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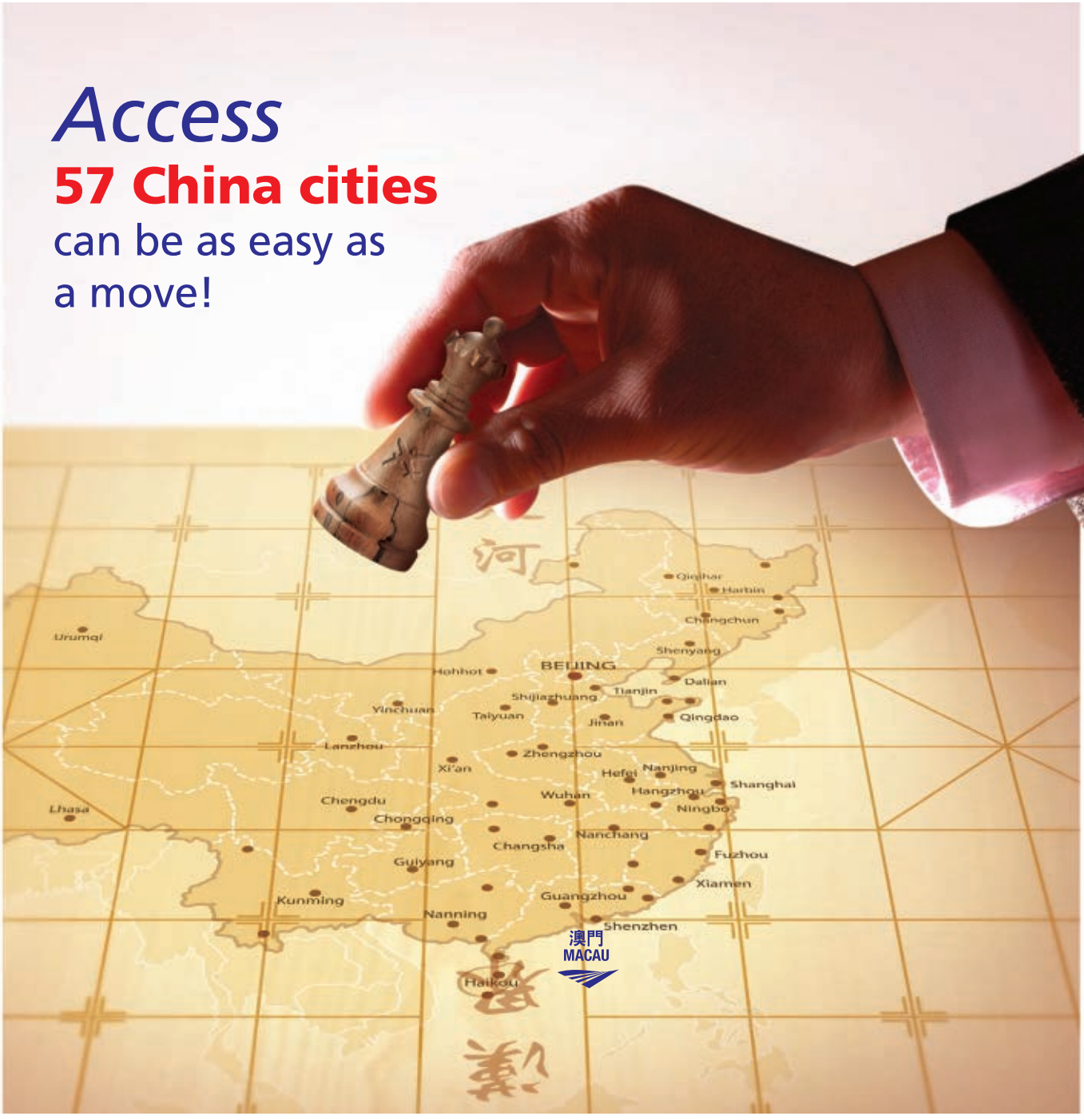

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Air Cargo World
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editorial

A somber anniversary

Jon Ross
Editor

The world changed on Sept. 11, 2001.

I've heard that trite phrasing, "the world changed" — a massive understatement if there ever was one — countless times in the past 10 years. But it's true that after that day — a day when two hijacked planes hit the World Trade Center towers in New York City, a third hit the Pentagon in Washington, D.C., and a fourth, on what most suspect was a route to another government building, crashed in rural Pennsylvania — the way we look at aviation, security and the world in general had been irreversibly altered.

I'm relatively new to the air-cargo arena, so I have no first-hand experience of what it was like to work in the industry before Sept. 11. But I have experienced the lasting effects; there is now a legacy of tight security in aviation.

Whenever this security hits a snag, like the Yemenese bomb plot from last October, the same feelings that welled up in fall 2001 come back. Are we truly safe? Can we ever be safe? As Tom Vinsik of Unisys puts it in his First Look column on page 21, the Yemenese bomb plot let us know that people are still out there using planes as weapons. "For the first time since 9/11, air cargo had been used for terrorist purposes," he writes. "The theoretical had become a lot more real."

The events of Sept. 11 were an attack on U.S. soil, but in subsequent foiled attempts, we learned that nobody around the globe was immune to the poison of terrorism. The Transportation Security Administration and other organizations around the world are constantly striving to guarantee the safety of airfreight and the men and women who transport cargo.

Last month, we reported about the TSA's proposed screening deadline for all U.S.-bound cargo. Though it's not a perfect situation, this plan has been proposed with the best intentions. Carriers, forwarders and shippers have been complaining that the screening guidelines are too broad — that the organization needs a risk-based proposal. Disagreements are fine, as long as ideas like these continue to be discussed.

The TSA is also confronting security with sniffer dogs, a program we explore in our second First Look this month. We came across the story as we stood in Delta's international cargo warehouse at Hartsfield-Jackson Atlanta International Airport, watching a dog sniff through a few rows of goods waiting to be processed. While canines alone are not a foolproof security barrier, when used with other resources, they are an invaluable resource.

As I said, I have no first-hand cargo experiences from Sept. 11, but I'm sure some of you do. When this article is posted online, please use the comments section to share some of your reflections. Better yet, send me a short note. You can always get in touch with me by email at jon.ross@aircargoworld.com, by commenting at Air Cargo World's Facebook page or by sending @ACWmagazine a Tweet.

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worldnews

Air France-KLM to limit long-haul growth

Due to high fuel prices and what they call an uncertain operating environment throughout the world, officials at Air France-KLM have decided to scale back long-haul capacity growth for the next half of the year. The organization's fuel costs for the second quarter stood at €1.67 billion, a 16.1-percent, year-over-year increase.

By bringing capacity growth down 2.4 percentage points to 2.7 percent, officials maintain they will end 2011 with positive operating results. Worries over the air transport environment in Japan, Africa and the Middle East contributed to the decision. The debt crisis in Europe also played a role.

"Activity over the quarter, and particularly in June, was strongly affected by the difficult situation in some important markets for the group," a company spokesman wrote in Air France-KLM's quarterly report. "The cargo business was impacted by the crisis in Japan as well as a situation of overcapacity on China departures."

The decision to limit capacity is born from Air France-KLM's cargo numbers for the second quarter of 2011. Capacity experienced a 6.2-percent year-over-year growth spurt, with traffic only growing by 1.9 percent.

Money is coming in, however; total cargo revenues ended the second quarter at €799 million, a 3.2-percent increase over the same time period in 2010. The company's maintenance business also performed well, turning in a year-over-year increase of 7.4 percent.

Cargo at Air France-KLM fared a bit worse in July, with traffic declining 2.7 percent, year-over-year. Load factor for the month decreased by 2.1 points when compared to July 2010. Regional declines in load factor could be seen in the Asia-Pacific (down 4.6 percent), the Americas (down 2 percent) and the Caribbean (down 0.2 percent). ACW

A330s under assembly at an Airbus factory

Airbus' A330s head for freighter conversion

Airbus is poised to launch a conversion program for A330 freighters, although it is not clear yet if the new offerings will include both the -200 and -300 variants of the aircraft.

It was widely believed that the new conversion program would be launched at June's Paris Air Show. But sources have suggested that Airbus may have wished to delay the announcement over concerns that sales of the new A330-200F would be impacted.

Wolfgang Schmid serves as vice president, freighter conversions, at EADS EFW, Airbus's own conversion facility in Dresden, Germany. He's convinced that the A330F conversion program will have a strong future when the first orders are accepted.

"We know that the market is very keen on this extraordinary, next-generation freighter conversion program, with pre-studies looking very positive," he said.

According to Schmid, there is an immediate feedstock of about 800 A330 passenger aircraft in operation, with a backlog of more than 300 aircraft on order. "This means that we expect that a strong demand will be covered by a strong feedstock base for many years," he said, "although the decision regarding timing and choice of variants is not completely finished."

Some carriers have been pressing hard for the early startup of the A330F conversion program. A spokesman from Qatar Airways has stated that they want to convert up to 15 of their A330 fleet into freighters as soon as possible. That might have been spurred by Qatar's recent investment in European all-cargo carrier Cargolux, but it is also thought that the Gulf carrier may look to lease some of its conversions. Schmid says he is also expecting strong demand from the integrators for the A330 freighter conversion.

In the meantime, the EADS EFW plant at Dresden is busy with an extended order book for A300F conversion work. The first of two A300-600R converted freighters has recently been delivered to RUS Aviation, which is based at Sharjah

in the United Arab Emirates. At the same time, three A300-600 freighters for Maximus Air Cargo, which is based at neighboring Abu Dhabi in the UAE, are also being completed. Earlier this year, DHL Express placed an order for the conversion of 13 A300-600 aircraft, making it the largest single conversion order ever received by EADS EFW. Conversions on the integrator's first five freighters are already underway.

It typically takes four months to convert an A300 into its new freighter configuration. After passenger seating and interiors have been removed, the main-deck cargo door is fitted to the aircraft. Next, a stronger cabin floor is installed, which is then fitted with ball mats and roller tracks, before final adjustments are made to the aircraft's operating systems. Further customization includes a courier stowage unit for A300 and A310 conversions — a recent development.

But the feedstock for the A300-600 is not infinite. "The A300-600R conversion program has been available in the market for 10 years now, and during that time, it has remained the prime solution in this freighter segment," Schmid said. "There are still quite a few candidates in the market which are suitable for conversion, but adequate feedstock supply is expected to limit the conversion output from 2015."

Similarly, feedstock is rapidly running out for the A310F conversion program, the first of the Airbus wide-bodied family to be offered up for conversion by EADS EFW. The company increasingly plays a broker role in trying to pair up potential A310F conversion customers with aircraft sellers and vice versa. "We still take orders for the A310-300P2F. The smaller-size wide-body is still an attractive niche player, but is currently limited by feedstock constraints," he said.

The EADS EFW plant in Dresden received something of a setback this summer when it was confirmed that the A320/A321 passenger-to-freighter conversion program would not continue. A separate joint venture company, Airbus Freighter Conversion GmbH, had been established with two Russian partners, United Aircraft Corporation and IRKUT, to market the program.

Early orders for the program included 30 A320 and A321 conversions on behalf of AeroCap Holdings, with West Atlantic pitching in for a further three conversions. According to Airbus, the official reason cited for the cancellation of the program was that "strongly growing passenger traffic result[ed] in high demand for used A320s, thus reducing the amount of aircraft available for conversion."

Schmid said gearing up for the A320F program has not delayed launch of the A330F schedule. "The co-existence of the A320P2F program and the A330P2F study had no timely connection with each other, and the decisions taken did not influence the conversion programs," he said. "But this now enables us to fully concentrate on the development of the A330P2F program."

Future conversion prospects for EADS EFW include the A340, although some argue that its extended fuselage length will make it an unsuitable conversion candidate. For Schmid, it is a more distant thought right now. "At this stage, we have decided to concentrate on the A330P2F program, but given a reasonably strong demand, we could consider including the A340-300 long-range passenger aircraft into our conversion family."

EADS EFW has carried out more than 170 freighter conversions of Airbus aircraft on behalf of nearly 40 customers. According to its own studies, more than 3,000 freighters will be needed to accommodate growth in the air cargo market; three-quarters of that demand will have to be met by the conversion of mid-life passenger aircraft. ACW

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Market diversification gives IAG Cargo a boost

Geographic diversification is the name of the game for IAG Cargo, the newly created company born from the merger of British Airways and Iberia. With commercial revenue up 16.3 percent from the first half of 2010, IAG Cargo has leveraged the key strengths of both airlines to improve overall operations.

In addition to an 8.3 percent year-over-year increase in freight tonnage, IAG Cargo reported an 8.6 percent surge in capacity during the first half of 2011. Overall yield also improved, increasing by 7.3 percent. Company executives attribute this to increased fuel surcharges and improved market conditions.

The merger has also boosted operations tremendously, IAG Finance Director Rachel Izzard maintains. "One of the main factors in bringing the [cargo] units together was our diverse mix of sales areas," she said. "We're not just dependent on one area of sales pulling through."

IAG Cargo Global Head of Sales David Shepherd concurs, revealing that the pharmaceutical sector has been particularly lucrative for his company. Plus, he said, merging BA and Iberia's operations has enabled IAG to develop its premium product and Express offerings.

"Our premium products are best-in-market class, and our customers are getting huge benefits by combining our product portfolio," Shepherd said.

Along with product development, the company's extensive reach has also driven its mid-year success, Shepherd maintained. "We're a massively regionally diversified business," he said. "The market capacity we have in North America is absolutely huge, between 38 to 40 flights per day, depending on the day of the week."

Latin America, India and Asia-Pacific are also key markets for the European carrier. Although Shepherd said that business in the Asia-Pacific region — and China, in particular — has been unusually slow, he's "cautiously optimistic" that improvements are on the horizon. After all, he explained, "the amount of long-haul capacity we have in the Asian market makes it important that this market improves."

Not surprisingly, IAG is closely monitoring the Chinese export market to measure the risk it presents in terms of growth and yield. "However, as IAG Cargo, we benefit from having a geographically well-diversified revenue base, and we are cautiously optimistic that our measured capacity increases will put us on a firm footing for the rest of the year," Managing Director Steve Gunning said.

IAG signed an MoU with Airbus earlier this year to acquire eight A330s for Iberia; these aircraft will be Iberia's first twin-engine, wide-body planes.

IAG CEO Willie Walsh says these aircraft will be more fuel- and cost-efficient than the planes they replace. "Another advantage is they can be easily assimilated into Iberia's existing long-haul fleet, reducing the need for additional crew training and maintenance costs." ACW

In the news...

The second quarter of 2011 was particularly strong for **Deutsche Post DHL**, with the logistics company posting group revenues of €12.8 billion. One division that achieved significant gains from April to June was global freight forwarding. With revenues climbing to €3.7 billion, this segment posted a 3.6 percent increase over the second quarter of 2010. The division's year-over-year EBIT also grew significantly, rising 13.1 percent to €112 million. DHL spokespeople said the company's freight-forwarding division was able to profit despite escalating fuel costs because of its lower cargo rates and better purchasing conditions. They also attributed exponential growth in the European overland transportation sector with its second-quarter success. The company's express division also profited in the second quarter, with year-over-year revenue increasing 2.9 percent to €3 billion. DHL executives said this growth is a testament to double-digit increases in international shipment volumes and higher traffic in the Asia-Pacific sector… Dublin-based **Fly Leasing,** a commercial aircraft lessor, reported a net income of $4.1 million for the second quarter of 2011, a whopping $9.1 million less than last year. This news comes on the heels of the company's agreement to acquire 49 new aircraft from Global Aviation Asset Management, increasing its fleet by 80 percent. Fly Leasing attributes its second-quarter loss to a combination of factors, including readying aircraft for their new leases and entering into an agreement to purchase its new $1.4 billion fleet. However, it's the latter expenditure that will propel the company's operations in the future, Fly executives said. Once the sale is complete, Fly will acquire 23 aircraft from the Airbus A320 family — elevating its total number of A320s to 49 — and 17 Boeing 737s, increasing its 737 fleet to 36. Fly will also gain three A340s and six Boeing 717s. It will then lease these aircraft out to Qantas, Hainan, British Airways and Air Berlin, among others. Half of the newly acquired aircraft will be leased to European carriers, with Asia-Pacific airlines comprising 38 percent of the lessees. What's more, Fly officials maintained, most of the carriers leasing the aircraft are new customers… Cargo is slowly growing at **Amsterdam Airport Schiphol**, as officials have recorded a 5.2-percent, year-over-year increase in cargo tonnage handled at the airport during the first half of the year. In a month-to-month comparison, 2011's totals have shown growth over last year's numbers in four of the sixth months in question. There is some reason for concern, however; June's total showed a 1.6-percent decrease when compared to the same period last year. This year, Schiphol has continued its trend toward seeing more freighter traffic than belly cargo; freighter cargo is up 7.7 percent, year-over-year, and accounts for 57 percent of the cargo handled at Schiphol. The airport's cargo traffic to and from the Middle East and North America is growing, but freight flying in and out of Asia is on the decline. ACW

Emirates touts environmental outlook

Officials at Emirates are reporting they have achieved an overall environmental efficiency figure that was 26 percent better than the fleet average released by the International Air Transport Association. A recent in-house report analyzed the environmental impact of the carrier's cargo and passenger operations, ground-handling work and miscellaneous other commercial activities.

