo, told a media briefing in Paris. "Even in the middle of the crisis we were adding €600-700 million after handling and distribution. It would be good to get it back to €1 billion."

He said the carriers had "used the crisis to make our network and rotations more efficient". With a better balance between supply and demand, load factor improved by 6.4 points to 69.6 percent in the April-June quarter. Unit revenue per available tonne-kilometer improved by 54 percent to 18.15 euro cents per kilo.

Five years after Air France merged with KLM, the integration process still continues and a joint charter desk for the group's remaining 16 Schiphol and CDG-based freighters is only now being established.

AF-KL continues to forge inter-continental partnerships, and is now managing €10 billion of revenues jointly with Delta Air Lines "as if they were one company," Wisbrun said. Sales are also being integrated with Alitalia after it joined the carriers' trans-Atlantic alliance and he claimed the partnership was "more developed" than that between United, Continental and Lufthansa.

Before the financial downturn, AF-KL was on the brink of forming a new airline with China Southern, but Wisbrun said: "The Asia-Europe dynamics have changed. We can't invest in something if we don't know it will generate value." The carriers are cooperating on routes as a first step towards a deeper joint venture — but without investing in a new airline.

AF-KL is also exploring network cooperation with China Eastern. "The Chinese are coming into mature worldwide relationships," Wisbrun said.

Taiwan-based China Airlines has meanwhile is preparing to join the SkyTeam network. "Ten years ago, you would not have envisaged that it would partner with a carrier on the Chinese mainland [China Southern]," Wisbrun said. "The world has turned." ACW

PARTY

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ACN

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Party time:	from 7.30 pm onwards till midnight
Venue:	ZUIDPOOL (next to the RAI)
Tickets:	EUR 40.00 (incl. food, drinks & entertainment)

ZUIDPOOL AMSTERDAM

FOR MORE INFORMATION AND TICKETS,
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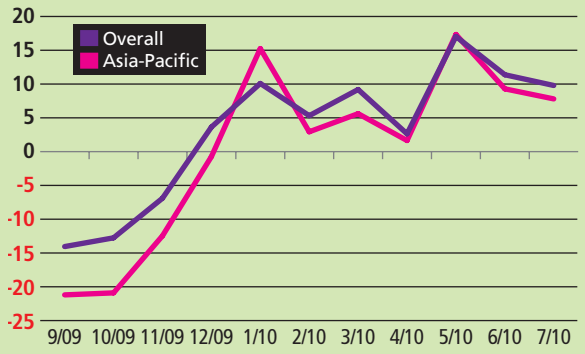
Yellow Page Directory

The Yellow Page Directory is a convenient guide to suppliers of products and services for the air cargo transportation industry. For rates and more information, please contact **Pam Latty** at **1.678.775.3565.**

PALLETS

CARRYING EUROPE

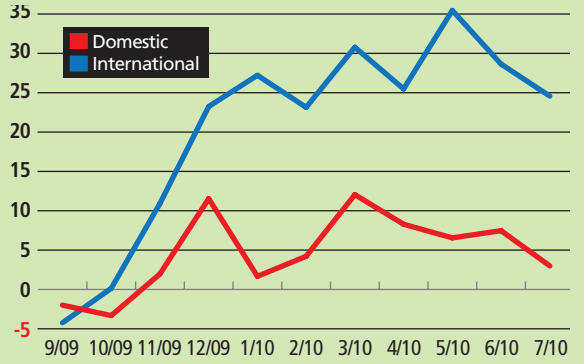
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

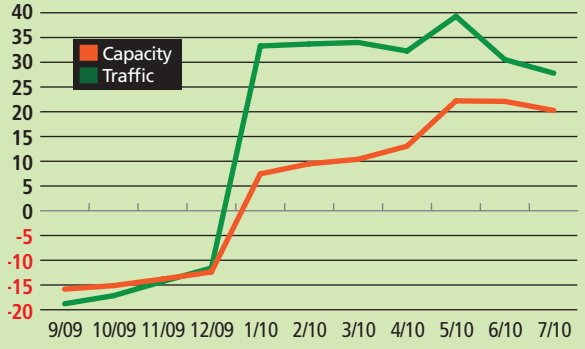
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

