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THE SOURCE FOR AIRFREIGHT LOGISTICS

A hefty economic impact

Air Cargo World

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THE SOURCE FOR AIRFREIGHT LOGISTICS

editorial

Jon Ross
Editor

Solving the emissions issue

The chorus of denouncements has, at times, been deafening, and it's only getting louder. I am, of course, talking about the number of airlines, organizations, governments and seemingly every other agency or company that has anything to do with the airline industry coming out against the European Union's Emissions Trading Scheme.

In October, we devoted a feature to the impending rule — which places aviation within the EU's emissions-cap program — and the impact it would have on the aviation industry. It seemed like nobody outside the European government liked it then, and nobody likes it now. But despite the anti-ETS letters, public statements and press releases that seem to occur ever-more frequently each day, the EU has stood pat.

While the aviation world hasn't moved on, and the International Civil Aviation Organization is still working very hard toward a new consensus rule on emissions, carriers, manufacturers and other industry players are now exploring solutions on their own. Tony Tyler, CEO of the International Air Transport Association, fully endorsed this tactic last month, as he has many times before.

"Aviation has committed to three targets, the most ambitious of which is to cut net emissions in half by 2050 compared to 2005. We cannot do that without government cooperation. As aviation is a global industry, that cooperation must be coordinated through ICAO," he said.

So with many things, it seems like we're now in a waiting game. Carbon emissions will go down, and the air cargo industry will enter the next decade with a vastly cleaner and greener supply chain than when it entered the last. However the ETS boils out is anyone's guess, but at least the industry has moved beyond simply talking about cleaning up the skies and has started doing something about it.

For proof that a greener horizon is around the corner, look no further than the slew of biofuel test flights now being put on by carriers around the world. Bitter manufacturing rivals are also learning how to work together toward a common goal of more environmentally friendly fuel.

This month, we've written about the brave new green world starting on page 40. In our reporting, we've found that there's no doubt the industry will achieve the goals outlined by IATA; the only question is, how soon will it get there?

German court upholds Frankfurt night-flight ban

Germany's Federal Administrative Court in Leipzig has upheld the Frankfurt Airport night-flight ban, which the Hesse Administrative High Court imposed in October. Officials from Lufthansa, which utilizes Frankfurt as its primary airfreight hub, slammed the court's decision as potentially hazardous to cargo operations.

"On North Atlantic routes, in particular, the night-time departure is indispensable for our customers," Lufthansa Cargo CEO Karl Ulrich Garnadt said in a statement. He predicts that the ban of flights between 11 p.m. and 5 a.m. could cause express shipments to move away from Frankfurt Airport, which currently ranks as the seventh largest cargo airport in the world.

"The migration of urgent express products to other hubs in Europe will continue," Garnadt stated. "Switching to other airports is impossible for Lufthansa Cargo, however, as more than half the cargo onboard passenger aircraft is transported via Frankfurt."

After all, Garnadt said, "Frankfurt is an indispensable part of our business model. This is the only place where freighters and passenger aircraft can be linked quickly and smoothly."

Initially, the Hesse court proposed that Frankfurt Airport be allowed to operate 17 flights between 11 p.m. and 5 a.m. Citing noise pollution, night-flight opponents demanded a total ban, a complaint the Hesse court passed on to the Federal Administrative Court in Leipzig. Before the high court could issue a ruling, however, Hesse made night flying illegal at Frankfurt.

Christoph Franz, chairman of the executive board and CEO of Deutsche Lufthansa AG, called the Federal Administrative Court's decision to uphold the ruling a "terrible blow to Germany's reputation as a place to do business." ACW

Officials from AirBridgeCargo have purchased a chunk of Air Cargo Germany

AirBridgeCargo takes a chunk of Air Cargo Germany

The acquisition of a large chunk of Air Cargo Germany effectively provides AirBridgeCargo Airlines with vital fifth-freedom rights out of the heart of Europe. But what is the next move for the Russians?

Alexey Isaikin, the ebullient president of Volga-Dnepr Group, has not been trumpeting his latest triumph. Instead, the acquisition of a 49-percent stake in Air Cargo Germany was achieved through its Netherlands subsidiary, Volga-Dnepr Logistics. All of this was done very properly, so as not to up upset the German antitrust authorities who have duly given approval to the deal.

At the end of February, ABC, Volga-Dnepr's scheduled cargo subsidiary, applied for and was refused fifth-freedom rights out of Germany. The Russian carrier had wanted to launch flights from Frankfurt to Chicago. That would now seemingly be possibly with its buy-in of the Frankfurt-Hahn based outfit, which already has U.S. traffic rights, with the intended start of service to New York and Chicago penciled into its business plan.

But just how will this new, joint venture play out to the Isaikin game-plan? According to one analyst, it will be very simple and straightforward. "AirBridgeCargo will retain its focus on the Europe-Asia market, and in that respect will retain its Frankfurt operation, where it is the dominant player between Germany and China, even ahead of Lufthansa Cargo," he said.

The opportunity now exists, he said, for ABC to use Air Cargo Germany as the vehicle to launch services to the U.S. and also as the carrier to open the markets to Africa

and South America. "The likelihood is that Isaikin will transfer some of his excess B747-400F capacity to the German carrier, particularly as ABC is starting to take delivery of new B747-8F aircraft.

"AirBridgeCargo badly wanted the Chicago route out of Frankfurt and up to now has had to make-do with fifth-freedom flights from Amsterdam," he added. "It may well now pull that service and also end its other Dutch operation to Maastricht."

What is Alexey Isaikin getting for his money? On paper, at least, not a lot. Air Cargo Germany was in debt-ridden jeopardy, with an eclectic fleet mix of two B747-400SF conversions and a further two B747-400 BCFs on lease from Dutch carrier Martinair. Launched in the depth of the 2009 market trough, the airline has variously started service to Hong Kong, Shanghai, Seoul, Dubai, Mumbai, Johannesburg and Paraguay.

According to Michael Bock, chief executive officer of ACG, the long-term business plan of the airline was to achieve a 70/30 mix between scheduled and charter services. The airline made no secret of the fact that it sold much of its capacity on a contract-rate basis to the major service providers. But it soon became apparent that just one single-service provider, in the form of DHL Global Forwarding, was possibly taking up as much as 70 percent of ACG's capacity.

"ACG only exists because the major German forwarders, especially DHL, wanted an alternative to LH Cargo and the power it wields over the market," one market observer said.

"Other major forwarders in the German market have also been very supportive of ACG and this same clutch are also close to the Isaikin camp for pretty much the same reason, if only to make LH Cargo stay competitive," he continued.

Even with this support, Air Cargo Germany was finding the going tough. A year ago, Bock said the carrier was on the lookout for further financial investment. "But we should make it clear that we do not want a strategic partner to join our business, but instead are looking for further financial investment in the airline," Bock said.

Bock is listed as a major stakeholder in ACG, with Irish investment bank City Leasing holding the remaining 49 percent. But at the time of the airline's launch, it was reported that much of the backing for the new venture had come from Russian businessman Rashid Mursekaev, owner of Moscow-based Vim Airlines. Bock's previous experience in aviation was as director of maintenance for the German airline LTU, from where he was joined by Thomas Homering, its director of human resources, to become managing director of ACG.

"AirBridgeCargo badly wanted the Chicago route out of Frankfurt and up to now has had to make-do with fifth-freedom flights from Amsterdam."

— market analyst

The catalyst for starting Air Cargo Germany, so the story goes, was founded not on intensive research of the air cargo market, but on Bock discovering a disused maintenance hanger at Hahn airport. ACG also appeared to have drawn its cargo management experience from Russia. It recruited Andrey Goryashko, former CEO of Aeroflot Cargo, as vice president of strategic development. He was joined by Alexander Kirichenko, another former Aeroflot Cargo executive, as ACG's director of sales and marketing. ACW

Air France-KLM sees March decline

Air France-KLM's freight volumes fell 3.4 percent, year-over-year, in March, on a capacity decrease of 0.6 percent. The carrier's load factor also declined last month, dropping 2 percent, year-over-year, to 69.2 percent; adjusted unit revenue per available tonne kilometer remained flat, however, according to a press release.

Regionally, Air France-KLM saw the most marketed losses in the Americas, with RTK plunging 6.3 percent, year-over-year, and load factor dropping 4.3 percent from March 2011. Even so, these numbers are significantly better than February's results, which showed Air France-KLM's RTK in the Americas shrinking 12.5 percent, year-over-year, and load factor dropping 8 percent, year-over-year.

The carrier also improved significantly from a month-over-month standpoint in Africa and the Middle East, despite only modest year-over-year gains. Air France-KLM's freight operations in this region grew 0.4 percent, year-over-year, in March, amid a capacity decrease of 0.6 percent. Contrast this to the carrier's February numbers, which saw RTK in Africa and the Middle East falling 8.7 percent, year-over-year, on a capacity decrease of 4 percent.

Air France-KLM's cargo operations in Europe, however, saw more drastic declines in March. RTK in this region dropped 4.1 percent, year-over-year, on a capacity decrease of 1 percent, according to a press release. In February, Air France-KLM's RTK in

Europe only declined 3 percent, year-over-year, amid a 1.6 percent, year-over-year, capacity surge.