In the 2010-2011 fiscal year, Emirates passenger and cargo flights produced 17.7 million tonnes of carbon dioxide, with cargo flights on Boeing 777F and 747-400F aircraft generating 556 grams of carbon dioxide per freight-tonne kilometer. The carrier's overall efficiency stood a 0.74 kilograms of carbon dioxide per tonne-kilometer.

Emirates, an analysis concluded, far outpaced British Airways and Lufthansa in terms of the carbon-dioxide efficiency of its cargo fleet.

The report also included an exploration of nitrogen oxide emissions, which were concluded to average 7.95 percent below regulatory limits when the carrier's entire fleet is taken into account. Emirates' unburned hydrocarbon emissions are 72-percent below regulatory limits.

All the fleet enhancements, coupled with efficiency and environmentally friendly programs focused beyond aircraft operations, prove Emirates is on a sustainable path, said Andrew Parker, the carrier's senior vice president of public, industry, international and environmental affairs.

"Emirates takes its commitment to the environment very seriously and strives to be an industry innovator and leader. The report is more than a snapshot of the performance of the group, it will act as a future measure of success in all we do," he said in a statement. "Emirates is focused on maximizing eco-efficiency to minimize our environmental footprint." ACW

In addition to picking up a few new converted freighters, Maximus is weighing a bigger push into Africa

Maximus trains focus on Africa

The humanitarian crisis in the Horn of Africa has brought a wealth of dedicated air cargo carriers to a continent that's usually overlooked in airfreight circles.

While some carriers are there simply to help out on a case-by-case humanitarian basis, a few airlines are attuned to the economic improvements occurring in the region and eagerly anticipate expanding into this new cargo frontier.

Maximus Air Cargo has been shipping supplies to crowded refugee camps in the area, but also is planning to increase its presence in Africa beyond goodwill efforts. As with Saudi Airlines Cargo, Maximus has started to offer more services to Africa.

"With Africa being our neighbor, it makes common sense to create more opportunities there, as the African continent is no longer that reliant on Europe for goods," said Fathi Buhazza, Maximus' president and CEO.

In anticipation of the increased exchange of goods, Buhazza is focusing on new opportunities in southern Sudan, Ethiopia and Kenya. Since Africa is still developing its manufacturing base, Buhazza expects a great deal of import activity will come in the form of manufactured goods; exports will consist of perishables.

Buhazza also notes that the point of the China Africa Business Forum, which is to be held on October 20 in Johannesburg, is to strengthen the trade lanes between the Asia-Pacific and Africa.

Some of this African expansion will be made possible by the recent delivery of the carrier's first converted wide-body freighters. Buhazza said the new A300-600RP2F is the youngest Airbus passenger plane to be converted. The fleet additions will cut down on Maximus' emissions, while offering a nonstop range of 2,650 miles. It's all part of an AED350 million expansion program.

"The new aircraft will become a key part of our fleet and is expected to make a major contribution to building the strength and network of our business," Buhazza said. He added that the planes will be a large help in expanding Maximus' footprint in Asia and Africa.

Before carriers can offer new routes into a country, employees have to make sure the appropriate infrastructure and a measure of political stability is present. Unrest is an issue in some parts of Africa, but for the most part, the eastern portion of the continent is ready for increased business due to standards implemented by the Civil Aviation Authorities, Buhazza said.

Working in Africa is not without its challenges. In addition to needing additional infrastructure, it's difficult to gain a foothold in the market.

"With most of the main markets already established and controlled, unless one has a unique type of service and expertise, it would be quite difficult to break into the rest of the African market," Buhazza said.

Buhazza also has to pay attention to current events in the Middle East. To him, the air cargo market in the Middle East is extremely competitive; added to this tight market, he said, are less-scrupulous operators who drive down prices by offering inferior services.

The Arab Spring political winds have started to die down, but the region is still very unstable. Governments seem to constantly be facing economic and political sanctions.

"Under such [an] uncertain period, changes are indeed inevitable," Buhazza said. "However, the most important thing for any business is that you have to learn to adapt to those changes." ACW

Cargo carriers assist in Horn of Africa crisis

The United Nations Children's Fund has urged cargo carriers to offer up their services to ship humanitarian supplies from UNICEF's warehouses in Belgium, France and Italy to the Horn of Africa. The region, which has been ravaged by a famine, requires approximately 5,000 tonnes of food and supplementary aid, according to a UNICEF spokesperson.

"The caseload is quite extraordinary," Louis-Georges Arsenault, UNICEF's director of emergency programs, said in a statement. "Having the airlines support us would be most welcome, and I think there's a lot of goodwill out there to do just that."

Goods waiting to be loaded on one of Chapman Freeborn's shipments to Africa

British Airways, Lufthansa, Maximus Air Cargo, UPS and Virgin Atlantic have already offered the relief organization free or discounted space to transport freight. Cargolux, LuxairCargo and a handful of other Luxembourg-based firms recently banded together to fly 105 tonnes of nutritional supplies to the area. The goods, which also included three refrigerators supplied to help keep vaccines fresh, were transported on a B747-400 freigher.

Working on behalf of the German international aid organization Humedica, Chapman Freeborn officials have shipped goods from Europe and the Middle East to the area. In fact, Chapman Freeborn has flown vast amounts of supplies, including protein bars and kitchen sets, to Nairobi's Jomo Kenyatta International Airport, Ethiopia's Addis Ababa Bole International Airport and Somalia's Aden-Adde International Airport.

Although UNICEF officials are optimistic about the recent show of support, they implore more airlines to join the cause. After all, they warn, if enough food fails to reach Kenya, Ethiopia, Djibouti and Somalia, its citizens could die of starvation. What's more, they said, 12.4 million people currently require aid, a number of which are children.

"There are over 2.3 million acutely malnourished children in the Horn of Africa," UNICEF Spokesperson Marixie Mercado said in a statement. "More than half a million will die if they do not get help within weeks. [But] with therapeutic feeding, a child can fully recuperate in a matter of four to six weeks."

Air transport might soon be a mode of the past for UNICEF, however. Because shipping goods by air is so costly, the humanitarian organization is currently building a pipeline to transport cargo by sea. ACW

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In the news....

Gulf Air has replaced its old management service with Cargospot, an end-to-end product by Champ-Cargosystems that will help manage booking, pricing, sales and accounting functions. Rory Black, the carrier's senior manager of cargo, said the new tool will help Gulf Air expand its cargo operations. With the new system, he anticipates faster transfer times, the ability to quickly respond to changing customer requirements, and new "track-and-trace" capabilities. "The new system is more user-friendly than our previous one. It will enable our customers with easier cargo bookings and planning capabilities, thus allowing them to choose the most appropriate flights to fly their cargo directly with us," he said in a statement. Black added that the new system is "particularly important for customers with high-value shipments as well as perishable cargo." … **Qatar Airways** has commenced daily service to Kolkata, the commercial capital of East India. This brings the total number of new routes launched by the Doha-based carrier to 10. In addition to this new route, Qatar Airways also operates twice-weekly cargo flights to Kolkata. It also launched freight flights to the Indian cities of Kozhikode and Bengaluru in April, complementing its previous routes to Mumbai and Goa. The daily passenger service to the West Bengali capital, however, enables Qatar Airways to further address the growing traffic between the Middle East and South Asia. It's why Qatar Airways CEO Akbar Al Baker has such high hopes for the new route. "As our 12th Indian gateway, the addition of Kolkata demonstrates Qatar Airways' commitment to one of the world's fastest-growing economies with India's rapid pace of development, prompting the need for more flights to serve rising demand for air travel to and from the country," he said in a statement. India's not the only region Qatar Airways is targeting, however. This fall, the carrier will also launch service to Sofia, Bulgaria; Oslo; Entebbe, Uganda; Baku, Azerbaijan; and Tbilisi, Georgia… **Southern Air** and **Saudi Arabian Airlines** have inked a deal where Southern Air will fly one Boeing 747 freighter on behalf of Saudi Airlines Cargo Co. Ltd. on an ACMI basis. To Saudi Airlines Cargo Co. Ltd CEO Fahad Hammad, it's a partnership that will improve airfreight operations significantly. "We welcome Southern Air to our freighter schedule," Hammad said in a statement. "With their wide selection of wide-bodied freighters, such as B747F and B777LRF, Saudi Airlines Cargo Co. Ltd. will enhance its network coverage. We look forward to working with the Southern team." … According to the **International Air Transport Association**, Middle Eastern carriers can boast their region experienced the best freight traffic in June. The Middle East region benefited from a 3.7-percent, year-over-year freight bump when compared to the same month last year. This growth outpaced overall cargo increases in Latin America (2.8 percent) and Africa (.03 percent); carriers in North America and Europe saw a decline of 3 percent and 1.3 percent, respectively, when compared to June 2010. While the Asia-Pacific region owns the biggest market share, it also saw a 5.8-percent, year-over-year decline. But there's still a battle ahead for Middle Eastern carriers. According to IATA's report, "International trade has risen strongly since the middle of last year and is currently expanding at a pace of around 7 percent a year. Unfortunately for the airline industry, this expansion has been captured by other modes of transport." ACW

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Cathay Pacific to modernize aircraft

As part of a fleet modernization program, Cathay Pacific has agreed to purchase four 777-300ER aircraft and eight 777-200 freighters from Boeing. The planes carry a list price of HK$25.6 billion and will be delivered to the carrier starting in 2013.

The passenger craft will be a time-tested addition to Cathay's existing stable of 22 -300ER planes, but the freighters, which will be used on regional and European routes, represent the carrier's first acquisitions of the 777-200 model. According to officials, the freighters will replace aging 747-400F conversions, while also providing the base for a cargo expansion.

By the end of the decade, Cathay Pacific pilots will say goodbye to at least 21 747-400 freighters and 13 Airbus A340-300s; four of the freighters will be either sold or dry leased, with the rest entering retirement. The carrier is also expecting 10 Boeing 747-8 freighters, which will start being delivered this month. The 747-8s will be flown on services to North America.

This ramping up of Cathay's cargo operations also extends to the construction of an HK$5.5 billion cargo terminal at Hong Kong International Airport, which is slated to be completed in 2013.

Results for the first six months of 2011 show a 7.7-percent, year-over-year increase in Cathay Pacific's cargo revenue. Yield rose 7.7 percent when compared with the first six months of 2010, but capacity outpaced it with 14.6-percent growth.

Even with these results and soaring fuel costs, Cathay officials are not discouraged.

"The current high fuel prices and economic uncertainty are a reminder that we operate in a challenging and unpredictable industry, and accordingly must continue to manage our finances prudently," Chris Pratt, the carrier's chairman, said in a statement. "Despite the uncertainties and challenges, we are confident of our position, and that we can meet those challenges." ACW

UPS commenced daily flights to Chengdu in July

Carriers make push to China's interior cities

UPS is charging into China's interior. At the end of July, it began flying daily with MD-11 freighter aircraft from its European hub via Warsaw to Chengdu in Sichuan province and on to Shanghai, its main Asian hub since July 26.

The carrier's move inland reflects a growing trend; industry officials increasingly find that serving China through the three traditional international gateways — Shanghai, Beijing and Hong Kong (or Guangzhou) — is not enough anymore. The migration of production from the country's coastal provinces to the interior, a long-cherished ambition of the government in Beijing, has visibly gathered momentum, with manufacturing plants for multinational technology firms like Intel, Cisco and Hewlett-Packard springing up in Sichuan.

The time is finally ripe, sources say, for direct flights to these emerging production areas, as distances to the traditional gateways stretch beyond transit times that are acceptable to shippers. "We have been talking about the western region for 10 years. This is the first year that we are seeing solid results," said Titus Diu, COO of Air China Cargo.

Chengdu and Chongqing lead the pack of China's burgeoning manufacturing cities by some distance, but others — such as Wuhan, Qingdao and Dalian — are also drawing attention. Among them, the strongest contender seems to be Zhengzhou.

AirBridgeCargo commenced B747 freighter flights into Zhengzhou last fall, but the venture proved short-lived. According to Robert Song, the Russian carrier's vice president for the Asia-Pacific region, it was suspended because of limitations of the existing warehouse. This is now being replaced with a larger structure. ABC is set to resume Zhengzhou flights as soon as this opens, which should happen before the fall, Song said.

The fledgling cargo venture between Air China and Cathay Pacific wasted no time in tapping into Chengdu's potential. Back in April, even before it was formally launched,

Air China Cargo inserted Chengdu into a freighter run from Europe to its base in Shanghai. This routing has enabled the carrier to feed exports from Chengdu to its intercontinental departures out of Shanghai, a strategy that has helped it to deal with slower exports out of the main gateways.

In late July, ACC opened the tap wider with the introduction of a weekly freighter run between Shanghai and Chengdu to feed more cargo from the area to its flights from Shanghai.

Now the carrier's management is studying the viability of mounting scheduled freighter services to Chongqing, the second up-and-coming manufacturing center in China's interior. ACC has been running regular charters to the airport in addition to the belly-hold capacity of Air China passenger flights serving the city.

TNT Express spearheaded the international push into Chongqing last fall with the launch of three weekly B747-400 freighter flights to its European hub in Liege. The integrator did not have the city's main-deck market to itself for long, though. Yangtze River Express started twice-weekly B747-400F flights from Chongqing to Moscow and on to Luxembourg in May.

"It's not a massive market, but it's growing rapidly," remarked Michael Drake, managing director for the Asia-Pacific region at TNT Express. In the first four months of this year, Chongqing's international tonnage surged 580 percent to 18,000 tonnes. Chengdu reported 15-percent growth in volume last year to reach 432,153 tonnes.

One challenge for freighter flights to China's emerging destinations is the lack of imports, notwithstanding the inbound traffic generated by the supply chains of manufacturers in the areas. Consumer demand for imported goods in the emerging regions is a fraction of what goes to Shanghai or Beijing.

"Contributions on return legs (to China) get more important, especially out of Europe," said Diu, adding that traffic from Europe to China has been markedly stronger than imports from North America.

Despite some strengthening over the past year, yields into China are still a far cry from a level where they would make a substantial difference. Robert Van de Weg, senior vice president of sales and marketing at Cargolux, reckoned that from Europe they ought to be twice as high as their current level to drive capacity decisions.

Across the Pacific, the picture is even bleaker. When Chinese exports after the lunar new year holiday turned out to be unexpectedly soft, Chinese carriers canceled a number of freighter sections across the Pacific — unfazed by backlogs building up at U.S. airports.

For some time now, operators have been bracing themselves for a surge in airfreight demand when production that was hit by the disaster in March returns to full swing, bringing with it a need to move product quickly to assembly lines in North America, Europe and Asian countries like China and Thailand. However, indications from customers suggest that, while there may be a need for charter flights, overall production may ramp up gradually rather than soar in a sudden spike, Hein remarked. ACW

DHL commences Southeast Asia road service

DHL Global Forwarding has consolidated its road freight services linking Malaysia, Thailand and Singapore. With the launch of DHL AsiaConnect, DHL AsiaLine and DHL AsiaNet, the global logistics company will address the less-than-truckload (LTL), full-truckload (FTL) and bespoke markets in Southeast Asia.

