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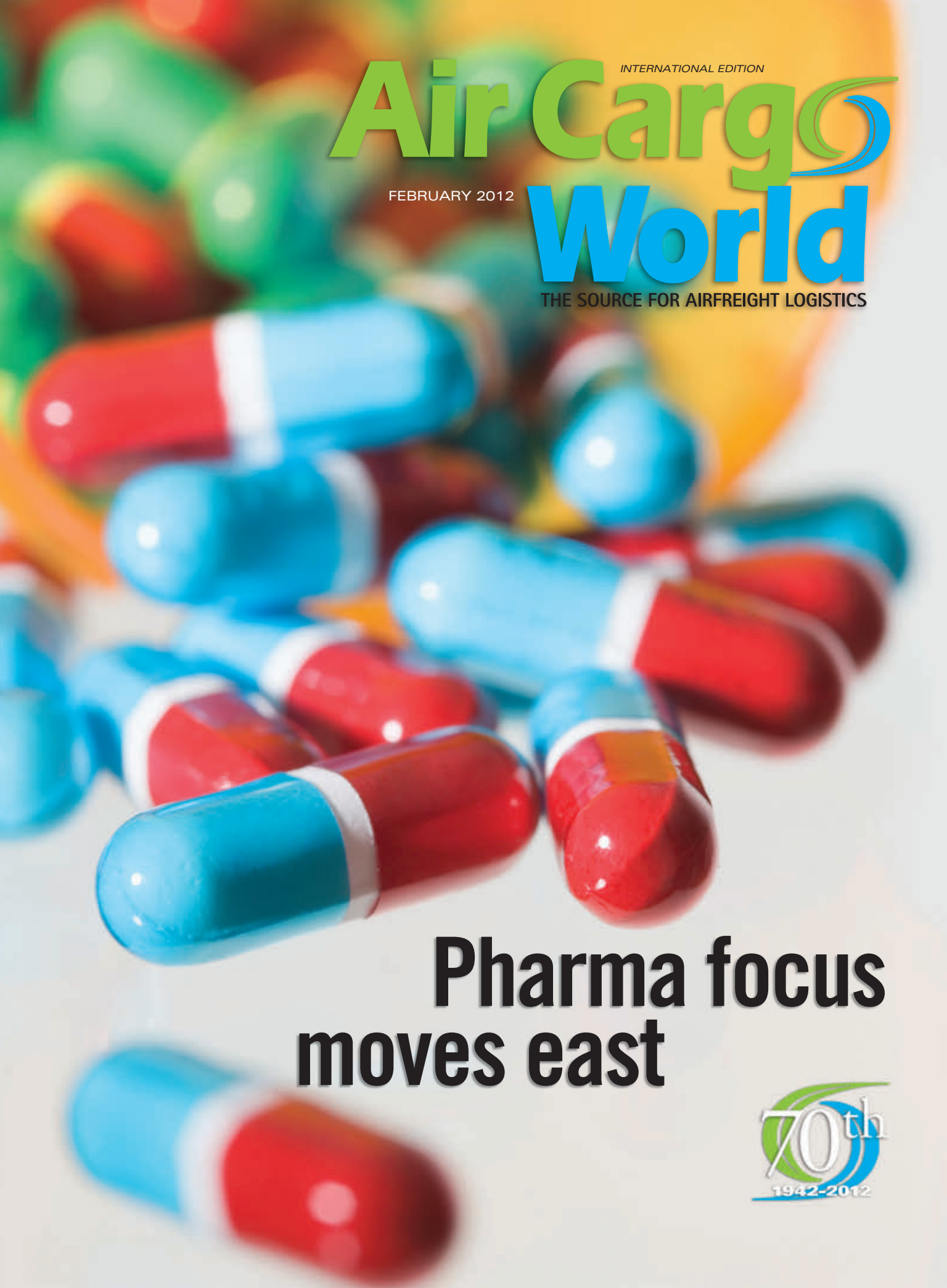
THE SOURCE FOR AIRFREIGHT LOGISTICS



Pharma focus moves east

70th 1942-2012

Air Cargo World

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Air Cargo World
THE SOURCE FOR AIRFREIGHT LOGISTICS

editorial

Steve Prince
Publisher

Seventy years strong

You don't simply "hang around" in this business, and you certainly couldn't do it for 70 years! This year, we are proud to say, marks the 70th anniversary of *Air Cargo World*. Whether an airline, a forwarder or even a magazine, to thrive for 70 years in the air cargo arena, you have to invest in it; you have to overcome the never-ending barrage of challenges that threaten to shutter your business; you have to adapt, and perhaps reinvent, in order to grow; and most important, you have to be better at doing what you do than the other guy who's doing it too.

Of course, anyone knows this barely touches along the edges of what it takes any business to be successful and strong for seven decades, but the one thing that is most essential for longevity is that you have to deliver what your customer wants. *Air Cargo World* has been delivering for its readers for 70 years, and we are proud to stand alone as the longest-serving, and most trusted and respected publication covering, analyzing and reporting on the international airfreight industry.

This year, in addition to our regular editorial content, we will celebrate our anniversary in each issue with items and articles from our archive, topping it all off with a special anniversary issue in June. I should mention that our archive, which dates back to 1942, is the oldest, uninterrupted chronicle of air cargo as a viable method to transport freight.

Our first look back to the early years is my all-time favorite series of articles — Dick Malkin's eyewitness accounts of the Berlin Airlift. One of the most compelling events in world history, let alone air cargo, nobody could have written about this remarkable event better than the intrepid Malkin, *Air Cargo World*'s founding editor and the industry's pioneering journalist. One of the articles appears on page 20, and be sure to visit *www.aircargoworld.com/airlift* for the entire six-part series.

I sincerely thank you all, readers and advertisers alike, for your loyal patronage. Without your commitment, this magazine would have never reached this important milestone year.

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Cargoitalia calls it quits

Cargoitalia, the all-cargo carrier that had been recently slashing routings and trying to evolve amid the departure of commercial director Roberto Gilardoni, has suspended operations. The carrier was born from Alitalia's cargo division and counted three MD-11Fs among its fleet.

A note on the company's website reads that operations have ceased "due to the company winding-up," and the carrier's contract with its long-time press agency, Pilot Marketing, was terminated on December 23. In a statement, the agency shed a little more light on the subject.

"A meeting of shareholders of Cargoitalia has voted to place the company in voluntary liquidation," the statement read. "The board of directors has suspended the airline's operations in preparation. No further statement will be issued until a liquidator has been appointed and the finances of the company have been reviewed."

In December, *Air Cargo World* reported about the carrier's recent struggles and received feedback from industry analysts that seemed to believe Cargoitalia even started off on the wrong foot. The carrier launched with a fleet of MD-11Fs, and the intention was always to eventually upgrade the fleet. These ex-Alitalia MD-11 freighters, according to analysts, did the carrier no favors.

"These are horrible, inefficient aircraft with rear-loading, main-deck cargo doors," an industry source said. "Even though their third MD-11F is a more workable passenger-to freighter conversion, the deficiency of these aircraft make it difficult to make money these days."

At the time of the report, Managing Director Giacomo Manzon had been thinking about upgrading the fleet. The leases on the three MD-11s were to expire in 2013 and 2014; the airline had already signed an MoU with Airbus for five A330s. ACW

Lufthansa is gearing up for a challenging start to 2012. Photo: Rob Finlayson

Capacity, future plans are up in the air at Lufthansa Cargo

Lufthansa Cargo's business barometer points to an overcast start to the year, but with skies becoming clearer in the second half to produce what it forecasts will be overall growth of 3 percent for 2012.

The gloomy start, according to Lufthansa Cargo officials, will require the carrier to cut back capacity by up to 25 percent, perhaps even 30 percent, which could equate to four of its 18 MD-11 freighters. There will be no desert outing for these grounded planes. Instead, the aircraft are likely to undergo maintenance checks.

Andreas Otto, head of sales at the airline, is seemingly anxious not to augur any kind of market hysteria with the capacity outage. "It would be completely wrong to talk about a real dip in the market," he said. "Although it will be a challenging time ahead, we are convinced it will nevertheless be a good year with strong growth of tonnage."

What Lufthansa Cargo appears keen to demonstrate is its ability to be far more proactive in adapting to market conditions, rather than with the previous major economic downturn of 2009, when carriers were left playing catch-up. "We have learned to be faster and more flexible in our capacity and network management," he said. "Today, we are able to implement new routes in a very short period of time, and by the same token, we can reduce capacity quickly if required."

The carrier's capacity-management skills also extend to Aerologic, its joint-venture operation with DHL Express, which provides LH Cargo with access to a hefty chunk of weekend capacity in the form of eight B777Fs.

The climb-out of the early market slip, Otto said, will be driven by the Asian markets and perhaps, more surprisingly, Europe. "Despite the bad news in the papers over the future of the euro, the European market has been performing quite well for us in recent times. Interestingly, Italy has

proven to be one of our better European markets," he said. "Any long euro crisis, though, could have a serious damaging effect on the air cargo business."

In December, he projected that the airline will deliver a satisfactory result for 2011, which already showed earnings of $220 million for the first three quarters, despite having to absorb an estimated $20-million loss. The hit was due to a combination of eurozone uncertainties, the tsunami in Japan and the slowing of China's economy. "Although the Asian — and, especially, the Chinese — markets have been weaker than expected, we have been able to achieve good load factors," Otto said. "That put us in line for 2011 to be one of our best years."

Lufthansa Cargo is still coming to terms with the potentially more damaging impact of the surprise imposition of a total night-flight ban at its Frankfurt home base. The court ruling certainly put to the test the carrier's claim to being faster and more flexible in its capacity and network-management abilities. Lufthansa Cargo was forced to scurry around implementing a daytime schedule out of Frankfurt, canceling some flights and moving others to nearby and unrestricted Cologne. A German high court is due to review the ban, but not before March. If the ban remains, analysts say it could cost Lufthansa up to $50 million a year.

"Although it will be a challenging time ahead, we are convinced it will nevertheless be a good year with strong growth of tonnage."

— Andreas Otto

The court's decision has clearly raised the ire of Lufthansa Cargo Chairman Karl Ulrich Garnadt. "The night-flight ban has forced us to lay on a timetable, which in part is economically and ecologically absurd," he said. "We are now operating with unnecessary take-offs and landings, which will lead to more noise, higher fuel consumption and more costs, running into the millions."

Lufthansa Cargo appears to be treading a delicate line over the issue, caught between playing hardball upfront and softball in the background. On the one hand, airline officials have dramatically announced they are putting their $1.34 billion in proposed investment plans at Frankfurt on hold until the issue is resolved. This includes proposals for a major new logistics center at the airport. "We are due to break ground on this project in 2013," Otto said. "But now we are forced to delay until we have some resolution of the night-ban issue."

Just a few weeks after the new night-flight ban was imposed at Frankfurt, Lufthansa Cargo went ahead with the opening a 4,500-square-meter perishables facility at the airport. Perishables account for 48,000 tonnes of traffic each year for the carrier, and this number is expected to climb to 140,000 tonnes within the next decade.

Otto reasserts the Lufthansa Cargo position that there is no real alternative to Frankfurt. "A total ban on night flights would not lead to a move of our freighter operations, but it would lead to a significantly weaker development of our company, calling us to question the size of any future investments," he said. "We still believe the court will acknowledge the importance of night flights for our industry and will allow a limited number of movements per night at Frankfurt." ACW

European airports break cargo records in 2011

Financial turmoil sweeping the eurozone couldn't restrain Liege Airport's 2011 cargo volumes, which increased 5.5 percent, year-over-year. The Belgium-based airport, which transported 674,469.82 tonnes from January to December, also recorded a double-digit increase in aircraft movements in 2011.

According to a press release, Liege Airport saw 54,403 aircraft movements in 2011, compared to 48,515 in 2010. The airport's general director Luc Partoune said these numbers speak to Liege's focus on growth.

The new Cologne Bonn Cargo Center

"The record figures also reflect the successful development of the daytime cargo operations in our Cologne Bonn Cargo Center."

— Luc Partoune, Liege Airport general director

"While international air transport of goods decreased by 4 percent, on average, in the six months that followed the financial crisis, our airport continues to develop, with 5-percent growth in traffic for the year," Partoune said in a statement. "The operators on site are expanding their business activities. … This is undeniably a strong performance in a gloomy economic context."

December was particularly lucrative for Liege Airport, according to the press release. The airport handled 55,808 tonnes of freight, a 6.7-percent jump from December 2010.

Officials hope this number goes up even more as Swissport increases its cargo presence at Liege Airport. As part of a €5 million initiative, Swissport is expanding its current warehouse from 3,900 square meters to 6,500 square meters. The ground-handling company will also rent a 6,200-square-meter warehouse in the north zone of Liege Airport, which was recently constructed by the firm Liege Airport Business Park.

Following the agreement, Liege Airport Business Park decided to invest in a new warehouse with an additional 6,000 square meters of space, Partoune explained. "These mutual investments provide a strong signal for the future growth of the airport and for an ever better service," he said in a statement.