March also proved to be a difficult month for Air France-KLM's operations in the Asia-Pacific region. In addition to RTK falling 2.8 percent, year-over-year, the carrier's capacity in the area dropped 3.3 percent, year-over-year, according to a press release. Load factor actually rose, however, increasing 0.4 percent from March 2011.

Also rising was Air France-KLM's freight tonnage in the Caribbean/Indian Ocean region. RTK improved 4.5 percent, year-over-year, amid a 7.3 percent, year-over-year, capacity surge in March.

The carrier's passenger operations also saw growth in March, highlighted by a 6.8 percent, year-over-year, traffic increase. Regions of particular improvement included the African/Middle Eastern network, with the Americas leading the way in growth.

Passenger traffic in the Asia-Pacific also improved significantly in March, increasing 6 percent from March 2011. Air France-KLM said this data was affected by the devastating Japanese tsunami and earthquake, which occurred last March. ACW

Cargolux posts $18.3 million loss in 2011

Sluggish freight traffic in the Asia-Pacific, staggering fuel prices, and delays in Boeing 747-8F deliveries crippled Cargolux's performance in 2011, according to company officials. In addition to reporting a net loss of $18.3 million, the Luxembourg-based freight carrier decreased capacity by 1.3 percent, year-over-year, on a load factor decline of 2.5 percent.

These numbers differ greatly from Cargolux's 2010 statistics, which showed the carrier profiting $59.8 million.

Even so, Cargolux's revenues surged 8.4 percent, year-over-year, in 2011, totaling $1.87 billion. The carrier also saw higher cargo volumes in the Americas — particularly North America, which was propelled by capacity increases on routes to Atlanta, Houston, New York and Los Angeles.

Unfortunately, a 15.4 percent, year-over-year, decline in Asian exports and a 14.3 percent, year-over-year, drop in African freight volumes contributed to Cargolux's lower tonnage in 2011. Such losses were partially offset by a 10.1 percent, year-over-year, surge in export traffic from the Americas and strong export volumes from Europe, namely Germany.

In total, Cargolux Airlines and Cargolux Italia transported 658,800 tonnes of freight in 2011, a 3.6 percent, year-over-year, decrease. Since the latter business segment is geared toward Asia, "it was disproportionally affected by the same dynamics as Cargolux Airlines, mainly overcapacity," according to a press release.

A weak Asia-Pacific market was one contributing factor to a poor 2011 for Cargolux

Overcapacity wasn't the only factor leading to the carrier's $18.3 million loss, Cargolux Chairman Albert Wildgen maintained. "It is difficult to pinpoint one reason specifically, as a combination of factors impacted our performance negatively, including steadily rising oil prices, an unfavorable fleet mix coupled with higher wet-leasing costs, and reduced network flexibility resulting from the delays in the 747-8 program," he said in a statement.

In September, Cargolux "rejected" delivery of the first two of 13 747-8 freighters it ordered from Boeing. Reports indicated that Qatar Airways, which took a 35-percent stake in Cargolux in June, disagreed with contractual terms. Although Cargolux and Boeing settled their month-long dispute in October, the two 747-8Fs Boeing handed over to Cargolux were more than two years behind delivery schedule.

On March 23, Cargolux took delivery of its third 747-8F, which it plans to deploy on its Seattle-to-Luxembourg route.

Despite this development, Wildgen believes hard times are still ahead for the European freight carrier. "Looking to 2012, we expect trading conditions to remain more than challenging," he said in a statement. ACW

EU fines freight forwarders €169 million

The European Commission has levied €169 million in fines to 14 freight forwarding groups for conspiring to fix cargo surcharges, among other activities, from 2002 to 2007. The U.S. Department of Justice has so far slapped 22 carriers and 21 airline executives with similar charges.

The EC cited four types of cartels that operated during the five-year period: the new export system cartel, the advanced manifest system cartel, the currency adjustment factor cartel and peak season surcharge cartel. According to a press release issued by the EC, the most collusion occurred on the Europe-to-U.S. and China/Hong Kong-Europe trade lanes.

Cartel participants included Kuehne + Nagel, Schenker, UTi Worldwide, UPS Supply Chain Solutions, Panalpina, and other global freight forwarding entities. DHL parent company Deutsche Post received full immunity from fines for its cooperation.

Joaquin Almunia, the EC's vice president of competition policy, defended the fines imposed on the freight forwarders. "In times of crisis, it is all the more important to stamp out the hidden tax that cartels impose on our economy," he said in a statement. "These cartels affected individuals and companies shipping goods on important trade lanes.

"Many European exporters and consumers of imported goods may have been harmed as a result," Almunia continued. "Companies should be aware that crossing the line and colluding on prices comes at a high price, as [this] decision illustrates."

Price-fixing came a particularly high price for Kuehne + Nagel, according to a press release issued by the Swiss logistics company. The EC fined K + N €53.7 million for participating in all four cartels as defined by the EU.

Kuehne + Nagel International AG Chairman Karl Gernandt spoke out about this fine, vowing to "carefully consider" the EC's charges. However, he raised some concerns about the agency's investigation and conclusions, calling the latter erroneous. "In addition, Kuehne + Nagel's comprehensive cooperation throughout the investigation was not adequately acknowledged," Gernandt said in a statement. "That is why we take into consideration to appeal against the decision before the European courts."

K + N paid the DOJ $9.8 million in a plea deal resulting from the same charges in 2011. ACW

Etihad Airways keeps expanding

Revenues at Etihad Crystal Cargo rose 12.2 percent, year-over-year, in the first quarter, growing from $142 million to $159 million. Hoping to build on this momentum — which was also felt on the passenger side of Etihad's business — the carrier recently ordered two freighters, which are due for delivery in 2013 and 2014.

Passenger numbers for the quarter grew by 50,000, and revenues jumped 25.4 percent. Etihad's total revenue for the first quarter rose 28.5 percent to $989 million when compared to the same period in 2011.

Etihad CEO James Hogan said the carrier is looking to make better use of belly-hold capacity in its new routes to Shanghai, Chengdu and elsewhere. These new services, combined with investments in Air Seychelles and airberlin, should help Etihad achieve success amid an industry-wide slowdown in airfreight markets, he said.

New routings will be the name of the game in the next 18 months. Hogan said that the carrier is looking forward to a "significant" expansion, which will include a new service to Vietnam and flights to South America. Services to Etihad's first South American destination will begin next year. Additional frequencies to Asia and Australia are also in the works.

Last year, the airline made a net profit of $14 million, and Hogan thinks 2012 will be even better.

"We remain firmly focused on ensuring 2012 will be the most profitable in the airline's history," Hogan said. "We've made a good start and will now build on our success over the next nine months."

In an early move to make the carrier more profitable, Etihad inked a three-year deal with Worldwide Flight Services for work at London Heathrow. ACW

In an address about the Middle East, IATA CEO Tony Tyler highlighted Qatar Airway's work toward alternative fuel sources

IATA CEO says cooperation needed in Middle East

The International Air Transport Association has raised the estimated annual aviation profit for the Middle East by $200 million, even as it downgraded the global 2012 forecast from $3.5 billion to $3 billion due to rising fuel prices. The organization expects to end the year seeing a 0.5-percent profit margin and revenue growth of 5.9 percent. In February, IATA found that cargo growth in the Middle East remained flat — an 18.2-percent increase in demand matched with an 18.2-percent increase in capacity.

"The Middle East is one of just two regions that have seen their outlook boosted since our December forecast, and that is certainly a positive development," IATA CEO Tony Tyler said during the Global Aerospace Summit last month in Abu Dhabi. "The region as a whole also appears to be fully recovered from the negative effects on air travel of the 2011 Arab Spring."

Tyler immediately put a damper on the news, though, saying that the results are far from encouraging for a region the size of the Middle East. But the area is still faring much better than most.

"When I am asked what the future of aviation will look like, I am tempted to respond that I hope it bears more than a passing resemblance to what is occurring today in the UAE, as well as in places like China, Singapore and South Korea, where governments are using aviation strategically to spearhead economic development," he said.

Tyler took stock of the Middle Eastern aviation industry by first talking about safety in terms of hull losses. There was one hull loss for every 2.7 million global flights in 2011, he said, making it the safest year in aviation

history. But when the focus is shifted just to the Middle East and North Africa region, the loss-rate rises to one hull loss per every 500,000 flights. In 2010, the region had achieved 0.72 hull losses per 1 million flights. Tyler pushed greater cooperation among government and industry shareholders as a way to increase safety in the region.

As for what the region does well, Tyler highlighted the Middle East's infrastructure and the government's support of aviation. He said $100 billion has been invested in new airport projects throughout the region, topped by a $33 billion investment for Dubai's Al Maktoum International Airport. Qatar's Doha International, a $14 billion project, also received recognition.

"Contrast this to the situation in the UK, where the government has rejected a third runway for Heathrow," Tyler said, "or in Germany, where a federal court this month blocked night flights into Frankfurt airport, a move that has serious implications for Frankfurt's role as a cargo hub in the future."

Air traffic management in the region does need some improvement, however. Tyler called the current system "less efficient" than it could be and said it wasn't completely harmonized. This is a problem, as IATA predicts that traffic within the region will double in seven years; activity to and from North Africa will also experience an increase. To confront this challenge, Tyler called for cooperation to better develop and deploy technology.

