

# Air Cargo World

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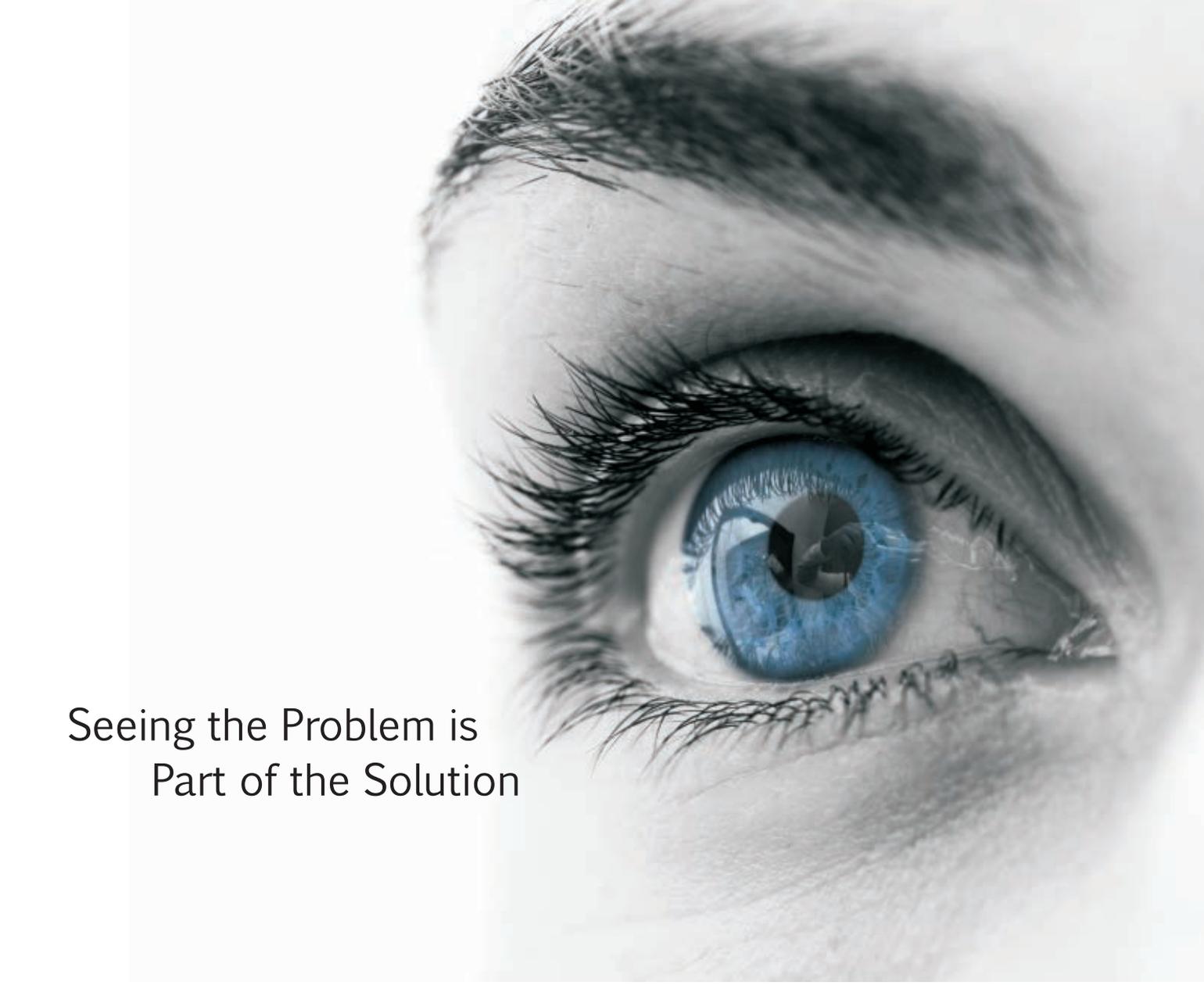


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**EDITOR**

Jon Ross  
jon.ross@aircargoworld.com • (770) 642-8036

**ASSOCIATE EDITOR**

Keri Forsythe  
kforsythe@aircargoworld.com • (770) 642-8036

**SPECIAL CORRESPONDENT**

Martin Roebuck  
jandmroebuck@btinternet.com

**CONTRIBUTING EDITORS**

Roger Turney, Ian Putzger

**CONTRIBUTING PHOTOGRAPHER**

Rob Finlayson

**COLUMNIST**

Brandon Fried

**PRODUCTION DIRECTOR**

Ed Calahan  
Ed.Calahan@ubmaviation.com

**CIRCULATION MANAGER**

Nicola Mitcham  
nicola.mitcham@ubmaviation.com

**ART DIRECTOR**

CENTRAL COMMUNICATIONS GROUP  
centcommgrp@comcast.net

**PUBLISHER**

Steve Prince  
sprince@aircargoworld.com

**ASSISTANT TO PUBLISHER**

Susan Addy  
saddy@aircargoworld.com • (770) 642-9170

**DISPLAY ADVERTISING TRAFFIC COORDINATOR**

Linda Noga  
aircargoworldproduction@ubmaviation.com

**AIR CARGO WORLD HEADQUARTERS**

1080 Holcomb Bridge Rd., Roswell Summit  
Building 200, Suite 255, Roswell, GA 30076  
(770) 642-9170 • Fax: (770) 642-9982

**WORLDWIDE SALES**

**U.S. Sales**

Associate Publisher  
Pam Latty  
(678) 775-3565  
platty@aircargoworld.com

**Japan**

Masami Shimazaki  
wms-shimazaki@kve.biglobe.ne.jp  
+81-42-372-2769

**Thailand**

Chower Narula  
worldmedia@inet.co.th  
+66-2-641-26938

**Taiwan**

David Collison  
+44 192-381-7731  
dci.collison@btinternet.com

**Ye Chang**

epoch.ye@msa.hinet.net  
+886 2-2378-2471

**Europe, United Kingdom, Middle East**

David Collison  
+44 192-381-7731  
dci.collison@btinternet.com

**Hong Kong, Malaysia, Singapore**

Joseph Yap  
+65-6-337-6996  
joseph@asianimedia.com

**Australia, New Zealand**

Fergus Maclagan  
maclagan@bigpond.net.au  
+61-2-9460-4560

**India**

Faredoon Kuka  
RMA Media  
+91 22 6570 3081  
kuka@rmaimedia.com

**Korea**

Mr. Jung-Won Suh  
+82-2785-8222  
sinsegi@igroupnet.co.kr

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Air Cargo World  
3025 Highland Pky Ste 200  
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## Air cargo and the university system: A perfect match?



Jon Ross  
Editor

**A**n announcement a few months ago by the Airforwarders Association and American Public University about a symbiotic educational agreement got me thinking about air cargo pedagogy. Most people in the industry appear to have gathered their knowledge through on-the-job experiences — not in a classroom as a university student.

The education equation cropped up again at the CNS Partnership Conference in Phoenix during a session regarding the Department of Justice's price-fixing exploits. Mark Rosman, a former prosecutor at the department, mentioned that most of the cargo players he came across while investigating the allegations had little or no compliance training. His unstated question seemed to be: why? Is there a better way to train those in the industry?

The International Air Cargo Association runs a training program for industry executives that gets them up to speed on current issues regarding supply-chain and transportation management, IT and security. But are courses like these offered at the university level?

Searching for the answer, I started looking into logistics education and had a chat with Diana Marek, assistant director of Northwestern University's Transportation Center. The center has been around since the '50s and awards undergraduate and graduate degrees in all manner of logistics studies. I asked her about students who move on to the air cargo industry, and she said that not many students pursue these jobs for one simple reason: recruiting.

"The air cargo industry has not been a big recruiter. I have a lot of students going into aviation, but not too many of them show up on the air cargo side," she told me. "If the kids knew more about what the industry is really involved with ... I think this could be an area that they would find exciting."

Marek couldn't tell me why the industry wasn't recruiting, but she added that there's a perceived notion that high-level employees have to start from the bottom and climb their way to the top. Students think that instead of hiring PhD graduates into upper-management positions, carriers and freight-forwarders prefer to promote from within.

"There's some work that needs to be done there to help them understand ways that [air cargo employers] can tap into these very, very bright students, maybe with co-op programs or things like that," she said.

I'll be digging deeper into this issue in the coming months, but it seems like the health of the industry in some instances is reliant upon properly educated employees in the U.S. and abroad.

Another buzzword passed around the CNS Conference was "image." Recruiting at universities will go a long way to staff the next generation of air cargo executives while also helping keep people informed about what the industry does.

A handwritten signature in black ink, appearing to read "Jon Ross".



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## Korea-Europe FTA good for Ireland

The Irish Exporters Association (IEA) has pointed to the free-trade agreement (FTA) between the European Union and South Korea as an impetus for increased exports and job growth. Signed last October and set to go into effect July 1, the FTA is expected to increase European trade with Korea by €19 billion.

In 2010, Irish exports to Korea reached €357 million. But this number will soon rise, IEA officials said. In fact, the IEA estimated that the FTA will increase exports to Korea by 50 percent in the coming years.

"The agreement between the EU and South Korea marks a significant achievement in improving our trade links. It will provide a real boost to jobs and growth in Ireland at this critical time," IEA Chief Executive John Whelan said in a statement.

"This wide-ranging and innovative deal is a benchmark for what can be achieved in other trade agreements," he continued.

Still, Whelan hopes that more FTAs are on the horizon. "The IEA urges the government to become more proactive in pushing for further FTAs at the EU," he said. "In particular, the IEA recommends that FTAs should be a key focus of the Department of Foreign Affairs and Trade."

According to Whelan, the agreement references both import taxes and non-tariff barriers to international trade. Because the FTA will eliminate import taxes between Ireland and South Korea, as well as other trade barriers, the IAE estimates that it will slash the costs of conducting business with Korea by nearly €16 million a year.

The United States signed a similar trade agreement with South Korea in 2007. The agreement is currently pending Congressional approval. [ACW](#)



*Qatar Airways is close to picking up a 35-percent stake in Cargolux, but Dirk Steiger of Aviainform believes the Middle Eastern carrier will try to acquire a larger share*

## Cargolux set to give up 49 percent stake?

Cargolux's confirmation of the sale of a 35 percent stake to Qatar Airways is likely to be only the first step in a strategic alliance between the two airlines.

Analysts believe the growth-hungry Gulf carrier will quickly want to raise its investment level to nearer 49 percent in the Luxembourg-based, all-cargo carrier. This is the maximum investment that a foreign company can hold in a European airline under current European Union regulations.

It has also become clear that the deal has been sanctioned at the highest government level and goes far beyond any home-spun alliance between the two carriers. Earlier this year, Luxembourg's finance minister, Luc Frieden, flew to Qatar with Prince Guillaume of Luxembourg's Grand Ducal family to initial the agreement. Qatar Airways is half-

owned by the Gulf Arab state's sovereign Qatar Investment Authority.

"This is, first and foremost, the opportunity for Qatar Airways to gain leverage into the European market, and it will be the first Middle Eastern carrier to do so. At the same time, it will be buying into a ready-made cargo airline with a strong pedigree, network and customer base, which otherwise would take years for it to develop," said Dirk Steiger, managing director of Frankfurt-based aviation consultancy Aviainform.

The acquisition will certainly smart with neighboring Gulf carrier Etihad, which made an attempt to acquire a 33.5 percent stake in Cargolux in 2005. That proposed deal was reported to be worth around \$130 million. No figure has been put on this latest, apparently more successful, bid.

Qatar Airways will want to ring-

fence its vital investment in the European aviation market, maintains Steiger. For that reason, he believes, the Qataris will want to waste little time in raising their stake to at least 49 percent.

"It is obvious that they will want to increase their stake to ensure they have the maximum control over their investment and the future growth of the joint venture," Steiger said. "Already we can see that Qatar Airways Cargo is making a substantial investment in the air cargo business in its own right, and the partnership with Cargolux will be the perfect fit."

Steiger foresees the development of a secondary hub at the Doha hub of Qatar Airways, through which traffic for Africa and the Indian subcontinent could be fed. "In turn, Qatar Airways Cargo would be able to feed North and Latin American traffic into Cargolux's Luxembourg hub," he said.

Even the fleet mix between the two companies is harmonious. Qatar Airways Cargo acquired two B777 freighters last year, which it used to initiate first-time service to Chicago via Amsterdam. A third B777F is set for delivery this year, and three more B777Fs are on order. "This will be a perfect fit between the two carriers, because there is almost 100 percent interchange ability between the B747F fleet operated by Cargolux and the B777F," Steiger said.

Qatar Airways chief executive Akbar Al Baker has in recent weeks stated that the carrier is looking to convert as many as 15 of its passenger Airbus A330s into freighters as the airline starts to take delivery of a new B787 fleet. With a total fleet of 30 A330s at its disposal, the conversion rate could climb even higher if there is market demand, he says.

Cargolux has made no secret of the fact that it has been looking for a strategic partner to whom it can dispose between 35 percent to 49 percent of the company's shares. This

*(Continued on page 8)*

## Cargoitalia cancels Atlanta route, slashes Shanghai offering

**W**eaker-than-expected demand has forced Cargoitalia to suspend additional services from its Milan hub to Shanghai and Hong Kong. Cargoitalia also dropped its service to Hartsfield-Jackson Atlanta International Airport, introduced as an extension of the established Milan-Chicago route, after only three months.

The carrier commenced services to Atlanta in February with an inaugural flight loaded with designer leather goods, fashion merchandise and a black Ferrari. When Cargoitalia committed to twice-weekly services to the city, Atlanta Mayor Kasim Reed anticipated the new routings would help propel the city's cargo offerings.

"These direct flights give Atlanta and the entire southeastern United States increased access to markets in Europe, the Middle East and Asia," Reed said at the time. "As we continue to expand Hartsfield-Jackson's cargo operations, this most recent addition is vital to growing our logistical network."