DHL officials believe this enhanced service portfolio will provide customers with more options when transporting goods. AsiaConnect, for instance, provides overnight LTL service from Singapore to Penang, Malaysia, and two-day shipments from Singapore or Kuala Lumpur to Bangkok.

AsiaLine, however, caters to the FTL market, providing domestic and cross-border transportation to Malaysia, Thailand, Vietnam, Pakistan, Singapore and other nations served by DHL.

Finally, AsiaNet offers customers road transportation services tailored to their specific needs. With AsiaNet, DHL specialists examine their clients' logistics processes and advise them on how to improve turnaround time, inventory control, load planning, and more, DHL officials said.

DHL CEO for Africa and the South Asia Pacific, Amadou Diallo, points to the multiple customer-service benefits of these new offerings. "Now consolidated into a single suite, and especially with the introduction of DHL AsiaConnect, our customers can choose the product best suited to their immediate needs," Diallo said in a statement.

"With this suite of services, DHL is providing the fastest, most flexible and secure road option, whether customers require a tailor-made road freight solution or simply want to send small shipments securely at an all-in rate price system," Diallo continued. Small-and-medium enterprises, as well as business looking to improve their inventory management, will especially benefit from these new services, he added.

DHL also plans to extend AsiaConnect to Vietnam, Cambodia and China. This will complement the logistics company's road freight business in Europe, the Middle East and North Africa, Diallo said. ACW

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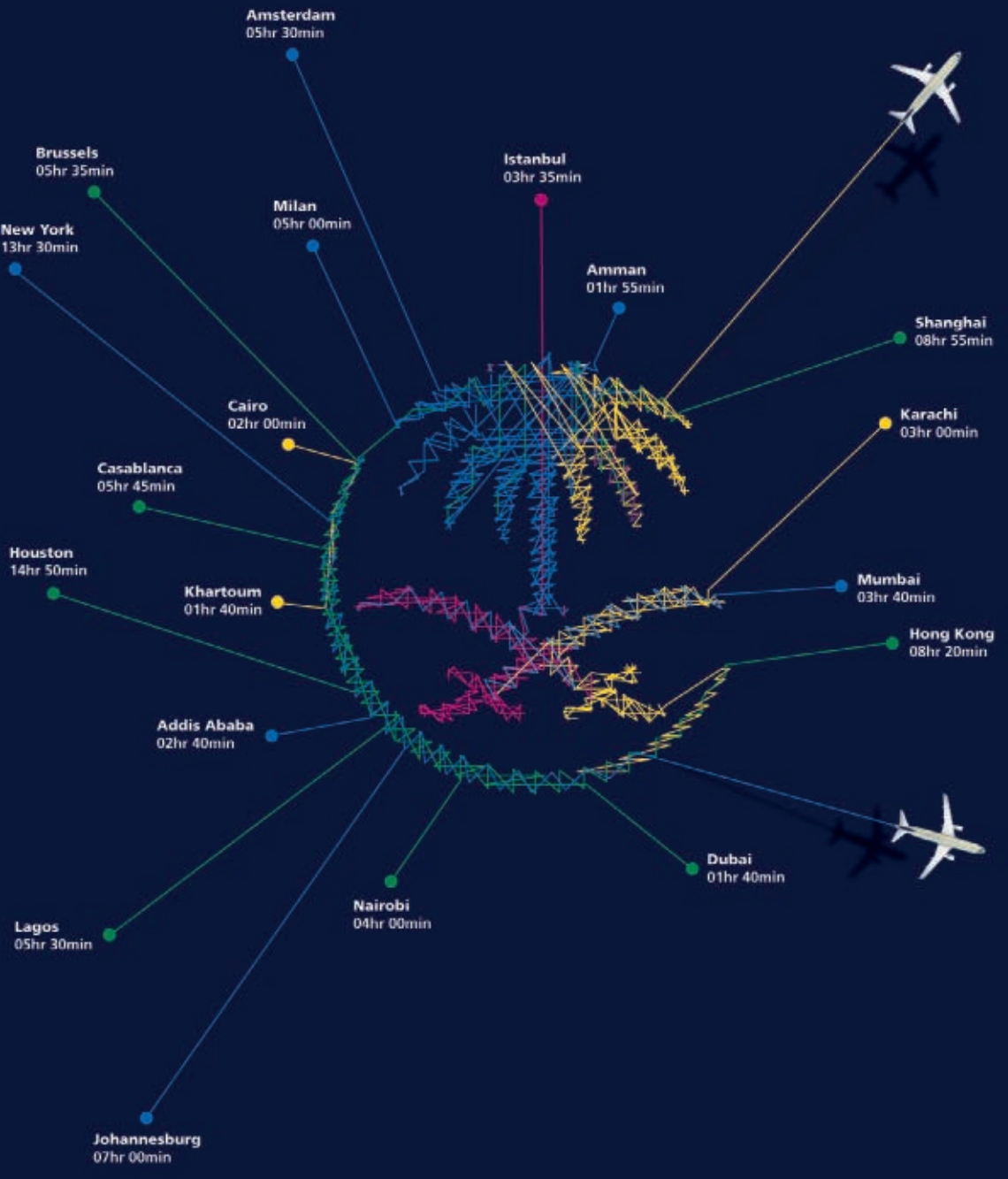

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In the news...

Thai Airways has signed firm orders with Airbus for the carrier's first A350-900 and A320 aircraft. Thai ordered four A350s for use on long-haul routes to Europe and five A320s for domestic services. The carrier has also agreed to lease additional Airbus craft — eight A350s and six A320s — from third-party companies. "The A350 XWB and A320 will play a significant role in ensuring that Thai operates one of the most modern and efficient fleets in the region moving forward. They will also help Thai strengthen its competitiveness, increase its market share, and ensure its future as a strong and sustainable airline," Thai's president, Piyasvasti Amranand, said in a statement... **Kerry Logistics** is expanding its Chongqing Logistics Centre to address the region's vast economic growth — up 16.3 percent in the first quarter of 2011. With the first phase of renovation now complete, the logistics service provider is focusing on phase two of construction, which is scheduled for completion in the first quarter of 2013. Phase two of construction will add 62,700 square meters to Chongqing Logistics Centre, encompassing two four-story towers. This space will be utilized primarily for warehousing and value-added services, such as labeling, packing and repacking and vendor-managed inventory, Kerry Logistics officials said. Edwardo Erni, managing director, Mainland China, points to the myriad benefits of this expansion. "Chongqing is one of the fastest-growing cities in Western China, and we have seen a rapid increase in demand for warehousing and logistics services," he said in a statement. "We have completed the first phase of the logistics center, with an area of 20,500 square meters in the first quarter of this year." The logistics service provider is eyeing the electronics and high-tech, auto spare parts, and telecommunications sectors as key markets for growth… Officials at **Hong Kong Air Cargo Terminals Ltd.** continued to see a downward spiral in cargo throughput last month, noting that July numbers represented a 7.7-percent, year-over-year decrease in tonnage. Cargo activity since January sits at 1.56 million tonnes, a 5.1-percent decrease when compared to the first seven months of 2010. These negative numbers are reflected in Hactl's import and export totals for July, which are down 13.1 percent and 9.8 percent year-over-year, respectively. So far this year, export volume is down nearly 8 percent, and import numbers have taken a 7 percent slide. Transshipment cargo seems to be the one bright spot in Hactl's second-quarter results. The company's July total of 126,369 tonnes is a year-over-year increase of 9.8 percent. The total growth for all of 2011 is 337,488 tonnes, a 5.3-percent, year-over-year rise. To help reverse this trend, Hactl added a new customer, Tianjin Airlines, in July… **Korean Air** has purchased two additional Next-Generation 737-900ER aircraft from Boeing. The carrier, which is in the midst of revamping its fleet, currently operates two of these planes. "Korean Air completed its cabin refurbishment project for mid- to long-haul flights early this year, and is the first airline in Northeast Asia to operate a super jumbo A380 service since June," airline officials said in a statement. "By adopting the next generation B737-800 aircraft, Korean Air aims to further improve its premium service strategy." The order is valued at $171.6 million. ACW

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Delta, Aeromexico form alliance

Delta and Grupo Aeromexico have announced plans for a long-term partnership, enabling both airlines to code-share and leverage each other's strengths. Delta also will invest $65 million in the Mexican airline as part of the carriers' MoU.

"Aeromexico has been a strong partner for Delta in Mexico and Latin America, and this reinforces our relationship," Delta CEO Richard Anderson said in a statement. "By forming an exclusive, long-term commercial partnership, we will … build the foundation for a joint venture to better serve the U.S. and Mexico marketplace."

The timing of the agreement is also fortuitous. Trade between the nations is up significantly, reaching roughly $400 billion in 2010. In fact, Mexico ranks third among the U.S.' trading partners, U.S. Dept. of Commerce officials stated.

Aeromexico is also having a good year in its own right, reporting its highest operating margin in 15 years for the quarter ending in June. To Jose Luis Barraza, chairman of Aeromexico's board of directors, it's a growth pattern that will only continue with Delta's influence.

"The expanded relationship between Delta and Aeromexico comes at a key time in the history of Mexico's domestic aviation," Barraza said in a statement. "The alliance with Delta will make history, and Grupo Aeromexico is proud to be a part of it."

Delta and Aeromexico will also take their partnership one step further and expand their MRO agreement. The carriers will invest equal shares into the construction of a Mexican repair facility, which is scheduled to open in mid-to-late 2013. It will also be open to third-party carriers, Delta officials said.

"The MRO agreement will represent significant savings for our maintenance group while continuing the extremely high-quality work we receive from Aeromexico," Delta President Ed Bastian stated. "The facility is a natural next step for the two airlines as we leverage the full benefits of our alliance." ACW

Houston Bush Intercontinental Airport was slowed by the FAA shutdown

FAA temporarily regains authorities after shutdown

Last month, Congress passed a bill extending the Federal Aviation Administration's authorities through September 16, putting an end to a 13-day FAA shutdown that resulted when the original extension wasn't passed on time. Bill advocates call this latest agreement a victory for the U.S. economy and furloughed aviation employees alike.

Senate Majority Leader Harry Reid falls into this category, although he warns that the solution is only temporary. "I am pleased to announce that we have been able to broker a bipartisan compromise between the House and the Senate to put 74,000 transportation and construction workers back to work," he said in a statement before the bill was even on President Obama's desk. "This agreement does not resolve the important differences that still remain. But I believe we should keep Americans working while Congress settles its differences, and this agreement will do exactly that."

Soon after the extension passed into law, politicians began talking about implementing a long-term solution and not simply passing another extension when the current one elapses in mid-September.

"At a time when job creation must be our top priority, it is imperative that we stop playing politics and work together to find long-term solutions," U.S. Senator Jeanne Shaheen (D-NH) said in mid-August while visiting an airport in New Hampshire. "Without a long-term authorization, the FAA can't plan effectively for major renovation projects or a bad-

ly needed overhaul of our air-traffic control system."

The FAA lost its authorities on July 22 after Congress failed to pass H.R. 2553, a bill that would have extended taxes on fuel, airline tickets and airfreight until September 17. In addition to furloughing 4,000 FAA employees and 70,000 construction workers, Congress' inaction delayed multimillion-dollar initiatives to modernize air traffic control towers at airports nationwide. And the FAA shutdown cost the government nearly $30 million a day.

Although Congress had already extended the FAA bill 20 times, a bipartisan dispute prevented history from repeating itself. The issue surrounded whether rural airport subsidies should be cut and if the unionization of airline workers should be encumbered.

Obama applauded the Senate for putting an end to the infighting and looking at the vast implications of the bill. "I'm pleased that leaders in Congress are working together to break the impasse involving the FAA so that tens of thousands of construction workers and others can go back to work," he said in a statement during the debate. "We can't afford to let politics in Washington hamper our recovery."

When the shutdown was finally over, FAA contractors resumed their renovations of air traffic control towers at Las Vegas-based McCarran International Airport; LaGuardia Airport; Gulfport, Miss.-based Gulfport-Biloxi International Airport; Kalamazoo, Mich.-based Battle Creek International Airport and California-based Palm Springs International Airport, among others.

The shutdown had also increased the possibility that San Francisco International Airport, Houston Bush Intercontinental, Chicago O'Hare International, Newark Liberty International Airport and Huntsville International Airport in Alabama would miss the September 1 deadline for servicing Boeing 747-8 freighters.

To U.S. Rep Chaka Fattah, the end of the FAA shutdown signaled good news for the aviation sector and the U.S. economy as a whole. "The FAA is back in business, and 74,000 American workers are back on the job," he said in a statement. "Work remains to be done to resolve the underlying issues. [The] temporary resolution of the FAA shutdown is a small but positive step for our economy and for our nation's vital infrastructure." ACW

Wings Club full of history, but looking toward the future

Nearly 60 years ago, a few Air Force pilots got together at the Yale Club in New York City to swap war stories. Their world was an aviation industry in its infancy, and New York, a pilot-filled city that would soon be home to three airline powers, was the center of it all.

Their idle chitchat formed the basis for the Wings Club, a nonprofit organization based in New York City that, according to its website, "promotes the advancement and development of aeronautics." The group's membership now boasts 1,200 officials representing airports, airlines, forwarders and other aviation companies.

"There aren't many places in the U.S. where you have enough of a community to have such a club. New York during the war was one thing, but if there hadn't been three major airlines in New York in the '60s, I'm not sure the club would have survived," said the group's manager, Harris Herman.

"You need some kind of critical mass to be able to do what we do," he continued. "I'm sure that in many big cities around the United States there's some kind of talk about doing this, but there just aren't enough people who are in the industry in a particular location."

Today, Wings Club members sponsor monthly luncheons featuring some of aviation's biggest names. James Hogan, CEO of Etihad Airways, is slated to speak at the club's event on September 22. Jeff Smisek, president and CEO of United Continental Holdings, will visit in November, and Southwest's Gary Kelly is on the docket for December.

In addition to these monthly talks, the Wings Club gives out university scholarships and organizes a yearly dinner-dance event.

Current events are No. 1 on the club's priority list, but history also plays a big part in the club's identity. Members have already produced two volumes of the organization's history — works that, through the eyes of Wings Club members, tell the story of an evolving industry. Preparations are being made for a third volume, which will cover the years 1992 through 2017. All the records are there — somewhere; the passage of time and a few relocations have spread the club's history all over New York City.

"All the historical records of the club ... were put in storage rather quickly, without archiving them," Harris said, recalling the haste with which the group moved to its current location. "There's 150 boxes of files in Brooklyn somewhere; and there are about 75 boxes in storage in Manhattan."

Herman said it's an unenviable task to re-create history without first-hand experience (though the video-recorded luncheons, which go back to 2005, will certainly help). But with enough digging and a few clever turns of phrase, officials will no doubt be able to chart the history of aviation through the eyes of Wings Club members.

"It's really going to be hard to recreate, but people obviously do it," he said. "Books are written about the 12th century, so I bet one can be written about the last 25 years." ACW

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Security requires focus on identity verification and data analysis

Steve Vinsik is vice president of enterprise security at Unisys

The discovery of parcel bombs being sent from Yemen to synagogues in the U.S. altered the view of cargo security indelibly. For the first time since 9/11, air cargo had been used for terrorist purposes. The theoretical had become a lot more real.

Immediate precautionary measures included a ban on shipments from Yemen and Somalia; a ban on printer cartridges weighing more than 1 pound; and the suspension of all U.S.-bound flights from Somalia.

Focusing on long-term solutions, the U.S. government has introduced security legislation; the European Union's member states are considering security proposals as well. This is not enough. We need to move more quickly and deliberately.

Results released in May from the Unisys Security Index, a semiannual survey of consumer opinion on multiple dimensions of security, showed that 56 percent of Americans saw cargo transported by air, sea or land as extremely or very vulnerable to a terrorist attack. British and Mexican citizens' concern topped 60 percent, and at least half the population in seven of the 11 countries surveyed felt the same way.