Finally, Tyler addressed the environment, highlighting Qatar Airways' biofuel program. As is now the custom, he also spoke out against the European Union's Emissions Trading Scheme.

"Sustainable biofuels have the potential to cut aviation's carbon footprint by up to 80 percent," he said. "We are seeing important progress around the world, with more than a dozen projects underway involving airlines, aerospace suppliers, fuel companies and other stakeholders." ACW

Emirates experiences big Latin American numbers, adds second Australia routing

Emirates SkyCargo flew more than 25,000 tonnes of freight in the last year on passenger flights in and out of Buenos Aires-Rio de Janeiro and on its freighter service to Sao Paulo. Emirates sees these routes as entry points to regions beyond South America, shipping cars, spare parts, drilling equipment and perishables to the Asia-Pacific region and other areas.

"Our expanded services in the region have not only boosted trade levels with the UAE, but also with South America's main Far East business partners, such as China, Hong Kong and Japan, and a multitude of European countries," Emirates' Ram Menen said in a statement. "Brazil is already recognized as an economic power, and we hope to help it become even stronger by contributing to the growth of its import and exports industry."

The majority of the tonnage was flown on Boeing 777 freighters. Bellyhold space in daily passenger services to Rio de Janeiro operated using Boeing 777-300ERs accounted for about 1,200 tonnes of cargo, with about 4,000 tonnes being carried on passenger service to Sao Paulo.

Emirates flew more than 25,000 tonnes of freight into and out of Latin America last year

Hoping to bolster Australian trading lanes in much the same way, the carrier has added a weekly Boeing 777 freighter service between Dubai and Sydney. The flight, which has a 103-tonne capacity, will return to Dubai via Hong Kong. This is the second freighter routing to Sydney; Emirates currently offers 70 weekly passenger flights to Australia.

"The demand for a bi-weekly service is a good indication of Australia's growing importance as a trade partner to major international markets," Greg Johnson, the carrier's cargo manager in Australia, stated. "With new markets also opening up as more points on our ever-expanding network come online, Emirates SkyCargo — now with greater levels of flexibility, capacity and convenience in Australia — is well-positioned to support the development of the country's export and imports industry." ACW

Qatar Airways emphasizes Canadian ties

Qatar Airways CEO Akbar Al Baker said the booming oil and gas industries are two fields that bring Qatar and Canada together as good trading partners. He highlighted rising business opportunities for Canadian firms in a speech last month in Montreal. It was his third visit to the country since the airline became the first Gulf carrier to offer regular services to the country in June 2011. The carrier currently flies to Montreal from Doha three times a week.

"Qatar Airways is looking forward to continue growing its operations in Canada, and providing the traveling public with greater access to an expansive route network covering the Middle East, Asia, Asia-Pacific and Africa regions," added Al Baker.

Al Baker also made a plea for expanded landing rights, so the carrier can offer more routes into Montreal and also explore starting services to other Canadian cities. ACW

In the news...

Paris-based GSSA **ECS Group** has purchased a controlling interest in **Niger Air Cargo**, an airline launched recently on the back of a private investor. Niger Air Cargo begins life as an airline with a weekly service between Liege and Niamey, Niger, on either a DC-10 or MD-11. Each weekly flight will offer 85 tonnes of capacity, and officials from ECS expect this space to be filled with food and healthcare perishables, communications equipment, and apparel. "We are offering an innovative cargo solution into Niger to support its growing market. We will also offer unique logistics solutions in the region with our cargo aircraft, which will be important with regard to intra-African business opportunities, especially with Nigeria and Mali, as well as the domestic market," ECS' CEO, Bretrand Schmoll, said in a statement. "The registration of Niger Air Cargo will allow ECS to seal special prorate agreements with other carriers interested in this reliable link into Africa and intra-Africa." Niger Air Cargo's staff will work out of a warehouse located in Niamey. ECS will serve as the exclusive GSSA for the carrier. According to a press release, the two firms hope to work together to establish Niamey as a distribution point into West Africa… **Maximus Air** has introduced an A300-600RP2F painted in the carrier's new livery, signaling the start of the carrier's new name and brand identity. The changes are part of an aggressive five-year growth strategy. "Having grown from a local operator to a regional operator with some international trade, we are now ready to turn that business model on its head," CEO Fathi Hilal Buhazza said in a statement. "We have a lofty ambition, and that is to become one of the top three players in the global air cargo market." ACW

Changi Airport to launch cargo incentive program

Singapore's Changi Airport Group has launched an S$15 million initiative to boost airfreight volumes in the region. Freighters that landed at Changi after April 1 received a 20-percent fee rebate, while cargo tenants leasing property at the Changi Airfreight Center have been enjoying rental rebates of up to 20 percent.

In a press release, Changi officials explained that the Changi Airport Group Initiative, or CAGi, is designed to offset the 4.8 percent, year-over-year, loss the Asia-Pacific airfreight sector experienced in 2011. Changi officials cited escalating fuel prices and economic problems throughout the U.S. and eurozone as contributors to this decline.

Even so, Changi Airport saw modest freight gains last year, welcoming 1.87 million tonnes of cargo. Although this translates to a 2.8-percent, year-over-year, increase, it's a figure that's only on par with 2008 levels, according to the press release.

Changi officials hope CAGi will provide incentives for cargo carriers to operate at the airport. Passenger carriers will also benefit from the initiative, albeit on a lesser level, obtaining 5-percent rebates on landing fees.

"Other CAGi incentives remain in place to support existing airlines' traffic growth at Changi Airport and the launch of services to new destinations as well as to attract new airlines," according to the press release.

Changi Airport Group CEO Lee Seow Hiang believes these rebates will benefit cargo and passenger carriers tremendously. "We are, hence, fully committed to strengthening our relationship with them through win-win partnerships and support programs that will enable our partners and us to overcome the challenges ahead together and sustain our mutual growth for the long-term." ACW

Cathay Pacific is expanding its handling program with the help of Air China

Cathay, Air China expand handling approach

Cathay Pacific and Air China are expanding their joint approach to the handling arena. At the end of March, officials from both companies announced they were going to establish a ground-handling outfit that would operate both at Pudong International Airport, Shanghai's international gateway, and Hongqiao, the former hub that was relegated to a domestic and regional role after the opening of Pudong.

The new player will operate under the moniker Shanghai International Airport Services. Shanghai International Airport and its parent, the Shanghai Airport Authority, will hold 41 percent and 10 percent of the shares of the new outfit, respectively; Air China and Cathay Pacific (through subsidiary Hong Kong Airport Services) will have stakes of 24 percent and 25 percent, respectively. Shanghai International Airport and Air China will transfer their own handling activities at Shanghai to the new venture, which is slated to commence operations in the third quarter, subject to government approval.

Assuming control of and investing money in ground-handling activities goes against the grain, as airlines around the world have been moving out of expensive on-airport property and farming out handling to third parties that can achieve lower unit costs. However, Cathay's previous cargo management, which initiated the development of the freight terminal that is now nearing completion at its Hong Kong hub, insisted that this was the way to achieve lower handling costs.

The new alliance creates a powerful competitor to Pudong International Airport Cargo Terminal (PACTL), Lufthansa Cargo's local joint-venture handling company, which processed 1.29 million tonnes last year. Years ago, a source close to the German carrier de-

scribed the venture as "a license to print money," given the meteoric rise of Pudong's throughput. Today, such an assessment is highly unlikely, but is still more probable in Shanghai than in the other locations in China where Lufthansa Cargo established joint venture handling operations.

When PACTL was cranking out a steadily growing revenue stream, Lufthansa Cargo was also bullish about its handling activities in Tianjin and Shenzhen — like PACTL, both of these were joint ventures with local partners. While the latter had a base volume through Jade Cargo, another Lufthansa venture in China, Tianjin looked set to grow thanks to the rise of the aeronautics industry in northern China and the Chinese government's plan to develop Tianjin into the region's cargo gateway.

However, freighter operators, forwarders and shippers have remained lukewarm toward the Tianjin gateway, despite some freighter deployments at the airport. According to several forwarder and carrier executives in China, there is still a widespread preference in moving cargo through Beijing rather than Tianjin.

Chinese authorities' recent decision to establish a new airport with ample capacity for freight in the vicinity of Beijing has not helped Tianjin's quest to become a major cargo player. The new airport, which has yet to receive a name, is expected to have nine runways and the capacity to handle more than 130 million passengers and 5 million tonnes of cargo. Beijing International Airport handled a comparatively modest 1.7 million tonnes of cargo last year, up 10.7 percent from 2010.

Moreover, the new gateway is not far off. The $4.8 billion project on a 6,600-acre site 30 miles south of the Chinese capital is scheduled for completion in late 2017. This does not bode well for cargo aspirations at Tianjin, which have been somewhat subdued for years already, a situation that can be attributed only in part to the long shadow of Beijing. According to one insider, the Tianjin airport authority seemed less than eager to promote the gateway and develop cargo business.

Officials at Lufthansa haven't commented on any issues the agreement between Cathay Pacific and Air China might create. ACW

Hactl endorses third runway at Hong Kong airport

Officials from Hong Kong Air Cargo Terminals Ltd. have praised the Hong Kong government's conditional approval of a third runway at Hong Kong International Airport.