The Italian carrier was scheduling an extra flight to each Asian destination for summer 2011, but managing director, operations, Giacomo Manzon said it has reverted to three flights a week and two, respectively.

Echoing other European carriers, Manzon said traffic has been especially disappointing out of Shanghai. He added that Chinese carriers are providing stronger competition.

"The recent increase in fuel costs has prompted us to think about the philosophy of our MD-11 operation," Manzon said. "It is not the best available equipment, and using it on an intensive network, if you're not strongly supported, becomes expensive."

"The MD-11s were a temporary tool to fulfil our needs quickly in our launch phase, and we thought

we would get four or five years' life out of them," he continued. "We must now think about bringing in new fleet sooner."

Leases on Cargoitalia's three MD-11s expire in 2013 and 2014. Terms of an MoU with Airbus were renegotiated in April, and Cargoitalia will decide by the end of this year whether to go ahead with an order for five A330s.



*Manzon*

"The game is open. It depends on cost and timing," Manzon said. "The aircraft is a good option for us under certain conditions, but we're open for discussions with Boeing about 777s. Those would have a fuel advantage; it's no secret. But our experience of the Italian market suggests 100-tonne capacity could be too big, and we would lose flexibility. The A330 may be better suited to the southern Europe niche market. Either way will be a huge advantage over the MD-11."

Italy's mid-sized industrial manufacturers have generated good exports in the last few months. But with China "not performing well" and India becoming a less attractive option as capacity has entered the market, Manzon concluded that "it's better not to be too bullish." **ACW**

(Continued from page 7)

includes the 33.7 percent stake originally held by Swissair, which languished in a Zurich bank vault for many years, before being bought back through nominal Luxembourg shareholders in 2009.

The deal with Qatar Airways could not have come at a more momentous time for Cargolux. Its latest financial results show it climbing out of a straight run of three years in the red. The company posted a \$59.8 million profit in 2010, compared with a \$153.3 million loss in 2009; it boosted 2010 revenue by 29.3 percent and carried 683,380 tonnes of cargo.

Latest events have also almost eclipsed the fact that the carrier is about to take delivery of the first of 13 747-8 freighters, which will progressively replace its ex-



Al Baker

isting fleet of 14 747-400 freighters. It has been a long wait for the launch customer of the B747-8F project, who was expecting delivery of its first aircraft some two years ago. "Any time soon will be soon enough for us to take delivery of our first B747-8F," said one Cargolux insider.

Robert Van de Weg, senior vice president, sales and marketing, at Cargolux, is more philosophical about the delay. "Yes, we are ready and waiting for the B747-8F, and we already plan to put the first two aircraft into service on our Asian routes to Hong Kong and Shanghai," he said. "The increased 140-tonne payload offered by this aircraft will be very welcome on these routes."

According to the Cargolux number-crunchers, the B747-8F will provide positions for four additional main-deck pallets and three lower-deck pallets, which translates into 16 percent additional volume and 20 additional tonnes of revenue cargo capacity. "We should also be able to achieve a 17 percent improvement in fuel efficiency," said Van de Weg. "Also, this aircraft is 30 percent quieter than the B747-400F it will be replacing, so that should keep the neighbors happy."

As launch customer, Cargolux is reported to have worked closely with Boeing on the final specifications and fit of the new freighter, but it appears remarkably coy about its actual contribution. "We were most definitely involved with Boeing in this final process, but we cannot disclose any details," said Van de Weg.

Even ahead of the arrival of the B747-8F analysts have been posing the question of Cargolux having to diversify away from a single-fleet operation because of the mix of denser and lighter routes it will otherwise have to operate with the larger-capacity B747-8F freighter.

Cue the arrival of a white knight from the Arabian Gulf. **ACW**

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## ABC to develop more trans-Pacific routings

**A**irBridgeCargo Airlines' (ABC) launch of a Chicago flight at the end of April made the Volga-Dnepr Group subsidiary the first all-cargo carrier to offer regular services between Russia and the U.S.

The thrice-weekly service operates on a trans-Atlantic routing via Amsterdam, but Tatyana Arslanova, executive president of ABC, told the press at the Air Cargo Europe conference in Munich that the carrier would develop the concept further, increasing frequency and operating trans-Pacific for the first time following delivery of two B747-8 aircraft later this year. "We will close the gap and connect China to the U.S.," Arslanova revealed.

Currently, ABC supplements inbound traffic from Chicago by cross-loading in Amsterdam for onward destinations in Central Asia and China. The flight continues to ABC's Moscow hub, from where it can serve the domestic Russian market.

Four B747-400ERFs joined the ABC fleet last year, allowing Paris, Malmö, Zhengzhou and Seoul to be added to the list of destinations, to-

gether with Yekaterinburg, Russia. Despite this rapid capacity growth, load factor had reached 73 percent, Arslanova said. The carrier increased its volume by 61 percent to 240,000 tonnes, and revenue was 82 percent higher.

Volga-Dnepr Group now operates out of two hubs in Moscow, after opening a hub at Domodedovo airport in mid-2010. But a new cargo complex is also being built at Sheremetyevo. ABC, now the biggest international cargo carrier there, is one of four partners in this project.

Although growth was slower in the larger charter division, Volga-Dnepr Group nevertheless recorded a 27 percent revenue increase to \$1.59 billion in 2010. Ten AN-124s and three IL-76s provide charter capacity, together with increasing use of ABC's aircraft in what the group calls its "cargo supermarket" concept.

Dennis Gliznouts, group commercial director, charters, said two more IL-76s would supplement the charter fleet soon. Volga-Dnepr is sub-chartering smaller AN-12s, AN-24s and

AN-74s to serve the Russian market, but Gliznouts said that if this sector developed well, the group could take on its own capacity and even introduce scheduled domestic services.

With the international heavy freight market set to increase at 10 percent to 12 percent a year, Volga-Dnepr is investing \$400 million over the next six years to upgrade its workhorse AN-124-100s. New avionics and engines will extend the life of the current fleet, and payload will increase from 120 tonnes to 150 tonnes.

For the longer term, production of the AN-124 is to resume in the form of an all-new model, the -300, after Volga-Dnepr ordered 20 of the aircraft. **ACW**

*For more news from the Air Cargo Europe conference in Munich, turn to page 22*

## In the news ...

**SkyTeam Cargo** formally welcomed Aeroflot as the ninth member of the alliance at Air Cargo Europe. The carrier, a member of SkyTeam's passenger alliance since 2006, saw a 23 percent increase in cargo uplift last year to 163,000 tonnes. Oleg Korolev, head of Aeroflot Cargo, explained that only 60,000 tonnes of this was carried on its three MD-11 freighters, which serve Shanghai, Beijing, Hong Kong, Tokyo and Seoul from Moscow and Frankfurt Hahn. The financial crisis had led to a postponement of Aeroflot's freighter fleet development plans, Korolev said, but the higher-yielding traffic was, in any case, suited to bellyhold. With freight-friendly passenger B777s coming back onto the carrier's roster from 2012, he suggested the role of freighters could further diminish. Michael Wisbrun, who leaves KLM Cargo to take up a new role as managing director of SkyTeam on June 1, said China Eastern and China Airlines would be the next two carriers to join the expanding cargo alliance...

**Iberia** launched a freighter service between Madrid and Brussels June 1 with the aim of shipping perishables from South America to northern Europe with no break in the cool chain. The B737

service will operate three times a week initially...

**FedEx** opened freight forwarding operations in Le Havre, France; Barcelona; Bratislava, Slovakia; Istanbul and Delhi. **ACW**



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## Etihad Airways reports record first quarter

**E**tihad Airways has revealed first-quarter numbers worthy of the record book: Cargo profitability increased by 44 percent year-over-year on a capacity growth of 22 percent. March freight numbers were particularly high, in terms of revenues, number of shipments and tonnage transported.

Revenues were up 21.2 percent in early 2011, reaching \$770 million. Etihad officials hope these high numbers will help them achieve their goal of breaking even in 2011 and profiting in 2012.

Etihad Airways attributes much of the success in early 2011 to high volumes of passenger and cargo traffic. Combined with a 5.9 percent decrease in costs per available seat kilometer, this 21.2 percent increase translated to positive EBITDAR (earnings before interest, tax, depreciation, amortization and rentals) from January to March.

Etihad Airways CEO James Hogan believes these numbers speak volumes about his company's business model.

"These results were achieved despite significant challenges in our operating environment," he said in a statement. "This quarter saw unrest in a number of Middle East countries, which has clearly resulted in lower traffic into those markets. The earthquake in Japan in early March has also had an impact. Our ability to respond to these situations is a reflection of the growing maturity and underlying strength of the business."

Although Hogan admitted that fuel prices will present challenges in 2011, he remained optimistic about the state of his company.

"We look forward to continued development, delivering our mandate of offering the world's best products and services, profitably, as we support the growth of our home, Abu Dhabi," he said. **ACW**



*RJ Cargo, which had been operating out of Brussels, recently returned to its original European hub at Maastricht Aachen Airport in the Netherlands*

## RJ Cargo returns to original European base

**R**oyal Jordanian Cargo (RJ Cargo) has returned home. This month, the cargo carrier began offering five weekly flights from Queen Alia Airport in Amman, Jordan, to Maastricht Aachen Airport (MST) in the Netherlands. The carrier originally had used MST as its European hub for 15 years before moving to Brussels Airport in 2007.

"This is not only a commercial success, but it is like welcoming family home," said Val Karren, the airport's cargo development manager.

The flights will be completed using A310 freighters. Early tonnage expectations put RJ Cargo's annual activity at 9,000 tonnes to 12,000 tonnes. During harvest season in the Middle East, a large portion of the tonnage will consist of perishable goods, Karren said. He also expects to see transit cargo from ports in the Benelux and Germany.

The decision by Royal Jordanian is only a boost to what has already been a successful year for the airport. MST saw a 10 percent increase in cargo during the first three months of 2011, a continuation of the 12 percent growth experienced during 2010. In March, the more than 25 million kilos of total volume flown into the airport set a new monthly record. AirBridge-Cargo added a fifth frequency in February, and Turkish Airlines Cargo is now operating an A330F at the airport.

"The return of RJ Cargo will help the airport sustain a double-digit growth rate for 2011 and 2012 in tonnes of air cargo handled," Karren said, adding that this extra activity will help justify the addition of a new cargo-handling facility.

When RJ Cargo left MST in 2007 for the somewhat greener pastures — at that time, Karren said, Brussels dealt with more cargo carriers, leading to alliances and interline agree-

ments that MST couldn't provide — it still stayed in touch with operations in the Netherlands. From time to time, RJ Cargo would operate charter flights to its former European base.

"The airport and the airline were both sad to part, but it was a prudent move at the time," Karren said.

As time passed, RJ Cargo's commercial needs shifted as the airport started offering more services to additional cargo carriers. Since RJ Cargo didn't make the move to Brussels in 2007 due to "lack of service and flexibility" at MST, Karren said, the carrier was happy to make the airport its base of European operations once again.

"RJ now sees a chance to gain back the quality and attention that MST always gave them, benefit from the expanded activity base at this airport and save a bit of money as MST is somewhat less



expensive than flying to mainport destinations," Karren said.

RJ Cargo and its parent company are also looking forward to some growth. Last year, Royal Jordanian reported a 14 percent year-over-year increase in revenue from 2009. Year-over-year cargo growth was 29 percent.

In an April meeting of Royal Jordanian's general assembly, shareholders increased borrowing to 250 percent of capital from its then-current mark of 150 percent. This increased the flow

of funds will help Royal Jordanian add 11 Boeing 747s, which, according to a company press release, will start being delivered in 2014.

The carrier has already started adding new planes to its fleet this year, welcoming a new A320 in May. The plane is the first of seven new Airbus aircraft Royal Jordanian is expecting to be delivered this year and in 2012. After Royal Jordanian receives all of the planes, it will hold 13 A320s in its fleet. **ACW**

## Oman Air Cargo launches Pan-GCC trucking routes

Oman Air Cargo has introduced its Pan-GCC custom-bonded trucking services, which link Muscat to Salalah and other Gulf Cooperation Council (GCC) nations. Never before in Oman's history have companies had access to airport-to-airport freight connectivity via a scheduled trucking route. The service officially commenced June 1.

Able Logistics Group (Oman) LLC

will perform the service and provide airport-to-airport connectivity to a number of domestic and international destinations. Oman Air Cargo will transport freight from its Muscat and Salalah hubs to all the GCC nations, including the United Arab Emirates' Dubai, Sharjah and Abu Dhabi airports; Saudi Arabia's King Fahd Abdul Aziz Ad-Dammam, King Khalid Riyadh and King Abdul Aziz

Jeddah airports; Kuwait International Airport; Bahrain International Airport; and Doha International Airport in Qatar.

Oman Air Chief Commercial Officer Abdulrazaq Alraisi said he believes the new service will create numerous business opportunities for Middle Eastern nations. "We are confident that the local importers and exporters will welcome our road-

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**“We are sure that this new service will complement and supplement our narrow-bodied aircraft flying within the Gulf.”**

**— Abdulrazaq Alraisi, Oman Air**

feeder product and turn this into their advantage to grow their businesses,” he said in a statement. “The road-feeder services will be offered as scheduled services while keeping open the option of ad-hoc requests.”

Alraisi also anticipates that the trucking route will add value to his company’s airfreight services.

“We are sure that this new service



will complement and supplement our narrow-bodied aircraft flying within the Gulf,” he said.

Like Alraisi, Able Logistics Chairman Mohammed Noor Mohammed points to the myriad benefits of this new service. He’s also confident that his company will be able to expedite the transportation process for customers.