Their concern is warranted. We don't have a secure supply chain in place today. The problem is not that the technologies that can protect us don't exist — it's that they aren't every place they need to be. Not every government can afford good technology, and among those that can, resources are too often deployed elsewhere to provide citizens with more visible signs of a strong governmental response to security threats.

So what needs to be done?

An international mandate

The airfreight industry must take the initiative now to face down supply-chain security challenges the same way its maritime cousins did in 2004. The International Ship and Port Security code put in place that year by the International Maritime Organization had a positive effect on seaport security.

Despite enormous resistance in the maritime industry, it was implemented and enforced by all nations signed up to the IMO. The code gave the maritime sector a global framework for security that air cargo needs now.

In the meantime, in the U.S, the Customs-Trade Partnership Against Terrorism and the Certified Cargo Screening Program should be expanded to better support the assessments of service providers.

Positive identification

Identifying who is sending a package provides a vital data point in analyzing the level of trust we should place in the supply chain.

In the U.S., a new wave of Transportation Worker Identification Credential programs is being fueled by new government mandates for the program and the success of TWIC field tests of integrated biometrics systems. Not every government and shipper can afford advanced biometrics, but it is not difficult or expensive to require that each location accepting packages for delivery via air cargo require a device to authenticate the shipper's identity.

If a country doesn't require some type of credential validation, then they should not be part of the trusted supply chain. Those organizations should be subjected to additional scrutiny and security measures, which would validate the legitimacy of the packages, but extend the time it takes to ship the package.

Analyze big data

Millions of packages are shipped via air cargo every day. Each package has multiple data points that must be analyzed — point of origin, shipper's name, package contents, etc.

As a piece of cargo moves along the supply chain, we begin to lose visibility of it. For example, a crate of coffee beans may start its journey from a Costa Rican farm. As the package proceeds through the supply chain, the coffee may stop at a packaging facility. The coffee may then move to a series of distributors that transport the product to wholesalers. The distributors will consolidate shipments from different farms — possibly even different countries.

At this point in the supply chain, the cargo that was originally tracked as Costa Rican coffee beans now contains coffee beans from Guatemala and is called Central American coffee beans on the cargo manifest. This is one of the first points in the process where we lose visibility.

The coffee supply-chain example illustrates the multiple touchpoints involved in airfreight. Agencies must search through billions of pieces of data to find and link the information necessary to paint a clear picture of the supply chain. This analysis is very time-sensitive, and there is no room for error.

Governments must continue to develop and enhance their complex analytical targeting systems to scour the data for the proverbial needle in a haystack that would flag a suspicious shipment. The shippers and freight forwarders of the world can also do their part by standardizing the forms and data provided to Customs organizations.

Bolster physical security

There are still cargo facilities in the U.S. and elsewhere where the division between the secure side and public side of a facility is a painted line in the middle of the floor.

From 2002 to 2006, the Transportation Security Administration's Air Cargo Integrity program analyzed cargo moving through U.S. airports to ensure that unauthorized personnel could not tamper with the cargo in the facility. Methods evaluated included seals, video surveillance and RFID tags. This is just part of the puzzle.

Priority must also be given to accelerating the introduction of new screening technology. Freight forwarders and carriers should be required to implement an integrated approach to controlling potentially weak links in the delivery process.

It would be impossible to inspect all the containers coming into the country, but there are other ways to mitigate risk. U.S. Customs and Border Protection set up a sophisticated risk-assessment system in 2002 called the Automated Manifest System, which collects information on the cargo 24 hours prior to loading it at the final port before reaching the U.S. This data is analyzed and compared against intelligence on possible terrorist threats in an Automatic Targeting System also run by CBP, so that officials can focus on conducting physical checks only where they are most needed. The system also has its trusted ports and trusted shippers; officials send inspectors to foreign ports to make sure they follow proper security procedures.

Visibility in the global supply chain

The ability to quickly react and respond to intelligence is what stopped the printer cartridge bombs from reaching their final destination. Countries around the world should expand the sharing of intelligence tools in order to obtain the visibility needed to detect and stop the terrorist activities on the horizon.

International standards could be implemented to improve the detail reported to Customs agencies — to provide a full view of information that exists at the time of the booking and maintain this through delivery. This level of visibility would include details of the cargo's movement, handling, storage and consolidation. This detail would provide enhanced visibility of cargo handling and movement when integrated into intelligence systems.

We also need to provide full traceability of all shipments. The U.S. Food and Drug Administration has implemented the "One Forward – One Back" concept to maintain documentation for the movement of food products. The same concept and solution could be implemented for air cargo, which would support real-time investigation and targeted analysis.

There are other ways to generate actionable information. Several companies are developing solutions that will create what is being called a "secure container." These solutions will implement multi-factor and mesh devices that provide data on chain of custody, in-transit visibility, anti-tamper and intrusion detection. The dynamic data generated by the secure container appliance will improve the safety of the container and eliminate the need for non-invasive inspection or green lane processing.

Everyone has a role to play

Officials at air cargo ports are under more pressure than ever to handle increasing cargo volumes and address changing customer needs.

Shippers face a dynamic security landscape subject to government regulations and evolving security risks. They need to proactively improve the level of data they collect at origin and throughout the shipping process, and focus on verifying identities as a key first step.

Industry bodies must play their role too. They should expedite the creation and adoption of security data standards to help out with this daunting task. Once that data can be made actionable, governments should establish improved information-sharing practices to get intelligence to the front lines quickly.

All this is possible with today's technology — we just need greater cooperation across national and organizational boundaries. ACW

— Steve Vinsik is vice president of enterprise security at Unisys

Canine detection:
Best practice or for the dogs?

It's been 10 years since 9/11, but the impacts that fateful day are still very palpable. Nowhere is this more evident than in the aviation industry. To thwart future acts of terrorism, airports have beefed up their security regimens and implemented new surveillance methods. One approach has lately been garnering attention from aviation insiders: the use of explosion-detection dogs.

Known for their keen sense of smell, dogs are a relatively quick and effective way to monitor freight. But are canines the wave of the future for cargo screening? Should they replace traditional security methods?

International deployment

Canine teams received a giant endorsement in the 9/11 Commission Act of 2007, in which the U.S. government cited Transportation Security Administration-approved dogs as effective screening agents. The practice has exploded in the ensuing years, with the TSA deploying more than 800 dog fleets at nearly 100 mass-transit locations, TSA Spokesman Jim Fotenos reveals. Of these teams, more than 100 are dedicated airfreight screeners and work alongside TSA agents, Fotenos says.

"[Canine teams] can be quickly deployed throughout the system and compliment other layers used to detect explosives," he says, adding that he credits dog teams with helping meet the 100-percent screening requirements outlined in the 9/11 Act.

UK screeners have also jumped on the canine bandwagon with the deployment of RASCargO technology at four airports. Utilizing remote air sampling for canine olfaction, or RASCO, this system has screened more than 1.5 million tonnes of freight since going live in 2004.

RASCargO works by collecting air samples from closed freight, including containers and ULDs, and then presenting the samples to two highly trained dogs. The canines then sniff the samples for traces of explosives. Advocates of the system praise RASCargO's ability to screen high volumes of dense freight and its low false-alarm rate — only 1 percent to 2 percent. RASCargO has been spreading beyond the UK with its recent implementation at O.R. Tambo International Airport in Johannesburg.

Despite all of this innovation, Fotenos believes that bomb-sniffing dogs should be part of a multilayered approach. After all, he points out, cargo-screening dogs are only one of more than 80 TSA-approved methods for examining airfreight, which include X-ray systems, explosive trace detection and physical search.

"The main use of canine teams in cargo security is secondary screening, or resolving alarms," Fotenos says. "But they are also used in primary screening, which is especially helpful for transfer cargo."

The wave of the future?

Stephen Heifetz, former deputy assistant secretary for policy development at the Department of Homeland Security and a partner at Steptoe & Johnson, is another expert who endorses a multilayered approach to screening. Calling dogs an "effective safety valve," Heifetz advocates the use of canine teams in certain situations, such as inspecting difficult-to-screen cargo.

Palletized freight often fits into this category, Heifetz says. "Breaking down the cargo and re-bundling it is time-consuming and potentially damaging," he explains. "In some circumstances, however, dogs can conduct effective inspections without breaking it down."

Nevertheless, Heifetz isn't convinced that canine teams will replace traditional means of inspection. "Dogs are helpful for cargo screening, but they're not the answer for everything," he asserts.

To Heifetz, it's a catch-22: The lack of certification requirements may prevent the government from utilizing privately trained dogs, and the costs of establishing such requirements could impede their development. Plus, he's ambivalent about whether devoting more resources to these initiatives is even wise.

Heifetz may soon receive more insight into the issue: The TSA is currently piloting a private-sector canine program, Fotenos reveals. "If successful," Fotenos says, "the industry would be able to utilize privately operated teams that meet the same strict standards to which TSA teams are trained and maintained."

Heifetz still has his doubts. "There's no clear answer to the question of whether to invest more in canine inspection — particularly by establishing a certification process to enable privately trained dogs to perform government security functions — or whether instead to invest in new technology," Heifetz says.

"I personally lean to the latter," he adds, "but reasonable people can, and do, disagree."

Jeffrey Price, associate professor of aviation and aerospace sciences at The Metropolitan State College of Denver, also expresses some concern about canine teams. Although he calls dogs "the most-effective detector of explosives," he says they're expensive to train and delicate to handle. Canines also tire quickly, requiring more than 40 minutes of rest for every 20 to 30 minutes of work. And then there are the incidentals, Price explains. Dogs necessitate environmentally controlled kennel facilities with both an exercise area and a place to relieve themselves.

Nevertheless, Price maintains, dog fleets offer security agents two key benefits over other screening methods: accessibility and speed. After all, he says, dogs can climb inside cargo holds, meander throughout the cabin and sniff the overhead bins. "While an explosive detection system swab could be used in these areas, it would take hours to cover an entire hold or cabin, whereas a dog can clear the same amount of space in seconds," Price asserts.

"It would take hours to cover an entire hold or cabin [with an explosive-detection system swab], whereas a dog can clear the same amount of space in seconds."

— Jeffrey Price

Like Fotenos, Price sees canine fleets as an adjunct screening method, not a primary approach. To him, an effective strategy is to utilize explosive detection systems and explosive trace detectors and then scatter dogs throughout cargo areas "to add another layer of protection." Price hopes that such measures will also thwart future terrorist attacks. "Once the [perpetrators] know that there's a strong possibility that a dog could be used to check their shipments, it will reduce their desire to try to send a bomb through air cargo," he projects.

Carriers worldwide certainly hope so. As the industry prepares to meet the TSA's December 31 deadline for screening all U.S-bound cargo, the full role of canine fleets remains to be seen. One thing's for certain, though: Bomb-sniffing dogs will continue to be an airport mainstay. ACW

See last month's cover story, "Regulating an industry: TSA's push for total cargo screening," *for more information.*

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Poor infrastructure limits airfreight

India is a nation of contradictions. On one hand, the South Asian nation is enjoying a booming economy, capitulated by its status as a Mecca for the IT, textiles and pharmaceuticals sectors — but the other side tells a bleaker story. Hovering at 8 percent to 9 percent annual GDP growth, India's economic success belies the extreme poverty experienced throughout the country. It's this poverty, however, that has also led to its success as a manufacturing hub.

India's low labor costs and consistently high levels of output have convinced numerous companies to set up shop in the region, attracted by the promise of strong returns on investment. Such industrial growth in a poverty-stricken nation raises multiple logistical questions. For instance, is India's aviation sector equipped to handle the influx of goods being exported? Does it have systems in place to ensure that this growth trend continues?

Not so, many experts contend.

Infrastructure challenges

If there's a general consensus among air cargo experts, it's the weakness of India's aviation infrastructure. Citing air-traffic congestion and a lack of technological systems, many aviation insiders have expressed concern about the nation's flight operations.

Bernard Asare, director of air traffic management strategy and business development at the U.S.-based ITT Corp., is one of them. To him, it's simply a matter of infrastructure investments failing to keep pace with demand. "Air traffic congestion in India and globally is the result of outdated technologies and operational procedures not keeping up with rapidly changing aviation industry dynamics," Asare says. And then there's the political red tape and nontransparent dealing rampant throughout India, he asserts.

The problem is multifaceted. Air traffic continues to grow amid archaic air traffic management systems, and this only leads to more obstruction in India's airspace and airports. Handling flight congestion and delays in spite of this growth, Asare explains, is one of the key challenges affecting India's cargo

"Air traffic congestion in India and globally is the result of outdated technologies and operational procedures not keeping up with rapidly changing aviation industry dynamics."
— Bernard Asare, ITT Corp.

sector. "Unfortunately, Airports Authority of India doesn't have the capacity to handle the massive growth and influx of traffic [into the region]," he says.

It's why shipment delays are so common, according to John Cheetham, regional commercial manager for Asia-Pacific at British Airways World Cargo. A casualty of India's weak infrastructure and crowded airspace, cargo deliveries are often postponed, he explains. "Customs practices are also a constraint on airfreight as closures, public holidays and strikes often impact the movement of cargo," Cheetham says. Either way, he maintains, the biggest detriment to India's airfreight operations is its infrastructure.

Madhav Thapar, senior vice president of airfreight for Africa and South Asia-Pacific at DHL Global Forwarding, couldn't agree more. Pointing to a "geographical imbalance" in capacity development, Thapar says some Indian airports with high volumes of airfreight are encumbered by their lack of modern processes.

Fortunately, he says, DHL has taken numerous measures to overcome this hurdle. In recent years, the global freight forwarder has procured a bonded warehouse in Bengaluru, launched a free-trade zone in Tamil Nadu, and opened industry-centric compliance centers in various parts of India, Thapar says. Establishing a presence throughout the nation has enabled DHL to maintain better control of its inventory, he explains.

Carsten Hernig

What's more, Thapar says, "DHL works constantly with the Indian authorities, both directly and through industry associations and forums, to constructively develop solutions [to infrastructure constraints]." Considering the volume of goods being imported and exported out of the region, this is even more necessary, he explains. In fact, DHL counts India as its largest airfreight market in Asia.

Madhav Thapar

Another company with a large presence in India is Lufthansa. Operating a pharmaceutical hub at Hyderabad International Airport since May, Lufthansa Cargo launched this facility to meet the cool-chain requirements of transporting such time-sensitive materials. Before doing so, however, Lufthansa ensured that the infrastructure supporting the facility could hold up to its stringent internal certification processes. It's a key reason why Carsten Hernig, Lufthansa's regional director, South Asia, Middle East and Pakistan, thinks assertions about India's weak infrastructure are overblown.

"Immense activities are underway or have already been accomplished to improve India's situation," Hernig says. "New airports have been built in many cities, and improvement is going on at practically every international airport in the country. The development of infrastructure is on the way and will not be stopped."

Hyderabad airport, for instance, is only three years old and features a state-of-the-art cargo terminal spanning 14,330 square meters. And Delhi's Indira Gandhi International Airport received a facelift in recent years, welcoming a new, 500,000-square-meter international terminal in 2010.

To Hernig, it's more beneficial to look at the progress being made in the poverty-stricken nation than to discuss its shortcomings. "More important at this stage is that the processes are now being developed in a direction, which enables transportation flows to make maximum efficient use of the new infrastructures," he says.

Future outlook

Despite improvements to India's aviation sector, numerous challenges remain — namely its reluctance to embrace E-freight, some experts say. Thapar, for one, believes the nation's airfreight operations could improve tremendously with the implementation of E-freight. Not only would this streamline processes and improve cost-efficiencies, he says, it would also eliminate waste "due to high paper consumption involved in current manual transactional modes."

Even Hernig can't argue with this point. "India still has a way to go when it comes to efficiency improvements," he says. Transshipments, known-shipper concepts, electronic billing and cargo accounts settle-

ment systems implementation are some of the areas Herning mentions as necessitating progress.

Not surprisingly, ITT's Corp.'s Asare believes one key action could boost India's airfreight operations tremendously: investing in modern technology. "As economic activity in India increases, more and more goods must be moved in and out of the country's airports and airspace as efficiently as possible; however, technologies, such as secondary radars, are no longer adequate in supporting these increasing number of air traffic operations," he says. "This hampers the efficient air transportation of goods in and out of India."