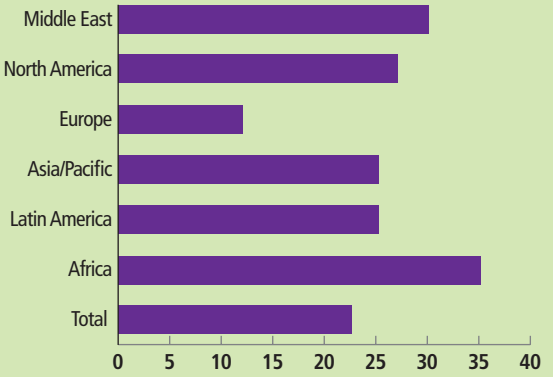
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

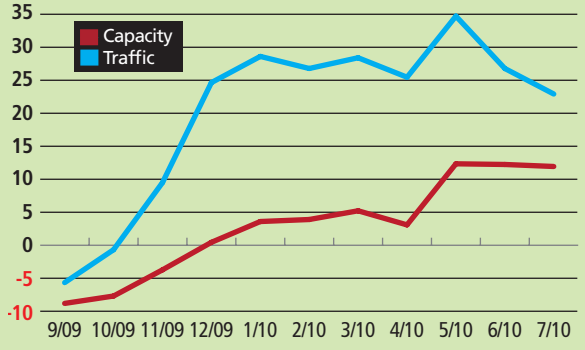
International air cargo year-to-date percent change for July 2009 vs. July 2010



Source: IATA

CARRYING INTERNATIONAL

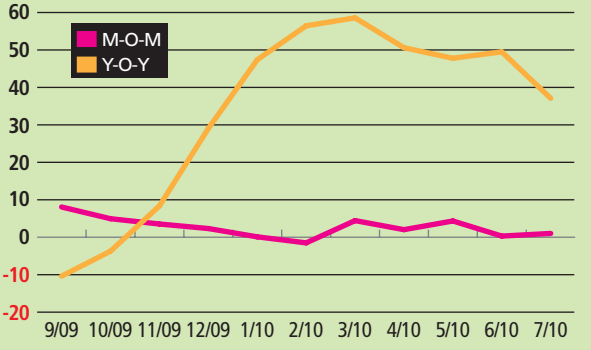
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight tonne-kilometers and available tonne-kilometers.



Source: IATA

SEMI CONDUCTORS

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



Source: Semiconductor Industry Association

AIRLINES

Greg Carstens, a senior operations manager with more than 25 years of experience throughout Asia, has been named MD of **UPS** in Singapore after spending three years in charge of UPS Thailand. Earlier in his career, Carstens was operations manager for the service agent UPS was then using in New Zealand, and joined UPS Australia in 1992 as operations supervisor. He went on to manage company operations in New Zealand and Vietnam. **Nick Basford** has been named the new director of communications for UPS Europe, having spent the past five years as marketing director for UPS UK & Ireland. Based at UPS's European headquarters in Brussels, he will oversee all internal and external communications across more than 120 countries and territories in Europe, the Middle East and Africa. He will also act as a regional spokesperson for the company and will continue to co-ordinate the marketing activities surrounding UPS's role as official logistics and express delivery supporter of the London 2012 Olympics. Basford joined UPS in 2005 via the company's acquisition of **Lynx Express**, then one of the UK's largest independent parcel carriers.

FedEx Express has appointed **Alison Dack** as VP information technology and chief information officer for Asia-Pacific. She joined FedEx in July 2006 as MD of technology services and has more than 30 years' experience in senior IT management positions. She replaces **Linda Brigance**, who becomes VP of IT for global clearance at **FedEx Trade Networks**.

Heavyweight Air Express has appointed **Finlay McArthur** as its airline product development manager for the Middle East. He has a wealth of experience, gained at various Middle East and South Asian carriers, and most recently acted as cargo consultant for the start-up of Kuwait's **Wataniya Airways** in 2009.