“[Our] business philosophy has always been to provide its customers with reliable, efficient and cost-effective transportation services by eliminating costly delays, by reducing transit times and, above all, maintaining product integrity by delivering its customers’ cargoes safely to their final destination,” he said. **ACW**

## In the news....

In an effort to establish a greater presence in the Gulf, **Qatar Airways Cargo** has opened a dedicated airfreight route to Kuwait City. Flights are conducted on an Airbus A300 freighter. The carrier will utilize the new route to transport goods ranging from pharmaceuticals and perishables to clothing, food items and equipment for oil and petroleum businesses. Previously, Qatar Airways Cargo’s services to the Gulf were limited to Riyadh, Saudi Arabia; Dubai and Bahrain. Qatar Airways CEO Akbar Al Baker believes that this new route will fortify the airline’s airfreight business in the Gulf. “Adding Kuwait to our cargo network adds further momentum to our surge in trading in our neighboring Gulf countries,” he said in a statement. “Kuwait imports a lot of manufacturing goods. Based on our prime geographic position, we can offer fast services from across South Asia, Africa, Europe, North and South America, and Asia-Pacific.” Qatar Airways also recently opened dedicated cargo routes to Bengaluru and Kozhikode, India, and Hanoi, Vietnam. The addition of Kuwait City to its network brings the total number of cities served by Qatar Airways to 30... **Etihad Airways** has signed a memorandum of understanding with Abu

Dhabi Tawteen Council (ADTC). The MoU outlines how ADTC will endorse aviation careers on their database and educate prospective employees about Etihad’s Emiratisation program and its employment standards. Etihad Airways CEO James Hogan believes the MoU will benefit both parties. “I am delighted to partner up with ADTC, a leading organization focused on achieving full sustainable employment and development of the UAE national workforce,” he said in a statement. “As the national airline of the UAE, it is our duty and our privilege to provide the very best career opportunities within our airline through our Emiratisation program. This partnership will allow us to expand our reach to UAE nationals across the country so that we may bring their unique experiences and understanding of the region to Etihad.”... **Gulf Technics** has signed a five-year agreement to provide supply-chain and repair support to Bahrain-based **Gulf Air**. According to a press release, “the partnership will combine parts supply, component repair, distribution, information technology and logistics capabilities to help Gulf Air cost-effectively and safely operate its Airbus fleet.” The carrier’s fleet includes 14 A320s, 10 A330s and four A340s... The first quarter of

2011 was rather prolific for **Turkish Cargo** — the carrier reported a 34.1 percent jump in total freight tonne-kilometers from 2010. This is 23.5 percent higher than Association of European Airlines averages. Total airfreight volume for Turkish Cargo grew by 17.4 percent in the first quarter of 2011. International and domestic traffic accounted for 89 percent and 11 percent of this growth, respectively. Turkish Cargo officials said Frankfurt, Germany; Maastricht, Netherlands; New York; Hong Kong; Shanghai and Tel Aviv were among the most popular international destinations. The airline also launched new routes to Guangzhou, China; Los Angeles; Toulouse, France; Shiraz, Iran; Valencia and Malaga, Spain; and Arbil, Iraq, during the first three months of 2011. Additionally, 10 new aircraft joined the Turkish Cargo fleet during this period. Turkish Cargo officials anticipate the airfreight growth trend to continue throughout 2011, thanks to the addition of new routes and the procurement of another A330-200F freighter and 11 new passenger planes. In fact, Basra, Iraq, recently joined the ranks of Turkish Cargo destinations. Beginning May 11, the carrier started operating freight service to Basra through four weekly passenger flights. **ACW**



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AIR CARGO

## Air China expands, continues merger with Cathay

**A**ir China has been busy recently, working to expand its services while at the same time strengthening its bond with Cathay Pacific Airways.

Air China's cargo division has started operation as a joint-venture cargo carrier with Cathay Pacific Airways. Cathay Pacific holds 25 percent of the shares and a 24 percent economic interest in the cargo business.

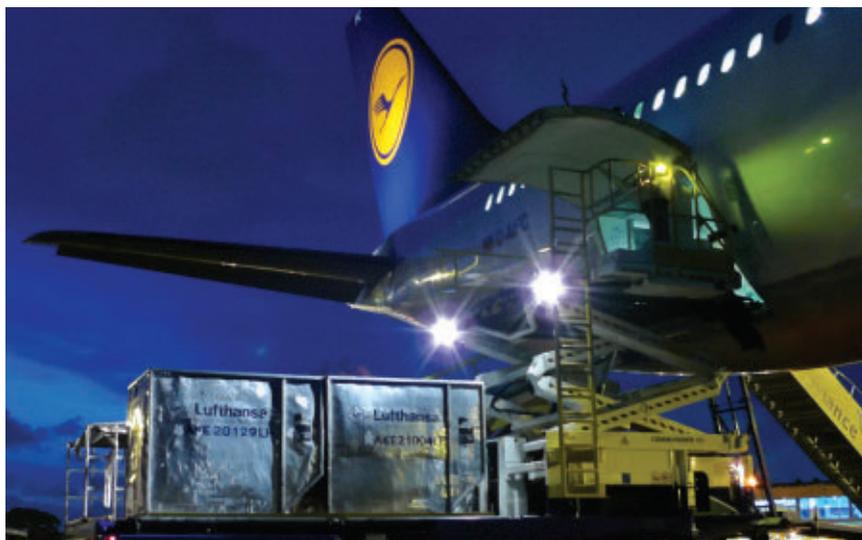
Three Cathay Pacific executives and four executives from Air China make up the board of directors. According to a press release issued by Air China, the combined carriers will soon operate a fleet of 12 Boeing 747-400 freighters.

On May 15, Air China launched a new route to Athens using Airbus A330 aircraft. The service, which takes off from Beijing and has a stopover in Munich, is offered twice a week. In an effort to increase freight traffic to Chengdu, China, the Asian carrier has launched a Milan-Chengdu-Shanghai cargo route. Air China Cargo will operate the route semi-weekly utilizing Boeing 747-400 freighters.

"Chengdu will also dock 42 international cargo routes from Shanghai, making Chengdu accessible to the world and making the world accessible to Chengdu," Air China Cargo said in a statement. The carrier is confident that this accessibility will make the capital of the Sichuan province a global hotspot for airfreight.

Air China Cargo's maiden voyage from Chengdu to Shanghai was flown on April 21. With the addition of Chengdu to its shipping route, the carrier can quickly transport cargo from Europe to Southwest China, and Air China Cargo can also move airfreight from Chengdu to its hub in Shanghai, enabling it to reach international markets.

Air China also recently signed a strategic agreement with China Telecom, which will allow the two companies to cooperate in product development, IT, air-ground communications, marketing and customer service. **ACW**



*Lufthansa runs an MD-11F once a week from Frankfurt to Bangladesh. The added capacity reflects the area's rise in the textile sector*

## Fashionable freight generating activity in Cambodia, Bangladesh

**A**irfreight capacity in Dhaka took a quantum leap forward in April, when Lufthansa Cargo added the city to its freighter network. The German carrier runs an MD-11F once a week between the capital of Bangladesh and its hub in Frankfurt, with stops in Mumbai and Delhi on the eastbound and westbound sectors, respectively.

Dhaka's first scheduled intercontinental freighter connection reflects the rise of textile exports from the Asian country.

"Bangladesh has assumed growing importance as a production base for the international fashion industry," declared Carsten Hernig, regional director for South Asia and the Middle East at Lufthansa Cargo.

DHL Global Forwarding also took steps recently to strengthen its po-

sition in Bangladesh's garment exports. Having formed a joint-venture company with a local partner last year, the logistics firm recently established a "fashion and apparel center of excellence" in Dhaka to capitalize on this segment, which is worth an estimated \$3.9 million a year in South Asia.

Textile exporters from Cambodia watched the arrival of Lufthansa's freighter with some envy. The country is the latest economy in the region to assume a growing role in global garment supply chains. Last year, textile and garment exports rose just more than 20 percent.

In part, this has been fueled by Cambodia's Least Developed Country status, which translates into reduced tariffs for exports to the U.S. and countries in the European Union. According to logistics giant Agility,

60 percent of Cambodia's textile exports go to the U.S., and 30 percent are destined for Europe.

Agility pushed into Cambodia last year with the opening of an office in Phnom Penh. The office provides airfreight and ocean cargo forwarding as well as customs clearance, warehousing and local distribution.

"We think Cambodia has a big opportunity to improve its infrastructure before ASEAN (Association of Southeast Asian Nations) becomes a single trading bloc in 2015. We know there are many foreign investors waiting to establish manufacturing facilities in the country, which has been stable for many years," said Mike Gildea, Agility's CEO for Southeast Asia.

In February, DHL Global Forwarding opened a fashion center in Phnom Penh, underscoring Cambodia's rise as a textile exporter. Like its counterparts in other garment-producing countries in Asia, the setup is intended to implement best practices and customize solutions to help customers in fashion and apparel better manage the product flow further upstream in their supply chain.

TNT, which registered double-digit growth in Cambodia last year, is bullish on future growth, which is going to be driven by multiple sectors as fresh capital flows into the country.

"We have seen a lot of foreign investors who held back in 2009 and 2010 return and establish their businesses this year. Diversification of the economy beyond the garment industry is slowly taking place. Industries like mining, oil and gas, and telecommunications offer lots of new and sustainable opportunities," commented Sjaak de Klein, TNT country manager for Cambodia.

Moving these growing export volumes to international markets is a different matter. Scant uplift is frustrating logistics providers looking for connections to markets in North America and Europe. Shippers and forwarders have been clamoring for air cargo capacity, but so far to little avail.

"Airfreight is restricted by the limited number of airlines operating in and out of Cambodia and the limited cargo-hold space available. Despite the introduction of new flights, such as Air France's new Paris-Phnom Penh connection, airfreight flow is still congested, causing delays in transit times," Gildea said.

In the absence of adequate lift, logistics providers routinely truck their cargo to international gateways in Southeast Asia, first and foremost to Bangkok and Ho Chi Minh City. For TNT, Bangkok is the chief gateway for Cambodian traffic. "Transport-

**We know there are many foreign investors waiting to establish manufacturing facilities in [Cambodia], which has been stable for many years."**

**— Mike Gildea, Agility**

ing goods via our Asia Road Network is 30 percent cheaper than air and three times faster than by sea," de Klein remarked.

The escalating border dispute between Thailand and Cambodia has caused worries about stability in Cambodia in the near future, but so far, this unrest has had no discernible impact of airfreight flows moving by truck between Phnom Penh and Bangkok.

"Business operates as usual for us. We have not encountered any issues with road transport through the Thai-Cambodian border. Until now, the border has not been closed, and both import and export shipments continue to cross the border," de Klein declared.

It is not only the lack of lift that is hampering logistics activities. According to Agility, the costs of local transportation, Customs clearance, handling and warehousing are very high due to insufficient capacity in Cambodia. Upgrading cargo facilities at the airport would not only improve service levels but also stimulate further growth, management reckoned.

"There is a need to upgrade the infrastructure in order to attract more foreign investment in the country — particularly in the manufacturing sector," Gildea said. **ACW**



*Bangkok is TNT's chief gateway for Cambodian traffic. Goods from the country are transported via the company's Asia Road Network*

## In the news...

In April, **Hong Kong Air Cargo Terminals Limited** (HACTL) experienced a 9.3 percent year-over-year decrease in tonnage handled. Through the first four months of the year, HACTL had seen 876,136 tonnes handled, which is a 1.1 percent year-over-year decrease. Export and import volumes both decreased in April, showing an 11.6 percent drop and a 6.4 percent drop, respectively. Import growth

from Japan dropped off completely in April, as the tsunami resulted in a 28.1 percent year-over-year decrease. Nearly every statistic HACTL reports — year-over-year growth, both monthly and cumulatively, for export, import and transshipment — showed decreases ranging from 1 percent to 11 percent, except for transshipment. The cumulative year-over-year transshipment number showed a 7.6 percent growth. During the CNS Partnership Conference in Phoenix, Lilian Chan, HACTL's executive director, pointed to growth in the interior of China as contributing to the transshipment figure. Due to the increase in Chinese manufacturing in new areas around the country, 45 new airports are expected to be built in the region during the next 5 years. HACTL's sluggish first quarter may turn around soon, however. At the conference, James Woodrow of Cathay Pacific pointed to a rise in the Chinese middle class as a population sector that will drive airfreight growth... In order to better handle an

expanding volume of postal traffic, **China Post** has contracted with **China Southern Airlines** to take on a large portion of the mail business. In turn, China Southern has enlisted **Sodexi**, the express handling branch of Air France Cargo, to help with mail scanning. Sodexi is based at Paris CDG in a computer-controlled, custom-built warehouse. According to a Sodexi press release, bags of mail will be flown from China to Paris daily. Once at CDG, mail will be distributed via the Skyteam network. Sodexi is a member of Skyteam. A China Southern spokesman said this will streamline the process of scanning and delivering mail... **Korean Air** has ordered five A330-200s from Airbus, expanding its on-order A330s to seven. Korean currently owns 23 A330s. "Korean Air's latest order underscores the ongoing success of the A330 with leading airlines worldwide," Airbus' COO, customers, John Leahy, said in a statement. "Combining the highest levels of reliability, outstanding medium- and long-range capabilities and the lowest operating costs in its class, the A330 is proving time and time again that it is the most efficient aircraft in service today in the mid-size widebody category." .. **Singapore Changi Airport** revealed that airfreight increased by 5.6 percent in March, reaching 166,100 tonnes. This achievement makes March Changi's busiest month since 2008. Aircraft movements also increased in March, rising 13 percent. Airport executives attribute much of this

growth to low-cost carriers... The **New Zealand Commerce Commission** has dropped all charges against **Garuda Indonesia** in its connection with the price-fixing scandal. Twelve other airlines continue to fight accusations of inflicting fuel surcharges on airfreight shipped in and out of New Zealand. Along with Garuda Indonesia, six Air New Zealand executives were cleared of these charges. The New Zealand Commerce Commission originally accused eight airline executives for their connection to the airfreight cartel in addition to the individual airlines. At the time the charges were dropped, Commission General Counsel of Enforcement Mary-Anne Borrowdale said that acquitting Garuda Indonesia would help her organization narrow their focus before the trial. "Discontinuing against these parties is part of the Commission's overall strategy to streamline and focus the case on those airlines with large turnover in New Zealand markets," she said in a statement... Lufthansa subsidiary **time:matters**,

which moves time-critical spare parts, engines, urgent documents, samples or sensitive specimens, has opened a second Asian office in Shanghai. The company's only previous Asia location was Singapore, which was established three years

ago. Bianca Ruprecht, head of sales steering and communications, said the intention was not to start serving the domestic Chinese market, but to provide additional support for international companies needing to shift goods at short notice into China and to help local firms with their urgent export requirements. "You've got to be where your customers are. It strengthens your reliability," she said. time:matters achieved record revenues in 2010 as a result of emergencies caused by the volcanic ash cloud and severe winter weather in Europe. During the eruption in Iceland, which closed Europe's skies to conventional air traffic, the company even found a private pilot who was able to fly his small aircraft below normal altitude to rush life-saving stem cells from Ireland to a hospital in north Germany. "The concept of emergency cover has changed since the ash cloud," Ruprecht said. "Companies are pre-planning for these unforeseen events, for example with more local inventory, but we are also there as part of their back-up solution. Our main growth has been in our tailor-made, customized solutions." **ACW**



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## Atlas begins military passenger service

**T**he U.S. Department of Defense has cleared Atlas Air Worldwide Holdings to begin providing passenger charter service for the U.S. military. The service, which represents a significant expansion for the long-time military airfreight carrier, commenced last month.