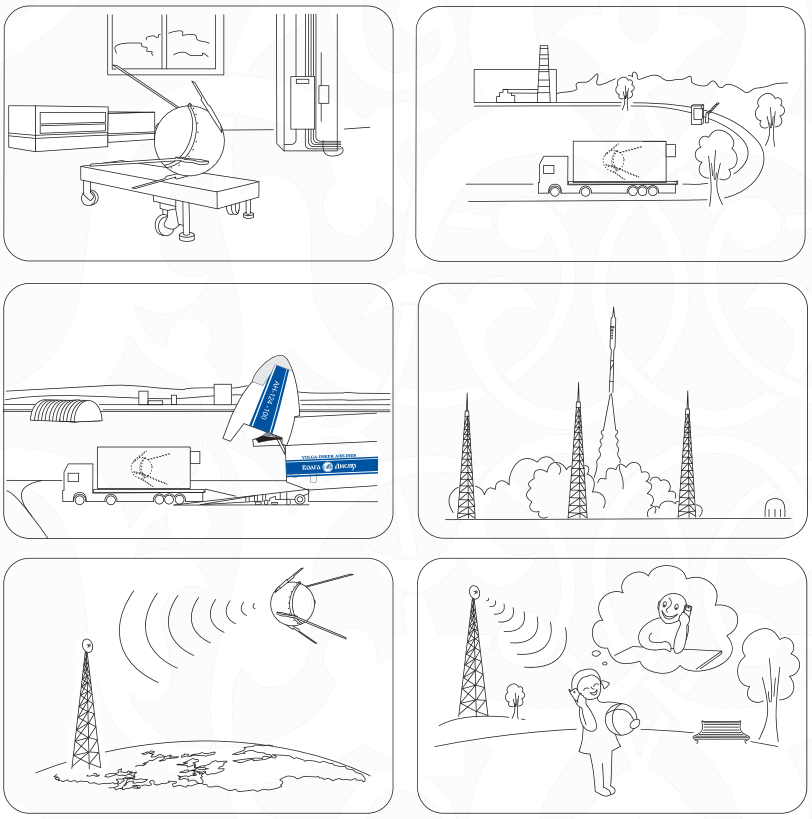
John Cheetham

Asare encourages India to follow the U.S. Federal Aviation Administration's lead and employ advanced air traffic control techniques, such as automatic dependent surveillance-broadcast, or ADS-B. A satellite-based system like ADS-B would boost India's freight operations by enabling airports and airlines to transport cargo more efficiently, he says. Clearly, there are high costs associated with this technology, but Asare believes such investments are necessary to catapult India's aviation sector into the 21st century. Doing so would also narrow the gap between India's high level of output and low level of standardization.

After all, many experts say, India's economy shows no signs of slowing down. And although the nation is facing inflation pressures, which are elevating labor costs, India will most likely be able to compensate for this expense, British Airways' Cheetham maintains. For one thing, he says, it will affect the manufacturing of low-end merchandise, which will validate attempts to diversify production.

Thapar also projects continued economic growth, especially in India's southern region, which is known for its booming technology sector. Crediting the South Asian nation with becoming a supplier to emerging markets, he says India's mid- to long-term prospects for airfreight growth are strong. In fact, Thapar says, "In the near future as the Indian economy hopefully contains inflation and moves to a real growth of 9-percent-plus, consistent double-digit air cargo growth looks to be a realistic expectation."

Whether this expectation becomes a reality or not, one fact remains: India's airfreight operations continue to be a contradiction of progress and resistance to change. ACW



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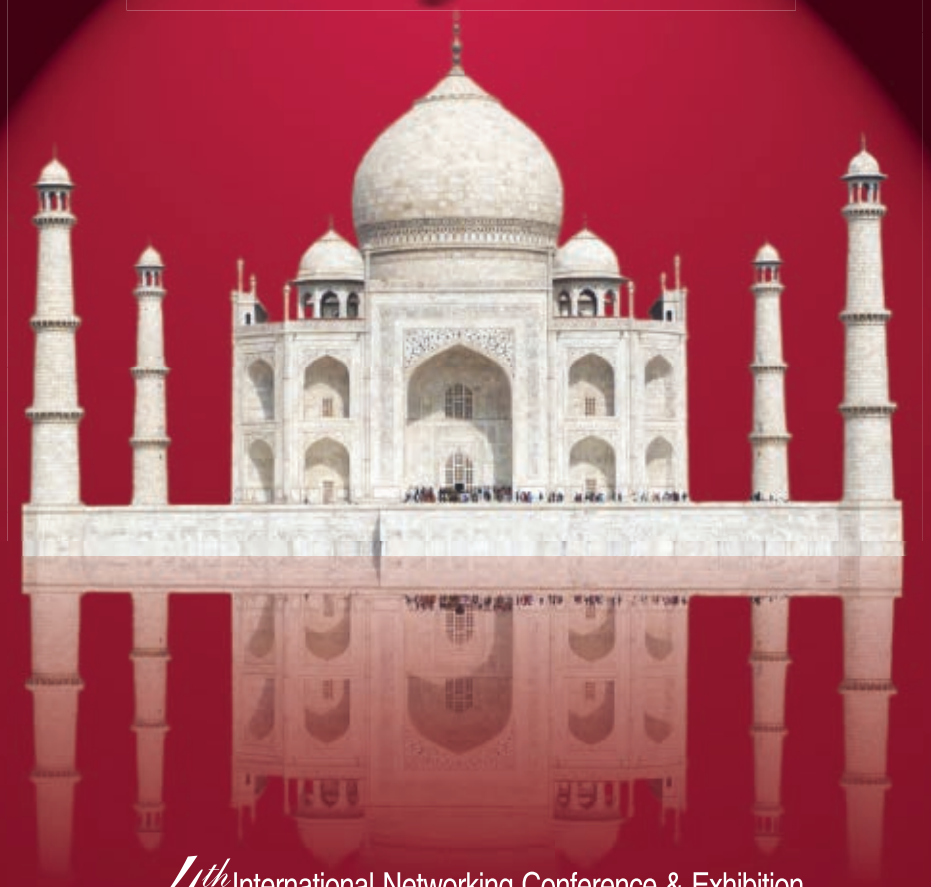

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Many in the industry know by now that revenue is not best left up to gut feel. A thesis on air cargo revenue management, produced by a student at the Georgia Institute of Technology in Atlanta in 2006, confirmed that there are scientific and higher-yielding ways of filling an aircraft. Her research, comprising 123 pages of detailed theory backed by some complex algorithms, led to some interesting conclusions, such as:

- Shipping cargo is more complicated than moving passengers, with many more variables
- "First-come, first-served" will not give carriers an acceptable return on belly-hold space
- Dynamic management can increase revenues by up to 60 percent. This tool basically boils down to effective space allocation, accurate calculation of no-show cargo, clear rules on whether to accept or reject incoming bookings, and better communication between the mainstream commercial cargo and small package/mail sales teams.

Airlines have begun to take a much more structured approach toward cargo revenue management (RM) during the past five years. Emirates, for example, is currently training sales personnel in anticipation of a January rollout of an RM system developed in-house. This will later be offered to third-party carriers as a module within the SkyChain package.

The system, which has been under development for more than a year, combines demand forecasting and capacity-management tools with a pricing engine. Sales teams will have to work on a minimum-bid price basis, as no shipment falling below this threshold can generate a confirmation. "This will influence sales technique and behavior, and represent a huge cultural shift for our people in the field," says Pradeep Kumar, vice president of cargo at Emirates SkyCargo. "They will have to explain it, in turn, to their customers."

Emirates allocates up to 60 percent of available hold space on passenger aircraft to customers with hard-block space agreements (BSAs) or soft-block permanent bookings (PBs), Kumar says. Forwarders on these agreements usually indicate their capacity requirements 24 to 30 days ahead. The balance is offered for free sale, though this capacity may be restricted at first on some sectors to try to encourage a higher rate.

RM has been "more of a philosophy" than a scientific discipline in the past, Kumar explains. "Last-minute free-sale capability depends on the experience and expertise of people working on a particular route. It's a difficult task to automate."

Virgin Atlantic already went through RM systems training as one of the early customers for Sabre's CargoMax system. "The change pro-

Revenue management:

More than a gut feeling

cess could have been problematic. We had to coach our sales guys through it," says John Lloyd, Virgin's director of cargo. "They now have information at their desks giving them the rate bands they can work in, which can change hour by hour. The last thing we wanted was for the sales team to have to wait three or four days for an answer from the revenue management department."

With the new system, Virgin has seen significant improvement in its bottom line. The carrier's yield premium rose 8 percent in the past three years, Lloyd says. "A lot of that is down to revenue management and strategic pricing," he says. He confesses to "some negative reaction" from customers who did not want to do business with Virgin on its new terms, but claims this was largely lower-end traffic that Virgin could be choosier about accepting with the new RM tools at its fingertips.

On specific sectors such as Nairobi-London, which is dominated in season by a predictable flow of cut flowers, Lloyd says there is a high proportion of BSAs with penalties on both sides for failing to meet contracted terms. Most routes don't work that way. Before CargoMax, BSAs and PBs accounted for 65 percent to 70 percent of Virgin's space allocation, but "were not being managed properly on our side," Lloyd says. "We were turning traffic away thinking that we had only 1 tonne available, when maybe we had a lot more space."

Historically, the carrier would overbook it flights by 20 percent, running the risk of bumping shipments and annoying customers if too much cargo showed up on a given day. More often, the reverse was true, and capacity was not being fully utilized.

"Now the data shows us on what route and on what day we can overbook and by how much. We may know that every Wednesday, a big forwarder is coming in 10 percent below his permanent booking on a given route. In time, we will discuss that with him, but in the meantime, we know we can offer that space," Lloyd says.

Virgin's cargo department also manages the carrier's passenger baggage configuration. This business model is a bit unusual, Lloyd admits, but he says it allows them to better manage capacity. "Historic data over the last one or two years tells us we need seven containers [for passenger baggage], where the passenger team might have requested eight or 10," he says. "We can factor in variables that may increase baggage demand, such as ski season or Asia's Golden Week holidays."

Dominic Kennedy, RM manager for Virgin Atlantic Cargo, says pre-bookings now run at 50 percent to 60 percent. Free-sale capacity is released around 14 days before departure and is sold only if a customer's request meets the system's minimum-rate requirements for the sector and product type concerned.

"We produce a flight-specific demand forecast and continually monitor booking curves for each flight, adjusting the rate according to changes in demand. Modeling accounts for historical patterns, route dynamics and seasonality," Kennedy says.

"Small cargo is normally accepted, even on seemingly full flights. Smaller shipments can be consolidated with larger ones to optimize available capacity as well as attracting a significant yield premium." He adds that Virgin constantly monitors show-up rates, but "it can be difficult to get right on every flight, so overbooking is applied with extreme caution."

John Lloyd

CargoMax is integrated into Virgin's Voyager system, and the program can interface with passenger reservations, revenue management and the flight-management system. This allows the capacity-management specialists in the head office to "almost recommend" a load plan to the handlers at London Heathrow, Lloyd says.

Emirates' Kumar believes back-office tools, providing as much infor-

mation as possible about the dimensions and density of booked shipments, will help the cargo manager in the carrier's Dubai hub trying to coordinate shipments from Australia or Hong Kong and refill a B777 flying on to London. "The manager can see at 24-hours-to-go how the flight is shaping up and can go for smaller packages," Kumar says. "He will know roughly how many of the eight-pallet and 20-container positions are available, depending on variables such as passenger baggage and temperature."

Heat can be a major factor. A B777-300ER departing Dubai at 7:30 a.m. or 8 a.m. loses a tonne of cargo for each degree of temperature increase because of fuel expansion.

As at Virgin, everything ultimately depends on load management — the people in the warehouse who have to maximize the loading of each container and position it optimally in the hold. "We operate the standard IATA density calculation, whereby 1 kilo displaces 6,000 cubic centimeters (1:6), but on certain routes, although you're still selling on a 1:6 basis, the cargo may be bulkier, and you may be loading at 1:7. A good mix of product and density enables you to optimize capacity," Kumar says.

Inconsistent pallet sizes can defeat the best calculations, however. More shippers are supplying skidded cargo, but lack of standardization may make it difficult to stack pallets efficiently.

"We oversell 10 or even 15 percent depending on the time of year and the route, based on past trend analysis," Kumar says. "It doesn't result in much offload, and if 1,000 kilos has to be bumped, it's no problem with a network of our size, where there may be four or five departures a day to the major destinations. We can still make a same-day delivery commitment."

"[Some carriers] will advance the merits of gut feel and say they know better than the system. But the benefits are fully now more clearly understood by major stakeholders who know how severely constricted they were by their legacy systems."

— Radhesh Menon, IBS

Indian software developer IBS teamed up with several carriers in a "core group of influence" (CGI) in 2004 to develop a replacement for legacy cargo management systems. Radhesh Menon, manager of airline cargo services at the company, says the result was a flexible RM tool building in the essential components of capacity management, pricing and loyalty.

A rule-based approach either validates bookings or rejects offers that

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Radhesh Menon

are less desirable on potentially higher-yielding sectors, Menon says. But there is no single measure of how much each customer "matters." Carriers may place a value on overall business from a given forwarder, repeat business, specific products booked or its level of support on a thinner route. Overbooking parameters, calculated in anticipation of no-show cargo or under-tendering, can be calculated by segment, allotted space or per individual flight. Statistical models are built around demand forecasts, booking forecasts or dynamic bid pricing — a feature that Menon says "the industry is only just waking up to."

Members of the CGI offering primarily long-haul services, such as Qantas or South African Airways, historically would take more business up front from loyal customers, giving them the reassurance that their holds would be full even if it was at a lower rate, Menon says. "Others, like Kingfisher, are used to operating more aggressively on shorter timelines, leaving space open and optimizing capacity closer to departure," he says.

Menon acknowledges that long-servers can resist the idea of automated RM. "They will advance the merits of gut feel and say they know better than the system. But the benefits are fully now more clearly understood by major stakeholders who know how severly constricted they were by their legacy systems. It isn't easy to generalize, but most carriers see yield improvements in the area of 10 to 20 percent."

CGI member airlines are adopting RM technology in phases. Qantas went live with the capacity, sales and yield functions a year ago and is now extending the system to its terminal operations so that handlers will receive load advice in the form of a more advanced version of the freight waybill.

In the last year, IBS has added a new feature to its RM package, providing a Cargo 2000-compliant cargo data management platform. This not only streamlines the process, Menon says, but the new platform could also help carriers provide security agencies with the electronic pre-arrival information they now demand. ACW

The World's Top 50 Airports

Growth — substantive and encouraging, but perhaps fleeting — is the overarching theme of the Airports Council International's ranking of the busiest cargo airports in 2010.

The top 10 airports in the survey averaged a nearly 19-percent increase in cargo tonnage when compared to 2009's economically depressed results. In that same group of airports, four airports experienced a year-over-year rise of more than 20 percent; if the scope is expanded to the top 50, the number of airports jumps to 14.

Only one airport in the top 50 — Philadelphia International Airport — saw less tonnage in 2010 than it did in 2009. (For the full results, turn to page 40.)

ACI's 2009 rankings showed that of the top 10 airports (the rankings changed a bit, but the players remained the same), only two had experienced tonnage increases when compared to 2008. Four of the airports saw declines of more than 10 percent.

What a difference two years, and a rebound from a deep recession, makes.

Unfortunately, 2011's final numbers may be muted as well; due to another round of global economic struggles, there may be some weaker numbers up ahead.