Officials at Cologne Bonn Airport have predicted that cargo tonnage in 2012 will increase 8 percent, year-over-year. This increase to 800,000 tonnes comes after a year when the airport handled nearly 743,000 tonnes of cargo, representing a 13-percent increase from 2010's total tonnage.

According to a company press release, 2011's figure stands as the largest tonnage amount ever handled at the facility.

"This year, the cargo business brought us again to a peak level, so that we can tie up with the successful years we had before DHL/Lufthansa Cargo moved away," said Michael Garvens, Flughafen Köln/Bonn GmbH's chief executive.

Supported by UPS and FedEx, cargo throughput in the first six months of the year showed double-digit growth, according to a press release. This strong showing was supported by May's 40-percent growth figure. Garvens said this activity makes clear that recent investments by UPS and FedEx were justified.

"The record figures also reflect the successful development of the daytime cargo operations in our Cologne Bonn Cargo Center," he said.

At 9.6 million travelers, the airport's passenger numbers for 2011 were down 2 percent from 2010. Reasons for the slight drop in passenger activity this year include a move by Air Berlin to cut 430,000 seats routing through the airport and the air traffic tax, which was imposed in January 2011. Airport officials expect next year's passenger numbers to remain stagnant. ACW

Advisory group fears effects of EU ETS

The Global Air Cargo Advisory Group has spoken out about the contentious EU Emissions Trading Scheme, which last month began tracking the emissions of carriers flying into European airspace. Citing the potential ramifications of the legislation, GACAG officials fear the EU ETS will place unnecessary burdens on the airfreight industry, instead of sustaining it.

Although GACAG — a coalition encompassing leaders from the International Federation of Freight Forwarders Associations (FIATA), the International Air Transport Association, The International Air Cargo Association and the Global Shippers' Forum — supports carbon-reduction programs, it opposes the exclusivity of the EU ETS.

The U.S., Chinese and Indian governments have reinforced this viewpoint, challenging the legality of the scheme. These leaders have also encouraged the EU to abandon the ETS and develop international carbon standards through ICAO, which received such authority via the Kyoto Protocol.

"The Global Air Cargo Advisory Group wholeheartedly agrees with this position," GSF Secretary General Chris Welsh said in a statement. "The absence of an international framework will be chaotic and will unnecessarily cost the air cargo industry and its customers tens of millions of dollars at a time when the global economy is so fragile and when every effort is being made to stimulate global demand."

The ETS could essentially cripple the entire airfreight sector, Welsh said. Even though the world depends on time-sensitive shipments by air — such as pharmaceuticals, fresh produce or healthcare equipment — elevated prices brought on by the ETS could destroy business, Welsh explained. "Worldwide demand for air cargo services, considered by economists to be a barometer of the state of the global economy, shows the recovery is weak," he said in a statement. This indicates that consumers won't be able to afford the elevated prices, he remarked.

"The EU needs to fully evaluate the wider economic consequences of its actions before pressing ahead with the EU ETS," Welsh continued.

Separately, officials from TIACA, Airlines for America and the IATA agree with Welsh's assesment of the current situation. All have also criticized the EU ETS as a moneymaking scheme and endorsed a global approach led by the ICAO. ACW

In the news...

Air France-KLM is lending a helping hand to Afriqiyah Airways and Libyan Airlines, which both experienced aircraft damage during the recent unrest. Libyan Airlines has signed a five-year agreement, which includes maintenance visits for the airline's four A320-200s and two ATS 42-500s; Air France will also provide assistance for Libyan's three A320-200s currently on order. Afriqiyah has reinstated a maintenance contract signed in 2008 that was put on hold because of the political protests... The **European Shippers Council** has expressed concern about the far-reaching implications of the European Commission's regulation surrounding cargo screening, which goes into effect on April 29, 2013. On this date, an EC-approved inspector must validate the security regimens of known shippers to comply with regulation 185/2010. If such action isn't taken, an approved agent or carrier must scan the cargo. To ESC Chairman Denis Choumert, this standard sets up shippers for a host of problems. "Governmental institutes, freight forwarders, ground handlers and shippers are ill-prepared for the obligations and requirements this legislation entails," he said in a statement. ACW

Emirates looks to South America

Emirates SkyCargo is eying South America as a key region of growth. In addition the freight implications for Emirates' daily passenger route to Rio de Janeiro and Buenos Aires, which commenced January 3, the carrier also has high hopes for its thrice-weekly freight route to Sao Paulo.

Emirates' new passenger service is flown on a Dubai-Rio de Janeiro-Buenos Aires routing and offers vast belly-hold capacity, according to a press release. The Middle Eastern freight carrier expects to see chemicals, pharmaceuticals, fresh fruit and fish leaving Brazil. Electronics and oil industry spare parts will be imported to the country.

Emirates SkyCargo also anticipates bolstering the pharmaceutical and automotive parts trade between Rio de Janeiro and Buenos Aires, according to Robert Siegel, manager of cargo commercial, Europe and Americas.

"And with Emirates being the only wide-body operator at both destinations, we are also bringing enhanced cargo solutions to the market," he said in a statement.

Increasing capacity to Latin America was a strategic decision because of its viability as a profitable trade lane, Siegel said. "This new linked service to two of the most economically vibrant cities in South America will present many new business opportunities," he stated.

What's more, Siegel said, "Emirates' new direct flight will not only boost trade ties with the UAE, but also with South America's main partners in the Far East, such as China, Hong Kong and Japan, and numerous points throughout Europe."

Africa is another region of interest for Emirates SkyCargo, according to the press release. The carrier previously announced its intention to launch services to Harare, Zimbabwe, and Lusaka, Zambia, at the beginning of the month. ACW

In the next decade, the Middle East will see an increase of 32 777-200Fs, according to an analysis by OAG

Middle East to see 4.4% annual freighter growth, OAG says

The installed freighter base in the Middle East will grow 4.4 percent annually for the next 10 years, rising from 71 freighters in 2011 to 109 in 2021, according to an analysis by OAG. According to the group's report, the region can expect 32 new 777-200Fs, 17 new 747-8Fs and seven new A330-200Fs in the next decade.

Most of the other growth will be through 747-400s, A300-600s and A330-200Fs, OAG projects. Boeing will increase its market share by 7 percent to 77 percent over the next 10 years, while Airbus' market share will decrease by 6 points to 23 percent. The majority of these planes will go to the UAE (43 percent), with Saudi Arabia (13 percent) and Qatar (11 percent) also receiving a large amount of the pie.

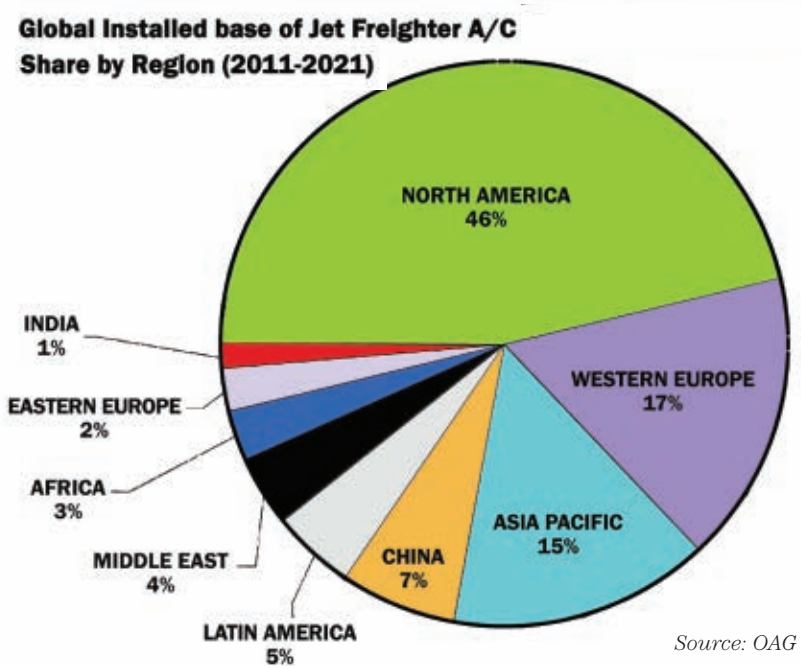
The Middle East will own 4 percent of the global jet freighter market over the next decade. North America is predicted to make up a commanding 46 percent, with Western Europe accounting for 17 percent and the Asia-Pacific 15 percent, according to OAG. Africa will take 3 percent of the market, with Eastern Europe and India owning a respective market share of 2 percent and 1 percent.

The Middle East growth prediction is slightly higher than the average 4.1-percent compound annual growth rate for worldwide freighter growth. OAG predicts that in the next 10 years, freighters worldwide will grow from 1,755 aircraft in 2011 to 2,629 vehicles in 2021. This increase will come in the form of 631 new aircraft and 768 conversions, the majority of which will be 757s.

The sharpest increase in freighters will happen in the Asia-Pacific region, according to OAG. India is expected to see a CAGR of 10.5 percent, and China's freighters will increase by 9.2 percent. The majority of these planes, OAG revealed, will consist of 777-200Fs, 747-8Fs and A330-200Fs. Worldwide, 210 deliveries of -200Fs and 162 deliveries of -8Fs are anticipated in the next 10 years. Airbus will deliver 132 330-200Fs to carriers around the world in the next decade.

Surveying the current landscape, OAG found that 61 percent of the freighters currently in operation around the world are wide-bodies, 37 percent are narrow-bodies and 2 percent are regional aircraft. Wide-body aircraft will increase by 10 percent in the next 10 years, but narrow-bodies will decrease to 28 percent, and regional aircraft will be cut in half.

Of the nearly 570 aircraft to be retired in the next decade, 50 percent of the total will consist of 727, 747 and 757 planes.



Source: OAG

In the Middle East, the majority of the retired planes will come from Boeing's 747 family. OAG predicts 11 of these planes will be sent to retirement by 2021, with six 727s, two 737-200s and two

757s also being taken out of service. Seven A300s will also be retired.

With these significant increases in freighters come the increased cost of aircraft modifications, new components, and line, engine and airframe maintenance. During the next 10 years, the amount of money spent on MRO will rise from $5.4 billion in 2012 to almost $8.6 billion in 2021, according to OAG.

The biggest maintenance cost over the next 10 years in the Middle East will be engine repair, which is expected to grow at a CAGR of 4.1 percent. The cost allotted for components and line maintenance will also grow. The least-costly problem, according to OAG data, will be modifications. Even with all the money reserved for maintenance on the Middle East's aging aircraft, maintenance and repair spend in the region over the next 10 years will come to 0.6-percent less than the world average. North America (3.1 percent) and Latin America (0.5 percent) will dole out the least amount of money for maintenance, and the Asia-Pacific region (10.3 percent) and Eastern Europe (9.2 percent) will see the highest amount spent on maintenance over the next 10 years. ACW

flydubai cargo off to a strong start, says CEO

The low-cost carrier flydubai, which entered the airline industry just a little more than two years ago, launched a cargo division on January 1. In the first few weeks of operation, flydubai CEO Ghaith Al Ghaith said he has been pleased with the venture's performance. He called the new services a natural step in the evolution of flydubai, but he also acknowledged that it isn't very common for a low-cost airline to field its own cargo services.

"We are only two weeks into operation, so it is very early to give figures, but we have seen a number of commodities in demand, including fruit and vegetables, automobile parts and mobile-phone accessories. We have received a number of requests since the service went live, with Baku, Ashgabat and Djibouti among the top cargo importers on our network," he said in a mid-January interview.

"We are pleased with the data so far and are confident the division will contribute to flydubai's continued growth throughout 2012," he continued.

According to a press release, flydubai Cargo is expected to eventually carry close to 1,500 tonnes of cargo each month in the belly of Boeing 737-800 NG planes.

Al Ghaith

Officials predict that more than half of this cargo will be transit freight. These shipments will allegedly be a paperless affair, putting the cargo operation in line with the International Air Transport Association's e-freight initiatives.

Al Ghaith readily admits that flydubai Cargo is still a relatively small operation compared to those of other airlines with belly-hold cargo divisions, but he said he looks forward to slowly growing the cargo business and supporting "social and economic development in each region we serve."

In addition to further establishing the new program this year, Al Ghaith said the cargo division will benefit from planned passenger-route expansions. New flights to Baghdad and Najaf, Iraq; Taif, Saudi Arabia; and Bishkek, Kyrgyz Republic, were all planned to launch in January.

"We will be able to offer cargo services to an increasing number of destinations," he said, "some of which did not previously have direct access to Dubai."

Al Ghaith added that additional services will likely be announced in the coming months and that he looks forward to an exciting 2012. ACW

In the news....