Roland Schütz takes over as chief information officer for **Lufthansa Cargo** in November. Currently chief operating officer infrastructure services at Lufthansa Systems, he will take over from **Silke Lehnhardt**, who is moving to a senior post at **Deutsche Telekom** after 22 years with the Lufthansa Group.


SCHÜTZ

New York-headquartered GSA **Airline Network Services** has appointed **Valerie Hecht** as Midwest regional sales manager. Based in Chicago, she brings to ANS substantial experience in the air cargo industry, including working with **Polar Air Cargo** and **United Cargo**. Also joining the ANS team is **Tracy Boyland**, who will handle all booking and customer service issues.

THIRD PARTIES

Damco, the logistics arm of shipping group **AP Møller-Maersk**, has appointed **Horst von Kanel** as regional airfreight manager for North and Latin America. He will be responsible for the regional strategy and for growing Damco's airfreight business in the US, Canada and Latin America. Swiss national von Kanel, now based in Miami, brings more than 25 years of in the logistics and airfreight forwarding experience to Damco, his last role being VP airfreight for **DHL Global Forwarding**. He was previously with **Panalpina**. Damco has also appointed **Erez Agmoni** as its regional airfreight manager in the Asia Pacific. He was previously business development manager with **Gulf Agency Company**. **Sonja Baudrexel** has become Damco's new global key account director for **Adidas**. She joined AP Møller-Maersk as a trainee 10 years ago and has since worked for the group in China, Panama, Mexico and Guatemala, most recently as MD of Damco's Middle America cluster. Damco has named **Claus Aagaard** as global head of aid & relief, a newly created role. He will be based in South Africa and comes from a similar position with **TNT Freight Management/Geodis Wilson**.

Joey Carnes has taken up the role of chairman and CEO at new supply chain management company **MIQ Logistics**, formerly **YRC Logistics**. Previously president and CEO of **BAX Global**, he has over 30 years of experience in logistics operations, including senior executive positions with **Fritz Companies** and **FedEx Express**. MIQ Logistics was formed following **YRC Worldwide**'s sale of YRC Logistics to venture capital firm **Austin Ventures**.

Logistics company **OHL** has elected chief executive **Scott McWilliams** as executive chairman of the board. Replacing him as CEO is the company's president and chief operating officer **Bert Irigoyen**. McWilliams, a 20 year veteran of OHL, will concentrate on strategic acquisitions and key client relationships to continue the company's growth momentum and international expansion. He served as OHL president from 1996-2001, when he was appointed CEO. Irigoyen joined OHL in 2006, became executive VP and chief financial officer in 2007 and president and COO in 2009.

Rosalinde van Lomwel has been appointed as site manager of **Wim**

Thanks for your feedback, readers

Thomas Vewrey, senior supply chain manager for Johnson Controls in Germany, is the $200 gift certificate winner of *Air Cargo World*'s reader survey participant draw. He was one of 827 subscribers who participated in the annual survey in August.

Johnson Controls, with more than 130,000 employees, is a global diversified technology and industrial group that serves customers in over 150 countries. Thomas has been with the company since 1997 and is responsible for purchasing logistics services in the EMEA region. Congratulations to him and thank you to all survey participants for your valuable input.

Bosman Air & Ocean for the Netherlands, based in Rotterdam. She has wide experience in freight forwarding with **Steinweg**, **Schenker**, **Kuehne+Nagel** and **DHL**. **Tom Saelens** is appointed site manager for Belgium, based in Antwerp. He has broad experience in the air and ocean field, especially in the automotive industry, with companies such as **NYK**, **Wallenius**, **Lalemant** and **UECC**.

Associated Global Systems, the provider of transportation services, logistics services and supply chain management solutions worldwide, has hired **Terry McManus** as director, government services. He previously held government account management roles at **Konica Minolta Business Solutions** and **Pitney Bowes Imagistics**.

Charter broker **Air Partner** has promoted **Clive Chalmers** to UK freight manager, freeing up **Richard Smith**, group freight director, to concentrate solely on developing the company's worldwide freight strategy. Chalmers is a recent graduate of Air Partner's intensive two-year internal cross-division management training scheme. Prior to joining Air Partner in 1998, he was an operations officer with the former Stansted Airport-based charter carrier **Classic Airways**.