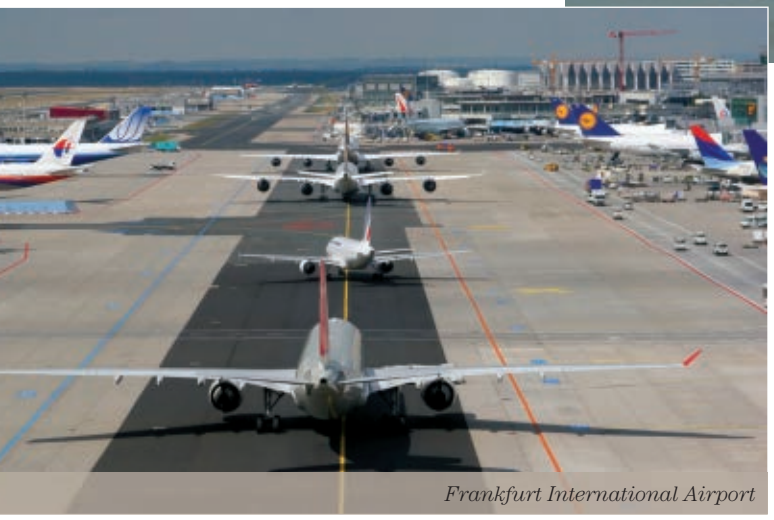
Officials at Hong Kong International Airport experienced an unprecedented year of cargo growth, taking the prize as busiest cargo airport in the world from Memphis International. The Hong Kong airport had been plenty busy before, and had actually generated the most tonnage out of any airport on international flights each year since 1996, but the overall push in the Asia-Pacific region toward domestic activity nudged the airport over the top.

"Last year was an exceptional year for air cargo growth, where there was virtually no trough period," an HKIA spokesman says. "It was a result of the sudden recovery of the economy, urgent replenishment orders, and the emergence of a new wave of high-tech electronic commodities." The spokesman noted that more than 70 percent of the cargo handlers

see is in transit to or from the Pearl River Delta region of China.

Everyone at the airport is anxiously awaiting the impact of Cathay Pacific's cargo terminal, which is set to open in 2013. Full capacity at the development is expected to be 2.4 million tonnes annually, pushing HKIA's overall cargo terminal capacity to 7.4 million tonnes a year. A longer-term project is the midfield expansion plan, which will provide freighters with more parking space.

Hong Kong International Airport



Frankfurt International Airport

The development that will help shape the future of HKIA, however, isn't even set. Officials are currently debating the construction of a third runway at the airport, which would require the reclamation of land currently underwater. The other option is to improve the existing structures, but this would put a cap on future expansion. "After reaching saturation, the airport would not be able to introduce new destinations or flights except for substituting existing flights," the spokesman says.

The first few quarters of 2011 haven't been so kind to HKIA, a trend

Asia-Pacific Airports

ACI Rank	City	Cargo 2010 tonnage	YOY%	ACI Rank	City	Cargo 2010 tonnage	YOY%
1	HONG KONG (HKG)	4 168 394	23.2	39	SHANGHAI (SHA)	480 438	9.5
3	SHANGHAI (PVG)	3 227 914	27.1	46	CHENGDU (CTU)	432 153	14.6
4	INCHEON (ICN)	2 684 500	16.1	49	MANILA (MNL)	423 853	17.4
9	TOKYO (NRT)	2 167 843	17.1	54	NAHA (OKA)	388 408	49.7
11	SINGAPORE (SIN)	1 841 004	10.9	68	HANGZHOU (HGH)	283 427	25.2
14	TAIPEI (TPE)	1 767 075	30.1	69	KUNMING (KMG)	273 668	6.0
16	BEIJING (PEK)	1 549 126	5	72	FUKUOKA (FUK)	257 031	3.9
20	BANGKOK (BKK)	1 310 146	25.3	77	XIAMEN (XMN)	244 666	24.9
21	GUANGZHOU (CAN)	1 144 458	19.8	78	NANJING (NKG)	234 346	17.1
24	SHENZHEN (SZX)	809 363	33.6	83	SAPPORO (CTS)	227 914	(3.3)
25	TOKYO (HND)	804 995	1.9	84	HA NOI (HAN)	216 899	33.3
26	OSAKA (KIX)	759 278	24.7	94	COLOMBO (CMB)	169 437	20.1
28	KUALA LUMPUR (KUL)	697 015	15.6	99	NAGOYA (NGO)	157 826	4.5
38	JAKARTA (CGK)	501 803	12.7				

Paris-Charles de Gaulle Airport

Memphis International Airport

that is reflected in almost all of the top airports. Cargo volumes declined 2.3 percent, year-over-year, in the first six months of 2011 due to the general slowdown in world economies and the Japanese crisis. Officials are convinced, however, that more prosperity is around the corner.

"Despite the current slowdown, the industry is cautiously optimistic of the future of air cargo in the latter part of the year, which is the usual peak time for air cargo," the spokesman says.

Officials at PACTL, a cargo terminal at Shanghai Pudong International Airport (PVG), have seen one of the biggest tonnage growth spurts among the top airports in the Asia-Pacific region. According to an official, the company has seen strong export numbers, but import numbers and domestic cargo throughput are two areas that have really taken off.

But with any growth, comes challenges. PACTL workers immediately point to Customs as one aspect that can be improved. More Customs officers, combined with a better risk-assessment strategy and an overall streamlined process, would help immensely, a spokesman says. He adds that transit procedures also need improvement. Common issues like available infrastructure to support increased activity and the problem of ever-changing security practices are mostly not a concern at PVG.

"Security is not such a big challenge, as there is a clear concept. Security is being taken very seriously in PVG, and this will be the case in the future, too," he says.

Europe Airports

ACI Rank	City	Cargo 2010 tonnage	Cargo YOY%	ACI Rank	City	Cargo 2010 tonnage	Cargo YOY%
6	PARIS (CDG)	2 399 067	16.8	51	MADRID (MAD)	401 028	21
7	FRANKFURT(FRA)	2 275 106	20.5	58	ZURICH (ZRH)	336 556	18.9
15	LONDON (LHR)	1 551 405	15	64	EAST MIDLANDS (EMA)	306 470	6.5
17	AMSTERDAM (AMS)	1 538 135	16.8	65	MUNICH (MUC)	286 821	25.2
27	LUXEMBOURG (LUX)	705 370	12.2	79	VIENNA (VIE)	231 824	16.8
32	COLOGNE (CGN)	644 029	16.6	80	LONDON (STN)	230 743	7.6
33	LIEGE (LGG)	639 669	32.7	95	HAHN (HHN)	167 158	54.8
34	LEIPZIG(LEJ)	638 491	25.9	96	ROME (FCO)	164 316	18.4
43	BRUSSELS (BRU)	441 442	7.2	98	MOSCOW (DME)	158 400	23.4
44	MILAN (MXP)	432 672	25.8				

This year will bring a bit more difficulty for PVG, it seems. According to the PACTL spokesman, the airport experienced 2.9-percent less cargo activity in the first half of 2011 than it did in the first six months of 2010. He can't put his finger on what has caused this decrease, but suspects the poor global economy and China's economic deflation policy played a part.

The only thing to do is to soldier forward and hope cargo returns. To that end, pilots will be able to land on a fourth runway at PVG in spring 2013; construction of a fifth runway is slated to finish in 2015. A new Customs-free trade zone was put into operation near the airport's West Cargo City in July. The developments, paired with the emergence of domestic business, bode well for the future.

"We will see much more transit cargo in PVG as well as much more import and domestic cargo. We will see more African and Indian cargo — maybe carriers from these countries as well," the spokesman predicts. "But we will see fewer charters, as they will move to the second-tier locations on the rise, like Chengdu, Chongqing and Dalian."

DHL's facilities at Cincinnati/Northern Kentucky International Airport are under expansion

Memphis International Airport still ranks near the top due to its presence as the home base of FedEx, and despite relinquishing the title last year to HKIA, the airport is experiencing growth and expansion. According to Larry Cox, the airport's president and CEO, 2010's rise in activity was due to increased international cargo flown through the FedEx Super Hub. The integrator recently opened up a new cargo ramp and what will be the first of five new air cargo buildings. This international-traffic bump is also convincing FedEx to purchase larger aircraft, he says.

Though Cox looks forward to strong international numbers, the domestic tonnage paints another pic-

North America Airports

ACI Rank	City	Cargo 2010 tonnage	YOY%	ACI Rank	City	Cargo 2010 tonnage	YOY%
2	MEMPHIS (MEM)	3 916 937	5.9	50	PHILADELPHIA (PHL)	419 659	(3.2)
5	ANCHORAGE (ANC)	2 578 396	33.1	56	CINCINNATI (CVG)	377 032	171.6
10	LOUISVILLE (SDF)	2 166 226	11.1	57	ONTARIO (ONT)	371 167	1.1
12	MIAMI (MIA)	1 835 793	17.9	59	WASHINGTON (IAD)	332 274	13.5
13	LOS ANGELES (LAX)	1 810 345	15.5	67	SEATTLE (SEA)	283 967	4.6
18	CHICAGO (ORD)	1 424 077	30	71	BOSTON (BOS)	259 539	4.7
19	NEW YORK (JFK)	1 343 114	17.4	74	TOLEDO (TOL)	254 802	5.5
22	INDIANAPOLIS (IND)	947 279	5.2	75	PHOENIX (PHX)	250 600	12
23	NEWARK (EWR)	854 750	9.6	76	DENVER (DEN)	250 226	11.5
30	ATLANTA (ATL)	659 129	17	82	VANCOUVER (YVR)	227 973	15.2
31	DALLAS/FORT WORTH (DFW)	650 584	10.9	87	MINNEAPOLIS (MSP)	211 018	10.7
37	OAKLAND (OAK)	510 823	2.8	89	DETROIT (DTW)	193 347	19.4
40	TORONTO (YYZ)	471 337	9.1	90	PORTLAND (PDX)	190 098	6.6
45	SAN FRANCISCO (SFO)	432 235	5.9	92	WINNIPEG (YWG)	173 038	8
48	HOUSTON (IAH)	426 875	14	93	ORLANDO (MCO)	171 590	10.3

ture. While activity, he says, has stabilized, "fuel costs and a weak economy in North America make future growth challenging." Still, he expects an overall air cargo growth of 5 percent this year. FedEx's new facilities and, possibly, new carriers will drive this uptick, he says.

"We are very bullish on our future, as Memphis is becoming widely known as America's aerotropolis, where runway, road, rail and river merge," he says.

One seeming anomaly on the report is Cincinnati/Northern Kentucky International Airport (CVG), which is ranked 56th on the list. Officials at the airport saw a staggering 171.6 percent year-over-year increase in tonnage. No other result on the list even comes close to half of CVG's results.

It turns out, however, that the number can easily be explained by the return of DHL. The main reason CVG's year-over-year percentage is so big is that 2009's numbers only reflected six months of DHL's operations. But DHL did some growing in 2010 and is set to expand even more. This spring, construction began on a $22.5 million-dollar expansion of the DHL facilities, which is set to deliver sometime this month. This activity is also having an impact on 2011's numbers; in the first six months of the year, tonnage rose 46 percent, year over year.

"DHL has been a great airport and community partner. Their return to CVG has increased jobs in the region and helped to decrease overall operating costs to all carriers at CVG," says Barb Schempf, the airport's director of public and government affairs.

Dubai International Airport

In March, airport officials tasked an engineering group with completing a master plan study that will propose strategies to meet demand through 2035. The process has just started, but Schempf knows cargo will be a part of CVG's future.

"Both in the short term and as part of the master plan study update, cargo plays a critical role in the operations at CVG," she says. "We will continue to work with our cargo partners to identify and implement airfield and facility requirements necessary to meet, improve and grow their business at CVG and in the region."

The busiest cargo airports in Europe are all within a small area, and this makes competing in the airfreight market a challenge says Anne Frisch, the operations director at Paris-Charles de Gaulle. It's much easier for carriers to shop around to try to find the best deal. Less-established airports, she says, get marginalized.

"Existing airports face very strong competition to get their share of business on the basis of advantages that are hard to replicate," she says.

Activity at Paris-Charles de Gaulle, which ranks sixth on the list, flourished in 2010. The airport is an im-

Middle East/Africa Airports

ACI Rank	City	Cargo 2010 tonnage	YOY%
8	DUBAI (DXB)	2 270 498	17.8
29	MUMBAI (BOM)	671 238	18.5
35	NEW DELHI (DEL)	594 496	25.6
41	ISTANBUL (IST)	466 553	22.4
42	ABU DHABI (AUH)	442 326	15.6
52	SHARJAH (SHJ)	397 518	(5.7)
55	MADRAS (MAA)	385 726	25.8
60	BAHRAIN (BAH)	329 938	(3.7)
61	TEL-AVIV (TLV)	315 511	15.2
62	JOHANNESBURG (JNB)	311 032	23.4
63	CAIRO (CAI)	310 903	8.8
81	RIYADH (RUH)	229 128	11.2
85	BANGALORE (BLR)	214 387	31.6
88	KUWAIT (KWI)	208 879	5.3

Latin America Airports

ACI Rank	City	Cargo 2010 tonnage	YOY%
36	BOGOTA (BOG)	526 844	17
47	SÃO PAULO (GRU)	430 850	12.6
53	MEXICO CITY (MEX)	397 142	22.3
66	SANTIAGO (SCL)	285 439	11.6
70	LIMA (LIM)	271 794	17
73	CAMPINAS (VCP)	255 008	38
86	BUENOS AIRES (EZE)	212 890	30.8
91	SAN JUAN (SJU)	181 703	(7.7)
97	QUITO (UIO)	164 104	12.3
100	MANAUS (MAO)	157 157	10.2

portant European hub for FedEx, Air France and Europe Airpost, and the majority of goods routed through the port were set on trade lanes to Asia and North America.

Paris-CDG officials are currently working to establish a group of cargo specialists. Frisch also points to recent parking-stand expansions that will provide the extra space needed for the new B747-8F.

While French cargo benefited from the global rebound, there are new economic challenges ahead. The current state of Europe's debt troubles and rising gas prices are reflected in CDG's second-quarter numbers for 2011. After a 3.9-percent, year-over-year tonnage increase in the first quarter, the market faltered.

"This last quarter's mixed results are, in part, explained by the Japanese catastrophe in March 2011, but also by the current economic context in Europe and the U.S," Frisch says. "We usually say that cargo reflects the world economy — and this would once again appear to be the case." ACW

Airports Council International's Top 50 Airports

ACI Rank	CITY	Cargo 2010 tonnage	YOY%	ACI Rank	CITY	Cargo 2010 tonnage	YOY%
1	HONG KONG (HKG)	4 168 394	23.2	26	OSAKA (KIX)	759 278	24.7
2	MEMPHIS (MEM)	3 916 937	5.9	27	LUXEMBOURG (LUX)	705 370	12.2
3	SHANGHAI (PVG)	3 227 914	27.1	28	KUALA LUMPUR (KUL)	697 015	15.6
4	INCHEON (ICN)	2 684 500	16.1	29	MUMBAI (BOM)	671 238	18.5
5	ANCHORAGE (ANC)	2 578 396	33.1	30	ATLANTA (ATL)	659 129	17
6	PARIS (CDG)	2 399 067	16.8	31	DALLAS/FORT WORTH (DFW)	650 584	10.9
7	FRANKFURT (FRA)	2 275 106	20.5	32	COLOGNE (CGN)	644 029	16.6
8	DUBAI (DXB)	2 270 498	17.8	33	LIEGE (LGG)	639 669	32.7
9	TOKYO (NRT)	2 167 843	17.1	34	LEIPZIG (LEJ)	638 491	25.9
10	LOUISVILLE (SDF)	2 166 226	11.1	35	NEW DELHI (DEL)	594 496	25.6
11	SINGAPORE (SIN)	1 841 004	10.9	36	BOGOTA (BOG)	526 844	17
12	MIAMI (MIA)	1 835 793	17.9	37	OAKLAND (OAK)	510 823	2.8
13	LOS ANGELES (LAX)	1 810 345	15.5	38	JAKARTA (CGK)	501 803	12.7
14	TAIPEI (TPE)	1 767 075	30.1	39	SHANGHAI (SHA)	480 438	9.5
15	LONDON (LHR)	1 551 405	15.0	40	TORONTO (YYZ)	471 337	9.1
16	BEIJING (PEK)	1 549 126	5	41	ISTANBUL (IST)	466 553	22.4
17	AMSTERDAM (AMS)	1 538 135	16.8	42	ABU DHABI (AUH)	442 326	15.6
18	CHICAGO (ORD)	1 424 077	30	43	BRUSSELS (BRU)	441 442	7.2
19	NEW YORK CITY (JFK)	1 343 114	17.4	44	MILAN (MXP)	432 672	25.8
20	BANGKOK (BKK)	1 310 146	25.3	45	SAN FRANCISCO CA (SFO)	432 235	5.9
21	GUANGZHOU (CAN)	1 144 458	19.8	46	CHENGDU (CTU)	432 153	14.6
22	INDIANAPOLIS (IND)	947 279	5.2	47	SAO PAULO (GRU)	430 850	12.6
23	NEWARK (EWR)	854 750	9.6	48	HOUSTON (IAH)	426 875	14
24	SHENZHEN (SZX)	809 363	33.6	49	MANILA (MNL)	423 853	17.4
25	TOKYO (HND)	804 995	1.9	50	PHILADELPHIA (PHL)	419 659	(3.2)

Total Cargo: loaded and unloaded freight and mail in metric tonnes.
*ANC data includes transit freight.