Etihad Crystal Cargo announced that it carried a record amount of freight last year. The total tonnage for 2011 amounted to 310,000 tonnes, representing an 18-percent, year over year, increase when compared to 2010's total. Etihad's CEO James Hogan said the strongest cargo growth was seen coming out of Germany and Italy. Launching new cargo services to Cairo, Amsterdam, Kabul and Kandahar also helped increase 2011's numbers, as did increasing routings to China, India and Johannesburg. Last year also saw the delivery of Etihad's first Boeing 777F. Two additional 777 freighters are scheduled to be delivered in 2013. ACW

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worldnews

'Go West' still generating investment

AirBridgeCargo Airlines has launched thrice-weekly freight service to Chengdu International Airport. The route, which is performed by a Boeing 747-400 freighter, connects the capital of the Sichuan province to major European destinations, including Moscow and Amsterdam.

AirBridgeCargo already has a routing through Zhengzhou Xinzheng International Airport and Moscow Domodedovo Airport on route to Amsterdam Airport Schiphol. Adding Chengdu to the schedule will help address Western China's high-tech industry.

According to a company press release, "The direct delivery of high-end products from Europe will also help to satisfy Chengdu's fast-developing consumer market."

AirBridgeCargo officials also anticipate that this route will increase the carrier's access to inland China, which is developing at a considerable rate.

Credit this industrialization to China's "Go West" campaign. Launched in 2000, this program seeks to attract foreign investment and industrialize the nation's underdeveloped western region. The rise of Chengdu and Chongqing and the accompanying boost in air cargo activity has been seen as a direct effect of the policy, and over the past decade, both cities have emerged as electronics and IT hotspots.

Adding to the region's growth, Kerry Logistics recently announced that it will break ground on a 70,000-square-meter logistics center in Zhengzhou in the second quarter of 2012. The facility is slated for completion in the first quarter of 2013.

The Henan province's fast-growing economy attracted the third-party logistics provider to Zhengzhou, according to a press release. Kerry Logistics expects the warehouse to harbor high volumes of technological, automotive, industrial and material-science goods, all emerging sectors in the region. ACW

Hong Kong International Airport

A challenging year ahead for Asian cargo

Twelve months ago, Hong Kong International Airport and its largest carrier tenant were standing tall at the top of their respective global air-cargo hierarchies. Buoyed by soaring exports from China throughout 2010, HKIA had pushed past Memphis to become the world's largest airport in terms of cargo throughput, while Cathay Pacific had taken over the crown of top international air cargo carrier from Korean Air.

The seemingly unstoppable wave of Chinese exports has since lost its momentum, resulting in sharp contractions in freight traffic. In November, usually the height of the peak season, Cathay suffered a 13.8-percent drop in traffic, which brought its tally for the January-November period to a year-over-year decline of 8.2 percent. HKIA registered a 6.6-percent drop in throughput in November, owing largely to a 10-percent slump in exports. Its total for the first 11 months of 2011 showed a drop of 3.4 percent in tonnage.

This setback in cargo growth failed to stop HKIA's expansion plans. Following a three-month public consultation on its Master Plan 2030, the airport authority recently confirmed its intention to move ahead with the construction of a third runway. The existing two runways are projected to reach capacity by 2020. On the cargo side, HKIA predicts tonnage to reach 8.9 million tonnes a year by 2030, up from 4.17 million tonnes in 2010. The Hong Kong government is due to rule on the recommendation for the runway extension before the end of March.

Hong Kong Air Cargo Terminals, which handles about 80 percent of the airport's cargo throughput, boosted its capabilities in December with the introduction of a new IT system billed at HK$240 million. The previous month, Cathay celebrated the official completion of the building that will house its own cargo terminal, a

$700 million facility with a designated capacity of 2.6 million tonnes. November also saw the arrival of Cathay's first of 10 B747-8 freighters. The carrier had underscored its expansion drive last August with an order for eight B777-200 cargo planes, which will start coming into the fleet in 2013.

In December, however, Cathay did step on the brakes. Having taken delivery of four 747-8Fs so far, management decided to defer delivery of two of the remaining six, which were all due this year, to 2013.

Other carriers have been forced to take more extreme measures in response to the darkening outlook. Another competitor for Cathay that stopped flying — at least for the time being — is Shenzhen-based Jade Cargo Airlines, although its woes have more to do with a clash over investment between shareholders.

Lufthansa, which shifted three China freighter flights to the North Atlantic in the wake of a curfew at its Frankfurt base, has signaled that it may ground some of its freighters if the economic slump persists. Nick Rhodes, Cathay's director and general manager of cargo, won't rule out a similar action, but stressed that it would be a measure of last resort.

"We will look at other options first," he commented. "If necessary, we will reduce the utilization of the fleet rather than park aircraft. Parking aircraft is expensive and it takes time to bring them back when there is a resurgence in demand."

Cathay has tried to meet the imbalance between capacity and demand through network expansion. It added a number of points to the freighter network, first and foremost in China, where it now has scheduled freighter runs to Chengdu and Chongqing. Zhengzhou is due to be added this month. Rhodes is also looking to India for expansion, most likely Hyderabad.

On the long-haul sector, Cathay has mounted twice-weekly freighter flights to Zaragoza and is considering Eastern Europe. Across the Pacific, the carrier stepped up the frequency to Miami, expanding its exposure to the Asia-Latin America trade route. Rhodes has his sights on Guadalajara, which will be served over a U.S. point.

In March, Cathay will hand over a fourth 747-400BCF to Air China Cargo. Two more planes may be shifted to Air Hong Kong, the joint venture with DHL, which has already taken three 747-400BCFs, as traffic on core intra-Asian routes is outstripping the carrier's A300-600Fs, Rhodes said.

Cathay, which has so far used its 747-400ERFs mainly across the Pacific (they are going to be replaced in that sector with 747-8s) and a combination of 747-400Fs and 747-400BCFs to Europe, has deployed the latter type increasingly on intra-Asian sectors. The 777s are earmarked to replace the BCFs, of which Cathay still has seven in service today. Rhodes has looked at the A330-200F as a possible tool down the road for some intra-Asian markets, which are today covered with 747-400BCFs. But in the current market conditions, his priorities are clearly elsewhere. ACW

Jade Cargo suspends freight service

Soft cargo demand out of the Asia-Pacific has led Jade Cargo International to temporarily ground its fleet of six Boeing 747-400ERFs. Chief destinations served by Jade Cargo include Chennai International Airport, Incheon International Airport and Frankfurt Airport.

"The temporary suspension of Jade Cargo services is due to overall weak air cargo demand," read a statement posted on the company's website. "It will also provide the shareholders with an opportunity to coordinate with stakeholders to continue with the restructuring of the company's financial structure." No reinstatement date was provided.

Jade Cargo, a joint venture of Shenzhen Airlines and Lufthansa Cargo, utilizes Shenzhen Bao'an International Airport as its primary hub. Shenzhen Airlines has a majority stake in the carrier, owning 51 percent of the airline. Lufthansa Cargo and DEG each possess 25 percent and 24 percent of Jade Cargo, respectively.

Lufthansa Cargo's former vice president of margin management, Frank Naeve, took over as CEO of Jade Cargo in April, which was seen as a vote of Luthansa's confidence in the Asian carrier. Unfortunately, six months later, Lufthansa CEO Christoph Franz revealed that the carrier wouldn't rule out selling segments, such as Jade Cargo, if profitability remained low.

"We shall withdraw from loss-making units without a reasonable turnaround perspective," Franz stated in October.

Although the future of Jade Cargo is uncertain, one fact remains: The Chinese freight carrier isn't alone in its struggles. Data collected by the Association of Asia-Pacific Airlines revealed that import and export markets have been soft throughout the entire Asia-Pacific, highlighted by the region's 6.5-percent, year-over-year, decline in freight traffic in November.

Adding to the bleak picture is the fact that Asian-Pacific carriers only reduced capacity by 0.6 percent in November, leading to a 4.1 percent, year-over-year, reduction in cargo load factor.

AAPA Director General Andrew Herdman said these carriers have been adversely affected by economic uncertainty in the eurozone and other regions. "Asian carriers registered a 4.8-percent decline in international air cargo demand during the first 11 months of the year," he stated, "reflecting cautious management of supply-chain inventory levels given the prospect of weaker consumer demand in the major developed countries." ACW

Chinese carriers to receive a broad range of emissions credits from EU, but will still likely pay additional fees

In the first full year of the EU's emissions trading scheme, airlines will be forced to buy €364 million worth of emission credits in order to comply with the new policy, an analysis conducted by Brussels-based Altimedes Consulting found.

While the EU will provide a limited amount of free emissions credits to more than 900 airlines, they will only supply 77 percent of the estimated total needed to offset carbon emitted during flights to Europe in 2012. The amount of free allowances for the industry, which was laid out by the European Commission last September, will be derived based on an airline's verified tonne-kilometers for 2010.

Using Chinese carriers as an example, the report found that Air China will receive more than 1.16 million allowances, while China Southern and Hainan will receive 745,846 credits and 198,690 credits, respectively. But according to a press release announcing the findings, "Air China, China Southern and Hainan are represented by the China Air Transport Association, [which] recently declared that its members will not pay European emission allowances."

The above example outlines the range of emission allowance allocations, which are expected to be doled out by the end of February. However much a given airline is allotted, Erik van Agtmaal of Altimedes said it won't be enough to cover all the costs.

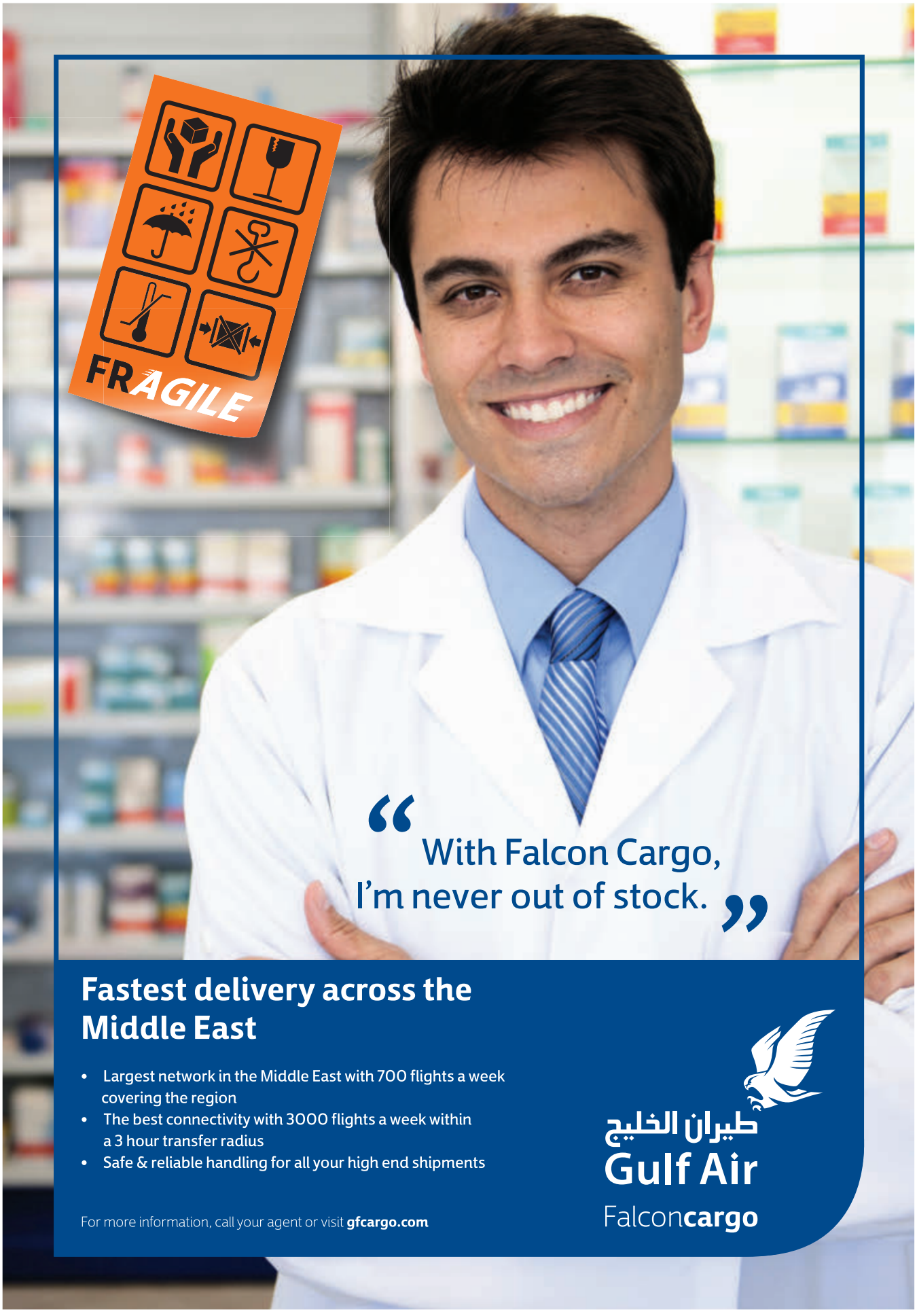
"The actual cost for airlines will depend on the carbon price and the specific shortfall per airline," he said in a statement. "There are large differences between airlines. For some large airlines, the allowances received free of charge will only cover 60 [percent] to 70 [percent] of their emissions in 2012, but some others have a much smaller shortfall or even a long position."