In a press release, Hactl Managing Director Mark Whitehead explained why increased capacity is critical to HKIA's current and future success. Last year, HKIA trumped Memphis International Airport as the world's busiest cargo airport, ending the FedEx hub's 18-year reign. Without a third runway, HKIA's title could be in jeopardy, Whitehead said.

Hong Kong International Airport may soon get a third runway

"The global airfreight market, and the market in this region in particular, is expected to grow in leaps and bounds in the next two decades," he said in a statement. "HKIA needs to grow to meet the increases in volumes."

Whitehead said a third runway will also give airlines operating out of HKIA room to grow and create jobs at the airport. Plus, it will also ensure aircraft movements can be "maintained at safe levels," he remarked, and it will reduce the environmental impact of air traffic congestion.

Whitehead isn't alone in his endorsement of a third runway at HKIA. A study conducted last year by the Social Sciences Research Centre of the University of Hong Kong found that more than 73 percent of respondents favor a three-runway system. The remaining responses showed conflicting opinions, with 17 percent maintaining neutrality and 11 percent electing to keep a two-runway system at HKIA.

Eighty percent of respondents said they either "agreed" or "strongly agreed" that the airport authority should make a prompt decision about HKIA's proposed runway expansion; only 6 percent opposed coming to a swift conclusion. ACW

ABC will send its new 747-8F to Beijing, Shanghai

AirBridgeCargo Airlines will take six months to realize the full economic benefits of operating its first two Boeing 747-8 freighters on core routes between China, its Moscow hub and Europe, according to executive president Tatyana Arslanova — an admission that it will take time to fill the new capacity on a trade lane that remains soft. ABC achieved a load factor of 71 percent across its scheduled network last year.

"We're swimming against the stream," Arslanova said during a Frankfurt ceremony to mark the delivery of ABC's second stretch freighter. But a 75-percent fall in profit to $59.3 million, although partly a result of parent Volga-Dnepr Group's investment strategy, also reflects the battle for yield.

Arslanova said the new aircraft, which take the carrier's total fleet to 12 747 freighters, brought a double-digit improvement in unit costs against its 747-400s. The operating economies they offered meant they would be deployed primarily on the Beijing and Shanghai routes. However, the carrier's Moscow-Chicago route could be a candidate when a third 747-8F joins the fleet in September.

ABC's first trans-Atlantic service was well balanced eastbound and westbound, commented Wolfgang Meier, executive vice president of sales. Trans-polar or trans-Pacific flights were "always on our agenda, but it's a quantum leap for us," Meier added. "We're not sure if it will be in 2012 or 2013."

More capacity is on the way, however. ABC will phase out its last two Boeing 747-200 Classics this year, but two more 747-8s are scheduled for delivery in 2013, completing its firm order for five aircraft, and it has options for five more. ABC projects that its tonnage will increase by 15 percent in each of the next three years, but Meier said it was not "artificially throwing capacity at the market."

The company is trying to take advantage of China's "Go West" policy and introduced thrice-weekly service to Chengdu, previously served only as a charter destination, in March. The city boasts a thriving high-tech industry and Zhengzhou, seen as a major production hub for the future, has also been added. Chongqing joins the schedule from this summer, taking ABC's mainland China destinations to six from three a year ago. ACW

Brazil, U.S. manufacturers collaborate

Boeing is partnering with Brazilian aircraft manufacturer Embraer to develop new ways to boost aircraft efficiency, safety and productivity. This agreement, forged at the recent annual meeting of the U.S.-Brazil CEO Forum, comes on the heels of the Federal Aviation Administration's launch of the U.S-Brazil Aviation Partnership. A public-private venture designed to "enhance bilateral cooperation," the U.S-Brazil Aviation Partnership delves into areas such as airport expansion, airspace management, and safety and security. "These programs will support Brazil's aviation infrastructure development priorities, while connecting U.S. companies to the growing business opportunities in the sector," according to a press release issued by the FAA.

It seems that Boeing and Embraer have embraced the FAA's sentiments. Under their new partnership, the two aircraft manufacturers will collaborate about commercial aircraft features that improve safety and efficiency and share new research ideas. They will also look for other areas to work together in the future, according to a press release.

Boeing CEO Jim Albaugh praised this partnership as a "significant agreement between two proven aerospace leaders [that] provides real opportunities to reduce customers' operational costs and enhance fleet efficiency."

Frederico Curado, president and CEO of Embraer, echoed Albaugh's statements. "Embraer has a clear commitment toward innovation *sensu lato* as well as aviation safety and efficiency," Curado said in a statement.

"I'm certain that the collaboration with Boeing in some leading-edge matters will be beneficial for the industry and strengthen the ties between Brazil and the United States," he continued.

This isn't the first time Boeing and Embraer have joined forces, however. In March, the manufacturers signed an MoU with competitor Airbus that outlined a long-term collaboration on the development of affordable aviation biofuels. ACW

American Airlines Cargo is looking to the future even as its parent company wades through the restructuring process

AA Cargo marches on

Despite filing for bankruptcy in late November, American Airlines is looking ahead, AA Cargo President Dave Brooks said. Brooks, who also served as a discussion panelist for the "Doing Business with Latin America" session at AirCargo 2012, revealed that Latin America and Asia are key regions of focus.

As part of AA Cargo's restructuring process, airline officials have called for 20-percent growth over the next seven years. "And I would venture to say that virtually all of that growth will come internationally, and it will come in the markets that are growing: Latin America and Asia," he said.

Although it's too early to determine the specifics of the routes — Brooks said expansion could still be a few years off — he knows the aircraft that will be deployed on them. AA Cargo is set to acquire nine Boeing 777-300ER aircraft and up to 100 787s in the next five years. 777-300ER deliveries are slated to begin in November, Brooks said, and will be crucial to the development of long-haul routes from North America.

He has especially high hopes for the carrier's routes to South America. Since the mid-to-late 1980s, AA Cargo has operated a hub out of Miami International Airport, which Brooks said has served the carrier extremely well and has been instrumental to economic growth in Latin America.

"A number of [Latin American] countries — whether it was for cargo on American or cargo on another carrier's airplane — basically got their economic engines started as a result of having air access out of the region, and we certainly played a part in that," Brooks said. He points to Peru's booming asparagus export industry and Chile's thriving seafood sector as examples of airfreight success stories in the region.

One thing that doesn't look so bright, Brooks admitted, is the sky-

high fuel price the industry is facing. Like other carriers, AA Cargo has been hit hard by the added costs of fuel, he said, although the airline takes a unique approach to its finances. "The trick to making money in the air cargo business as a carrier is to make sure that you're handling the right freight," Brooks said. "You have to recognize the difference between good airfreight and crappy airfreight."

He lumps "fluffy, financially unsatisfying" cargo into the latter category. Although Brooks acknowledged that AA Cargo does make some exceptions — namely, if the shipper or forwarder provides a balanced mix of cargo — he said that AA Cargo officials avoid selling freight space that is economically unsound.

Not that such measures completely offset fuel increases, he explained. "The fuel problem doesn't go away because you're smart about what freight you take; it's still very much of a problem," he said. "It's just a matter of being competitive and making sure that you have the right mix of freight on the airplane and saying no to cargo that doesn't make sense for you to carry."

Brooks cited pharmaceuticals as profitable freight for AA Cargo. He envisions the demand for pharmaceutical transportation only increasing in the next few years as drug patents expire and generics rise. These generics will be heading to developing countries because of the lower price points.

After pharmaceuticals, the commodities to watch are perishables, fruits and vegetables, and seafood, Brooks said. Contributing to this growth is the fact that various nations, particularly those in Latin America, have discovered what they can effectively harvest, he explained. "And with the middle class, globally, becoming wealthy, there's a greater demand for different kinds of fish and different kinds of produce," Brooks said. It's a demand AA Cargo will address on its upcoming freight routes. Brooks expects such routes to contribute to AA Cargo's future profitability.

Of course, nothing is easy during restructuring. Recently, the Allied Pilots Association, a union that represents AA pilots, released a short statement in response to a bankruptcy filing by the carrier. The association has accused AA of trying to back out of its contract with the union. "We are well aware that a financially healthy company is a prerequisite to enjoying full, rewarding careers," APA President Captain Dave Bates said in a statement. "However, we're extremely concerned that despite giving lip-service to the importance of reaching a consensual agreement with APA, American Airlines management appears intent on having the bankruptcy court reject our contract.

"If the court decides to grant management's 1113(c) motion, management would then be able to impose new terms of employment on our pilots," he continued. "Taking this step — one that could be fairly described as running roughshod over our contract — will not foster long-term success for American Airlines.

For his part, Brooks said he's optimistic about the carrier's future, even amid a full-scale restructuring — an attitude he attributes to his "extremely supportive" customers and "committed" team. The latter group is especially deserving of praise, Brooks said. "I'm so proud of my team because in the face of all the distractions of the restructuring, they're keeping their noses down and their butts up, and they're staying on top of taking care of our customers," he said. ACW

Heavyweight stretches out in Latin America

After looking at South America through a microscope, examining taxation and regulatory issues in each country, Heavyweight Air Express will soon begin expansion into Chile, Colombia and Central America. The firm recently set up offices in Sao Paulo and Buenos Aires.