Atlas Air Worldwide President and CEO William J. Flynn is particularly excited about the new endeavor.

"Our entry into passenger service for the U.S. military leverages the experience of our long-standing service in AMC cargo operations, our knowledge of the areas of operation and our success in providing premium, private-charter, passenger [classified military information] operations for SonAir," he said in a statement. "These created a low-risk, low-cost entry opportunity for us."

Passenger service will be provided for the Defense Department's Air Mobility Command on a Boeing 747-400 jet obtained under an operating lease.

Flynn believes this new capacity will help Atlas Air mitigate any declines in airfreight demand. He's also confident that his company will be able to meet the varying needs of military personnel.

"As a large percentage of flying is entitlement-driven, we will size our fleet and operations to meet anticipated demand," Flynn remarked. "Since approximately 95 percent of U.S. troops move via commercial air carriers, there should be a good level of sustained passenger demand."

"We foresee meaningful earnings growth from AMC passenger operations in 2012 and beyond," he added. **ACW**



*In response to recent events, the Federal Aviation Administration has begun retooling its air traffic control operations*

## FAA performs complete air traffic control overhaul

**A**s part of its air traffic control overhaul, the Federal Aviation Administration (FAA) has made some key changes to its management structure. By appointing three industry veterans to oversee critical air traffic control operations, the FAA hopes to avoid potentially embarrassing and dangerous incidents like the ones that have recently made headlines.

The FAA has tasked Chris Metts with directing all of its en-route and oceanic operations and Walt Cochran with overseeing terminal operations. More specifically, Cochran will manage all of the FAA's airport towers and terminal radar approach control facilities, or TRACONS. Finally, Glen Martin, who previously served as the deputy air traffic manager at Chicago Center, will assume the role of air traffic manager at the Cleveland Air

Route Traffic Control Center.

The FAA is also currently touring air traffic facilities around the nation to promote professionalism and high standards of conduct. An agency spokesman said key mid-level management roles are being re-evaluated to ensure expectations are being fulfilled.

FAA Administrator Randy Babbitt hopes these three strategic appointments will thwart future incidents and help air traffic control facilities uphold the highest standards of conduct. "I am confident our top-to-bottom review is making our air traffic system even safer," he said.

The FAA has also proposed a new training program for flight crews. By ensuring pilots and crewmembers receive adequate "real-world" training, the FAA hopes to improve outcomes in emergency situations. For air traffic controllers, this means undergoing

advanced training and demonstrating their skills in today's fast-paced, high-stress environment.

U.S. Transportation Secretary Ray LaHood wholeheartedly endorses the new proposal. "The United States has the world's safest aviation system, but we are continually seeking ways to make it even safer," he said in a statement. "This proposal will make U.S. pilots and other crewmembers even better equipped to handle any emergency they may encounter."

Unfortunately, there have been numerous emergency situations lately. So far, the FAA has suspended nine air traffic controllers and supervisors for various aviation-related incidents. One incident, in particular, garnered headlines nationwide: On April 18, the FAA suspended an air traffic controller at a regional radar center in Oberlin, Ohio, for watching a DVD while on duty.

Authorities became alerted to the incident after three minutes of audio from 2007's "Cleaner" was transmitted to all of the aircraft the controller was responsible for monitoring. What's more, a microphone glitch prevented the controller from deciphering radio calls or instructing pilots during the incident.

This case came on the heels of five incidents in which controllers fell asleep while on duty. The FAA is also looking into a case in which two Lubbock, Texas, controllers neglected to transfer control of a departing plane to the Fort Worth Air Route Traffic Control Center.

Cracking down on air traffic control incidents is the FAA's aim, Babbitt says. "None of us in this business can ... tolerate any of this," he said in statement. "It absolutely has to stop."

To prevent future incidents, the organization has also announced that

controllers will now have at least nine hours off between shifts, up from eight. Controllers are also prohibited from switching to an unscheduled midnight shift after a day off.

LaHood believes these new regulations will reduce the number of adverse events. "We expect controllers to come to work rested and ready to work and take personal responsibility for safety in the control towers. We have zero tolerance for sleeping on the job," he said in statement. "Safety is our top priority, and we will continue to make whatever changes are necessary."

Babbitt concurs. "Research shows us that giving people the chance for even an additional one hour of rest during critical periods in a schedule can improve work performance and reduce the potential for fatigue," he remarked. "Taking advantage of the time you have to rest is also a profes-

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sional responsibility.”

In possibly related news, a Boeing 737 carrying Michelle Obama had to abort its landing on April 18 after coming within three miles of a C-17 military freighter. According to an official FAA statement, controllers at Andrews Air Force Base instructed the first lady's plane to perform a “go around” to rectify the situation.

The FAA mandates at least a five-

mile distance between two planes when the leading aircraft is the size of a military freighter. Any length less than this could result in severe wake turbulence for the trailing plane, possibly damaging it, according to the FAA.

Why the plane carrying the first lady got too close to the military freighter is unknown; however, investigators are looking into whether an oversight at the Potomac TRACON

regional radar facility in Virginia and the Andrews tower in Maryland is to blame. If so, this could mean additional penalties for air traffic controllers.

Although LaHood maintains that the first lady was never in danger, he calls the incident “serious.” “We will get to the bottom of what happened and how it happened and, obviously, make sure it doesn't happen again,” he said at the time. **ACW**

## Board issues labor complaint against Boeing

**T**he National Labor Relations Board (NLRB) has issued a complaint against Boeing for allegedly violating two sections of the National Labor Relations Act in its decision to open a new production facility in Charleston, S.C., rather than the Puget Sound area of Washington.

Officials from the International Association of Machinists and Aerospace Workers (IAM) originally alerted the NLRB of the violations, but the board took more than a year to issue a formal complaint. The IAM is seeking to block the development of a Boeing plant in South Carolina. The complaint alleges that Boeing would transfer a second production line to this non-union facility, depriving employees in Seattle of work.

In 2007, Boeing announced a production schedule of seven 787 Dreamliners a month, all of which were to be built in Washington. Boeing then decided to build a second as-

sembly plant in South Carolina that would produce three planes a month. Construction is nearly complete; assembly of the first airplane is scheduled for July. The IAM wants to force Boeing to keep full production of the planes in the Puget Sound region.

The complaint alleges that Boeing built the Charleston plant to retaliate against workers who had organized strikes in the past. According to an NLRB release, Boeing executives “cited the unionized employees' past strike activity and the possibility of strikes occurring sometime in the future as the overriding factors in deciding to locate the second line in the non-union facility.”

“A worker's right to strike is a fundamental right guaranteed by the National Labor Relations Act,” Lafe Solo-



mon, acting general council of the NLRB, said in a statement. “We also recognize the rights of employers to make business decisions based on their economic interests, but they must do

so within the law.”

Prior to construction of the South Carolina facility, the IAM and Boeing held talks about the location of the new plant, but were unable to reach a mutually beneficial agreement.

“Boeing has every right under both federal law and its collective bargaining agreement to build additional U.S. production capacity outside of the Puget Sound region,” Boeing's J. Michael Lutting said in a statement. “This claim is legally frivolous.”

The NLRB will now conduct a full investigation. An initial hearing is set for June 14. **ACW**

## In the news...

**UPS** announced an extremely promising first quarter of 2011, with 24 percent higher earnings than 2010 averages. The company also saw improvements in international exports, citing a 7.2 percent increase in daily capacity. Another area of growth for UPS was international revenue. With 7.3 percent higher numbers than the previous year, UPS global operating profits saw a 21 percent jump, reaching \$1.4 billion... The first quarter of 2011 brought mixed results for **Delta Air Lines**: Although the carrier's net loss was \$318 million, cargo revenue increased by 42 percent, or \$74 mil-

lion. Total operating revenue for the first quarter of 2011 was \$7.7 billion, a 13 percent jump from 2010... **Honeywell** has agreed to maintain air traffic security systems for the Federal Aviation Administration for the next five years. The \$38 million contract calls for maintenance on video surveillance, access control equipment and intrusion detection at 1,000 air traffic systems branches... The Mexican carrier **Interjet** has conducted the first biofuel flight in the country, operating an Airbus A320 with a 30 percent biofuel blend developed from the local jatropha plant... In an address to

the National Chamber Foundation Annual Aviation Summit at the U.S. Chamber of Commerce, **Air Transport Association of America** President and CEO Nicholas E. Calio called on the Department of Transportation, Congress and the aviation sector to enact policies that will strengthen the industry. “We already have years of good work and a solid blueprint. We now need a focused and coordinated commitment from everyone involved to turn multiple commission recommendations into real policy with a measurable timeline of accomplishments,” Calio told the crowd. **ACW**

## Former DOJ exec 'not surprised' by latest price-fixing charges

The United States District Court in Chicago has charged two former Air France executives with conspiracy to fix prices and coordinate surcharges on airfreight shipments to and from the United States.

Marc Boudier, former executive vice president of Air France's cargo division, and Jean Charles Foucault, former vice president of sales and marketing of the airline's cargo division, were charged with violating the Sherman Act. The maximum sentence is 10 years in jail and a \$1 million fine.

Boudier and Foucault are formally charged with fixing airfreight prices from at least August 2004 until February 2006. The Chicago jury also accused the former Air France executives of plotting with other airfreight carriers to stifle competition and of refusing to pay clients commissions on airfreight surcharges.

One person who isn't surprised by these new allegations is Mark Rosman. As the former assistant chief of national criminal enforcement of the U.S. Department of Justice's (DOJ) Antitrust Division, Rosman headed up the DOJ's initial investigation into price-fixing in early 2006. His take on the situation?

"These executives can choose to submit to U.S. jurisdiction and fight the charges or remain international fugitives trying to avoid arrest and extradition under an Interpol Red Notice," Rosman said. "It's up to them."

Although similar price-fixing investigations are being conducted in Brazil, Australia and New Zealand, Rosman said the U.S. charges are unique in that they bring prison sentences. "What makes the U.S. hard is the criminal sanctions," he said. "The DOJ believes that sending an executive to jail is the best way to deter other executives from price-fixing and harming U.S. consumers."

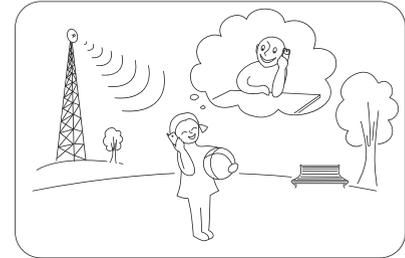
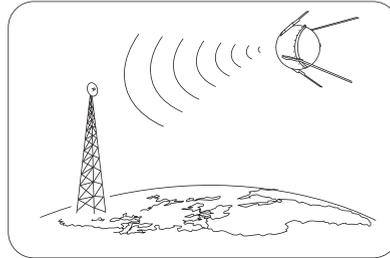
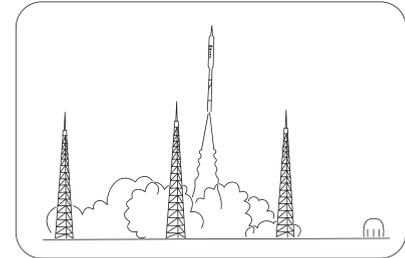
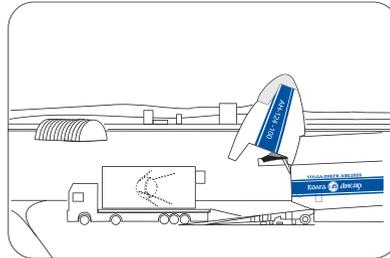
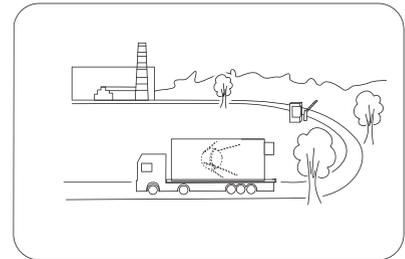
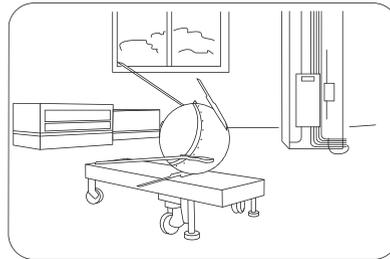
Rosman also hopes that such repercussions will discourage antitrust

activity. "I think the investigation serves as a cautionary tale about the importance of having compliance programs in place," he said.