"As the current price of allowances is historically low and only around €20 per tonne of jet fuel, we expect that airlines will soon enter the carbon market and start to buy additional allowances," he continued.

As for the imbroglio the Chinese carriers are raising over the scheme, Agtmaal goes on to state that he thinks everything will be resolved peaceably. "I do not expect that the Chinese airlines will refuse to accept the free allowances allocated to them or delete the free allowances on their account as a sign of protest," he said.

"As they won't have to surrender emission rights before April 30, 2013, against reportable 2012 emissions, they will have time left to lobby via the Chinese government," Agtmaal added.

"In the EU ETS," he said, "the economic sanction for noncompliance is a fine of €100 or even a prohibition to fly to Europe, and I do not think that they will take that risk." ACW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UPS says U.S. companies should increase exports

Despite recently approved free-trade agreements with Colombia, South Korea and Panama, only 24 percent of small- and medium-sized businesses in the U.S. are currently engaged in international trade, a UPS study found. And while staying away from international trade may seem like a good business practice, it's actually riskier than the alternative, according to a UPS press release.

UPS' "Perceptions of Global Trade" study, which surveyed more than 1,000 SMBs, discovered that many of these businesses refrained from exporting goods due to the bleak economic outlook. This is faulty logic, UPS International President Dan Brutto explained.

"With 95 percent of the world's consumers located beyond U.S. borders, it's clear that the path to economic growth is through opening new markets for U.S. businesses," Brutto said in a statement.

SMBs that do export goods, however, are reaping the benefits, according to the UPS study. Sixty four percent of respondents engaged in international trade reported seeing a financial return within two years, with 34 percent of this group seeing it in less than six months. Moreover, 49 percent of respondents said they plan to double their level of exports by 2015.

The UPS study named Canada, Mexico, Australia and the United Kingdom as the most export-friendly nations due to trade agreements between these countries and the U.S. Brazil, Russia, India and China were deemed the most difficult trade partners.

"Global commerce flows along the path of least resistance, so it's incumbent upon government and business to work together to remove trade barriers and help businesses grow beyond our borders, resulting in economic growth in return," Brutto said in a statement. ACW

Southwest is gearing up for the launch of services from Atlanta. The company's new cargo facility is to open on February 12.

Southwest heads south, enters Atlanta market

Southwest Airlines has completed the final touches before its move to Atlanta and will open its newly constructed 26,000-square-foot cargo facility at Hartsfield-Jackson Atlanta International Airport on February 12. The launch of this facility coincides with Southwest's initiation of passenger services to Atlanta, a byproduct of the carrier's May 2011 acquisition of AirTran Airways, which counts Atlanta as a major hub.

Southwest will begin its Atlanta tenure with non-stop passenger routings to Washington, Chicago, Denver, Houston and Austin. Southwest will add daily service to Las Vegas and Phoenix in March and a non-stop Atlanta-Los Angeles service on June 10.

Wally Devereaux, Southwest's director of sales and marketing, said that the carrier has high hopes for the Atlanta freight facility. Calling Atlanta a "critical city" for Southwest Airlines Cargo, Devereaux anticipates operations taking off tremendously once the operations of Southwest and AirTran fully integrate. "We expect our Atlanta cargo operation to be one of the largest in the Southwest Airlines system," Devereaux said.

Southwest also expects to see a "healthy mix" of commodities on flights, Devereaux revealed. Unlike the carrier's Miami operation, for example, which deals in high quantities of fresh flowers, Atlanta is likely to see an assortment of goods, including perishables and retail items, he said.

From a logistics perspective, however, Devereaux said Southwest's main concern is providing customers in Atlanta with a "fast and efficient tendering and recovery process." "Additionally," he said, "we are focused on being able to expedite cargo between the facility and the flight line, so that we can provide customers with short cutoff times and recover their shipments quickly."

Jim McKeon, strategic advisor of the Southwest Airlines Cargo Management Group, shared similar thoughts with *Air Cargo World* last fall. Improving customers' experiences is Southwest Cargo's top priority, he said, which is why the carrier is currently investing in technology to improve tracking-and-tracing. He expected it to be deployed by mid-2012.

"We are focused on being able to expedite cargo between the facility and the flight line, so that we can provide customers with short cutoff times and recover their shipments quickly."

— Wally Devereaux, director of sales and marketing, Southwest

The carrier will launch Atlanta services coming off a sunny end to 2011, a year in which Southwest saw robust cargo and passenger numbers. ACW

Fatigue ruling deemed 'voluntary' for cargo pilots

The U.S. Federal Aviation Administration has ruled that commercial passenger pilots must rest for at least 10 hours before reporting for flight duty, among other mandates. It's a ruling that has been deemed "voluntary" for cargo pilots, much to the dismay of some in the airfreight sector.

The FAA has also set a flight-time limit of eight or nine hours and ruled that single-crew operations can only report for nine- to 14-hour flight duties. Pilots must also communicate if they are fit for duty before flying, per the FAA's new ruling.

According to a press release issued by the FAA, this ruling will cost the aviation industry approximately $297 million, although it estimates that the benefits gleaned from it fall between $247 million and $470 million.

Either way, U.S. Transportation Secretary Ray LaHood calls the mandate "a major safety achievement."

"We made a promise to the traveling public that we would do everything possible to make sure pilots are rested when they get in the cockpit," LaHood said in a statement. "This new rule raises the safety bar to prevent fatigue."

Some in the air cargo industry are afraid that it does little to improve the safety of freight pilots, however. Although the FAA did address the airfreight sector in a press release, it stated that, "covering cargo operators under the new rule would be too costly compared to the benefits generated in this portion of the industry."

But the agency also praised strides made by cargo carriers to reduce pilot fatigue and encouraged them "to opt into the new rule voluntarily."

Robert Travis, president of the Independent Pilots Association, the trade union representing UPS, believes such logic is absurd.

"Giving air cargo carriers the choice to opt into new pilot rest rules makes as much sense as allowing truckers to opt out of drunk driving laws," he said in a statement.

"To potentially allow fatigued cargo pilots to share the same skies with properly rested passenger pilots creates an unnecessary threat to public safety," Travis continued. "We can do better." ACW

In the news...

American Airlines Cargo has been named the leading freight carrier at JFK International Airport, according to data compiled by the Port Authority of New York and New Jersey. AA Cargo, which transported 115,000 tonnes of freight from January to October 2011, handled more than 9 percent of the airport's total tonnage during this period… **Delta Air Lines** carried 2.37 million tonnes of freight from January to December 2011, a 4.4-percent hike from 2010. Despite this gain, the carrier saw December freight volumes fall 2.1 percent from December 2010, transitioning from 202,020 tonnes to 197,733 tonnes… **Boeing** netted orders for 805 commercial aircraft in 2011, with the 737MAX and 777 leading the way in popularity. The aircraft manufacturer also delivered 477 aircraft from January to December, ending 2011 with a backlog of 3,771 unfilled commercial orders. Boeing is currently converting a 747-400 to a freighter on behalf of **Evergreen International Airlines**, which will be the manufacturer's 50th 747-400 conversion… **The Rechargeable Battery Association** (PRBA) has challenged the **FAA**'s study detailing the risk of transporting lithium batteries by air. Dismissing the research as "flawed," the PRBA expressed concern about the FAA's methodology, data and conclusions. A key area of concern involves the FAA's conclusion that batteries contributed to two aircraft incidents simply because they were on board. What's more, the PRBA wrote, the FAA "developed its risk model from this assumption," an assumption that caused "unwarranted scare mongering" in the press. ACW

To celebrate our anniversary, we're opening up the *Air Cargo World* archives to take a look at the historic coverage from our back pages. Each month, this special section will feature a story covering a historic moment in the industry or a column ruminating on the early challenges of the business.

This month's article, "From hot war to cold war," appeared in the October 1949 issue as the fourth story in a six-part series on the Berlin airlift. The articles, written by inaugural editor Dick Malkin, provide a first-person glimpse into a massive airfreight effort.

To read the complete story and view the entire series, visit *www.aircargoworld.com/airlift*.

FROM HOT WAR TO COLD WAR

By RICHARD MALKIN

Managing Editor, Air Transportation

Fourth in a series of stories on the Troop Carrier Groups who made history in Operation Vittles—the biggest air cargo job of all times

CELLE RAF STATION, GERMANY—I walked into the operations room here just in time to hear a major explode:

"Your tonnage figures are goddam cockeyed! The 317th topped you, we can prove it!" The officer slammed the receiver down on its cradle, glared belligerently around the room and snorted: "Who the hell do they think they're kidding?"

"What's he yelling about?" I asked the sergeant at my elbow.

"Figures," he replied wearily. "Everybody's tonnage-whacky. He's claiming the tonnage high for the day. Someone in Wiesbaden gave it to the 313th or some other Group. You'd think this was the Kentucky Derby."

But the net result of this awesome competition was the smashing success of Operation Vittles. No small part of this credit is due to the officers and men of the 317th Troop Carrier Group, which, after chalking up an enviable record in the Pacific area, moved over to Western Germany to put some more of the old stuff on the ball.

Let's go back to Washington's Birthday, 1942, when the present 317th Troop Carrier Group (Heavy) was activated. It happened at Bowman Field, Louisville, Kentucky, when the new Group was outfitted with twin-engined C-47s. Official designation was the 317th Transport Group; but five months later general orders from the First Troop Carrier Command at Stout Field, Indianapolis, changed the "Transport" to "Troop Carrier."

Pearl Harbor was still five months away. The 317th, at full operational strength, moved to Lawson Field, Fort Benning, Georgia, to participate in the training of paratroops and helping to solve certain important problems surrounding paratroop and cargo drops.

Nor did they stay long at Lawson. Next stop was Laurinburg Maxton Army Air Base, North Carolina. More training—this time towing gliders—and then the alert! The 317th hopped over to the West Coast, and shortly after the Nips struck at Pearl Harbor the Group shoved off for Australia by sea and air.

Well, the war was on, and the Yanks were getting it on all sides. The 317th

Close-up view of cargo-filled *Skymasters* readying for split-second take-off at Celle with Berlin as the destination.

Cargo is the 317th's middle name—even in Japan, as the picture (left) indicates, before the Group joined the Berlin Airlift. Operations headquarters (right) of the 317th at the Royal Air Force Station.

hit Townsville, Australia, early in 1943, and then got into action after a move to New Guinea. Operating over the Stanley Owen Mountains, the Group dropped supplies to our troops participating in the Buna-Gona Campaign. After this, it was action unlimited, with Finchhaven (remember the famous Nazdab drop of a complete regiment of paratroops, bypassing a large contingent of Jap troops?), Hollandia, and Leyte receiving the full benefits of the 317th.

The Group played an important role in the recapture of the Philippines. It dropped paratroops on Corregidor, after which it headquartered, for a short time only, at Clark Field, Manila.

Okinawa loomed in the headlines, and again the 317th was right in the thick of things. The small island turned out to be its operations point.

In 1945, with the war ended, Colonel John H. Lackey, then commanding officer of the Group, led the first flight of Army transports ever to land in Japan. The 317th eventually settled at Kimpo, Korea, for the relatively simple duty of flying freight, mail, and passengers between Korea and Japan. Of course, the inevitable happened. Reduction of strength was in order those days; and by the time Christmas-time rolled around, the Group was a shadow of its former self. It was transferred to Tachikawa Air Force Base, Honshu, Japan, to replace the deactivated 375th Troop Carrier Group.

Things hummed along smoothly. The 317th was doing what normally a commercial airline would do back in the States. In July, 1948, the Group was redesignated; it became the 317th Troop Carrier Group (Heavy). Then, on September 11, at headquarters of the Far Eastern Air Forces, a parley of top brass brought the decision to move the 317th, augmented by aircraft and crews from the 374th Troop Carrier Group.

(Continued on Page 37)

C-54s of the United States Air Force, cargo doors wide open, at Celle in the British Zone of Germany.

India's shifting aviation landscape

India has quickly become a thriving player in the worldwide air cargo game, and with a few adjustments, the country is on track to shine even brighter in the near future.

The Airports Authority of India announced late last year that it will release a 10-year aviation policy this summer to address private-sector investments and air cargo developments. The seachange toward private investments, however, is already underway. For the past few years, the government has been transitioning India's airports from public institutions to private-sector life, and this has allowed companies to implement massive upgrades to airports in Mumbai, Chennai and elsewhere.

With the organization projecting a 10-percent annual Indian aviation growth for the next five years — and with cargo expected to rise 0.8 million tonnes by 2017 — demand is not an issue. But seemingly massive challenges remain. Infrastructure growth has been slow, historically, and the country's largest airlines, Air India and Kingfisher, are saddled with their own issues.