"Once it was felt we had a solid grasp on local trading conditions and what to expect, we weighed market growth prospects versus risk and that provided a solid blueprint to work from," Heavyweight's Ian Hutchinson said in a statement explaining the company's growth strategy. He emphasized that Heavyweight isn't interested in expanding for expansion's sake, but has taken pains to search out demand.

"We've been doing this long enough to know that moving into a new market with stressed rates, low commissions and just moving the same kilos isn't really providing anything new to our customers," Hutchinson, vice president for the Americas, continued. "We want to engineer fresh opportunity, new growth and find undiscovered earning streams. We're absolutely confident that Latin America will provide that for the group and its clients."

According to a press release, Heavyweight's products have been tailored for each country's specific demands. Officials have reasoned that a one-size-fits-all mindset would not work for the Latin America region.

This might be the optimal time for expansion in Latin America, according to a study recently conducted by UPS, which found that half of the 800 business executives surveyed have a more positive outlook about the regional economy than in 2011. The survey also found that 63 percent of the executives are optimistic about Latin America's economic performance. The three countries executives said they were the most optimistic about are Colombia, Chile and Mexico. ACW

FedEx to acquire Polish shipping company

FedEx Corp. has agreed to purchase Polish shipping company Opek Sp.z o.o. for an undisclosed amount. The deal, which is slated to close this summer, will provide FedEx Express with access to a Polish ground network that processes 12.5 million shipments per year. Opek's annual revenue is estimated at $70 million.

FedEx CEO Frederick Smith said the decision to invest in Europe was strategic. "In recent years, we have made significant investments throughout Europe, greatly expanding our network coverage and improving service to customers," he said in a statement.

"We have an excellent strategy that has steadily advanced our position in the region, and we are well positioned for profitable growth as we increase the number of direct-served locations in Europe," Smith continued.

According to a press release, FedEx Express' European expansion began in 2006 when it bought UK transportation company ANC Holdings Ltd. One year later, FedEx Express acquired its service provider, Flying Cargo Hungary Kft., launching its wholly owned operation in Hungary.

In 2009 and 2010, FedEx Express expanded its hub at Roissy-Charles de Gaulle Airport and relocated its Central and Eastern European hub from Frankfurt to Cologne, Germany. So far in fiscal 2012, FedEx Express has opened 26 new offices in France, Germany, Italy, the Netherlands, Northern Ireland and Sweden.

The company's procurement of Opek, however, will provide it with a host of new business opportunities, said Gerald Leary, president of FedEx Express Europe, Middle East, Indian Subcontinent and Africa.

"The acquisition delivers an excellent extension to the current service portfolios of both companies and puts us in an even better position to jointly meet the growing needs of our customers," Leary said in a statement.

"Our two companies represent a strategic fit with a common commitment to enhance the service we can offer Polish businesses, invest in our people and positively impact our communities as good corporate citizens," he continued.

FedEx's acquistion of Opek came less than three weeks after chief competitor UPS acquired Dutch logistics firm TNT Express for $6.77 billion. ACW

New animal regulations for Alaska

Beginning May 1, Alaska Airlines will require all animals on its flights to be secured in net-and-bolt-locked kennels, a standard in compliance with new animal regulations. The American carrier also recently partnered with national veterinary practice Banfield Pet Hospital to prepare pets prior to takeoff.

Customers who transport animals via Alaska Airlines will now receive a complementary office visit at Banfield Pet Hospital and a discount on the pet health certificate required for flight.

Alaska Air Cargo Managing Director Torque Zubeck said the new partnership reinforces the carrier's dedication to animal cargo. "Alaska is one of few airlines that still welcomes pets onboard — both in the cabin and the cargo hold — and we're committed to pet care and safety," he said in a statement.

According to a press release, Alaska Airlines employees undergo specialized training on animal transportation and adhere to standards established by the U.S. Department of Agriculture in conjunction with the Animal Plant Health Inspection Service and the consumer division of the Department of Transportation.

Dr. Karen Johnson, vice president and client advocate for Banfield Pet Hospital, praised the carrier's strict policies. "When it comes to pets, there is nothing more important than ensuring their health and safety whether at home or on a trip," she stated. "We're proud to partner with [an] organization that has a great track record of pet safety during travel." ACW

Air Canada seeks maintenance-and-repair provider

Aveos Fleet Performance, a supplier of MRO services to Air Canada, has filed for protection under Canada's Companies' Creditors Arrangement Act, immediately ceasing all operations and commencing an asset-liquidation process. Former Aveos customer Air Canada recently announced a contingency plan that will cover the carriers' MRO needs previously undertaken by the company.

According to an Aveos press release announcing the firm's cessation of operations, much of the blame for these events lies at the hands of one unnamed company.

Aveos filed for protection, the release stated, "due to uncertain work volume across its business lines from Aveos' principal customer. Since the beginning of the year, its principal customer reduced, deferred and canceled maintenance work, which resulted in approximately $16 million in lost revenue in less than two months."

The customer in question tried to keep Aveos afloat, submitting a last-minute business offer, but it apparently was not enough to save the maintenance company from shutting down.

Air Canada's daily aircraft maintenance is handled in-house at facilities across Canada, but for upkeep once given to Aveos, Air Canada has turned to a number of parties in both Canada and the United States. For a longer-term option, Air Canada officials are on the hunt for a new provider.

In a press release announcing the carrier's temporary plans, Air Canada's vice president of maintenance and engineering, Alan Butterfield, sent a message to MRO companies around the world: Come to Canada.

"Given the insolvency and unexpected closure of Aveos, we encourage MRO companies from across Canada and around the world to conduct due diligence and assess which of the former Aveos businesses may be viable in Canada under new ownership," he said in a statement.

"Air Canada has a strong preference for working with a global MRO which has an interest and ability to provide component, repair and overhaul services in Canada, with particular emphasis given to Montreal, Winnipeg, Vancouver and Toronto," his statement continued. "There exists a pool of well-trained, qualified and talented people available in these cities." ACW

"The door to the jetfreight age opens wider" appeared in the June 1963 issue and is reprinted here in its original form.

★ *This month Pan Am kicks off scheduled all-cargo jet service across both oceans*

THE DOOR TO THE JETFREIGHT AGE OPENS WIDER

WITH the inauguration this month of scheduled jet-freighter services by Pan American World Airways, another era opens.

A brand new tempo is struck in international air distribution—not in speed, *per se* (for jet freight is a product of the late Fifties, and even earlier than that if one wishes to take into account the ill-fated *Comet I*), but in *volume* shipments which for the first time will travel at commercial transport's fastest speeds.

Pan Am's convertible 707-321Cs, each of which has a maximum payload of 84,000 pounds (80,000 pounds for a nonstop distance of 3,300 miles), now give bulk shipments the same 575-mile-an-hour speeds given to the consignments hauled in the bellies of the familiar Boeing and Douglas passenger jets.

Willis G. Lipscomb

Of course, this is a new first for Pan Am; another feather stuck in a cap already bristling with them. Pan Am is the world's leader in air freight ton-mileage amassed each year and apparently means to remain in the top spot.

But as the door opens wider onto the exciting new era in world air trade, industry executives are giving heavy thought to what the future will bring. Eventually Pan Am will not be the exclusive operator of jetfreighters over the oceans. Available capacity will shoot up even higher, not only by virtue of the payloads of the aircraft, but by their fast turnarounds as well.

The big question: will today's rates turn the trick?

Pan Am's vice president-traffic and sales, Willis G. Lipscomb, is represented as predicting that the jetfreighters will "drastically revise

INTERIOR VIEW of jetfreighter shows cargo handlers maneuvering a full palletload of freight into position as another preloaded pallet is being eased through the massive doorway.

The graphline bisecting the Boeing 707-321C jetfreighter traces the growth of Pan Am freight from 1952 through 1962, and projects it for still another year of growth.

the patterns of international distribution, leading to major cost reductions in the future." He foresees an explosion in air freight, the new all-cargo jets producing an effect on the shipping habits of exporters and importers similar to that given to travel by the passenger jets.

The airline is opening transoceanic freighter service in the grand manner, with a dozen flights per week over the Atlantic, and half that many over the Pacific.

Harold L. Graham

On the North Atlantic run from New York to London and Frankfurt and return, flights have been scheduled for Tuesdays through Sundays.

The transpacific cargo jets depart San Francisco every Monday, Thursday and Saturday, streaking to Tokyo via Honolulu. The Saturday flight terminates in Saigon, and is ready for the return trip on Monday. Eastbound flights origi-

SCISSORS LIFT, right, raises palletload of shipments to huge cargo door of jetfreighter. Door, largest of any commercial aircraft, measures 134" x 91".

continued on page 26

nating in the Japanese capital take off on Wednesdays and Saturdays.

The three turbofan jetfreighters are equipped with the airline's previously introduced Airpak *(September 1961 AT; Page 20)*, the palletized preloading system built

into Pan Am's DC-7Fs. It is reported that only an hour is required to load 13 palletloads into a 321C. Placement of the cargo doors—the main door measures a huge 134" x 91"—on opposite sides of the plane at two levels allows simultaneous loading.

Lipscomb has emphasized the particular utility of the aircraft in military service. Pan Am is committed to the Civil Air Reserve Fleet. Converted in four hours to all-passenger configuration, the plane will accommodate as many as 195 troops. A movable bulkhead permits flexibility in mixed passenger-cargo loads. For example, a 321C carrying five palletloads of freight can transport 109 troops.