CHALMERS

Performance Team (PT), a leading provider of supply chain logistics, has recruited **Mike Yerkes** as VP of operations, PT Northeast. He had a 12-year career at **Jones Apparel Group** and also worked with **The Moret Group**.

Mike Malik has joined **UBM Aviation,** publisher of *Air Cargo World*, as chief commercial officer. He brings over 20 years of experience in air transportation and information technology, and has held leadership positions with major companies in the US, Europe and the Pacific Rim. Most recently, he was president of **Aloha Air Cargo** after previously serving as chief information officer for **Aloha Air Group**. Malik was a founding member of **MAXjet Airways**, a start-up airline. He has served as president and CEO of **Shepherd Systems**, a subsidiary of **Travelport,** and was a vice president for **Sabre** in Hong Kong. ACW

events

OCTOBER 18-20

Miami: Cargo Facts 2010, the annual aviation symposium now in its sixteenth year, takes place at the Doral Golf Resort and Spa. More than 40 industry executives will make presentations on current business strategies affecting flight equipment usage. There will be a round table session on the current and future value of six popular aircraft types, as well as keynote and luncheon addresses from Boeing and Airbus on their operating plans for 2011 and beyond. For more information, ontact Molly Devine, conference manager, on +1 206 587 6537, email conference@cargofacts.com or visit *www.cargofacts.com/symposium/index.htm*

NOVEMBER 2-4

Amsterdam: The International Air Cargo Association's Air Cargo Forum and Exposition will bring together all segments of the industry in one place at one time. This biennial event, which attracts thousands of senior executives and hundreds of exhibitors from across the globe, will be hosted by Amsterdam Airport Schiphol. For more information, visit: *www.tiaca.org*.

NOVEMBER 10-12

Geneva, Switzerland: IATA's 6th Cargo Claims and Loss Prevention Conference can help protect precious revenue in these challenging times by promoting practical, workable solutions and best practices for quick and efficient processing and resolution of air cargo claims. The conference, to be held in IATA's own Conference Center, is the only event addressing the special needs of an often neglected niche area. It will prove highly beneficial for claims personnel, risk and insurance managers, loss adjusters, aviation liability lawyers as well as industry e-commerce and operations managers. Program highlights: harmonizing the MC99 liability limit for air cargo across all routes worldwide; applying the e-AWB business process under the Warsaw regime; introducing electronic claims management; identifying potential liability issues in e-freight implementation. For full details, visit cargoclaims@iata.org or register online at *https://ems.resrunner.com/CCLP2010*.

DECEMBER 9

Washington, DC: The Airports Council International — North America hosts its annual International Aviation Seminar. The event brings together top airport and airline management, government officials and consultants, to explore the latest developments in international air travel, and government air transport policies that impact airports' ability to retain and secure international air service. The seminar will conclude with the ACI-NA's Annual Holiday Reception that evening. Information: *meetings@aci-na.org*.

JANUARY 31-FEBRUARY 2, 2011

Amsterdam: Pharma IQ's Cool Chain Europe conference claims to be the world's largest event of its kind. A supporting exhibition features solutions and services for cool chain transport, packaging, qualty assurance and management. For more information, visit *www.coolchaineurope.com*.

FEBRUARY 22-24

Nairobi, Kenya: Air Cargo Africa, the first conference of its kind, will be held at the Kenyatta International Conference Centre. The event is organized by the STAT Trade Times, which has run three editions of Air Cargo India. There is an accompanying exhibition. Go to *www.stattimes.com/ACA2011*.

ADVERTISER INDEX

Dr Gabriel Weisskopf is the CEO of Switzerland-based Softair AG. He is an expert on cargo industry requirements for IT and software solutions

Beware of the IT tourist

Once in a decade, every major IT company "discovers" the airline industry. It often starts with an overly enthusiastic 28 year-old MBA presenting his board of directors with a unique opportunity to bask in the glow of an exciting market segment and a share of the sector's plump IT budget.

Add to this the customary forecast of doubling passenger numbers and cargo volumes within years coupled with the prospect of media coverage for the company's CEO standing at the door of an A380, and the opportunity becomes irresistible.