The authority's current draft strategic plan takes a long look at cargo and outlines how Indian cargo can adapt to the changing world. According to Anil Khanna, managing director of Blue Dart Express, the policy details the creation of a cargo-terminal infrastructure in the country's airports, which will include separate areas for non-courier express shipments; the development of cargo villages; the establishment of free-trade zones at airports; guidelines for cargo automation and governance; and the creation of top-notch maintenance and repair facilities.

Addressing these issues will go a long way toward upgrading India's aviation outlook, Khanna says. A lack of air and surface infrastructure are the biggest problems he sees right now, with clogged airports adversely impacting his express business. As his tonnage increases, the size of the airport stays the same. Fuel prices, of course, are a perennial issue. On top of all this, carriers in India tend to pay higher prices than their colleagues in other countries. When analyzing the fees airports charge carriers for cargo movements, he says South Korea dropped its fees by 20 percent in the last two years. In that same period, India rose its fees by a factor of eight.

Chatrapati Shivaji International Airport

"Transport infrastructure and lack of understanding of supply chains are major obstacles to growth in India's express market. We are glad, however, that government has taken up the issue of infrastructural challenges seriously," he says. "The government of India has planned for phase-wise airport development and creating world-class airport infrastructure in some major places. This is likely to boost airline and cargo sectors. Many airlines are planning to create full-fledged cargo operations."

The new aviation strategy, Khanna says, should go beyond surface problems to address a host of other issues. Indian aviation is a bit behind in safety and security, and he says the government should constantly look to other nations in order to mirror industry standards. He also calls for giving fuel a declared goods status that would impose a uniform VAT of 4 percent for the entire country. Finally, he wants the government to bring back parts of the country's income tax act, which made it easier for foreign companies to lease aircraft to Indian firms.

"The Income Tax Act provided for income tax exemption to foreign companies on lease rentals paid by an Indian company. This exemption was withdrawn in 2007, which has, as a result, increased the cost of air operations," he says.

A spokesman for Mumbai-based freight forwarder Allied Aviation Pvt. is worried about the number of freighter aircraft in the country and the scarcity of skilled labor. He thinks the new aviation strategy should address these issues along with facilities and handling, but also of concern is the growing price competition among industry shareholders and the rise in labor costs. These issues can be addressed, he says, by reconfiguring the regulatory structure, eliminating the fuel tax and, of course, improving the quality of and access to airports and cargo facilities.

But some regulations, he admits, could help Indian aviation companies. Allied sees huge growth potential in the domestic Indian market, which is off-limits to foreigners. "Allied Aviation would concentrate more on the domestic market, and then the international market," the spokesman says. "The growth at the domestic market is fast, as it offers greater potential since regulations prevent foreign airlines from competing in the domestic air cargo market."

Allied also approves of the government's recent move to increase the amount of investment allowed by foreign companies in the air cargo sec-

tor from 49 percent to 74 percent. According to the spokesman, the rule change "will bring in the much-needed capital and global best practices to the Indian air cargo industry. Proactive and favorable government policies will greatly encourage investments in the air cargo industry and facilitate the setting up of the required amenities and infrastructure."

U.S.-based forwarder BDG International opened its Indian office in 2007, and in the ensuing years, Lisa Victoria Waller, BDG's vice president, has experienced the slow transition of the aviation sector as an outsider looking in. The move to privatize airports, she says, was absolutely necessary to the industry's continued growth, but she cautions that there are still airports that need to be handed over to the private sector. "They have a long road ahead of them," she says. "But the Indian government knows that they are better off privatizing than trying to manage them themselves because they have a really hard time managing major projects like this for infrastructure improvement."

"Transport infrastructure and lack of understanding of supply chains are major obstacles to growth in India's express market."

— Anil Khanna, Blue Dart

The government, of course, can't step out of the picture entirely. Like her colleagues at Allied and Blue Dart, Waller says the government needs to pave a new path on security, Customs processing and a host of other regulatory measures. She adds that the government also needs to help private aviation shareholders prosper.

With all these issues still brewing, progress in India can seem slow at times, but Waller has also seen what seem like massive structural issues resolved in no time at all. India is funny like that, she says, adding that five years down the road, air services in India will likely be vastly different than they are today.

"In India, the changes are night and day. Today you don't have a service you want, and tomorrow you do," she says. "That's the cool part of India." ACW

photo courtesy of London 2012

Going for the Gold

This July, more than 10,000 athletes, 21,000 media representatives and 800,000 spectators will descend on the UK for 19 days of competition in which 205 countries will compete in 300 medal events in 26 sports at 34 separate venues. The 2012 Olympics will surely be a significant logistical challenge, yet even more has been going on behind the scenes than practiced logisticians may imagine.

One million pieces of sports equipment and 250,000 items of athletes' luggage are involved. All must reach the right person in the right place at precisely the right time. UPS, the official logistics and express delivery supporter, expects to have handled 30 million items in total by the end of the event.

The company is providing collection and delivery of everything from documents to heavy freight, as well as freight forwarding, Customs clearance, warehousing, distribution and courier services before, during and after the games. This includes logistics services for venues and competitors' villages, and "special-event" logistics for the cross-UK torch relay and for the medals ceremonies.

"A number of companies pitched for part of the job — for example, freight forwarding or Customs brokerage — but for LOCOG [the London Organizing Committee of the Olympic and Paralympic Games], it was all or nothing. From then on, it was a shortlist of two," says Alan Williams, UPS director, London 2012 sponsorship and operations.

Some of the more colorful freight movements are highlighted on UPS' website — such as supplying swimming goggles from Greece, boxing gloves from India, canoes from Canada and table tennis balls from Uzbekistan. That's the straightforward stuff. Other, less-apparent duties include a requirement to deliver and fit specialized flooring. North Greenwich Arena 1 (normally the O2 arena, but renamed for the Olympics to screen out the non-sponsoring mobile phone company's brand) requires 80,000 square feet of floor for the gymnastics competitions.

The Olympic Delivery Authority is responsible for building the venues, including seating and the base concrete floor. But LOCOG — and, in turn, its chosen logistics service provider — has to outfit each site with electronic timing and scoring

equipment, press and back-office facilities, boxing rings, basketball hoops — essentially anything portable. Changeovers at multi-purpose venues will be specially demanding, Williams says. For example, the company will have just 17 hours after the gymnastics events finish to lay a new floor for the final stages of the basketball events.

In another massive, behind-the-scenes task, 10,500 flat-packed bedroom units, including beds and furniture, formed part of a consignment of 450 40-foot containers that sailed across from China and Malaysia in October. Forty people are unpacking and assembling these on site at the athletes' villages. The leased units will have to make the return journey after the games for eventual resale or reuse.

Despite UPS' lengthy experience — it handled small-package deliveries at Atlanta in 1996, the 1998 Winter Games in Nagano and the Sydney games in 2000, while running the complete logistical show in Beijing — the company nevertheless learned a lot during a series of test events over the last 11 months.

"There were areas where we've had to change processes and procedures," Williams says. "We had worked out what space and how many people we needed to unload the basketball flooring, but when we made the delivery, it was pouring with rain. The material is highly susceptible to that, so we realized we needed another level of planning."

More difficult to foresee were the riots that broke out in London, then more widely across the UK, last August. "We were active with trials in several venues, and it changed what we could and couldn't do," Williams says. "We were within 36 hours of the cycling road race [which tours the Surrey countryside, but starts and finishes in The Mall in central London], and we'd already had 100 miles of specialist crowd barriers delivered in.

"We were advised we needed to chain these together, so they couldn't be picked up and used as missiles," he continued. "We spent the night cutting two-and-a-half miles of marine chain into short lengths, then we purchased, literally, every padlock in southeast England."

Three years of planning

LOCOG awarded UPS the logistics contract — a decision that required ratification from the International Olympic Committee — in early 2009.

The company had been mulling the pros and cons of bidding for London since the end of the previous games. "Beijing coincided with our entry into the China market, and we massively increased our market share," Williams says. "We asked ourselves if we could handle London, and did we want to?"

An early priority for London was to secure two warehouses. China had been managed from one massive facility, but UPS was keen to double up on this occasion "for greater resilience," according to Williams. In March 2011, the company took over a vacant 330,000-square-foot space in Stevenage, north of London, that was previously occupied by the John Lewis retail group. Two months later, UPS moved into a series of five sheds, totaling 550,000 square feet, owned by the Port of Tilbury.

Tilbury is the closest deep-sea port to the main Olympic site, but the decision on what products are held where is more technology-based than determined by transport mode, Williams explains. Furniture is going into Stevenage and sports equipment is being held at Tilbury, for example. In total, UPS will be warehousing more than 200,000 items, all inventoried, held until they are required at the various Olympic venues.

Alan Williams

UPS will operate six nightly B767 freighters into the UK's East Midlands Airport and two additional routings into London Stansted. "LOCOG was concerned that we were going to blacken the skies, but August is not peak season, and in any case, we are flying as little as possible," Williams says. "The majority of the incoming items will travel by ocean freight or road, which has cost as well as environmental benefits. Only emergency supplies are coming in by air; though, of course, this will increase the closer we get."

Even expensive broadcasting equipment, which tends to be shipped to major outside broadast events at the last minute, will already be in Europe because the Olympics follow closely on the heels of the European Football Championship in Poland and Ukraine. Williams expects to see 400 tonnes of cameras and support equipment at the Olympics.

Broadcast companies, and in-

deed all equipment suppliers to the Olympics, can choose whoever they want to manage their shipments, and many third-party forwarders have picked up business. Since UPS has to carry out final-mile delivery, however — and also manage post-event breakdown because site access is equally strictly controlled — Williams argues that it makes for a more seamless process to employ the company from end to end.

One area that UPS has been happy to outsource is the movement of horses for the equestrian events. It will not be flying those few animals that have to make intercontinental journeys (most are based in Europe), as grooms must travel with each horse, and standard freighter aircraft are not suitable.

"The majority of the incoming items will travel by ocean freight or road. Only emergency supplies are coming in by air; though, of course, this will increase the closer we get."

— Alan Williams, UPS

"On every level, horses are a job for a specialist operator, and Peden has been responsible for every Olympics since Seoul and will be responsible for taking the animals to staging posts close to the venue," Williams says. UPS will again conduct the final part of the journey, but will also carry food, hay and associated items.

In almost all other respects, including the quirky tasks that only really arise when the Olympics are in town, UPS is providing its own in-house solutions. Firearms for the shooting events require a special license, which has been negotiated with London's Metropolitan Police.

Another closely scrutinized responsibility will be the transportation of drug test samples to laboratories. This can be done employing the standard courier network using insulated containers (active refrigeration will not be required). The key element is the chain of custody, Williams says. It's vital to keep the samples under supervision at all times.

Many things can still go wrong. The fatalistic British public fear that Icelandic volcanoes will erupt again, or the weather will be as bad as it has been for the last three summers, or London's roads and public transport system will jam up. Anything is possible — just don't expect competitors' favorite javelins or sprinters' medals to go missing. The things Williams and his team can control, they've got covered. ACW

Driven by generics, pharma focus heads east

It straddles two worlds. Situated squarely between the East and the West, the Middle East flanks Eurasia and North Africa, two vastly different lands. Although the region has garnered considerable press lately due to political and religious strife, the Gulf is also known for its prime geographical position.

Location has been especially key to earning the region a reputation as a global aviation hub, maintains Emirates Airline's divisional senior vice president, cargo, Ram Menen. "With its geographical [setting], the Middle East is well positioned to connect the East and the West," he says. "It has historically served as a global trading hub, and aviation has added a new dimension."

Peter Scholten, Saudi Airlines Cargo's vice president, commercial, projects that it's a reputation that will only grow with time — particularly in relation to cargo. "In five to 10 years, the Middle East hubs and its cargo carriers will have a significant market share of the world trade lanes such as Asia-Africa, Asia-Europe and Asia-Middle East," Scholten says. What's more, he estimates that the Middle Eastern airfreight market will continue to grow at a rate of 5 percent to 10 percent annually.

Equipping Middle Eastern airports to handle the anticipated growth has been no small task. Facilities such as Cairo International Airport have undergone major renovations while Dubai's Al Maktoum International Airport opened in 2010 to serve cargo operators worldwide. The latter airport is so large, in fact, that analysts estimate that up to 12 million tonnes will move through its doors each year starting in 2013.

Menen credits Al Maktoum International Airport's proximity to the Jebel Ali Free Trade Zone with propelling growth. Lauding the United Arab Emirates' creation of a "multimodal logistics hub," Menen says freight forwarders and airlines alike are benefiting from the opportunities afforded by these facilities. And of the goods inundating the Jebel Ali Free Trade Zone, numerous cargo experts point to pharmaceuticals — driven by neighboring India's prolific pharmaceutical sector — as the commodity to watch.

Addressing the demand

It's no secret that India has become one of the hottest manufacturers of pharmaceuticals in recent years. Along with housing some of the biggest names in biotechnology, India is also home to one of the fastest-growing pharma sectors, developing at an estimated rate of 10 percent per year. Such proliferation has demanded the deployment of various transportation services, specifically airfreight.