The DOJ has indicted 21 airlines and 21 executives with price-fixing. Four airline officials are currently

serving prison sentences, and the remaining executives continue to fight these allegations.

Rosman said more indictments may be on the horizon. "It wouldn't surprise me if the DOJ brought another case or two," he said. **ACW**



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## AIR CARGO EUROPE



## Geodis puts more energy in leisure

**F**orwarder Geodis Wilson has identified an unusual ninth customer sector on which it is now focusing its efforts, alongside the standard industry "verticals" such as automotive and high-tech.

Hotels and luxury resorts now have their own status, uniquely among the company's major global competitors, Martin Svanteson, director of vertical markets for Geodis Wilson, said during the Air Cargo Europe conference.

"It's competence we already had and is project- or construction-driven, but also covers replenishables," he commented.

"There are 12 premium brands in this market. They all have the same momentum and are developing in new parts of the world. Things have got to be ready on time when you open a new resort, but they have all suffered supply-chain problems," he continued.

A 40 percent increase in airfreight business last year — 205,000 tonnes — took Geodis Wilson above its pre-recession level. The company is set for a further 15 percent growth this year.

The company benchmarks its performance against eight leading competitors. Philippe Gilbert, the company's divisional director, said an aggressive strategy to attract new customers, as well as good retention of existing clients, was keeping Geodis Wilson ahead of the general market. He acknowledged, however, that despite good intra-Asia, Asia-Europe and Europe-U.S. traffic, trans-Pacific was still a weak sector.

"We have 17 U.S. offices and have been investing \$3 million a year in developing greenfield sites. We will ramp that up, and we're aiming for 25 offices in three years' time," Gilbert said. "That could be organic growth or by acquisition, though we have been looking unsuccessfully for that. It would have to be somebody with strong volumes — not a distress purchase."

Gilbert identified other target markets in which Geodis Wilson wants to grow its share as China, India, Vietnam, Indonesia, South Africa and Colombia. **ACW**



*Growth at Amsterdam Schiphol Airport has slowed to 3 percent so far in 2011, but the imbalance of volumes to and from China is swinging back in Schiphol's favor*

## China shake-up could benefit Schiphol

**V**olume growth at Amsterdam Schiphol Airport has slowed to 3 percent in the early months of 2011. Enno Osinga, the airport's senior vice president, cargo, admitted during the Air Cargo Europe conference that the rate is "not spectacular." However, eastbound exports are running strong, and he estimated that the imbalance in volumes to and from China has closed to 85:100, compared with 55:100 at the height of China's export boom.

Osinga said during the conference that he was hopeful for a positive impact after China Eastern absorbs all-cargo carrier Great Wall Airlines into its China Cargo Airlines subsidiary, which happened June 1. Great Wall has used Amsterdam as its European hub, operating 10 B747-400 freighters per week there. Osinga said the parent airline had been "positioning more people in the Netherlands."

The "SkyTeam effect" had already seen China Southern increasing its volumes through Schiphol. China Eastern joins the cargo alliance soon, but Osinga said some of the traffic being carried by SkyTeam partners

would have been part of home carrier Air France-KLM's historic share.

Unusually for a western European airport, Schiphol is both close to its main city and has land available for future growth. The 60-acre Schiphol Logistics Park will be used for airfreight.

A nearby multimodal facility already under development, Amsterdam Connecting Trade, will see a rail cargo loading station built. This will tap into an existing high-speed line from Amsterdam to Paris.

"FedEx is interested in this for its parcel traffic and will use rail to replace one night flight," Osinga said.

He envisioned dedicated freight trains at the facility, though he admitted that cargo carriages attached to passenger trains are also an appealing idea.

"The issue is loading speed," he said. "General cargo would have to be reloaded into different containers as the train would not be able to carry airfreight containers, but flowers could be a potential business stream. In this case, you could connect to passenger trains during the day."

An inland water terminal is also planned. **ACW**



## Flying Finns boost American Airlines

American Airlines' (AA) new daily services from Chicago to Helsinki and from New York to Budapest follow a passenger-driven decision to reduce Frankfurt capacity. Two daily B777s were reduced to a single 767 on the German route.

Tristan Koch, managing director of European cargo sales, pointed out that although cargo is responsible for only 4 percent of AA's global revenue and 12 percent of international services, it can make all the difference between profit and loss on given routes. This gives the cargo team a degree of influence in network decisions, and he is happy with how the Helsinki service, operated by B767-300 planes, has started.

Flights are full in both directions — so much so westbound, Koch said,

that alternative arrangements may have to be made for some transshipment cargo to accommodate more direct traffic.

"We're the only scheduled carrier on the route, and there is good demand for South as well as North America," Koch said. New daily 777 services from Dallas Fort Worth and from JFK to Rio de Janeiro, introduced last December, have reinforced AA's Latin American network.

As more of a piecemeal market made up of small, ad-hoc shipments, Koch described Budapest as a "more challenging" trade lane than Helsinki.

"Frankfurt, London and Paris will stay as our main European hubs," he



Koch

confirmed. "We still have a presence in the German market and are taking measures to support our customers."

Regulatory, as well as logistical, discussions are underway to pave the way for closer integration between British Airways, Iberia and American. Koch said

the carriers had already reorganized their schedules from the passenger point of view, so that there was virtually an hourly shuttle between London Heathrow and JFK.

"Cargo needs longer," he said. "Network-wise, it's not a neat fit, but work is going on behind the scenes to look at integration of handling facilities, for example." **ACW**

## CEVA creates Supply Chain Solutions

CEVA Logistics claims it will be able to save major clients between 5 percent and 15 percent of their logistics spend through the creation of a new division, Supply Chain Solutions, combined with the launch of End to End, a standardized process for global supply-chain management.

CEVA's Stefan Brunner explained during Air Cargo Europe the apparent contradiction of both simplifying and personalizing its service.

Supply Chain Solutions had a base of specialists in fast-moving consumer goods from CEVA's contract logistics side. These employees were combined with personnel who helped devise global material management solutions for specific customers in the automotive and industrial sectors.

These teams have been combined under a single management structure and will work to a core set of End to End principles. The new team will deliver value during the inbound logistics process and through the more efficient movement of finished goods,

Brunner explained. Leading customers, such as General Motors, are already said to be reaping the benefits.

CEVA began with a strong air-freight heritage when it was formed out of EGL and TNT Logistics. "But we were left with too many service offerings and pricing structures," Brunner said. "That was why we wanted to standardize with End to End; we only want to customize 20 percent of our solutions."

Through Supply Chain Solutions, Brunner said CEVA would offer a standardized solution, but with the flexibility to change routing at the last moment when the standard process was disrupted. This flexibility would allow CEVA to respond to natural disasters more efficiently.

New business wins worth €528 million (\$753 million) in the first quarter propelled CEVA to a 13.3 percent increase in year-over-year revenue at €1.69 billion (\$2.4 billion).

The company has low debts, and Brunner hinted at potential for a future IPO. **ACW**

### Lufthansa-United alliance edges closer

Lufthansa Cargo is "two to three months away" from forming a cargo alliance with United Airlines, according to Karl Ulrich Garnadt, chairman and CEO of the German carrier. Garnadt said consultations were underway to set the groundwork, but technical interfaces and interlining issues were more complex than on the passenger side.

The earlier WOW Cargo Alliance among the cargo divisions of Lufthansa, Singapore Airlines and SAS achieved little compared with the rival SkyTeam, but the landscape has changed, not least with the growth of the Lufthansa group. Garnadt said synergies had been possible with SwissWorldCargo, even though it operated as an independent company within the group, and with Austrian Airlines, which is effectively a joint-venture partner.

These synergies had included joint sourcing, handling, office co-location and, in some cases, sales. Garnadt suggested more would be possible by aligning with United following its merger with Continental Airlines. Other potential partners had also expressed interest, he said. **ACW**



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# Middle East airfreight market poised for success



**F**or decades, the Middle East has been marked by political unrest and wars. With much of the region currently entrenched in conflict, the Gulf has certainly received its fair share of negative publicity.

Even with the current instability, regional carriers remain confident that the market is poised for exponential growth in the coming years. In fact, Peter Scholten, Saudi Airlines Cargo's vice president, commercial, projects that the Middle Eastern airfreight market will continue to grow at a rate of 5 percent to 10 percent per year.

"In five to 10 years, the Middle East hubs and its cargo carriers will have a significant market share of the world's trade lanes such as Asia-Africa, Asia-Europe and Asia-Middle East," he says.

Boeing also predicts that the Middle East will emerge as a dominant airfreight hub, forecasting that the region will require approximately 2,340 airplanes valued at \$390 billion by 2029. "Middle East airlines have consistently led the rest of the world in traffic growth over the past two years, and there is every indication that this trend will continue into the foresee-

able future," Boeing's Randy Tinseth remarked in a presentation in Dubai.

The company anticipates that Middle Eastern carriers will expand the size of their fleets at a quicker rate than the rest of the world.

"This is a sure indicator that airlines in the region are planning for growth, while also modernizing their fleets to improve operating efficiencies," Tinseth said in a statement. "Their well-coordinated growth and investment plans are already delivering results. Gulf airlines currently have an estimated widebody order backlog of almost 140,000 seats, which is significantly higher than most other regions in the world."

With carriers such as Emirates Airlines and Etihad Airways posting double-digit gains in revenue in the first quarter of 2011, the Middle Eastern airfreight market is hotter than ever. Although rapidly escalating fuel prices have cut into profit margins, regional airlines are making up for these losses by transporting more cargo and passengers.

Like Scholten, Safi Airways COO/Accountable Manager Michael John McTighe also anticipates increased market share in the region.

"The Middle East, and especially

**"Big infrastructures may sound great, but new processes will need to be put in place to ensure that speed, flexibility and service are not impaired by growth."**

**— Rory Black, Gulf Air**

the United Arab Emirates (UAE), has become a powerhouse in regards to freight [operations]," McTighe maintains. "The number of both conventional scheduled passenger aircraft carriers and scheduled and charter freight airlines make the region one of the most successful hubs in the world."

McTighe says that since Al Maktoum International Airport opened in 2010, this has become even more pronounced. Currently utilized for cargo operations only — passenger flights are expected to commence later this year — Al Maktoum Interna-

tional Airport is projected to handle 12 million tonnes of freight a year by 2013. This will distinguish the Jebel Ali, Dubai-based airport as the busiest cargo airport in the world. And with 16 distinct cargo terminals, capacity will not be a hindrance to success.

### Growth in Abu Dhabi

Although Al Maktoum International Airport has put Dubai on the map as a major airfreight hub, it's arguably another UAE city that's receiving the most hype. As the second largest city in the Emirates, Abu Dhabi is renowned worldwide for its vast economic growth and myriad business opportunities. And if the Abu Dhabi Urban Planning Council (UPC) has anything to do with it, the bustling city will continue to evolve as an economic epicenter in the coming decades.

**"As demand for cargo in one area declines, at the same time we're seeing cargo demand in other business segments is on the up."**

**— James Hogan, Etihad Airways**

Spelled out in the UPC's Abu Dhabi 2030 Urban Structure Framework Plan are ways to modernize the city's infrastructure. To James Hogan, CEO of Etihad Airways, the airfreight implications for such an initiative are numerous.

"Investment being seen in Abu Dhabi to support the 2030 Plan, of which Etihad Airways is a key contributor, provides not only substantial capacity opportunities, but also substantial growth in direct trade to and from the Emirates itself as new projects are developed and in turn imple-

mented," Hogan says. "This enhances the opportunities both for outbound and inbound cargo being developed to support infrastructure growth."

He's also confident that Abu Dhabi will emerge as an airfreight hub within the next decade. "Geographical positioning allows us to connect traditional producer and consumer markets, as well as develop new trade lanes on all points of the compass," Hogan maintains. He says the 2030 Plan also improves airfreight opportunities intended for the Emirates' industrial and commercial expansion.

Rory Black, senior manager of cargo at Gulf Air, concurs. "It is clear that with the infrastructure investment done and going forward in the region, the Middle East is positioning itself to be a major international airfreight hub," he says. After all, he maintains, Gulf carriers have a unique advantage over their international counterparts: geography. Flanked by the East and the West, Middle Eastern countries can serve as a trade liaison between Europe and Asia.

Nevertheless, Black encourages Middle Eastern carriers to not rest on those laurels alone. "As service providers, we [need to] remain focused on customer service and generate added value to the freight forwarders, integrators and other players in the industry," he says. "Big infrastructures may sound great, but new processes will need to be put in place to ensure that speed, flexibility and service are not impaired by growth."

### Political challenges and military operations

Despite all of the economic growth and modernization in the Middle East, regional carriers have had to contend with their share of challenges — namely, political protests and military operations. With protests in Tunisia spreading to Jordan, Yemen and Bahrain, the Middle East has been a hotbed of political unrest.

The current conflict in Libya has also affected the Persian Gulf, considering only Egypt — a nation weath-



ering its own political challenges — separates the regions. In addition to reduced tourism, Middle Eastern carriers have had to deal with another byproduct of the unrest: staggering oil prices.

Another challenge? Dealing with the reduction of troops in Iraq and Afghanistan. Although this arguably signals progress from a peacekeeping perspective, with such a decline comes diminishing rates of inbound and outbound airfreight.

Still, Hogan says that Middle Eastern carriers have been able to offset this loss by focusing on other means of revenue.