Needless to say this vision has a lot less glamour for anyone trying to sell point of sale terminals to the food services industry.

But for the IT company chairman, a silver-haired, diligent and seasoned executive, it is the quandary of choice that pursues him — even to his dreams.

The night after the presentation he is standing on the dais of a large auditorium. At his feet, a large crowd of shareholders, journalists and company executives wait expectantly. On the oversized screen behind him appears the company's latest annual report. On the cover is an oversized sausage. However, as the sausage morphs into a B787 taking off, the audience breaks into frenetic clapping, culminating in a standing ovation. The journalists tap away at their Blackberries as the chairman smiles in revelatory triumph.

And so, on awakening, another airline IT tourist is born.

What follows is a well-honed ritual: a flurry of press releases accompanies the hiring of specialist staff with an airline and or IT background. Not surprisingly, the new-hires waste no time in uncovering strong evidence of the company's historic involvement with the airline industry.

Whether as suppliers of cash registers to the air cargo canteen, or as the owners of the home of the Wright Brothers, apparently their IT company has been in the airline business since its inception.

Salesmen proceed to make what, in hindsight, is often their greatest contribution to airline cash flow. They tirelessly criss-cross the globe on full-fare tickets to present themselves and their proposed offering to any airline executive with an hour or two to spare or even better, an appreciation of a hearty luncheon, dinner or even visit to the IT company's head office.

Glowing trip reports are circulated as the marketing department prepares glossy brochures and takes a 1,000 sq ft booth at every airline industry event. The only issue that raises its ugly, ever-growing head is the lack of any money from this continued foray.

After the presentation he is standing on the dais of a large auditorium. At his feet, a crowd of shareholders, journalists and company executives wait expectantly.

Months or even years pass as the gap between forecast and reality widens into an abyss. So with controllers and CFOs becoming increasingly tense, the chairman and his board finally act: It's not the strategy that's the problem, it's the team.

Thus a reorganization, accompanied by the accelerated departure of the intial MBA pioneers, is deemed to be the best way to reach the gold deposit that surely must still be hiding behind the next layer of granite.

But finally, maybe four years after the chairman's epiphany, a low-key but well crafted press release will herald the company's "de-commitment" from the airline business.

Often this move will herald the withdrawal from the IT market in general.

Hard to believe? Allow me to mention, off the top of my head, NCR, Burroughs, Siemens Nixdorf, ICL, Nokia, Olivetti and ATT.

So next time an MBA appears on your doorstep as a potential IT provider, make sure to check whether he is in the industry on a tourist visa. ACW

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TIACA's Air Logistics Network 2010 membership benefits include:

- TIACA forwarder membership
- ability to pre-schedule one-on-one meetings at ACF 2010, the world's largest air cargo exhibition, scheduled for November 2-4, 2010 in Amsterdam. The ACF attracts 5,000 visitors and over 200 leading industry exhibitors, including major shippers and shippers' councils
- access to the Air Logistics Network professional online community and the Resource Center during 2010

ACF 2010
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Air Logistics Network 2010 package - $800

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- full delegate admission to ACF 2010 includes exhibition conference and catered events
- 1/2 day Logistics in Amsterdam program including local transportation and lunch

Membership expires December 31, 2010

Option 2

Full Air Logistics Network membership - $300

Includes:

- full Air Logistics Network benefits
- ACF 2010 visitor registration (access to exhibition hall only)
- 1/2 day Logistics in Amsterdam program including local transportation and lunch

Membership expires December 31, 2010

Option 3

Trial ALN (limited) membership - Complimentary

Includes:

- ACF 2010 visitor registration (access to exhibition hall only)
- ability to pre-schedule one-on-one meetings, access to professional online community without Resource Center
- 1/2 day Logistics in Amsterdam program including local transportation and lunch

Trial membership expires November 19, 2010 For more information on the Air Logistics Network, visit www.tiaca.org.

For immediate information contact our director of sales by email at rerman@tiaca.org or call us at +1 786-265-7011.
We also invite you to visit our website at www.tiaca.org

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