Source: Airports Council International

Airports: CARGO as a Revenue Source

Once the forgotten fiscal factor, cargo has today become a significant revenue earner for many airports. Perhaps more significantly, it has become fundamental to some airports' long-term growth strategies; in some cases, this is true even where freight does not pass directly across their aprons.

When you are the U.S.'s leading international cargo gateway, there may be the temptation to pull out of the fast lane and hit the cruise button. But Miami International Airport has made it clear it has no intent on taking its foot off the gas. That particularly applies to Miami's other dominant title, that of the world's largest air cargo gateway to Latin America; the airport accounts for 79 percent of all exports and 82 percent of all imports to and from the region.

"Our focus remains very much on the airport's cargo business," says Chris Mangos, MIA's marketing director. "We ensure we maintain market share and volumes, particularly on Latin American routes, by actively working with all stakeholders in the business."

But MIA is still looking for new business and wants to spread its reach and connectivity. According to Mangos, the airport is always in search of more cargo carriers out of Europe, but wants to push for more Eastern European services. "Asia is developing quickly for us, and we have begun serious marketing efforts within the Indian market as well," Mangos says. "The final frontier for MIA is Africa, and there are several opportunities that are being cultivated there."

MIA, Mangos says, is keen to develop the Asia-Latin America connection. "We have seen Asian freighter frequencies jump from

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nine weekly inbound in early 2009 to 19 weekly inbounds in 2010." He says that during that same period the airport witnessed a 54 percent leap in Asian tonnage, most of it headed to the Latin American market. "The first half of 2011 shows Asian freight up by 9 percent, with a fourth Asian carrier arriving here as of September," Mangos says. According to Mangos, preliminary work is underway on a soon-to-be-announced new cargo facility at MIA, which will add another 350,000 square meters of warehouse space at the airport.

A Latin American cargo gateway, ready and waiting, may be the way to rightly describe Port San Antonio. Located in the deep southwest corner of Texas, it is in an immediate position to act as a primary trade interchange between the U.S. and Mexico. Beyond that, its potential lies in accessing the vast Latin American market.

The former U.S. Air Force base has been transformed into a huge Foreign Trade Zone covering more than 1,900 acres, encompassing a range of aerospace and supply-chain activities. The project is host to a number of aerospace companies, including Boeing, Lockheed Martin and Pratt & Whitney. In particular, Boeing is currently using its Port San Antonio facility for final fit-out of its latest B787 Dreamliner and B747-8 freighter.

According to Jorge Canavati, vice president business development, the long-term goal is to secure Port San Antonio as a fully-integrated air cargo hub. "We are already on our way," Canavati says. "We have developed a very efficient trade corridor between Mexico and the U.S., bringing in a whole range of products." Through the local service provider Mexpress Transportation, air cargo road feeder services have been established to the key Mexican centers

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of Monterrey, Guadalajara and Mexico City. "What we are aiming to do now is to spread our reach into Latin America to act as an entry point for the U.S. market," Canavati says.

San Antonio is looking to attract regular cargo services and service providers to achieve its goal. It certainly has the infrastructure to accommodate such ambition. The airport boasts a four-kilometer runway and, more recently, the addition of an 89,600-square-foot cargo terminal, which is now ready for potential customers.

In the United Arab Emirates, cargo has been given a lead role in the early development of Dubai World Central, which is set to become the world's biggest airport. Even in its opening phase, the mega-airport has the capacity to handle 250,000 tonnes of cargo a year, which can be expanded to a 600,000-tonne capability. But when it is completed, DWC will have a final cargo capacity of 12 million tonnes per year. By that time the airport will be equipped with six parallel runways.

The decision to give priority to developing cargo traffic through the new airport has been spurred by the proximity of the Jebel Ali Port and Free Trade Zone. Says Andrew Walsh, vice president, cargo and logistics, Dubai Airports: "Dubai World Central is truly the world's first integrated air and sea port, with sea-air connectivity viable within four hours."

More recently the strategic partnership between DWC and Jebel Ali Port has been strengthened with the creation of what is termed the Dubai Logistics Corridor. "This is designed to provide direct and seamless cargo movements between port and airport," Walsh says. "Customers will be able to benefit from faster handling and single window e-clearance services, including Customs, all of which is designed to reduce transit times for their freight."

A range of incentives has already attracted a raft of cargo airlines and service providers to establish a presence at the new airport; many of these companies have transferred across from the older Dubai International Airport. But any thoughts that Dubai International Airport is about to give up its position as the region's premier cargo hub may be misplaced. A further $7.8 billion investment program has recently been announced for the airport, which will include a 30,000-square-meter expansion of the existing Cargo Mega Terminal. "We need the expansion to accommodate what we believe will be a requirement to handle four million tonnes of freight through our airports by 2020," Walsh says.

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Some of the smaller airports in neighboring Gulf states will inevitably lose out to the emergence of Dubai's twin gateways. But at nearby Fujairah Airport senior business development manager, Charles Hajdu says there has been no headlong rush to transfer. "We are finding that many of our carriers prefer to stay at an airport where they can more easily park-up for a few days to await outbound loads, even if it is for sea-air traffic moving through Jebel Ali," Hajdu says.

Also in the region, Bahrain International Airport is keen to reassert its position as a cargo gateway to the Northern Gulf. "We have every opportunity here," says Waleed Fakhro, manager airline development and marketing. "We have an excellent airport and seaport infrastructure and all the important regional ground connections to make this work." In particular, he points to the proximity of the neighboring market of Saudi Arabia.

Bahrain maybe an island Gulf state, but it is directly connected to Saudi Arabia by means of a 25-kilometer causeway. "This, of course, also gives us good road connections to other Gulf states," Fakhro says. "It means we can guarantee fast delivery of

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time-sensitive cargo such as perishables." Other markets in the Northern Gulf, such as Iraq, are also within Bahrain International Airport's transshipment reach. More recently, Bahrain's credentials as a sea-air interchange have been enhanced with the opening of the new Khalifa Bin Salman seaport, located just 13 kilometers from the airport. "This gives us the ideal opportunity to develop a sea-air product through Bahrain," says Fakhro. "We want to see how we can best make this product work."

The fact that DHL has established its regional hub in Bahrain also points to its strategic location as a regional distribution hub, from where the integrator also operates flights to Iraq and Afghanistan. "Our strategy is to attract carriers to use Bahrain as a hub for the Northern Gulf," Fakhro says. "The fact that national carrier Gulf Air is reducing its profile to that of a regional carrier should prove a further incentive for long-haul carriers to come to Bahrain." In anticipation of further growth, the airport has recently announced an $11.6-million project, due to deliver by 2015, to further extend handling facilities. A new cargo village is also planned for the Gulf gateway, which saw cargo figures climb to 322,000 tonnes in 2010.

In Europe, while some smaller airports compete fiercely with their larger rivals, Chateauroux Airport in France has adopted the attitude that it is more productive to offer to augment the operations of a busier gateway. As an ex-U.S. Air Force base located just two hours south of Paris, the airport is in close proximity to Paris Charles de Gaulle Airport, one of Europe's largest cargo hubs. Chateauroux Airport has developed a broad-brush business strategy, which includes aircraft maintenance, aircraft parking and a large adjacent industrial zone.

But as Martin Fraissignes, marketing manager Chateauroux Airport explains, it was felt that one further vital ingredient need to be added to the business mix. "We believe we have the right location, infrastructure and facilities to develop Chateauroux as a stand-alone cargo airport," Fraissignes says. "But of course, it would be very difficult for us to compete with the Paris gateways." The solution, he says, has been to develop a close working partnership

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with Aeroport de Paris as a supplementary cargo airport. "There is freight traffic moving through Charles de Gaulle which can be moved through Chateauroux far more comfortably, without encumbering a busy larger gateway," Fraissignes says. "Typically, we can mention large volumes of perishables being flown in on cargo charters from North Africa."

Project cargo movements is, he says, another example of shipments which can be better accommodated at Chateauroux. "We have the time, the space and the ability to cope with these types of traffic far better than Paris," Fraissignes says. It is on that basis that Chateauroux has reached the accommodation with Aeroport de Paris that the premier French gateway will suggest its smaller neighbor as a better alternative for particular cargo movements. Even so, Chateauroux would not be averse to attracting more general freighter services. "We have two dedicated cargo facilities providing around 9,000 square meters of space for handling general cargo," Fraissignes says. "As well as our proximity to Paris, we also have good access to southern Europe."

Leveraging revenue from air cargo may not necessarily be about actual handling cargo across an airport's aprons. Siberian gateway Novosibirsk Tolmachevo Airport is doing strong business as a transit stop for freighter services operating on routes between Asia and Europe. "We believe we are the most conveniently located transit-stop on routes from Asia to Europe," says Alexander Borodin, Tolmachevo Airport's General Director, Novosibirsk. "It is for this reason that we have developed a very flexible system of ground handling tariffs, with packages especially priced for cargo aircraft operating technical stops."

The airport, in fact, has recently revised its handling fees, reducing costs of techstop for larger aircraft, such as B747 freighters, by half and is going to reduce further this year. But Novosibirsk does not believe cost should be the only incentive for attracting

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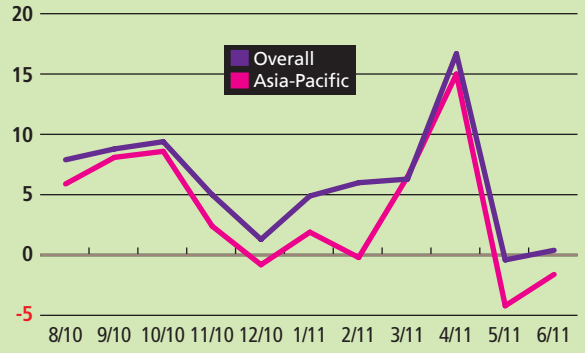
transit-stop business. "We understand the service levels and quick turnaround times are essential for these type of operations," says Mr. Borodin "This is why we employ specially-trained English speaking ground supervisors and dedicated handling staff for this type of traffic."

In terms of infrastructure, the airport operates two runways and is equipped with a high-capacity centralized underground refueling system, which can refuel a B747 (120 tons of fuel) within 40 minutes. "We also offer line maintenance for MD-11 and B747-400 type aircraft," says Mr. Borodin. Despite its ice-cold location, Borodin says that Novosibirsk enjoys good year-round climate conditions. "There is in fact only a very short period of time during the year that requires anti and de-icing treatment and the airport is fully-equipped to handle snow."

The current customer list of cargo carrier using Novosibirsk as a transit stop en route to Europe includes Air Cargo Germany, Air China Cargo, Volga-Dnepr, Aeroflot, Polet Airlines and ULS Cargo. Lufthansa Cargo also uses the airport as an alternative technical stop. "We are confident that we will shortly be adding two more cargo carriers to this list," says Alexander Borodin.

CARRYING EUROPE

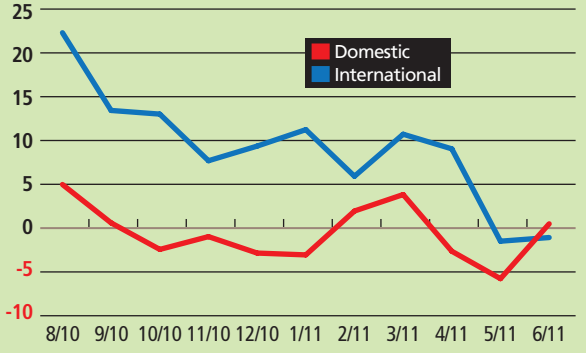
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

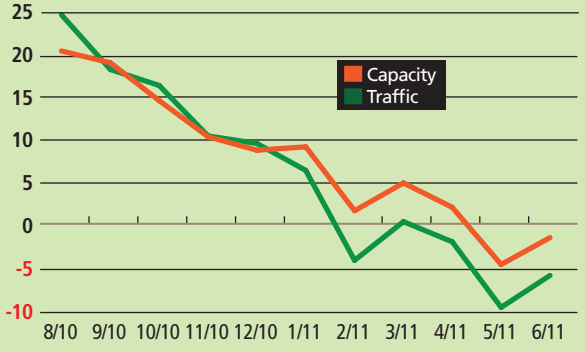
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

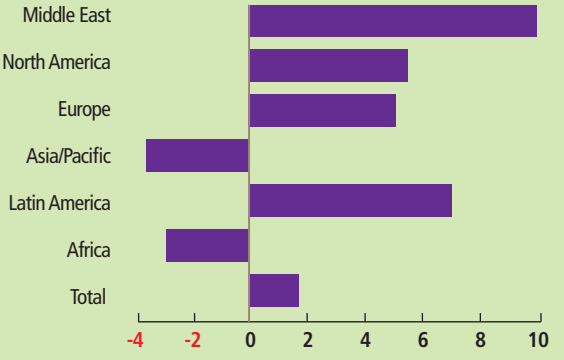
Monthly year-over-year percent change in capacity, in available tonne kilometers, and traffic, in freight tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

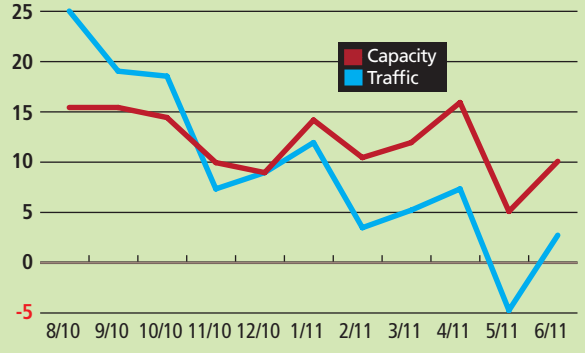
International air cargo year-to-date percent change for June 2010 vs. June 2011



Source: IATA

CARRYING INTERNATIONAL

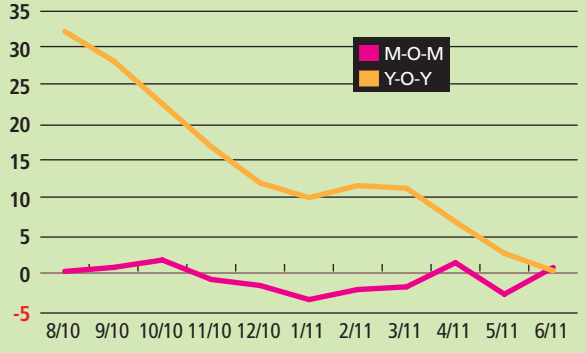
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight tonne-kilometers and available tonne-kilometers.



Source: IATA

SEMICONDUCTORS

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



Source: Semiconductor Industry Association

John Love is the vice president, global business, for Hyderabad, India-based Four Soft

Beyond E-freight: IT can drive efficiency

Air cargo volumes are slowly recovering from their 2008 cliff fall, but shipper inventory replenishment uncertainties are making future numbers difficult to project. The only certainties are that yields and margins have been squeezed, and that operating costs, security requirements and regulatory compliance issues have increased.

Carriers, integrators and forwarders have reviewed their operations and implemented new systems to take advantage of the upturn and drive efficiency. There will be new "winners and losers" once stability returns.

Where does information technology fit into the current picture?

The highest profile application of IT is the International Air Transport Association's E-freight initiative. The program involves electronic information exchange between airlines, shippers, freight forwarders and other companies. *The key word in that description is between;* many of those parties still have significant information exchange issues within their own operations.