Nowhere is this more evident than among Middle Eastern carriers, numerous logistics experts say. Take Falcon Cargo, for instance, maintains Gulf Air Senior Manager Rory Black. Gulf Air, which launched Falcon Cargo in November to transport high-value freight, regularly sees strong volumes of Indian-manufactured pharmaceuticals on flights, Black reveals. It's a matter of catering capacity to demand, he explains.

"For us, pharmaceuticals are a very interesting product that suits the aircraft we fly and our network," Black says. He expects pharma to become an even bigger business segment for Falcon Cargo as the Indian pharmaceutical market continues to explode; recent projections place it as the fourth largest in the world, according to Black. "We're close to at least two-thirds of pharma manufacturing through our stations in Mumbai and Delhi," he says, "so pharmaceuticals are an absolute priority for us."

Black says the UAE freight carrier also boasts sub-three-hour connection times from Bahrain to East and North Africa, enabling it to deliver Indian pharmaceuticals to some of their key export destinations in a timely manner. After all, Africa, which is home to more than two-thirds of the world's HIV population, continues to require medical goods at an alarming rate.

Again, it's a case of proximity, Black says. "Bahrain, through Gulf Air's Falcon Cargo, is perfectly geographically positioned not only for movements throughout the Middle East, but to serve developing markets like Kenya, Uganda and South Sudan — all markets relying on imports for their pharma consumption," he says. Black also credits Falcon Cargo's centrality with bolstering volumes out of Europe, which, he says, is another strong market for pharmaceuticals.

Pharmaceutical demand between Europe and India also led Lufthansa Cargo to establish a pharma hub at Hyderabad International Airport in May, reveals Christopher Dehio, Lufthansa Cargo's senior manager of global key accounts, temperature control. Officials at Hyderabad encouraged the German freight carrier to set up a facility to address the cool-chain requirements of these goods, Dehio says — a task Lufthansa readily accepted.

Driving this decision was India's status as one of the strongest export markets for pharmaceuticals, Dehio says. Still, he admits that discrepan-

"If you look at the value exported by India in pharmaceuticals, it's only 2 percent of the total value worldwide, but by weight, India is the second largest exporter after the EU."

— Christopher Dehio, Lufthansa

cies exist in transportation figures. "If you look at the value exported by India in pharmaceuticals, it's only 2 percent of the total value worldwide, but by weight, India is the second largest exporter of pharmaceuticals, after the EU's 27 counties," he says.

Dehio says the rise of generics created this phenomenon. Indian manufacturers have significant market share of the generic-drug sector, he says, leading to high volumes with low yield. But it can be a very lucrative business for cargo carriers, Dehio asserts. "Put it this way, it's a high-revenue business, but at the same time it's also a very capital-intensive business," he says.

Dehio acknowledges that Lufthansa Cargo invested significant capital in Hyderabad last year, including ensuring its pharma hub complied with cool-chain regulations and positioning part of its cold-chain container fleet there. Seven months later, Lufthansa Cargo took its commitment to pharmaceuticals one step further and opened a 4,763-square-meter cold-chain facility at Frankfurt Airport. With volumes steadily increasing, it's been a good investment so far, Lufthansa officials say.

Falcon Cargo and Lufthansa aren't the only carriers seeing increased quantities of Indian-manufactured pharmaceuticals on flights, however. Emirates SkyCargo's Menen says pharmaceuticals are such a hot commodity for the UAE freight carrier that all new flight stations are required to undergo cool-chain training. Geography, he reveals, has played a large part in boosting business.

Location is the key to the Middle East's pharmaceutical success, says Emirates' Menen

Infrastructure investments have also helped, Menen says. He points to the Emirates Cargo Mega Terminal in Dubai as an example of this. Featuring "spacious temperature-controlled handling and storage areas and a dedicated cool-chain handling team," this terminal especially caters to the pharmaceutical sector, Menen says. What's more, he reveals, Emirates SkyCargo continually invests in cool dollies to prevent pharmaceutical shipments from being exposed to the sweltering temperatures of Dubai.

Mohammed Esa, Agility's CEO for Dubai and senior vice president for the UAE, Oman and Bahrain, praises such measures, pointing to the problems caused by heat. It's not uncommon for the Middle East to reach 50-degrees Celsius in the summer, he says, which could potentially compromise the cold chain. "It's a big concern, and pharma companies are very cognizant of it," he says. Nevertheless, Esa asserts, measures are being made across the region to ensure products remain in a safe temperature range.

Keeping it cool

Sweltering heat or not, keeping pharmaceuticals cool is freight carriers' ultimate priority. If product integrity is compromised, Dehio says, it can have very costly consequences. Suppose, for example, you're transporting an LD3 unit with a multimillion-dollar agent to screen for breast cancer, he says. "And if you goof up by allowing a temperature deviation of maybe 3 degrees, then the whole shipment is spoiled and you lose [millions] in value," he says. There are also a host of legal and moral issues to consider, he adds.

Still, Dehio admits that not all drugs are equal when it comes to temperature-sensitivity. "If India comes up with a new generic drug, it might not be as sensitive as the original, and it might not make [cold-chain] transportation necessary at all," he says.

Rory Black concurs. He says that up to 80 percent of pharmaceuticals come prepackaged, with only a small percentage requiring a cool-chain solution. In case of lengthier transit times, however, he says Falcon Cargo's Bahrain hub offers a 15-degree-Celsius storage room and two refrigerators normally programmed at -5-degrees Celsius and -15-degrees Celsius. Not that these devices are often mandated, he maintains.

"What our clients are mainly asking for is a high service level and

Lufthansa Cargo's Hyderabad pharma hub

flown-as-booked guarantees," Black says. "As long as you can deliver fast transit and have adequate backup, ensuring that the shipment gets to the destination unspoiled, you will be the carrier of choice."

Menen says paying scrupulous attention to different temperature ranges for storage and transportation is also key. Acknowledging that regulations concerning pharmaceutical shipments are becoming most stringent, he says the focus is now on room-temperature goods; previously, he says, products that keep freight within 2-degrees Celsius to 8-degrees Celsius were all the rage.

Either way, he maintains, it's important to follow policies to the letter even if slightly elevated temperatures won't spoil shipments. "Although pharmaceuticals can withstand limited exposure to temperatures outside the optimum range, the aim is always to keep this to an absolute minimum," Menen says. "A combination of protective packaging and efficient handling procedures is crucial to protect product integrity."

Emirates SkyCargo, for instance, maintains product integrity by offering customers its Cool Chain Basic and Cool Chain Premium temperature-controlled services, he says. The Dubai-based freight carrier also recently rolled out its Cool Chain Advanced solution, with India serving as one of the first test markets. Offering a variety of services is essential, Menen says, since transportation requirements often vary from pharmaceutical to pharmaceutical.

They also vary according to country, Esa says. One of the biggest challenges freight carriers face in regard to pharmaceuticals, he says, is navigating the complex regulatory environment. For instance, Esa says, the UAE contains different legislative requirements than Saudi Arabia, and Jordan and Lebanon have completely disparate Customs processes. It's why moving products between these nations can be such a headache, he maintains.

"But part of it is the governments working together to allow that free flow of goods and that true sort of trade zone that allows pharma goods to move freely between these countries," Esa says. "And part of it is logistics providers actually building and putting the infrastructure in place, both from a facilities and a transport perspective, to meet the cold-chain requirements."

Requirements, he says, that are very different from other industries. "The level of compliance, the level of integrity in product management, the level of detail and quality and trace-and-track, and the management that's required is much higher because of the risks associated with transporting and storing pharmaceuticals," he says.

Fortunately, many logistics experts project, the benefits associated with transporting pharmaceuticals far outweigh the risks. ACW

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Somewhere an oil well isn't pumping because the crew is waiting for a valve. A production line isn't operating because a maintenance team is waiting for a part. And an embassy chief in a country that can't be named is waiting for something highly confidential. Welcome to the world of air freight.

While more expensive than other transportation modes, airfreight can be an essential component of supply-chain strategy when it comes to high-value, urgent or perishable shipments. Freight forwarders, the lifeblood of the transportation industry, are the chief movers of airfreight shipments, especially those of 100 pounds or greater. Whether booking shipments on freighters, in the bellies of passenger aircraft or on combi aircraft for main deck capacity, freight forwarders have their work cut out for them. The global recession and rising fuel costs have served to tighten airfreight capacity worldwide, as scheduled airlines slim down. Even all-cargo carriers have been affected. Amid this changing landscape, innovation and agility are required to keep pace with customers' needs.

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Panther Moves AirFreight on the Ground

Panther Expedited Services, Inc., a global freight forwarder headquartered in Cleveland, Ohio, has seen the steady decline of airfreight capacity. "Over the last 10 years, the majority of U.S. freight volumes have shifted from air to ground. This trend has reinforced the value proposition of our expedited door-to-door ground service," says Andrew C. Clarke, president and CEO of Panther.

"As the only forwarder that has an exclusive over-the-road ground network, we're able to offer a unique mix of ground and air solutions to our customers," Clarke says. While the majority of the company's U.S. freight volumes are moved on the ground, airfreight constitutes the majority of Panther's international forwarding volumes. Overseas, Panther taps into a network of more than 1,500 carriers; in the United States, its vast network of truck owner-operators ensures seamless door-to-door service. "All of our trucks are equipped with Qualcomm GPS tracking, so our customers know exactly where their freight is at all times," Clarke says.

From air charter to deferred air services, Panther leverages its extensive network of ground and air carriers, which include commercial and cargo lift, as well as local pick-up and delivery agents to offer the most comprehensive solutions in the industry. And when air shipments face a delay, Panther's extensive ground capabilities come to the rescue. When a shipment can't make it out of an express air carrier's U.S. hub for the final air segment, Panther sends in a truck to retrieve the freight. In the case of a late-tendered shipment that misses a flight segment, Panther trucks the freight to meet the last flight.

Panther's proprietary web-based technology offers customers a complete view into routes, service options and pricing. Customers are presented with buy-up, buy-down options, so they can select the best solution based on their specific needs. "We continue to refine our technology, which evaluates both air and ground options simultaneously, including our exclusive ground expedited services," Clarke says, noting it also provides true and final costs, including all accessorial charges.

EFS Worldwide Supports Local Agents

Dallas-based freight forwarder EFS Worldwide is different from traditional freight forwarders because it operates only a handful of corporate-owned offices and relies on an expanding network of independent sales agents and forwarders worldwide. "We call it the non-asset based approach for the non-asset based shipping industry," says CEO Spencer Askew. The result is tremendous flexibility to deliver competitive shipping solutions that both shippers and freight forwarders need to meet their customer requirements.

"Our partners consist of a network of seasoned local cartage agents and vendors, all with expertise in their markets," Askew says. "Each agent brings their own skill sets and expertise in services such as domestic expedited, international ocean, LTL and TL. We offer our independent sales agents,

who are typically seasoned forwarders, an opportunity to help enable and expand their core businesses to service their customer needs." Backed by a management team of transportation professionals, each averaging 25 years of industry experience, EFSWW was founded in 2005 with the aim to offer independent agents the reach of larger forwarders.

EFSWW offers the gamut of forwarding services including domestic air and ground, international import and export, air charters, warehousing and distribution. "We're a licensed NVOCC offering ocean services for full container and less-than-container loads throughout the globe. We also offer a comprehensive LTL resell program, which gives our customers the opportunity to rate shop a variety of national and regional carriers," Askew says.

Airfreight makes up about half of EFSWW's volumes, which means time-definite shipping services are a key component of the service provided by EFSWW agents. "Through our vast network of partners, we have the ability to recover freight for customers and re-route if needed to ensure any time-specific shipments are delivered on time," Askew says.

EFSWW's next-generation transportation management software (TMS) allows for real-time quotes across multiple modes. "We use a web-based, multi-language, multi-currency TMS platform that enables automation between the customer and EFSWW staff members," Askew says. The software is easily integrated with partner's existing systems and industry protocols through EDI, XML and web services.

Freight Powerhouse C.H. Robinson

From next flight out to consolidated two-day air shipments, C.H. Robinson Worldwide, Inc., a top global provider of multimodal logistics services, headquartered in Eden Prairie, Minn., provides airfreight services in domestic and international markets for customers in the Americas, Europe and Asia. Many of the 3PL's customers operate global supply chains, making air a necessary component of supply-chain strategies, says Matt Castle, C.H. Robinson's director of global air services.

Particularly within international lane segments, the 3PL's airfreight buying power bodes well for competitive pricing. "As a 3PL with access to capacity across multiple service lines, we're constantly evaluating our customers' distribution needs to find the right balance of service and cost," Castle says, noting that airfreight demand remains relatively strong. "In today's economic environment, we continue to see shippers being very proactive in managing their inventory levels. Coupled with tentative consumer demand, we're seeing more transactional airfreight opportunities because customers aren't simply carrying the levels of inventory they once did, which makes it more difficult for them to weather spikes in demand."

C.H. Robinson works hard to manage the shifting sands of global airfreight capacity. "With the consolidation of carriers over the last 15 years and the emergence of several core global carriers, capacity does shift more frequently. This creates challenges in some respects, as space that existed today may not be there in the coming weeks," Castle says.