In its pure freighter configuration, the 321C provides a maximum volume of 9,790 cubic feet, the upper deck giving 8,070 cubic feet and the lower deck 1,720 cubic feet.

It was learned at this writing that Harold L. Graham, vice president-cargo sales, is preparing to accompany one of the jetfreighters on a three-continent tour to acquaint shippers everywhere with the capabilities of the aircraft. He will visit San Francisco, Los Angeles, Detroit, Chicago, Washington, D. C., New York, London, Frankfurt, and Tokyo.

Under Graham, the airline is campaigning energetically to capture a larger part of the international air-shipping market. Its ambitious program is backed by the industry's largest cargo sales staff and a million-dollar-plus advertising and promotion budget. The air-

line has credited its World Wide Marketing Service with having introduced more than 3,000 businessmen to new foreign markets. Pan Am's efforts in this direction has been recognized by the Government with an E for Export Award. A·T

Pan American World Airways and Japan Air Lines have signed an agreement whereby JAL is allotted approximately 15% of the space aboard each Pan Am jetfreighter flight between San Francisco and Tokyo.

Two pallets (minimum weight, 5,000 pounds per pallet) are involved in the deal, and will serve as the basis for charges. JAL will have the right to request additional space.

Each of Pan Am's all-cargo jets accommodates a maximum of 13 palletloads of freight.

Similar to the deals entered into by Seaboard World Airlines with Lufthansa German Airlines and Swissair, the Pan Am-JAL agreement is subject to approval by the United States and Japanese Governments.

Under the terms of the contract, the Japanese carrier will bear loading and unloading costs, as well as other details attendant to the ground handling of the pallets and their loads. Pan Am will rent pallets, pallet dollies, and pallet nets to JAL at the San Francisco and Tokyo terminals.

A free-trade lifeline

The recently implemented free-trade agreement between South Korea and the U.S. is only one piece in Korea's growing airfreight industry

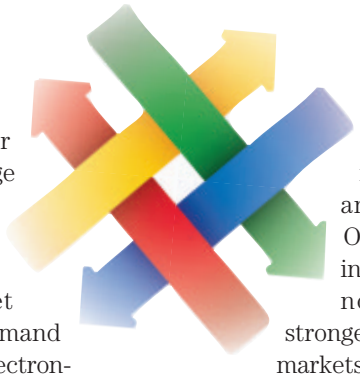
March saw the elimination of bureaucratic obstacles to cargo flows between the U.S. and South Korea. The two nations formally implemented the FTA that the two sides signed last year, bringing a long and laborious negotiating process to a close after five years of talks. The deal eliminates tariffs on 95 percent of each country's goods over five years and is expected to boost U.S. exports by about $9.7 billion, according to the International Trade Commission.

On the eastbound sector, the agreement should also produce an increase in traffic, especially in consumer electronics and technology. The automotive segment, which also stands to benefit, will not show immediate growth, as the duties will be phased out over the five-year term, noted Steve Jun, general manager of airfreight for DHL Global Forwarding in Korea. Imports into Korea are expected to show significant growth in the wake of the trade pact, notes Lim Hoon, cargo manager in Incheon International Airport's business development group.

Cargo flows between the two countries will benefit from a shot in the arm. Under the prevailing economic conditions, trade has slowed, as has Korea's trade with the European Union, the introduction of a free trade agreement last summer notwithstanding. Incheon International Airport, which ranks as the fifth-largest air cargo gateway on the globe, suffered a 5.4-percent drop in throughput last year to 2,599,222 metric tonnes. Imports dropped 10.2 percent, exports sank 6.1 percent, and transit volume was down 2.1 percent.

The first quarter of this year brought no discernible improvement for Incheon. "We have experienced a soft first three months. A number of our key customers had softer volumes than expected," says Steve Whittingham, Agility's CEO for North Asia.

Under the circumstances, airfreight rates out of Korea should be headed down, particularly with new main-deck capacity entering the picture. Korean Air took delivery of a B777 freighter and a B747-8F in February. It has deployed the former mostly on European routes, while the 747-8 has been used on flights to the U.S. West Coast and to Tokyo and Osaka. Rival Asiana is due to receive a B747-400F in May and another in June. Shippers looking for bargains are in for a bit of a disappointment, though. "Airfreight rates have been moving up because of space-control measures," Jun notes.



David Choung, senior executive director in charge of sales and freight management of DB Schenker in Korea, warns that this development has not yet run its full course. As demand for semiconductors and electronic products is not expected to rise, overall air and ocean cargo capacity could fall by 30 percent. This drop would attain a more rational balance for the carriers, he says, adding that reduced capacity will lead to a rise in rates.

In an effort to stem yield erosion, the Korean carriers have tightened lift on sectors marked by overcapacity, such as routes to London and Paris. KAL has cut back its lift by about 15 percent, Walker observes. The carrier was due to take a 747-400BCF out of service in April, but in the main, the capacity reductions have been achieved by shifting planes to other destinations with little or no overcapacity. Asiana has also pursued this strategy.

Drawn by the presence of Samsung and several other large Asian manufacturers, the smaller of the two international carriers based in Korea launched twice-weekly freighter flights to Hanoi in March. The airline was due to mount all-cargo service to Manila in April. Next, Asiana is looking to Chengdu, says Kee Chul, senior vice president of cargo sales for the airline.

Korean launched a Chengdu freighter operation last September and is now planning to develop all-cargo service to other up-and-coming cities in China's interior, according to Rlee Song-jong, managing vice president of the carrier's cargo marketing department. "Korean Air plans to accelerate the development to cities in the Midwest of China, where the production bases for global IT firms are relocating," he says.

Agility's Whittingham has found volumes on intra-Asian sectors more in line with demand projections than the long-haul trunk routes to Europe and North America. Overall, however, intra-Asian traffic has not been markedly stronger than the long-haul markets out of Incheon, forwarders and carriers agree.

Asiana and KAL have cultivated transit traffic through Incheon, making up a substantial portion of the airport's intra-Asian volumes. "Incheon, as a regional gateway, has a lot of importance for the Asian market. The fact that it has two substantial carriers based there gives value to Incheon as a transit point," Whittingham says.

Aside from volumes flown from the region to Incheon to feed into the long-haul departures from there, the airport has also attracted a fair amount of cargo brought in from northern China by a combination of truck and ferry. This sea-air traffic has shrunk considerably in recent years, though, and is likely going to fall further. Choung reckons that it could drop by as much as 22 percent this year.

Agility explored the sea-air option last year and came to the conclusion that it was not an avenue to pursue. "Three, four years ago, capacity from northern China was tight, and prices were high. Sea-air made sense then. Today, volumes across the region are soft, and pricing from northern China has decreased," remarks Whittingham. By late March, rates out of northern China to Europe were almost on a par with pricing from Incheon to Europe, he adds.

"Until the China market advances and exports pick up, sea-air volume in Korea will remain slow," DHL's Jun agrees.

At this point, sea-air through Incheon only makes sense to destinations like Russia, which have scant direct lift out of northern China, Whittingham concludes. One emerging market he is much more upbeat about is Latin America, notably Brazil. Large Korean manufacturers like Hyundai, Samsung and LG are either moving in or expanding their presence there, he says.

"Korea-Latin America is part of our trade lane development strategy for 2012. The challenge is lift and getting airfreight there," Whittingham adds.

KAL sees potential in the sector. Last November, the carrier mounted three weekly flights with B747-400 freighters from its home base to Lima via Sao Paulo. Management has since signaled its intention to build up cargo operations in South America centered around a hub in Brazil. Shipments headed for South America will be vying for lift with Asian exports to the U.S. when the eastbound transpacific market eventually firms up. Predictions indicate an improvement in the second half of the year, and

Korea's FTAs are widely expected to contribute to this.

Walker figures that the automotive and textile industries will benefit considerably from the new regime. "The free-trade agreement with the E.U. has contributed to an increase in automotive imports from Europe," he adds. A significant number of products were not affected by the free-trade regime with the E.U., as they had not faced any tariffs in the first place, Choung points out.

"Although Korea's exports to the E.U. have been reduced by 8.5 percent during the last five months after the FTA came into effect, exports of products that have tariff benefits from the FTA increased by 14.8 percent. In fact, among the exports, products whose tariffs were removed or reduced — such as petrol products, automobile parts and lighting equipment — saw a huge increase in export," Choung says.

The Korean government has predicted a rebound in cargo traffic, pointing to mega-events like the Olympic Games as catalysts for growth. For their part, forwarders and carriers seem to be preoccupied at the moment with honing their value-added capabilities rather than preparing for a surge in volumes.

Kuehne + Nagel recently expanded its product portfolio with the launch of KN PharmaChain, which includes wireless temperature control, a 24-hour alert system and best practice standards for facilities. DHL Global Forwarding is building up value-added services at Incheon's free-trade zone. The company has obtained certification for security and for handling and storage of life science and healthcare traffic at Incheon. It is also in the process of getting authorized economic operator designation for Customs clearance. DB Schenker is expanding segments like healthcare and fashion. This is now supported by a new 200,000-square-meter distribution facility in the Seoul area that opened in April. Likewise, Agility is focusing on the development of particular segments. "We want to place a greater focus on retail and consumer goods here," Whittingham says.