"As demand for cargo in one area declines, at the same time we're seeing that cargo demand in other business segments is on [an upswing]," he says. He adds that his company will continue to serve the war-torn region, despite the reduction of foreign troops. "Etihad will support cargo development opportunities in both Afghanistan and Iraq through our weekly cargo operations," Hogan says.

For Sylvester Henry, vice president of cargo at Safi Airways, the reduction of troops actually signifies new opportunities for Middle Eastern cargo carriers.

"With the troops leaving behind, in theory, a stable environment, and the obvious demise of military freight movements, one would hope to see a boom in commercial activities — construction, manufacturing, etc.," he says. "So what is lost on one side is gained on another." **ACW**

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*Conversion in progress at an AEI facility*



# Aviation renovation

## Conversions on the rise, but potential regulations cloud the picture

# W

hen a Southwest B737 en route to California developed a gaping hole in the roof of the plane in April, it set off a chain reaction that reverberated throughout the air cargo industry. Boeing and the Federal Aviation Administration (FAA) immediately set out to determine a new scheduled maintenance plans for the B737 in regard to flight cycles; whatever the new regulations for classics are, they will have wide-reaching effects for the conversion market as a whole.

The market for passenger-to-freighter work is evolving. After a sluggish few years due to the economic downturn, new hotspots are emerging in China and Latin America, just as finicky financiers are making a push toward younger aircraft. And while increased oversight born from the Southwest incident will be more costly for passenger operators, the new guidelines are a double-edged sword for the conversion market.

A new inspection regime might put more cost on passenger carriers that could make the planes too expensive to keep past a certain point.

“My prediction is that it’s going to greatly help the conversion customer by providing a lower-cost asset,” says Robert Convey of Aeronautical Engineers (AEI). “The leasing companies that own the classics are not going to be able to get that last lease cycle out of it.” AEI currently offers five conversion programs, ranging from the B737-200 to Boeing’s MD-80.

Increased scrutiny will come not just by governing bodies; investors will start to look harder at the structure of the classics before investing in conversions. This, in turn, will lead to questions about the health of all middle-aged aircraft, says Brian McCarthy of Precision Conversions.

“The door is closed much smaller, and it used to be wide open for financing. Now it’s closing, and it’s only allowing in a certain type of aircraft and a certain aircraft age,” he says.

For a freighter conversion, companies look for passenger craft “that’s not too new, and not too old,” McCarthy says. For him, this usually means 15 or 20 years of service time, but cycles are much more important than physical year. As an example, he juxtaposed a plane built in 1987 that has 24,000 cycles with a craft built in 1994 that has been flown for 36,000

cycles. The plane from '87, he says, is going to be the better investment. Even so, the people with the money still focus on service time.

"People are going to be willing to finance airplanes, but they're going to want to finance younger airplanes, so they just guarantee that they're going to get a good useful life out of their investment," he says. "The cycle accumulation is really going to be the new focus because of this Southwest Airlines thing."

Any problems with financing or regulatory oversight don't mean that conversions are any less popular. In fact, according to Boeing's Tom Hoang, passenger-to-freighter work is on the rise. This may simply be the market continuing to dig itself out of the recession, but Hoang sees a renewed interest after what, he says, has been "a two- to three-year hiatus."

"When times are good, [conversions] are in demand because aircraft are accessible; a bigger base of airlines in the industry can access what we call less expensive, older aircraft for conversion and can rapidly put these into place," Hoang says.

According to Hoang, Boeing has already had a number of conversations about work for clients, which is a refreshing change of pace from just nine months ago. The company runs programs for 747-400s, 767-300s and MD-11s. It also licenses conversions with outside firms for 737-300s, 757-200s and the MD-80.

Precision Conversions, which offers a B757-200 product, is currently finishing work on a conversion for SF Express in China. The company is also completing DHL freighter for Australia-based Tasman Cargo Airlines.

The Tasman job is the sixth plane Precision has converted for DHL, which, he says, is in the middle of a fleet update. DHL is replacing the 727s it operates in Panama, and the

737s it operates in India have been upgraded to 757s. Precision built a 757 for Tasman because of the Australian government's noise ban.

"[DHL is] developing a fleet standard of high-payload, high-gross airplanes that are much newer aircraft than what they have historically been flying," McCarthy says.

At AEI, Convey announced in January that the company will convert

*(Continued on page 32)*

## DHL places large conversion order

Dresden, Germany-based EADS Elbe Flugzeugwerke (EADS EF) recently announced that it will convert 13 Airbus A300-600 planes, which were previously used as passenger aircraft in Japan, for DHL Express. The craft, which were built between 1991 and 1994, will be converted to freighters starting this month. According to EADS EF's Wolfgang Schmid, the company will convert three to four planes by the end of the year.

These planes will replace DHL Express' A300B4-200 planes, which will be retired when all the conversions are delivered by early 2013. Schmid says the agreement is the company's largest firm order and could possibly set a precedent of working on even more conversions for DHL, which already operates 14 converted A300s.

"They may do more, but I don't know yet," he says.

The aftermath of the Japanese earthquake and tsunami made this deal a little more complicated than usual, Schmid says. Due to the meltdown at Fukushima Daiichi power plant, the craft had to be checked for radiation. In the end, the planes were cleared for sale.

"There was nothing, so all the excitement was for nothing," Schmid says of the radiation questions. "But you never know; you have to ask those questions up front and not be surprised at the end."

According to a DHL press release, the new planes allow the company to transport five more tonnes on each trip. Each flight can also span 900 more kilometers, while burning 20 percent less fuel.

"The A300-600 is a very attractive mid-range aircraft and the perfect fit for our European air network," Bryan Jamison, DHL's managing director, network operations, Europe, said in a statement. "By introducing this aircraft now, we can ensure continuously high reliability and on-time performance for the years to come, while we are also able to take a big leap ahead toward our goal of reducing our carbon emissions by 30 percent by 2020."

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(Continued from page 30)

11 737-400s this year for Russian carriers. The company's newest and most promising activity, however, is the MD-80 conversion program. AEI workers have completed the design and manufacturing phases, and are now entering the subcomponent assembly phase. Company executives had been watching the MD-80 for a while due to the sheer number of craft in the industry. The hope is that they will be flying the converted freighter sometime in August.

Convey justifies breaking into the MD-80 market by comparing the plane to an A320 and the B737-400. Convey maintains that all three planes essentially move the same tonnage the same distance, with the A320 able to carry more freight a bit farther.

"The A320 will do well on very, very long routes with high utiliza-



*A freighter completed by Precision Conversions*

tion. But most narrowbody operators don't operate that way. If you're flying that far, you're going to fly a 757 or a 767. You're going to get more payload, more volume," he says. "That's how our operator customers analyze the equation."

Customers can analyze all they

want, but it all comes back to money. And right now, financing is a struggle.

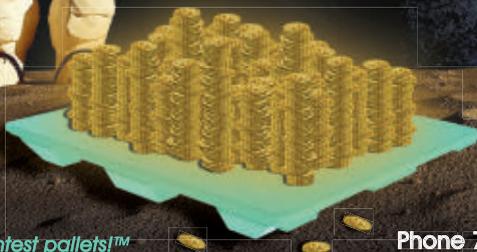
"It's taking longer to do the same thing that it did a year and a half ago, year ago," Convey says.

"It takes a lot longer to get everybody comfortable and get the dollars flowing through." **ACW**

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# Third-party logistics on the rise in China

**C**hina has established a reputation in the last 20 years as the world's workshop. Its unprecedented economic growth has generated colossal outbound flows for major global air- and sea-freight forwarders.

Traffic in the reverse direction was at first limited to those few raw materials China lacked, but has since accelerated as the country's labor costs have risen. Chinese garment producers may now source fabrics from elsewhere in the region; likewise, sub-components from cheaper countries now feed Chinese computer and mo-

bile phone manufacturers.

While upstream, inbound-to-manufacture logistics is still growing fast, Victor Mok, CEO North Asia for DHL Supply Chain, says there's a new element of downstream distribution of finished goods to a population of 1.3 billion with a growing disposable income. The Chinese public are out shopping for the same cars, fashions and electronic must-haves as their counterparts in North America and Europe.

This has opened a domestic contract logistics market that barely existed even five years ago, says Jens

Drewes, managing director of Kuehne + Nagel China. "Companies that came to us for exports are now migrating toward national distribution," he says. "They may have started small with local operators and limited inventory, but now need to expand."

Foreign retailers and brands are expanding across China faster than anyone expected. Inland cities that Westerners are barely aware of, such as Wuhan and Changsha, are each home to 6 million people — and they're wealthier than ever before. H&M, Zara and Gap have moved in, says Kevin Lam, director of key ac-



China

**“You can’t just come in at Shanghai and cover the whole country. It is important to build local cooperation and understanding.”**

**— Didier Chenneveau,  
Ceva Logistics**

counts for fashion and retail at Hong Kong-based Kerry Logistics. Client retailers are either sourcing domestically within China or are consolidating their imports in East-Coast gateway cities.

The cost of managing the supply chain within China is higher than in the West, as there are still inefficiencies in what remains a highly fragmented market, says Didier Chenneveau, president of the Asia-Pacific region for Ceva Logistics. Third-party logistics providers (3PLs) that have moved into domestic distribution on the back of a strong global

seafreight and airfreight presence can add value by providing a complete end-to-end service, he believes.

“Multinational companies have been outsourcing their logistics for quite a while, but we’re going to see more local firms using 3PLs. Top-end Chinese companies such as Huawei have a global outlook, but below that level, it’s growing more sophisticated very fast. Some markets are hard to get into, but that is changing as localized management who speak the language and know the culture move in,” Chenneveau says.

“You need people on the ground to

work with the authorities,” he continues. “You can’t just come in at Shanghai and cover the whole country. It is important to build local cooperation and understanding.”

On-the-ground knowledge is vital, Lam agrees. While the central government may issue one policy covering the entire country, local jurisdictions have their own interpretations of Customs inspections, document requirements, quarantine procedures and so on. Different procedures for handling imported goods apply in Shanghai, Beijing and Shenzhen. Efforts to harmonize this are underway, but there’s



## Trucking networks expand in China

still a long way to go. As an example, Lam points to bonded warehouses, which have at least eight different classifications.

Kerry Logistics manages 130 facilities in 55 cities across China, serving a total of 2,800 towns and cities with a fleet of 8,000 trucks. The company owns and operates 10 large logistics centers, mostly located in bonded industrial parks or near major ports. As the market develops, the company will expand its direct presence in second-tier cities, and a wider range of facilities, including high-end warehousing, will be required. Lam says a trend toward long-term contracts of five years or more makes it more practicable to customize an operation to a single customer. Regardless of this, many facilities act as multi-user consolidation points for exports as well as handling domestic shipments.

Kerry is focusing on the electronics, high-tech and pharmaceutical sectors at its new 200,000-square-foot facility, which is already full. A second 400,000-square-foot phase will be completed in the third quarter of 2012, enabling regional delivery throughout east China, including Shanghai, Nanjing and Hefei province.

The company has also opened a logistics center in Chongqing and plans 10 to 15 more facilities in central and western China as China's Go West development policy gains momentum. The policy's aim is to establish lower-cost manufacturing centers fur-

*(Continued on page 38)*

**C**hinese manufacturers and retailers are increasingly sourcing within the country's borders and intra-regionally. This new outlook on business is prompting the development of southeast Asian trucking services.

The Kerry Asia Road Transport (KART) network, which was set up two years ago, connects a main hub in Thailand with Singapore, Malaysia, Laos, Cambodia, Vietnam and China. Scheduled inter-city deliveries and a groupage service are offered. Kevin Lam, Kerry Logistics' director of key accounts for fashion and retail, believes KART could extend to Kazakhstan and Russia in the future.

KART's Chinese hubs are in Kunming and Shenzhen. Reaching China by sea from Thailand can take 10 to 12 days,

thanks to slow Customs clearance. Lam says a single declaration covering overland transportation within southeast Asia can reduce journey time to three or four days.

A similar cross-border road freight solution offered by Ceva Logistics, which previously linked Singapore, Malaysia, Thailand and Vietnam, was extended to China in February. Didier Chenneveau, president of the Asia-Pacific region, says Ceva's expertise in each country has enabled it to successfully navigate the different Customs and border requirements.

However, international trucks will not go beyond the Chinese gateway of Guangzhou, Chenneveau explains, because they would be uncompetitive with seafreight. **ncw**



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(Continued from page 36)

ther inland and reduce pressure on the overdeveloped coastal provinces. Labor costs are lower inland than in eastern and southern China, and Lam says there are also tax incentives to migrate.

The policy has seen cities such as Chongqing, Chengdu and Wuhan establish themselves in the automotive and aerospace industries. Chongqing is also ramping up its production of electronic goods and could soon be turning out 100 million notebook computers a year for domestic consumption and export. Acer, Hewlett-Packard and Foxconn are among the manufacturers investing in the city, followed by the hundreds of ancillary suppliers that need to base themselves locally to maintain parts flow.

Kunshan City, which is close to Shanghai and the industrial base of Suzhou, has attracted significant inward investment from manufacturers of electronics, precision machinery, fine chemicals, digital products, software, semiconductors and communications equipment.

Most of Kuehne + Nagel's 40 facilities in China are on or near the coast, but the company is beginning to fol-



the next five years.

K+N is following the Go West trend, opening in nine cities this year as part of a strategy to double the contribution of its China operations by 2014. Typical of international logistics service providers, K+N is "asset light" in both its warehousing and road

low client industries into the interior. Jens Drewes says the westward migration presents logistical challenges for cities such as Chongqing, however. Rail transport needs to be improved, while transit times limit the scope for shipping fast-moving goods on the Yangtze river.