Only when processes are clearly understood and optimized can an IT solution be applied; this is clearly the lesson from IATA, but many organizations have not learned it.

IT was historically applied to record data, present information, and produce documents. Today, system investments should focus on efficiency; this means starting with a strategy that identifies individual business values, and understanding which operational activities add value and which ones can be automated. For instance, if you are keying in data for a customer's airway bill, how many fields are auto-populated, and how many could be filled automatically? Is there information received by email that could easily be submitted through a website with pre-validated fields?

The next level of efficiency is driven by analyzing required skill levels. If data must be keyed manually, how much knowledge is applied during this process? Ask yourself if the task requires a skilled employee or if it could be achieved in a back-office production environment. Consider if the system workflow will allow repetitive tasks to only be reviewed by a skilled worker if exceptions arise. Are your best employees interacting with customers, or are they in the back office adding little value?

Optimization is a maligned word, but with clear process flows, it's possible to apply optimization technology to air cargo at strategic, tactical and operational levels.

Strategic optimization is typified by decisions about where facilities, hubs and assets are to be located. Data about historic and target volumes can be entered into software that projects long-term business decisions.

Tactical optimization is used to support decisions on a quarterly or seasonal basis. For a carrier, it's about maintaining the network and positioning assets on a daily basis. A forwarder can use tactical optimization for supplier contact negotiations and customer pricing in addition to staffing and other medium-term decisions.

Operational optimization is rarely used in the airfreight industry, but it can potentially deliver the biggest benefits. With actual cargo bookings and airway bills in hand, speedy decisions must be made about routing, consolidating, coloading … even bumping. Historically, these decisions have been made on the ground at a moment's notice and with little available information. Using operational optimization can deliver short-term decision support to meet overall business objectives.

IT should be regarded as a business transformation tool — not an overhead cost. A current parallel is the industry's regulatory landscape. Most have addressed each additional compliance validation as purely a task to be added to an existing process — an additional cost to be absorbed. By seeing the tasks as opportunities to improve existing processes, compliance can be achieved with lower cost. Likewise, implementing the appropriate technology can turn a perceived burden into a cost reduction.

Operations need to be continuously improved inside the walls in order to retain and develop satisfied customers. IT can underpin these improvements by providing insight and supporting incremental changes to drive efficiency and effectiveness through automation and workflow. ACW

AIRPORTS

Cincinnati/Northern Kentucky International Airport (CVG) has appointed **Candace McGraw** as CEO. Serving as CVG's chief administrative officer since 2009, McGraw has held significant leadership roles such as deputy director at **Cleveland Hopkins International Airport** and general counsel for **Cleveland City Council**. She replaces **John Mok**.

Louisville Regional Airport Authority's board of directors has reappointed **Philip Lynch** as board chairman. Elected to the board in 2003, Lynch was instrumental in the **Louisville Airport Improvement Project**. In addition to Lynch's reappointment, **J.D. Nichols** was re-elected as vice chairman and **Jon Meyer** was elected as secretary-treasurer of the board.

AIRLINES

Etihad Airways has appointed **Robbie Mehoke** as vice president of the Eastern U.S. region. A veteran of **United Airlines**, Mehoke was previously responsible for developing and executing all strategic and tactical marketing initiatives in support of United's individual business units. She also served as district sales manager of North America, where she led a team of 12 account managers and the **Star Alliance** regional sales committee.

MEHOKE

UPS Asia Pacific has named **Lim Bee Koong** as regional director for healthcare. Bee Koong will manage the region's healthcare strategy out of UPS' Singapore office and will help healthcare customers develop solutions for their specific needs. Prior to joining UPS, he held regional management positions at Johnson & Johnson, **TNT Express** and **Baxter Healthcare Asia**.

Alaska Air Group has announced several leadership changes at **Alaska Airlines** and **Horizon Air**. Alaska Airlines veteran **Ann Ardizzone** has been elected vice president of strategic sourcing and supply chain management for Air Group, with **Andy Schneider** transitioning into the role of vice president of in-flight services at Alaska Airlines. Moreover, **Shane Tackett** will serve as vice president of labor relations at Alaska Airlines. **Yvonne Daverin** has been elected vice president of maintenance and engineering at Horizon, where she will oversee the carrier's fleet of 48 Bombardier Q400 aircraft.

LOT Polish Airlines has named **Frank Joost** as regional sales director for the Americas. An industry veteran, Joost came to LOT in 2009 from **Delta Air Lines**, where he managed sales teams in Eastern Europe and India. Joost's new role will allow him to focus on the commercial strategy in LOT's most important foreign market, while concentrating on the additional importance of Canada's and Latin America's growth for LOT.

Martinair has promoted **Diederik Pen** to managing director. Previously serving as director of operations for **Martinair Holland**, Pen was an integral member of the Martinair management team and the board of managing directors. He succeeds **Paul Gregorowitsch**, who was recently appointed chief commercial officer at airberlin. Gregorowitsch will also sit on airberlin's executive board.

PEN

THIRD PARTIES

OAG has appointed **Pat Wolski** and **Anna Henley** as account managers for its North American sales team, replacing **Dan Curtin** and **Nancy Fleming**. Wolski will be responsible for managing all aviation renewals in North America for airports, airport services, airlines and travel distribution while Henley will oversee manufacturers, consultancy, financial and other verticals. Both women are 29-year OAG veterans.

Swissport International has named **Roman Hermann** as its executive vice president for business development. Effective October 1, Hermann will become a member of the Group Executive Management team, responsible for mergers, acquisitions and business planning. He joins Swissport from **ABB Asea Brown Boveri**'s corporate development department, where he managed mergers and acquisitions for more than three years.

SENIOR

CargoWise has named **Owen Senior** as general manager of development. In addition to leading all software development teams, he will assume responsibility for the company's global software development program and all technical project management activities. Senior brings vast experience in developing enterprise software solutions and software-as-a-service systems, which he will leverage in his new role.

Lufthansa Technik has announced several changes to key management roles: Senior Vice President of Engine Services **Burkhard Andrich** will assume the position of senior vice president of aircraft component services, switching roles with **Johannes Bussmann**. In addition, **Stephan Drewes** has been appointed CEO of Lufthansa Technik Malta. Furthermore, **Bernhard Krueger-Sprengel**, former CEO of Lufthansa Technik Philippines, will take over as vice president of engine overhaul at Hamburg. **Gerald Frielinghaus** will assume Krueger-

DREWES

(continued on page 57)

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Five Questions with... Johnny Hobayan

For decades, Hawaii's been renowned worldwide for its booming tourism sector. But certain aviation insiders hope to add another merit to the nation's service repertoire: its airfreight operations. Johnny Hobayan, Aloha Air Cargo's new vice president of sales and marketing, recently sat down with *Air Cargo World* to discuss Hawaii's air cargo sector.

1. How does Hawaii fit into the international airfreight market?

Hawaii plays a unique and highly specialized role in the global airfreight market. Our geographic proximity to the South Pacific and Asian markets makes it a natural conduit for U.S. trade relations with these regions. We are historically an import-heavy consumables market with close to 80 percent of our consumable goods being brought in from offshore. The remainder of the inbound capacity is filled with passengers feeding our tourism-driven economy or freight to be forwarded on lending to Hawaii, serving as somewhat of a pseudo cross-dock facility.

HOBAYAN

Hawaii's role in the global airfreight market is evolving. With the eminent military build-up in Guam and changes in our fishing and agriculture landscape, we must adjust to accommodate the opportunities and losses accordingly. What's more, Hawaii ranked 44th among the U.S. states in GDP growth in 2010, reinforcing our need to find and engage alternative revenue streams by means of exports.

2. How can you expand Aloha Air Cargo's business in your new role?

When you look at our customers' supply chains, it is very apparent that Aloha Air Cargo contributes value to only a small and very specific component of their entire value chain. Understanding this has allowed us to begin exploring further expansion into our customers' logistics networks to include aircraft maintenance, multimodal transportation solutions, inventory management and off-island logistics services.

During the fourth quarter of 2010, we aligned our mission statement to communicate Aloha Air Cargo's responsibility to facilitate the growth of Hawaiian commerce worldwide. To support this mission, we are actively aiding our customers to introduce their products to new markets. Our interline program and partnerships have allowed Aloha Air Cargo to effectively begin this process and now serves as one of our fastest-growing business lines. We will continue to expand our reach outside of Hawaii through existing and new partnerships.

3. How has 2011 been so far for your company?

The first half of 2011 has marked a pivotal point in Aloha Air Cargo's history. We have effectively transitioned from the remnants of Aloha Airlines to the leader in Hawaii's airfreight industry. A recently acquired SAAB 340A offers flexibility to our freight network that will allow Aloha to realize efficiencies and engage markets previously outside of our capabilities. And we are poised for growth — inside and outside of Hawaii's borders — with a broader product portfolio and ever-increasing network efficiencies.

4. What are some challenges affecting the global airfreight market? How is Aloha Air Cargo working to overcome them?

The most obvious challenge affecting our industry is the volatility in fuel costs, but this is only one of several factors forcing businesses and consumers alike to reconsider their mode and frequency of transportation. Given the cost disparity, airfreight has lost ground to surface movements. Global economic uncertainty has shaken consumer confidence and thus slowed movement on purchases, construction, etc., reducing the need for airfreight services. I think that the recovery period will take us well past 2012 and may get worse before it gets better.

With all of these factors adding to the challenges of our industry, Aloha Air Cargo has begun to look at alternative revenue streams to subsidize the volume reductions we've seen. In addition to revenue stream generation we have acquired a new, more fuel-efficient, addition to our fleet in the form of the turbo-prop aircraft, the SAAB 340A. The SAAB offers a flexibility to our freight network that will allow Aloha to realize efficiencies and engage markets previously outside of our capabilities.

5. Are there any changes on the horizon for Aloha Air Cargo?

Change has become the norm at Aloha Air Cargo. Refleeting, an expanded service portfolio, and U.S. and global expansion will come to fruition in the near future.

Sprengel's previous role. Finally, **Aloysius Giordimaina** will retire as CEO of Lufthansa Technik Malta, but will continue to serve the company as a member of its supervisory board.

Brian Kruger, the current CFO of **Toll**, will become the company's managing director in January. He will replace **Paul Little**. Kruger has worked at Toll for two years. **Grant Devonport** will serve as interim CFO.

OTHER

Airports Council International has named **Dr. Rafael Echevarne** as director of economics and program development. Echevarne recently ran his own airport economics and management consultancy firm; he previously held positions at **Ferrovial**, **Copenhagen Airports**, **Abu Dhabi Airports Company** and **Airways Corporation of New Zealand**. ACW

events

OCTOBER 2-4

Berlin: The 17th World Route Development Forum will bring together exhibitors, panelists and delegates from throughout the industry. 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* for more information.

OCTOBER 4-6

Amsterdam: IATA's 20th annual AVSEC World event serves as a place for officials from all aspects of the airline industry to discuss strategies and solutions for the challenges of today and tomorrow. Topics include screening, emerging security threats, the checkpoint of the future, passenger issues, in-flight challenges and insider threats. For more information and to register, visit *www.iata.org/events/Pages/avsec-world.aspx*.

OCTOBER 11-14

Munich: The Munich Trade Fair Centre is the site for Mack Brooks Exhibitions' 18th inter airport exhibition. The event will feature four different exhibition sectors, each targeted toward a specific aspect of equipment, design, technology and airport services. Conferences and seminars have been slated to run concurrently with the exhibition. Visit *www.interairport.com/europe* or send an email to *europe@interairport.com* for more information.

OCTOBER 12-14

Shenzhen, China: The eighth annual China Air Cargo Summit, hosted by the Transport Committee of Shenzhen Municipality, will be held at the Ritz-Carlton in Shenzhen. Occuring at the same time, the China (Shenzhen) International Logistics and Transportation Fair will bring together more than 1,200 exhibitors and 80,000 visitors. For more information, visit *www.aircargosummit.org* or email *marketing@aircargosummit.org*.

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. Originally, the conference was to be held in September. For more information, visit *www.fiata.com*.

OCTOBER 24-26

Las Vegas: The annual Cargo Facts Aircraft Symposium brings together carriers, service providers and other companies from both the cargo and passenger aviation industries for two days of networking and information sessions. For more information, visit *www.cargofactssymposium.com*.

NOVEMBER 19-20

Miami: Aviation leaders in the Western Hemisphere 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. The 2011 show will bring together leading manufacturers, exporters, freight forwarders, importers and distributors. Contact Charlotte Gallogly at *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*.

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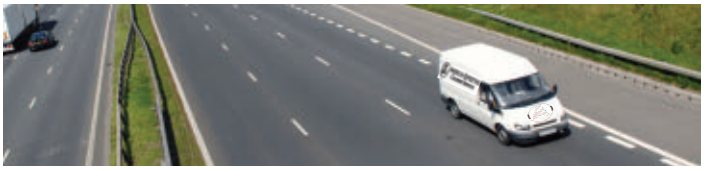

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Brandon Fried is Executive Director of the U.S. Airforwarders Association

Professionals never stop going to school

The airfreight-forwarding industry had a humble beginning. Before the days of forwarder- or integrator-owned planes and fleets of trucks, the primary tools of the airfreight forwarder included a phone, a phone book and an airline credit account. Many of us may even remember names out of the distant past such as REA, Emery, Shulman and WTC. For these industry pioneers, business involved merely purchasing excess capacity in the bellies of passenger flights to fly boxes from city to city.

Today's freight-forwarding customers demand more from their selected vendor. Forwarders are tasked not just with transportation, but also with business strategy. To keep customers, it has become essential that forwarders understand principles of accounting and negotiation techniques; they must also have superior communication skills.

Most organizations now use sophisticated operations software designed to cover all aspects of the shipping process. This includes remote order entry, routing, tracking and communications with carriers and stations. This sophistication extends to the financial side of the business, as the accounting function seamlessly integrates into the business process.

Freight forwarding has become a "people business." As such, leadership and management skills are an absolute necessity. All too often, these essential tools are overlooked in the fast-paced daily turmoil of what has become a transaction-oriented industry.

Times have also changed for cargo salespeople. The two-martini lunch hounds and their black books have given way to more educated and sophisticated business problem-solvers who use advanced tools to track their clients. Customer relations management (CRM) software is now a technical mainstay used through the complete lifecycle of the client relationship. Aside from a good memory, shippers can most likely thank CRM software the next time their service representative remembers a birthday or how many kids they have.

Airfreight-forwarding professionals now require more education. Fortunately, colleges and universities have responded to these market demands by offering undergraduate, graduate and certificate programs specializing in logistics. Online programs are also offered to accommodate those with busy schedules.

In the past, most airfreight-forwarding employees started their careers with little more than a high-school diploma. Forwarding veterans who started their careers in the 1940s and '50s say that, aside from scant company-provided literature, not much written training material was available to new professionals. During those early years, forwarders gained experience while actually on the job.

Today, however, most sales, operations and airfreight industry managers have at least some college education, and many hold bachelor's degrees. It is common for professionals to now even hold a master's-level certificate in supply-chain disciplines.

The need for increased education in our industry has never been more necessary. Thankfully, trade groups are responding with educational programs designed to increase skills. This is why the Airforwarders Association sponsors educational webinars; the group recently joined forces with the American Public University System, so that companies can encourage employees to continue their education, and students can take advantage of educational opportunities for career growth.

Education plays an important role in continuing to advance the industry. President Obama's National Export Initiative calls for a doubling of U.S. exports in five years. Despite our economic troubles, recent reports indicate that our country is making steady progress toward meeting that goal. The role of the educated, creative and sophisticated forwarder is clear in assisting to meet this demand. Unlike the first forwarders with their telephones and phone books, airfreight forwarders today need to understand how electronic data interchange and programs, such as E-freight, can ultimately make the shipping process less expensive and more efficient.

The demands for logistics and supply-chain managers will only increase as companies look to cut costs. Nevertheless, unlike those forwarders of years ago, demand exists for people who can move and manage information as well as products. Education is key in advancing the industry and continuing to meet the demands of the customer's ever-evolving needs and expectations. ACW

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