KAL embarked on an overhaul of portions of its product portfolio last year, revamping services aimed at perishables, shock-sensitive freight and outsize cargo. This year, the carrier's offerings for animal transport and hazardous goods are being revamped. According to Rlee, the former should be completed before July, while the later will be tackled in the second half of this year.

By then, airfreight volumes will be ready to once again increase, Korean operators hope. ACW

A hefty price tag: The economy's impact on outsize cargo

They say that the show must go on — but in the case of the March Okinawa International Movie Festival, it almost didn't. The problem? A load of steel beams weighing 24,956 pounds had to be shipped to Japan's Okinawa Island in order to construct an outdoor theater, and time was running out.

To the Panalpina executives who were tasked with handling the logistics of the shipment, the best way to move the outsize steel structures was clear. The beams were loaded onto a Boeing 747 operated by AirBridgeCargo Airlines and shipped to Tokyo's Narita Airport from Frankfurt Airport, after routing through Moscow.

Once the structures arrived in Japan, the crew onsite ensured that the steel was quickly cleared through Customs and trucked to southern Japan, where it was then ferried over to Okinawa Island. AirBridgeCargo Executive President Tatyana Arslanova admits that the move had all of the makings of a good movie — packed with action and full of thrills. It also had the requisite happy ending, she says.

"With this shipment, AirBridgeCargo demonstrated not only its expertise in the transportation and handling of outsize and heavy cargo, but also showed its ability to react promptly and professionally to such a short-notice request," Arslanova says.

The ability to react quickly is a key reason why outsize cargo flights experienced double-digit growth in 2011, explains Dennis Gliznoutsa, group commercial director of charters for Volga-Dnepr Group, AirBridgeCargo's parent company. Wheth-

er it was a broken oil rig that necessitated immediate repair or military equipment leaving Iraq, outsize cargo flights expedited the shipment of goods in a variety of sectors last year. And Gliznoutsa expects the number of these flights to grow steadily in the next two to three years, especially in Africa and the Middle East, despite the sour economy.

Outsize cargo demand will grow in the Middle East as major International Security Assistance Force members withdraw troops from Afghanistan. Not only will this exodus require extra flights for military personnel, Gliznoutsa maintains, it will also demand additional charter flights for outsize equipment and heavy machinery.

But government isn't the only player. "The increased demand [for outsize cargo] won't only be coming from government structures, but from the commercial side as well," he says.

Last year alone, the demand for outsize cargo from oil and gas companies grew 62 percent — a fact Gliznoutsa attributes to the development of projects in Africa, Australia and Kazakhstan, among other nations. With drilling in Latin America currently ramping up, he anticipates another boom for outsize cargo operations.

Weighing the costs

Justin Lancaster, cargo sales director at Air Charter Service, wants to get one thing straight: Airfreight is not the shipper's first choice. Moving goods by sea is much more economical than air transportation, he says, and shippers initially look to

"If a special tool, a spare part or an oil rig is needed somewhere in the world, then it has to fly, even though the economy is bad."

— Reto Hunziker, Lufthansa Cargo Charter

oceanfreight as a means to transport goods, followed by a hybrid airfreight/seafreight approach. Flying outsize cargo on an Antonov An-124 or Ilyushin Il-76, for example — especially a charter operation — is not only costly, but is usually the most expensive option, Lancaster says. It all comes down to timing, however.

Suppose, for example, that an oil rig has stopped producing and is costing the manufacturer upward of $100,000 a day in this idle position, Lancaster posits. "Yes, they don't want to charter and, yes, it's expensive, but it's cheaper than the alternative, which is sending it via seafreight and it taking two weeks to arrive," he says.

Lancaster explains that a shipper is also more likely to charter if there are penalties attached to a missed deadline. Healthy economy or not, he says a company will choose to fly if they are late on a project or need goods shipped immediately due to a humanitarian crisis.

Not that they won't do it begrudgingly, Lancaster says. "Look, companies don't want to charter in the good times, and they certainly don't want to charter in the bad times — but, sometimes, they have no choice," he says. "And that's certainly true in the outsize market, if not even more so." In the case of the oil and gas sector, however, he thinks the complaints are overblown. It's a bit of a catch-22, Lancaster says.

"Customers moan about the fuel prices that are currently going on," he says. "But in the outsize cargo market, you'll find that a lot of it is oil and gas equipment. So it's a bit hard for them to moan too much when, ultimately, I suppose, they're making more money out of those fuel prices."

Plus, Lancaster says, the market has largely grown accustomed to the higher costs of flying outsize freight. "Although if somebody walked in three or four years ago, they would probably fall off their seat if they heard the prices people are paying right now," he says.

Lufthansa Cargo Charter Managing Director Reto Hunziker concurs. "If a special tool, a spare part or an oil rig is needed somewhere in the world, then it has to fly, even though the economy is bad," he says.

Some companies are even looking to capitalize on this need, Hunziker says, pointing to the influx of new carriers looking to fly heavy freight. Since outsize cargo routes are typically outside of the carrier's traditional routings, he says new players are interested in serving this niche market. Although Hunziker admits that outsize airfreight has stiff competition from seafreight on long-haul routes from Asia to Europe, he doesn't envision it affecting the former sector's profitability.

Patricia Hwang, manager of cargo sales and marketing at Cathay Pacific Airways, begs to differ. Calling attention to the number of freight carriers that have reduced capacity in recent months, she says fleet minimization is a direct byproduct of global economic woes. Hwang admits that Cathay Pacific has also been a victim of this phenomenon, with the carrier postponing delivery of its final two Boeing 747-8Fs from 2012 to 2013. And such actions directly affect outsize cargo operations, she says, since the sector is highly dependent on freighter capacity.

"We're all aware that many freight-only carriers are posting financial losses right now," Hwang says. "Airlines are forced to park

(Continued on page 36)

(Continued from page 34)
fuel-inefficient freighters or reduce their capacity, due to high fuel prices coupled with depressed economies."

Fortunately, it's not all gloom and doom, she says. Hwang reveals that Cathay's Expert Lift offering, which caters directly to the outsize cargo sector, performed rather well in 2011. Operations lagged quite a bit at the beginning of 2012, she says, but Hwang is hopeful that they will pick up as business in the Asia-Pacific region stabilizes post-Chinese New Year.

She credits Expert Lift, in which Cathay Pacific personnel study each load's specific handling requirements and make ensuing recommendations, with streamlining the shipment of heavy cargo. "With Expert Lift, we consult with the shipper about how they can best pack and prepare their shipment to [maximize] airfreight efficiency… and ensure a surprise-free and hassle-free experience," Hwang says.

The screening factor

Complying with the different security regimens put in place by different governments can be a headache. After all, while the U.S. Transportation Security Administration and the U.S. Customs and Border Protection moves forward with their joint Air Cargo Advance Screening pilot program, the UK requires all unscreened cargo to be made known by an accredited consignor. Staying abreast of such disparate requirements can be difficult enough, but when you add the extra mass of outsize cargo into the mix, the screening process is even more cumbersome, Air Charter Service's Lancaster says. This is especially true in the UK, he maintains.

"Without a doubt, screening is becoming a hassle," Lancaster says. "We went through a period about a year or so ago where it was very hard for outsize cargo to become known in the UK. You used to be able to hand-search it, but that has become more difficult now." Plus, he says, London Heathrow Airport recently shut down its decompression unit, which is where people often took

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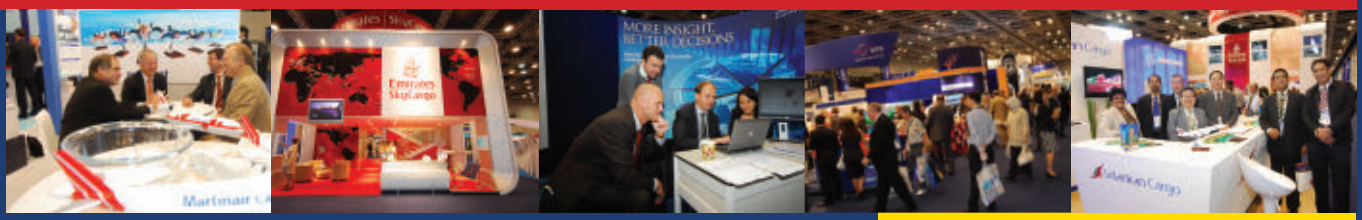

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their outsize cargo to make it known.

Since this option is no longer viable, Lancaster says he encourages customers in the UK to become known shippers. "The UK is tougher than most places, which I don't have a problem with," he says, "as long as a solution is put forward concerning how people can make [outsize cargo] known at a reasonable cost and as quickly as possible."

Hunziker agrees that screening outsize cargo can be especially challenging, but maintains that this is just something companies have to accept. "It's a part of today's world, and it's this way for everyone," he says. Instead of bemoaning its existence, Hunziker says outsize freight carriers and shippers should "find the right partners or the right symmetries within the group" to simplify the screening process for customers. But, again, he says, screening regulations are something all members of the airfreight sector must observe — regardless of the size of the freight.