Airfreight capacity is also lacking, but Chongqing airport is being redeveloped as a hub to match Shanghai and Beijing. Drewes says many more inland airports are also being upgraded. According to Lilian Chan, executive director of Hong Kong Air Cargo Terminals Ltd., 45 new airports are slated to be built in the region during



transport operations in China, and the company currently contracts its road distribution to five or six major provincial trucking companies.

"But we now see an additional opportunity to build our own groupage network, making scheduled collections and deliveries on a hub-and-spoke basis. We have started already between Shanghai and Tianjin, and within the two cities," Drewes says. "We will connect 10 cities by the end of this year, then we will keep adding until we have a network from Dalian in the north to Guangzhou in the south and Chengdu in the west."

This in-house network could help K+N penetrate the retail and fast-moving consumer goods sectors, where its work mainly consists of export consolidations. Healthcare and chemical logistics is also high on the radar. For reasons Drewes says are mainly historical, most dangerous goods transportation is still in local hands. But larger international manufacturers like Henkel Adhesive Technologies are looking beyond this for



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the added value that leading global 3PLs can bring them.

Henkel last year appointed K+N — which was already managing its warehousing in Malaysia, Canada and France — to streamline its supply chain in China. K+N merged several existing facilities into one shared distribution center with a designated area for temperature-sensitive and dangerous goods. The company is managing goods in and returns handling; performing quality inspection, storage and pick-and-pack; and shipping full pallets, boxes and sales units. Value-added services include re-packing and re-labeling.

In a similar process, John Deere last year centralized after-sales service for its agricultural equipment, appointing K+N to manage a national parts distribution center in Tianjin, where the company is responsible for around 10,000 SKUs and 170,000 units. Previously, John Deere factories in Tianjin, Jiamusi and Ningbo, each producing a different range of machines, offered separate after-sales services.

DHL Supply Chain operates five main distribution centers in Beijing, Guangzhou, Shanghai, Tianjin and Wuhan, which feed into the company's domestic transportation network and serve mainly the fashion retail, life sciences, healthcare and spare parts logistics sectors. Victor Mok says 29 distribution centers — each supplying tier-one, tier-two and some tier-three cities in a radius of 200 to 300 miles via local haulers — look after fashion distribution alone. As China's manufacturing base shifts inland, he sees in-country distribution becoming ever more important.

While local distributors are always prepared to undercut multinationals on price, Mok says that “reliability, predictability and, above all, safety are critical when customers are look-



ing for a warehousing or trucking solution.” He added that the government has, in the past two years, begun to look more critically at food safety.

DHL picked up significant business in the infant nutrition market after

high-profile health scares concerning contaminated product. The company doesn't directly monitor shipment contents but adds value through accurate labeling, safe packing, and track-and-trace, Mok says.

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years ago following the merger of EGL and TNT Logistics, has built on TNT's long history in the China market. The company operates independently in most vertical sectors and is the market leader in automotives through a joint venture, Anji-Ceva.

Ceva currently operates from 90 distribution facilities in China, and like its competitors, Ceva is heading west. It needs "more penetration" to achieve a target of doubling its €1 billion business in the country during the next three years, admits Didier Chenneveau; but with 9 percent GDP growth expected for the next two or three years, he has no fears of an economic slowdown.

Chenneveau's main concern is people development against a background of salary inflation. "We are looking for young graduates to put through our management training system, but attracting and retain-



ing talent is a challenge," he says. "People jump to other companies for a few extra dollars."

Despite China's loss of its historic labor-cost advantage, Chenneveau does not foresee manufacturers exiting the country any time

soon. "You need a lot of support industries when you build a DVD line. Cambodia is not positioned to provide that. Vietnam is getting there, and companies have opened up big factories," he says. "But things are on a different scale here." **ACW**

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**Panther Expedited Services, Inc.** helps customers better manage their supply chains with a full range of time-critical shipping solutions. Five years ago, the Cleveland, Ohio-based provider diversified from 100 percent ground expedited. "Today, about two thirds of our business is ground expedited and one third is global forwarding. Many of our customers require our Elite Services, which includes special handling for hazardous, temperature controlled and high-value goods," says Andrew Clarke, CEO of Panther.

Whether ground, air or ocean, Panther provides an array of logis-

tics solutions including transportation, inventory and warehouse management. "Customers are looking for premium solutions to optimize their supply chains so that everything doesn't have to go NFO or expedited," Clarke says.

Panther relies on a network of exclusive owner-operators with over 1,100 tractor trailers, straight trucks and cargo vans for expedited ground, as well as an outside global network of more than 1,500 carriers which allow it to provide multimodal services. Panther makes it all look effortless to its many shipper and forwarder customers with a

proprietary optimization engine that provides the best buy-up, buy-down shipping options in seconds. "If a customer has a shipment, we have the capability and flexibility to make it happen. We truly provide an on-line integrated forwarding solution," Clarke says.

Services provided by Panther are a sure thing in a tough market. Clarke notes the entire transportation industry faces considerable challenges. In ground, in addition to the high cost of entry and fuel costs, many over the road truckers are squeezed by new mandates under the Federal Motor Carrier Safety

Administration's (FMCSA) Compliance, Safety, Accountability (CSA) program. "CSA is already here. Individual driver scoring will take some drivers off the road. In addition, hours of service regulations are also tightening capacity, so more shippers are turning to Panther for creative solutions to their most complex problems," Clarke says.



**Sterling Transportation Inc.** of Los Angeles is one of many expedited providers reporting solid gains in business over last year. "The economy is really turning around with transportation now. It's going to be a strong year," says Keith Davis,

founder and CEO of Sterling.

"We remain committed to our primary market between the west coast and Florida for three-day LTL and TL service between Los Angeles and Miami on a nightly

basis and believe we'll see significant growth in that market this year. Last year, the buildup in the Brazilian economy really helped us," Davis says.

"We are also excited about leveraging the Sterling brand to explore ways we can work with new and existing clients, offering complementary services to our core market," adds Bruce

Roberts, president of Sterling.

As an express landbridge between Asia and Central and South America, Sterling aids the logistics strategies of customers including those in high tech, textiles and manufacturing industries. That segment of the U.S. landbridge includes being part of complex intermodal moves in sea-land-air and air-land-air, among many intermodal combinations.

To complement its Los Angeles operations at LAX, Sterling plans to open a downtown facility in third



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quarter of this year to receive cargo destined to MIA for export into Latin America and the Caribbean. "We've also secured transload business to help shippers at our warehouses at LAX and MIA by unloading inbound ocean containers and transferring the cargo into over the road on 53-foot trailers for domestic distribution anywhere in the U.S. or across the border to Mexico," Davis says. Davis adds Sterling's Container Freight Station (CFS) at LAX saw significant growth last year. "We're seeing more new customers from the forwarding community using the facility for our late hours," Davis says, noting many facilities close by 5 p.m. which forces forwarders to miss a day if Customs has not cleared the cargo to be released or moved in transit.

Handling time-critical, small packages and shipments for same-day delivery is the niche of Philadelphia-based **American Expediting Company, Inc.** "With 35 company-owned U.S. locations, we work on a daily basis across the country," says Victor Finnegan, president and CEO of American Expediting. As companies of all sizes seek to consolidate their vendors and demand quality service, the courier has grown its national business.

American Expediting's national call center operates 24/7 and Finnegan says the company has increased staffing. "We have a group of people in our national call center that specialize in handling work all over the country who decide the best option to service the customer," Finnegan says.

Whether four skids have to be delivered across state lines or a cake across town, American Expediting can fulfill the need. The courier customizes its services to fit customer requirements anytime of the day or night and will even take on tasks such as purchasing goods and delivering them desk to desk. It may mean a 2 a.m. pickup and holding the shipment until it can be delivered promptly at 7 a.m., all specified by the customer.

Shippers in other industries as well as forwarders, LTL and TL carriers call on the courier for seamless, rush service. "We know what questions to ask, what information we need, what realistic expectations to set and what communications need to occur to satisfy our many clients," Finnegan says. American Expediting

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taps into a large national equipment network that includes mini and full-sized vans as well as 24-foot straight trucks.

Finnegan says good people make all the difference. The company vets its staff and service partners, which includes 300 U.S. Transportation Security Administration (TSA) approved agents. "In addition, our own staff undergoes background checks and drug testing," he says.

Serving a range of industries from financial and entertainment to life sciences and hazmat, **AirNet Systems, Inc.** handles it all. Insiders know AirNet is only rivaled by FedEx and UPS. The Columbus, Ohio-based all-cargo carrier owns and operates 185 aircraft, including Caravan Super Cargomasters and 35 Learjets, with payloads of 3,500

pounds. "From our key gateways of LA, Chicago and New York, we serve 80 U.S. cities with our own aircraft, reaching over 2,550 markets with over 400 flights each night," says Mark Watson, business development manager at AirNet.

AirNet offers industry-leading tender and recovery times for Next Flight Out service. "Our late night departures allow us to offer quick tender-recovery at 30 minutes or less," Watson says. A package can be

dropped off at New York's Teterboro airport at 11 p.m. or later and arrive at Burbank airport in California for an 8 a.m. or earlier delivery. Or an inbound international shipment, arriving into JFK airport in the evening, can clear customs and transit out of New York on an AirNet flight to its destination.

For door-to-door service, AirNet partners with 1,000 couriers nationwide. "Our couriers are carefully screened according to TSA requirements and vetted to meet the tight deadlines that clients require," Watson says.

This summer, AirNet launches a proprietary technology for real-time identification, location and condition (ILC) package tracking. "ISpy is a device that can be inserted into packages that measures location via



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GPS, and package conditions such as temperature, exposure to light and shock. It's fully customizable and will allow customers to receive email alerts about their shipment," Watson says. ISpy should prove invaluable for precious cargo such as medical specimens or high-value, fragile items.

**Southwest Airlines** recently announced its acquisition of AirTran Airways which provides the carrier with the opportunity to serve several new destinations as it integrates AirTran markets into its existing network of over 70 destinations and 3,400 flights per day. In addition, the carrier announced plans to add 20 new Boeing 737-800 series aircraft to its existing fleet of 545 Boeing 737-700s, 300s, and 500s in early 2012. "These two exciting developments

should provide our valued air cargo customers with many new shipping destinations in the near future," says Wally Devereaux, director of cargo sales and marketing for Dallas-based Southwest

Southwest Airlines is renown for great customer service and has received several prestigious awards in excellence including recognition from Air Cargo World magazine's Air Cargo Excellence (ACE) survey. With some of the shortest drop-off and recovery windows in the industry, Southwest allows forwarders to offer stellar service to time-critical shippers. "In most cases, our cut-off and recovery times are shorter than our competitors at 30 minutes before or after the flight," Devereaux says.

Out of the markets served by Southwest, the majority of cargo

facilities are staffed by Southwest employees. "Our employees have a great reputation and work hard to provide great service to our customers" Devereaux says. Cargo service is determined by the time-critical nature of the shipment: Next Flight Guaranteed (NFG) service provides customers with a 100 percent guarantee to ship on the next available departure. RUSH Priority Freight is a time-definite service providing a 24-hour guarantee from the time of tender, and FREIGHT service is for customers who have a little additional time available.

These guarantees are just one way Southwest Airlines Cargo exemplifies a customer-first priority. As these service providers show, serving the demands of today's time-critical customers is no sweat. **RCW**



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## AIRLINES

**Etiihad Airways** has appointed **Adrian Gane** as managing director for **Amadeus Gulf**. Gane will be responsible for looking after the UAE, Oman and Bahrain markets. He replaces **Geert Boven**, who has been appointed senior vice president, Americas, at Etihad Airways.



GA NE

**Air Wisconsin Airlines Corporation** has promoted **Bob Frisch** to vice president of flight operations, reporting directly to President and CEO **James Rankin**. In his new role, Frisch will assume responsibility for all flight operations as well as in-flight services.

**Swissport** has announced three key changes to its senior management team: **Philipp Joeinig**, who previously served as executive vice president, group services, has assumed responsibility for the newly established Central Europe (Switzerland, Germany and Austria) region; **Erich Bodenmann**, formerly executive vice president of strategic projects, has transitioned to executive vice president of **Swissport Group Services**; and former senior vice president of Switzerland and Germany, **Adrian Melliger**, has been appointed CEO of **Swissport Zurich**, the hub of **Swiss International Air Lines**.

**Charles Cocci** has retired as vice president of global airfreight solutions at **UPS**. **Vito Losurdo** has taken over his position.

## THIRD PARTIES

**Mercury Aviation Services** has named **Donald Basso** vice president. His primary responsibilities will be in operations and sales. Previously, Basso served as a principal cargo security



BASSO

analyst with the **Transportation Security Administration's Air Cargo Group**, where he was instrumental in developing and deploying the Certified Cargo Screening Program.

**TNT Express** has appointed **Job C.W. van Harmelen** as director of corporate communication. A TNT employee since 2004, van Harmelen has headed up TNT N.V.'s group internal communication department since 2008.

**Southern Air Holdings** has named **David Soaper** COO. Soaper joins Southern Air from **Comair**, a **Delta Connection Carrier**, where he held several senior operations management positions over the last 28 years.

**Traxon Europe** has appointed **René Kircil** as its new senior area manager of sales. In addition to being responsible for sales in the Middle Eastern region, Kircil will serve as regional head of sales for the German-speaking and Eastern European markets.

**Trans Global Logistics** has named **Eric Wong** as managing director. The 30-year industry veteran joins the company from **Kerry Logistics Network**, where he served as executive director of international freight forwarding.



WONG

**Maersk Line** has hired **Dean Rodin** as its new managing director for the Caribbean region, which consists of Panama, Costa Rica, Colombia, Venezuela and the Caribbean Islands. Rodin replaces **Peter Gyde**, who was recently appointed managing director of Maersk Line in Brazil.

**UBM Aviation** has appointed **Antonio Carbone** as its new solution sales manager for the Latin American region. With extensive experience in the aviation and travel sectors, Carbone will be responsible for new business growth in

these industries. He will be based out of UBM's Miami office.