The company's global transportation management system aids the balancing process as a business network that connects all supply-chain participants in real time, giving shippers a clear view of all their freight worldwide. "That transparency, backed by the knowledgeable people in C.H. Robinson's global network of more than 230 offices and consistent processes worldwide, enables shippers to learn about potential problems before they happen, so they can take action, rather than wait for outdated reports about events that have already become problems," Castle says.

Growing Air at Estes Forwarding

Amid tightening air carrier capacity, Richmond, Virginia-based Estes Forwarding Worldwide is among those forwarders experiencing increases in demand for international airfreight. About 20 percent of the global forwarder's business is airfreight, a figure that parallels the industry average, but Scott Fisher, CEO of EFW, sees that number rising upward of 30 percent very soon. "With the exception of L.A., the domestic market is relatively flat," Fisher says, noting globally, more

customers are turning to EFW for time-sensitive shipments. "South America, India and, of course, China, have really taken off."

The need for airfreight services covers a wide variety of industries. Electronics, oil and gas as well as manufacturing have long been traditional users of airfreight. Fisher sees that need growing to other industries as well. "There's huge opportunity in pharmaceutical and aircraft support," Fisher says. EFW strives to stay ahead of customer needs and saw opportunity in better serving retail customers. "We've created a new service called Home Now, a white-glove delivery service for our retail customers."

EFW operates 11 regional offices serving the main international airports like JFK, LAX, ORD, ATL, MIA, DFW and SFO. "Our network is designed to handle any shipment to just about anywhere on the planet. Those shipments can be next flight out, next day, two-day, charter or even hand carried by on-board courier. There is no weight limit," Fisher says.

A TSA-certified indirect carrier, EFW offers a full range of logistics solutions including air, ocean, ground and intermodal transportation that few competitors can match. With access to provider assets and a direct relationship with Estes Express Lines, EFW is one of very few companies that guarantees shippers capacity without size limitations.

EFW continues to grow dramatically since its start in 2003, which Fisher attributes to "high-touch" customer service. For instance, EFW representatives give out their personal cell phone numbers on their business cards. And with that single phone number, shipments are easily tracked, day or night. "That's especially important when companies are losing money waiting for critical shipments," Fisher concludes.

Vijay Poonoosamy is vice president, international and public affairs, at Etihad Airways and chair of IATA's industry affairs committee

ETS is the wrong choice for a greener industry

Even if aviation accounts for 2 percent of man-made CO2 emissions, and even though today's aircraft are 70 percent more fuel-efficient than 40 years ago, the airline industry remains a part of a growing global problem. It must be part of the global solution. That's why IATA, ACI, CANSO and the International Coordinating Council of Aerospace Industries Associations have voluntarily adopted three specific environmental targets.

Their first goal was to improve fuel efficiency by an average of 1.5 percent per annum between 2010 and 2020. This would lead to a reduction of 2.2 billion tonnes of CO2. They also aimed to implement Carbon Neutral Growth from 2020, which is essentially capping net emissions from that date. Finally, they pledged to reduce net emissions by 50 percent by 2050 compared to 2005 levels. IATA has also adopted a fourth target: Use 10 percent alternative fuel by 2017.

"It is senseless for countries desperately trying to stimulate economic growth to stifle the airlines, which are the engines of growth."

Sustainable and commercially viable alternative fuels for aviation will be the game-changer in reaching global aviation emission goals. We must also eliminate infrastructural capacity shortages. The Single European Skies proposal and the NextGen program can eliminate 41 million tonnes of CO2 and save more than $21 billion by 2030.

We must also have fiscal and regulatory incentives which have a positive impact on both the environment and the economy because air transport remains a formidable catalyst to socio-economic growth. Yet some governments undermine their own economies by using the green banner to simply tax airlines and thereby limit both their contributions to socio-economic growth and their ability to invest in greener technology and energy. Fiscal policy should incentivize desirable behavior and punish undesirable behavior. Airlines, however, have to use aircraft, engines and fossil fuels for which they have no viable lower carbon alternative.

It is simply senseless for countries desperately trying to stimulate economic growth to stifle the airlines, which are the engines of growth. In these exceptionally difficult financial times, one should not clip the wings of an industry that makes economies take off. The infamous EU emissions trading scheme will cost the airlines €3.5 billion in 2012, a total that will increase every year after that.

The EU ETS is ill-advised and ill-conceived. It's divisive and distracting. As Brian Simpson, chairman of the transport committee of the European Parliament, candidly admitted last November, "Within the EU, governments are keen to press ahead because they desperately need the money. They won't say that — oh, no. They will claim it's to help the environment. But let's be under no illusions, here. Both ETS and APD [air passenger duty] are being used as revenue streams for hard-up governments and not for environmental protection measures."

To add insult to injury, the EU refuses to guarantee that these revenues will be directed to environmental or climate change projects, while the UK Chancellor has confirmed that that there are no plans for the air passenger duty — a charge that has so far netted the UK government $2.9 billion to offset the cost of the EU ETS.

To make matters worse, the ETS may actually increase airline emissions by encouraging airlines to impose stopovers at hubs outside Europe, lengthening the flight distance and reducing flight efficiency.

Response to the new law has been withering. Last year, the U.S. House of Representatives voted to prohibit U.S. carriers from participating in the EU ETS. The Russian authorities are considering similar legislation. Numerous regional airline associations have criticized the scheme. And, of course, U.S. carriers recently challeneged the ETS in European court, only to be rebuffed.

Opposition rages on, but for now, carriers in these countries are lining up for their allowances, expressing their distaste of the ETS and vowing to defeat it.

Unilateral and extraterritorial national or regional schemes that fuel legal battles and trade wars do not help the environment. With so many formidable challenges at home, this is not the time for the EU to pick up a fight with the rest of the world. ACW

AIRLINES

American Airlines has announced the retirement of two company officers and a host of changes to the company's global leadership team. **Robert Reding** and **Mark Burdette** have retired as executive vice president of operations and vice president of employee relations, respectively; **Monte Ford** has resigned as senior vice president and chief information officer. **James Ream** is now senior vice president of operations, in addition to his continuing role overseeing maintenance and engineering. **Denise Lynn** has transitioned from vice president of flight service to vice president of employee relations. **Maya Leibman** has been promoted to senior vice president and CIO. **Beverly Goulet** has been named chief restructuring officer.

DHL has made numerous changes to top management roles. **Amadou Diallo** has transitioned from CEO of DHL Global Forwarding for Africa and South Asia Pacific to CEO of DHL Freight, with responsibility for DHL's international road and rail freight services. Moreover, his predecessor, **Thomas George**, has been named chief operating officer of DHL Global Forwarding, a newly created position. George now leads DHL's global air and seafreight operations, including value-added services. DHL Global Forwarding has also tasked **Kelvin Leung** with leading its North and South Pacific regions. Prior to this appointment, Leung served as CEO for the forwarding arm's North Asia-Pacific sector.

Cathay Pacific Airways has hired **Martin Murray** as its new finance director. Murray, who comes to Cathay Pacific from Swire Pacific, is responsible for financial reporting, treasury, corporate finance, taxation, risk management, internal audit and compliance in his new role. He replaces James Hughes-Hallett.

KLM Engineering and Maintenance has appointed **Ton Dortmans** as executive vice president. Dortmans, who previously served as senior vice president of operations for KLM's engineering and maintenance sector, is now responsible for maintenance of the KLM fleet, part of the Air France fleet, and all third parties served by Air France and KLM. He succeeds Peter de Swert.

AIRPORTS

The **Metropolitan Nashville Airport Authority** has hired **Trudy Carson** as air service development manager. Carson joins MNAA from Tampa International Airport, where she was director of air service development. She also previously served as chairwoman for the International Air Service Committee of the Airports Council International. In her current role, Carson helps attract new passenger and cargo services to Nashville International Airport.


CARSON

THIRD PARTIES

Geodis Wilson has appointed **Gilbert den Bekker** as vertical market director of retail and fashion. The DHL, Danzas and Grimaud International veteran is based in Paris and is responsible for developing and expanding the company's logistics services in the global retail and fashion sector.

Toll Global Forwarding has appointed **Siegfried Nottelmann** as managing director for Germany. Nottelmann previously served as managing director of Andree & Wilkerling, which Toll acquired in August. In his new post, Nottelmann manages the combined businesses, comprising offices in Hannover, Frankfurt, Dusseldorf and Stuttgart, and a workforce of approximately 100.

BDP International has appointed **Richard Strollo** as managing director for South Asia. The 18-year logistics veteran comes to BDP from DHL, where he served as managing director in the Philippines. In his new role, Strollo is responsible for all business operations in Singapore, Malaysia, Indonesia, Thailand, Vietnam and Australia.


STROLLO

Lufthansa Technik Group has announced a change of personnel in two executive positions. **Christoph Meyerrose**, who served as managing director of Lufthansa Technical Training in Hamburg for more than 10 years, is now managing director of Lufthansa Bombardier Aviation Services in Schönefeld, Berlin. His predecessor, **Andreas Kaden**, who held the post for 13 years, is now at the helm of LTT.

ORGANIZATIONS

Airlines for America has named **Elizabeth Shaver** as director of cargo services. In this role, she oversees cargo functions at Airlines for America, coordinates with the association's members, and serves as a liaison to various cargo and Customs functions within the U.S. and foreign governments. Shaver joins A4A from Delta Air Lines, where she performed various duties, including managing Customs and facilitating corporate security.

The **Arab Air Carriers Organization** has nominated Qatar Airways CEO **Akbar Al Baker** to serve on the **International Air Transport Association**'s Board of Governors. IATA's general assembly must ratify Al Baker's nomination at its June annual general meeting.


AL BAKER

The **Airforwarders Association** has named Commodity Forwarders Inc. President **Christopher Connell** to its 16-member board of directors.

(continued on page 40)

Five Questions with... Bart Jan Haasbeek

Bart Jan Haasbeek's resume reads like a who's who of air cargo. In addition to co-founding Inforwarding in 2001, Haasbeek spent nearly seven years at OAG Cargo, most recently serving as vice president of strategic cargo sales. He now begins a new chapter in his career, transitioning to Saudi Airlines Cargo's country sales manager for the Netherlands. He recently sat down with *Air Cargo World* to discuss his new position, which is based at Schiphol Airport.

1. What are the top two goals you hope to accomplish in your new post?

My goals are to further strengthen the company's focus and rapid expansion plans, growing our market share and assisting with the development of the Amsterdam hub. In fact, Saudi Airlines Cargo started a scheduled freighter service from Amsterdam just over a year ago.

My primary goals are to maintain and increase our solid market share and grow volumes by expanding the number of destinations offered to our customers. During the fourth quarter of 2011, we saw a more than 100-percent increase of destinations covered, compared to the previous quarter.


Haasbeek

2. How have problems in the eurozone affected Saudi Cargo's volumes to Amsterdam?

So far, we haven't noticed any impact caused by the eurozone problems. Although we have observed a slowdown in traffic from Asia to Europe within the network, we saw a steep growth of cargo volumes from Europe in 2011. Still, the imbalance of intercontinental trade lane volumes will always remain a challenge as they shift.

3. How do you think the application of the EU Emissions Trading Scheme to the aviation sector will affect Saudi Cargo's European traffic?

One result will be that the cost for air transport will increase, causing more intra-European transports to be transferred by ground, mainly trucks. What's more, the EU ETS will further increase airlines' costs and put more pressure on profitability. As this is initiated by the European Union and not implemented globally, the possibility exists that intercontinental transit traffic could shift further to Middle Eastern hubs instead of European ones.

4. How will Saudi Cargo expand in Europe?

We are planning to open two more online stations in Europe as of 2012, offering online freighter flights from Frankfurt and Vienna. In Europe, we have defined five key areas: Scandinavia, the Netherlands, Germany, Italy and the United Kingdom. Within these regions, we continue to focus and further expand commercial development. For instance, Saudi Airlines currently offers freighter capacity to New York and Houston from Brussels. In addition, Saudi Airlines Cargo's ability to quickly adapt to changing markets strengthens our opportunities.

5. What are the biggest challenges currently facing the airfreight industry? How will you work to overcome them in your new role?

In my opinion, the biggest challenge affecting air cargo is the increasing demand and implementation of security regulations. Unfortunately, we have seen procedures and regulations that may obstruct further development in the air cargo industry. Although this isn't a challenge specifically to Saudi Airlines Cargo, it's one that will affect the supply chain and global trade in general.

There are different security regimes for different areas, and getting regulations aligned has proven to be difficult. Moreover, an ongoing threat for the future continues to be the total ban of airfreight on passenger flights. And when a major incident directly relating to belly cargo occurs, such a regulation becomes a serious possibility.

(continued from page 39)

Throughout Connell's 20-year career with CFI, he worked his way through various warehouse, customer service and sales positions before transitioning to his current role in 2006. He assumes the seat recently vacated by Pacific Air Cargo President Beti Ward.