**UBM Aviation** has also named **Tony Bayliss** as the product director for **OAG Cargo**. Bayliss previously worked at **British Airways World Cargo**, where he held a number of key roles since 1997. Moreover, **Steven Fayers** has taken on the role of business development director at the company.

The **Federal Aviation Administration** (FAA) has announced key changes to its management team: **Walt Cochran** will now oversee terminal operations, where he will be responsible for all of the agency's airport towers and **TRACONS**; **Chris Metts** will oversee all of the FAA's en route and oceanic operations; and **Glen Martin** will become the air traffic manager at the **Cleveland Air Route Traffic Control Center**.

## ASSOCIATIONS



EVANS



SHAW

**The International Air Cargo Association** (TIACA) has elected four air cargo industry executives to its board of directors. **Oliver Evans**, chief cargo officer of **Swiss International Airlines** and member of the Extended Management Group of Swiss International Air Lines and Group Executive Committee of **Lufthansa Cargo Group**, has been named vice chairman of TIACA. **Neel Shah**, senior vice president and chief cargo officer at **Delta Air Lines**; **Vladimir Zubkov**, vice president of **Volga-Dnepr Group of Companies**; and **Jason Foote**, vice

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# Five Questions with... Mark Newman

As part of its acquisition of the Holland-based logistics provider Wim Bosman Group this spring, New Zealand-based freight forwarder Mainfreight, which already had offices in China, New Zealand, Australia and the U.S., gained entry into a new market. Mark Newman, a veteran of Mainfreight, was named the new CEO of Wim Bosman. Newman recently sat down with *Air Cargo World* to discuss the merger and its implications for airfreight.

**1.** As newly combined companies, how will the separate operations of Wim Bosman and Mainfreight work together in the future?

*Mainfreight has aspirations to become a global supply-chain company. Before the acquisition of Wim Bosman, we had major operations in New Zealand, Australia, Asia and the U.S. The purchase of Wim Bosman gives us an excellent footprint in Europe.*

*Wim Bosman Group brings comprehensive road transport operations in the Netherlands and Belgium, combined with major logistics operations, and air and ocean capability. Further, we have transport and logistics operations in France, Romania, Poland and Russia. The group fits neatly with Mainfreight's existing infrastructure and will greatly enhance our service offering to our existing customer base.*

**2.** How does the acquisition of Wim Bosman fit into Mainfreight's growth plan?

*The Wim Bosman Group acquisition is a major step in completing our worldwide "jigsaw" of capability. Expansion into the wider Asian market and South America will happen over the coming years.*

**3.** How important is airfreight to Wim Bosman Group?

*Air cargo is of significant importance to the Mainfreight Group. In New Zealand, we are the No. 1 ranked International Air Transport Association forwarder with a dominant market share in perishable exports and dry freight. Major air operations also operate between New Zealand, Australia, Asia and the U.S.*

*For Wim Bosman Group, development of the air*



NEWMAN

*and ocean product is of high importance. We wish to significantly expand our air and ocean capability across our existing operations in the Netherlands, Belgium and France, and also grow capacity in our wider European footprint.*

**4.** What do you see as the biggest challenges affecting the airfreight industry today? How will Wim Bosman work to overcome these stumbling blocks?

*In our view, the biggest current challenge to the air cargo industry is capacity. As inventory holdings and safety stocks have decreased over the financial crisis, we are seeing many more urgent consignments moved by air to cover customer demand. In the longer term, this will occur as fossil fuel supplies diminish and world consumers become more concerned with sustainability. We believe that consumers will demand more knowledge about the origin of products and the supply chain they employ, and they will begin to make buying decisions based on these findings.*

*Wim Bosman, along with Mainfreight, will continue to tailor-make logistics solutions for our customers, which employ all modes of transport to meet our individual, customer-specific needs. We will implement options across air, ocean and road transport and increase our use of rail, sea and waterways across our network.*

**5.** What does the next year hold for Wim Bosman?

*We are busy integrating our operations with the wider Mainfreight business and are hunting for growth opportunities. We are doing this both organically with European-sourced business as well as expanding our customer offering with European-orientated sales activity over the rest of the Mainfreight world.*

president of international air and charter operations at **UPS Airlines**, will all lend their expertise to the board.

## MANUFACTURERS

**The Boeing Company** has named **Steve Morrow Insitu** president and CEO. Morrow succeeds CEO **Steve Sliwa**, who retired April 1. He most recently served as director of Boeing's Stand-off Strike unit, leading long-range weapons programs including the **U.S. Navy's** Harpoon and SLAM

ER missiles, the **U.S. Air Force's** Air Launched Cruise Missile, the Next Generation Cruise Missile, and Boeing's portion of the Aegis Ballistic Missile Defense program. He previously held other leadership posts for Boeing weapons systems programs. **ACW**



MORROW

## events

### JUNE 1-2

**Arlington:** The theme of this year's ACI-NA Air Cargo Conference is "Adapting Business to a Changing Cargo Industry." The conference features industry speakers from regulatory agencies in the U.S. and Canada, cargo carriers, forwarders, airports, and cargo experts. These speakers will examine the current air cargo commercial and policy landscape, discuss the business of air cargo, and share strategies to enhance air cargo revenue. Robbie Anderson, president of United Cargo, will serve as the keynote speaker. Visit [www.aci-na.org/2011/air-cargo/welcome.html](http://www.aci-na.org/2011/air-cargo/welcome.html) for details, or contact Aneil Patel at [apatel@aci-na.org](mailto:apatel@aci-na.org).

### JUNE 21-23

**Atlanta:** The eye for transport group will hold its ninth annual 3PL Summit and its second-ever Chief Supply Chain Officer Forum at Atlanta's Hilton Hotel. For information on the 3PL Summit, visit [www.3plsummit.com](http://www.3plsummit.com). To learn more about the Supply Chain Officer Forum, visit [www.CSCOforum.com](http://www.CSCOforum.com).

### SEPTEMBER 26-29

**Shanghai:** The WCA Family of Logistic Networks' Sino-International Freight Forwarders Conference 2011 will be held at the Shanghai Pudong Expo. For more information, visit [www.wcafamily.com/eng/conference\\_event.asp](http://www.wcafamily.com/eng/conference_event.asp).

### OCTOBER 2-4

**Berlin:** The 17th World Route Development Forum will bring together exhibitors, panelists and delegates

throughout the industry at the Messe Berlin exhibition hall. The World Route Development Strategy Summit will be held October 2 and 3. This co-located event will focus on international issues that impact the entire industry before breaking down subjects into route development, air cargo, and travel and tourism panels. Visit [www.routesonline.com](http://www.routesonline.com) for more information.

### OCTOBER 16-21

**Cairo:** The International Federation of Freight Forwarders Association will hold its annual World Congress meetings in October at the JW Marriott Cairo. The conference was to originally be held in September. For more information, visit [www.fiata.com](http://www.fiata.com).

### NOVEMBER 2-4

**Miami:** Aviation leaders developed Air Cargo Americas in 1991 as a forum for aviation executives to exchange views, develop strategies to enhance the growth of the air cargo industry in the Americas and showcase the latest products and technologies. Companies can market their services to manufacturers, exporters, freight forwarders, importers and distributors. Contact Charlotte Gallogly at [info@worldtrade.org](mailto:info@worldtrade.org) or (305) 871-7910 for more information.

### NOVEMBER 19-20

**London:** Project Cargo Network will hold its inaugural summit at the Park Plaza Riverbank Hotel. The two-day conference will include pre-arranged business meetings and a workshop session. For more information, visit [www.projectcargonetwork.com](http://www.projectcargonetwork.com).

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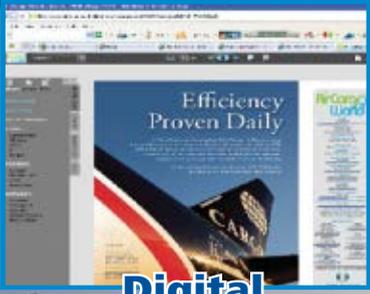
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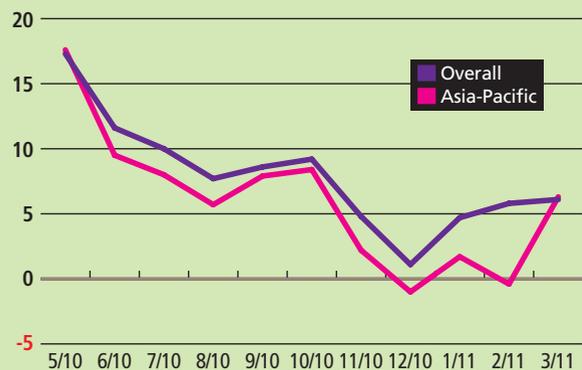
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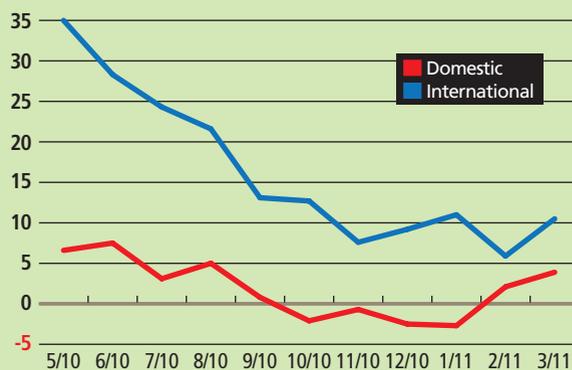
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

### 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

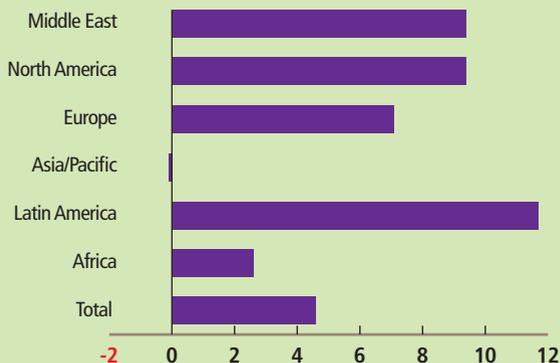
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

### SHARING MARKETS

International air cargo year-to-date percent change for March 2010 vs. March 2011



Source: IATA

### CARRYING INTERNATIONAL

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



Source: IATA

### SEMICONDUCTORS

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



Source: Semiconductor Industry Association



**Brandon Fried** is Executive Director of the U.S. Airforwarders Association

## NextGen project needs government assistance

If you're headed west to Chicago from the Baltimore/Washington International Airport, you will most likely fly south before heading northwest toward your destination. This 35-mile detour is required because today's air traffic control system is using 1950s technology and flight paths in an era when highway drivers utilize modern GPS navigation.

Because today's technology cannot precisely pinpoint an aircraft position, greater separation is required in flight patterns. This creates the need for more flight time, increased fuel consumption and other inconveniences that not only add costs to passengers, but also affect the 36 billion pounds of air cargo flying around the U.S. annually.

The past 10 years have been difficult for the U.S. airline industry, as evidenced by carriers' balance sheets. Financial losses have risen to more than \$50 billion. Fuel costs have increased almost five times. In 2011 alone, jet fuel has risen \$0.75 per gallon. While airlines pressure manufacturers to develop and produce the most advanced aircraft engines and airframes that could run on alternative jet fuels, modernizing our nation's air traffic control system would save a tremendous amount of fuel, emissions and costs.

Gary Kelly, CEO of Southwest Airlines, says that the first step is to develop a much more direct and efficient satellite-based air traffic control system. The Federal Aviation Administration (FAA) designed NextGen to meet this challenge. To make this concept a reality, the federal government needs to allocate funds to match technology investments already made by the airline industry.

Kelly says that a satellite-based system would make flying safer and more efficient. Put simply, it increases visibility; everyone shares the same precise view of aircraft in their vicinity. Airline and airport operations would be improved due to greater scheduling and operating reliability, thereby increasing efficiency and reducing emissions. The savings would enable airlines to compete more effectively in the global marketplace.

Projected fuel savings after NextGen implementation range from 6 percent to 15 percent. Kelly says that even a 6 percent reduction in fuel burn provides 1.16 billion gal-

lons in fuel savings and 11 million tonnes of carbon dioxide savings. The FAA projects that by 2019, NextGen technologies, combined with runway improvements and new procedures, will reduce delays by 21 percent and save 1.4 billion gallons of fuel.

Coming out ahead of the game, Southwest Airlines has committed millions of dollars to outfitting its entire fleet with GPS-based, NextGen technology.

Recently, freight hauler and Airforwarders Association member Northern Air Cargo began using FAA's Wide Area Augmentation System, a part of NextGen, to guide its flights into formerly prohibitive airports during Alaska's bad weather conditions. This system not only allows more efficient airport access, but also keeps air cargo on time and keeps crewmembers safe while serving destinations in challenging environments. Without this enhanced capability, remote towns had to wait days for better weather conditions before planes with important cargo could land.

NextGen will also allow FAA controllers and airlines to make better decisions while keeping passengers and freight shippers better informed. With the new system, operators will be able to quickly identify risks, keeping everyone safe in the process. Since our nation's economy depends on aviation, NextGen will provide for continuous improvement while accommodating the future needs of air travel.

Although implementation of NextGen will be expensive and time-consuming, it is achievable if the FAA coordinates with the aviation community. By focusing limited resources to design and implement GPS-based flight paths, cost savings will yield a return on investment in measurable reductions in fuel consumption and emissions.

The effort already spans across many federal agencies and touches every aspect of the U.S. airspace system. Time and again, the private sector has taken the lead on new initiatives to improve safety and service through actions and financial investments. It is now time for the U.S. government to join the industry in providing necessary funds and guidance to improve aviation for travelers, shippers and the environment. **ACW**



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