CONNELL

Phil Callow has been promoted from CEO of UBM Medica UK to CEO of **UBM Aviation**. Callow has a background in data digital development and publishing. Before starting his UBM career in 2005, he held various business-to-business publishing roles at the BBC.

Star Alliance has appointed **Mark Schwab** as CEO of its central organization, based in Frankfurt. Schwab comes from Star Alliance member United, where he served as senior vice president of alliances and sat on Star Alliance's management board. He succeeds Jaan Albrecht, who recently took over as CEO of Austrian Airlines. ACW

events

MARCH 4-7

Bangkok: For the 14th consecutive year, members of the World Cargo Alliance will come together to build new business relationships and strengthen existing ties. The 14th WCA Annual Conference, held at the Bangkok Convention Centre and Centara Grand Hotel, will start off the WCA Family Conference, which will take place from March 8-11. The Family Conference will combine all four networks into one major conference. Visit *www.wcafamily.com* for more information.

MARCH 6-8

Amsterdam: ATC Global's annual exhibition and conference is for the international air traffic control industry. According to organizers, the 2011 event attracted 5,500 attendees. For more information, visit *www.atcglobalhub.com/events/exhibition*.

MARCH 12

Kuala Lumpur: *Air Cargo World*'s annual ACE Survey culminates in an awards evening that recognizes and honors the air carriers and airports that achieved the highest customer ratings in key performance measurements, such as customer service and technology, in 2011. The gala event includes a full-bar cocktail reception and an eight-course dinner; it will be held at the Shangri-la Hotel, site of the IATA WCS, which starts the following day. For registration and more details, visit *www.aircargoworld.com/aircargo-excellence* or email Lesley Morris at *lmorris@ubmaviation.com*.

MARCH 13-15

Kuala Lumpur: According to IATA, more than 1,000 industry representatives came to the organization's fifth annual World Cargo Symposium last March in Istanbul. This year, organizers will try to top that turnout as the industry gathers in Kuala Lumpur. For more information, email *wcsgva@iata.org* or go to *www.iata.org*.

MARCH 18-20

Miami: Topics at the Air Cargo 2012 Conference, held this year at the Doral Resort and Spa in Miami, include doing business with Latin America and preventing cargo theft. C.H. Robinson's Pete Mento will give the keynote. For more information and to download the agenda, visit *www.aircargoconference.com*.

APRIL 10-12

Sao Paulo: According to the website for Intermodal South America, 99 percent of the available exhibitor space has already been sold. Organizers expect a crowd of more than 45,000 people for the event. For more information, visit *www.intermodal.com.br/en*.

MAY 6-8

Miami: The theme for the 2012 CNS Partnership conference is "together towards tomorrow." According to a press release, that means the event will "draw importance to the air cargo industry's need to present a unified front to better handle challenges such as quality management, e-commerce, security, the environment, etc." For more information, visit *www.cnsc.net/events*.

MAY 13-16

San Antonio: This annual event organized by the Federation of Freight Forwarders and Logistics Operators International Latin America and the Caribbean (ALACAT) is a forum for supply chain professionals involved in global trade. The focus is on Latin America, and the event will include panels by industry insiders, interactive discussions and networking opportunities. Visit *www.alacat2012.org* for more information.

JUNE 5-7

Shanghai: Held in conjunction with Transport Logistic China, the Air Cargo China conference will take place at the Shanghai New International Expo Centre. In 2010, more than 13,500 people attended the event. For more information, visit *www.aircargochina.com/en/home/home.html*.

SEPTEMBER 9-12

Calgary: Details for the 21st iteration of the ACI-NA's annual conference are sparse, so be sure to check out *www.Aci-na.org/event/1280* for more information as the event gets closer.

SEPTEMBER 30-OCTOBER 2

Abu Dhabi: Abu Dhabi Airports Company, Etihad Airways and the Abu Dhabi tourism board are banding together for the 18th World Routes event. Abu Dhabi hosted the exhibition in 1996; more than 15 years later, organizers are anticipating that about 2,700 delegates will come back to the city. For more information, visit *www.routesonline.com/events/150/the-18th-world-route-development-forum*.

OCTOBER 2-4

Atlanta: the biennial Air Cargo Extravaganza heads to the Georgia World Congress Center in Atlanta this October. The event features a conference and exhibition, and is co-located with the Council of Supply Chain Management Professionals' annual global conference. For more information, visit *www.Tiaca.org/tiaca/acf.asp?snid=756955195*.

OCTOBER 8-12

Los Angeles: The International Federation of Freight Forwarders Associations (FIATA) will hold its annual world congress in Los Angeles for the first time since 1977. Calling it the largest port of entry for foreign-produced goods, LA seems like a fitting place for forwarders and other logistics professionals from all over the world to meet. More information will eventually be available on FIATA's website, *www.fiata.com*.

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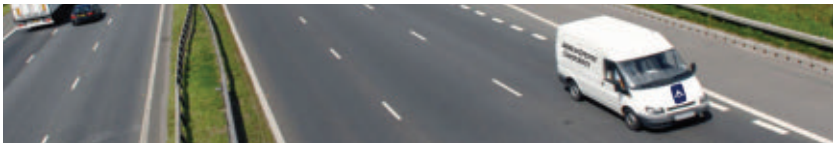

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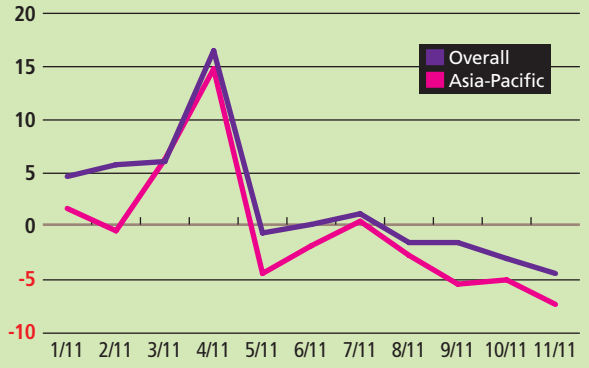
CARRYING EUROPE

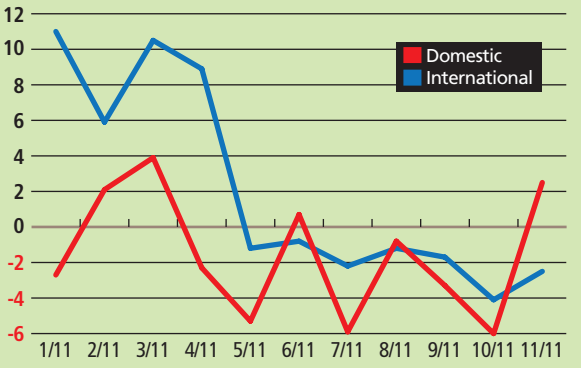
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

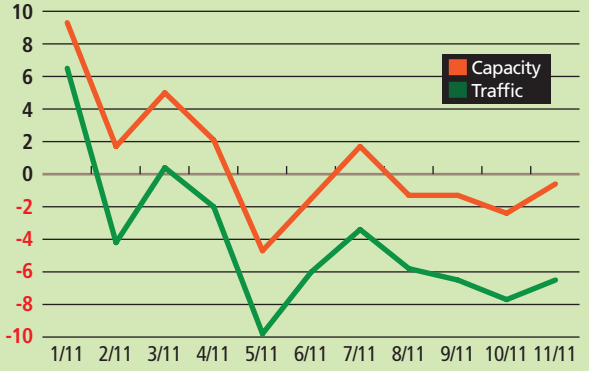
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

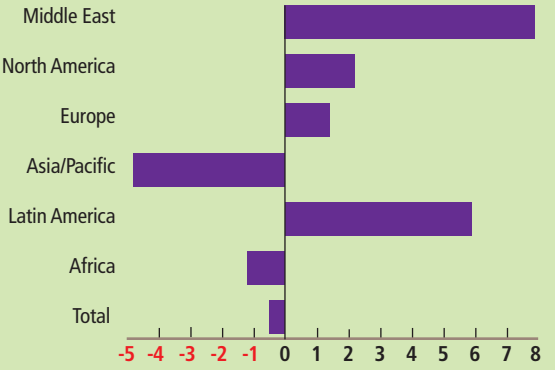
Monthly year-over-year percent change in capacity, in available-tonne kilometers, and traffic, in freight-tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

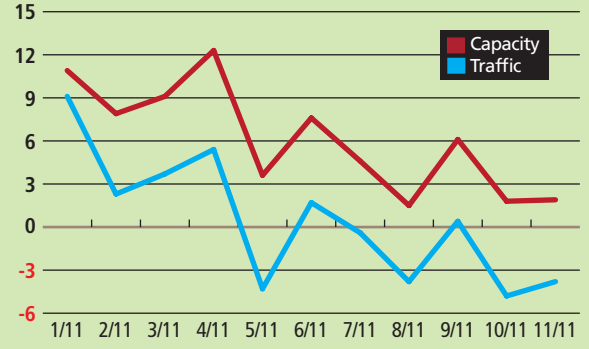
International air cargo year-to-date percent change for November 2010 vs. November 2011



Source: IATA

CARRYING INTERNATIONAL

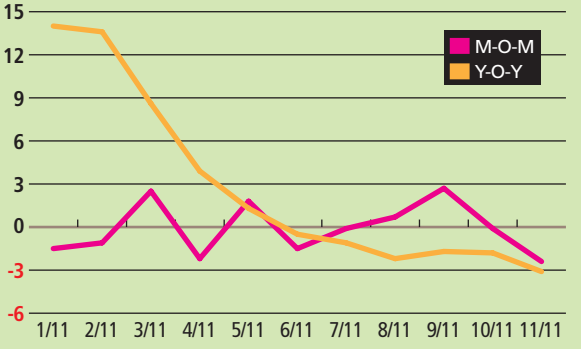
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight-tonne kilometers and available-tonne kilometers.



Source: IATA

SEMICONDUCTORS

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



Source: Semiconductor Industry Association

Brandon Fried is the executive director of the U.S. Airforwarders Association

Shipping portal isn't death knell for forwarders

Whether or not the sun will rise on the first morning of 2013 has been the subject of wild speculation and debate, given a belief that ancient Mayans predicted an end to civilization in 2012. The freight forwarding industry is also considering what the future holds and has emerged with a few developments that are more frightening than the scenarios faced by John Cusack in the end-of-days movie "2012." These forwarders are trying to find out if a recent Dutch booking portal that connects shippers directly to airlines will bring the end of the industry as we know it.

It is an incorrect reading of hieroglyphics to indicate freight forwarders will suddenly cease to exist at the end of the year. Forwarders may need to adapt to industry changes, but the industry provides so many services to shippers and airlines that a single technological innovation is unlikely to be a death knell.

Freight forwarders and airlines understand that success is achieved by working together. A few hundred air carriers depend on thousands of forwarders to coordinate the customer-management process. Forwarders routinely handle intricate shipping details, enabling airlines to concentrate on their core mission — on-time departures and landings.

The idea of online booking and purchasing portals is not new. Among other things, it has been successful in booking passenger flights and reserving hotel rooms. Since there are a set number of plane seats and rooms available, only a few decisions are left to the buyer, including time, date and preferred price. As such, these types of transactions tend to be rather straightforward.

Air cargo, on the other hand, is not a one-size-fits-all proposition; freight comes in many sizes, shapes and volumes. The process of pairing shippers and airlines may seem easily automated, but the process requires verbal communication and price negotiation in order to render the most beneficial solution for both parties. At present, portals are just one tool used by high-volume forwarders who require little ongoing instruction.

Generally, most shippers' knowledge and expertise in the freight transportation process is limited, given their focus on other business pursuits. As such, many shippers require sophisticated assistance both before and after the flight.

"The Dutch online booking portal and other similar initiatives should not be seen as threats to forwarders, but rather as a call to action."

Since forwarders manage almost 80 percent of the cargo flown on passenger airlines, it is logical to assume that such frequent business activity derives low rates and preferred booking arrangements. Therefore, it is doubtful that the new Dutch online portal could ever offer the low pricing earned by high-volume forwarders.

Industry players know that airlines have trimmed their sales forces over the years in response to forwarders handling the ultimate shipper relationship. The prospect of air carriers having to deal with hundreds or even thousands of inexperienced customers booking through an online portal would create a tremendous staffing challenge. It is also clear that due to the adverse economic climate, shippers are forced to depend on their forwarders as a source of lenient payment terms. Since the Dutch online portal requires payment at the time of booking, the portal enjoys cash-flow enhancement, while the shipper must pay before the cargo actually flies. Airlines will assumedly have to wait for their payment as well.

The Dutch online booking portal and other similar initiatives should not be seen as threats to forwarders, but rather as a call to action in the face of advancing technology. Now more than ever, forwarders need to emphasize that the level of service and creativity provided cannot be easily replaced by an online application. Finding ways for economically challenged shippers to cut costs will convince a shipper that successful freight forwarding is much more than a single click on a computer screen. ACW