Lancaster concurs, remarking that such regulations aren't likely to prevent heavy cargo from flying. Even with the escalating costs of air transportation, he says the outsize market is performing well and expects it to continue to remain profitable in the future.

"Look, the Antonovs are still busy flying; the Ilyushins are busy," Lancaster says. "It might not be the six-week lead time it once was — it might only be two or three weeks — but the fleet is still flying, so things are still going on in the outsize cargo market." ACW

"The Antonovs are still busy flying; the Ilyushins are busy. It might not be the six-week lead time it once was — it might only be two or three weeks — but the fleet is still flying, so things are still going on in the outsize cargo market."

— Justin Lancaster, Air Charter Service

Striving for a Greener alternative

Biomass samples were produced at facilities in Abu Dhabi in 2010 as part of Boeing's research into alternative fuels

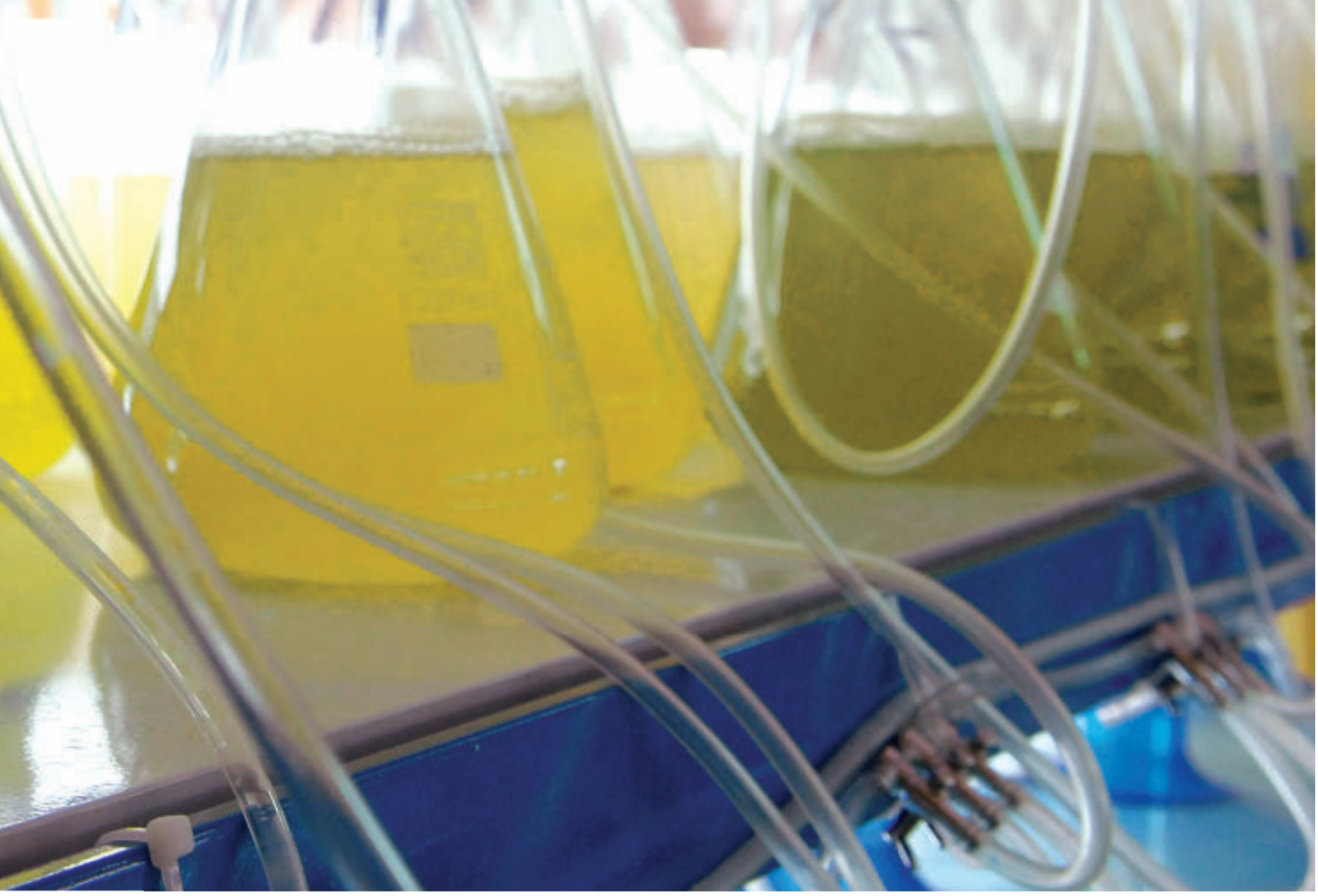
One early afternoon toward the end of June 2011, KLM launched a Boeing 737-800 flight from Amsterdam to Paris carrying 171 passengers, fueled by a blend of cooking-oil and jet fuel. It was the start of what the carrier hopes will be 200 such flights. Most important, though, it was a huge leap toward efficient, environmentally friendly aviation for KLM.

While the KLM flight wasn't the first to use a blend of biofuel and traditional jet fuel in airplane engines, the passenger service is indicative of a recent, growing trend in aviation. In January, Lufthansa concluded its own six-month biofuel trials, which had seen Airbus A321 flights from Frankfurt powered by a biofuel blend. Qantas brought Australia into the fray with the country's first flight using fuel made from cooking oil on April 13. More recently, Airbus, Boeing and Embraer have put aside their rivalries to proceed on a unified front in developing and testing alternative sources of jet fuel.

These trials and explorations signal a growing awareness of environmental sustainability in the aviation field that has been growing for the past five years. And while the tests have all been conducted on passenger flights, they nevertheless point the path forward for a greener air cargo landscape. Though acceptance of biofuels is no longer an issue and new alternative fuel sources are being approved every year, barriers to entry still remain. Regardless, the airline industry has built a critical mass and is slowly moving toward global implementation of alternative fuel sources.

Qantas, Lufthansa and other carriers have launched test flights to gain experience with biofuel and to prove that it's a viable alternative — biofuel blends do, in fact, work just like kerosene. These airlines also get a bit of positive public relations out of the launches. The problem with these events, however, is that the tests aren't done using a market-based pricing scheme. The cost of these small flight batches would be prohibitive if they were conducted on a larger scale. Currently, the cost of producing biofuels is the main barrier to entry into the alternative fuel world; while the demand might be there at a lower cost, the supply hasn't caught up.

According to Boeing's Terrance Scott, 85 percent of the cost of production is tied to feedstock — growing it,



cultivating it and bringing it to market. Once producers figure out how to decrease their costs, biofuels will become more affordable, Scott explains. More research into Jatropha, Camelina and other viable biofuel sources is needed to figure out how to increase the production yield and grow these plants more economically. Until then, test flights are simply an exercise in what could be.

"We've now moved beyond the technical feasibility questions. We know it works; we know there are no engine issues; we know the performance values. The issue now is not technical, it's quantity. There's a demonstrated industry demand for these fuels, but there's not enough to go around," Scott says. "The challenge is, how do you increase capacity and reduce the price."

Boeing, Scott says, moved into the alternative fuels field because of its customers, who were under pressure from a variety of sources. Astronomical fuel prices are, of course, a primary motivating factor for airlines. The European Union's Emissions Trading Scheme, as well as carbon goals set forth by the International Civil Aviation Organization and the International Air Transport Association, are also important factors.

The manufacturer's ultimate goal — and one Scott thinks can be achieved with the help of Airbus and Embraer — is to have 1 percent of all aviation jetfuel from bio-derived sources by 2015. Scott says that's around 600 million gallons of fuel made from alcohol, algae, cooking oil or whatever else is in the approval pipeline. By working together among its partners, he says, the companies have a much louder voice and will be able to push biofuels into the market.

This aggressive target will take three to five regional biofuel facilities. Scott thinks its achievable, especially considering the amount of progress that has been made so far. Internationally accepted fuel specifications were only amended to include biofuels less than a year ago, so the alternative fuel industry is actually in its infancy. And since no manufacturers were going to set up shop before the fuels were approved, many of the producers are just getting into the game.

"We've now moved beyond the technical feasibility questions. We know it works; we know there are no engine issues; we know the performance values."

— Terrance Scott, Boeing

Richard Altmann

"We're really in the very early stages of this," he says. "The first percent is the hardest percent. If we can get to that first percent, we know how to get to three, five, seven and so on."

There are currently three technology pathways for aviation fuel. The jet fuel specifications were the first to be expanded; use of synthetic material was approved in 2010, and in 2011 the use of oil seed was introduced. Scott sees in the pipeline the use of alcohol, cellulostic materials and even woody biomass. Once approved, all of these sources will function the same as a fuel drop-in. There is no need to have one single source of biofuel.

"You're going to see additional pathways coming forward," he says.

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Air Cargo World

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"Basically, as long as it meets the performance specification, it all performs the same regardless of where it comes from. It's not about the feedstock, it's about the technology processing."

Pilots for LAN first flew an Airbus 320 on a blend of refined vegetable oil in March, marking the first step in what officials think will be a march toward a sustainable future for the airline. According to Enrique Guzman, LAN's environment manager, the airline's partnership with producer Air BP Copec market a first for both companies and a significant milestone in the development of biofuels in South America.

LAN officials had been carefully studying biofuel feedstock since 2011. Though they ultimately chose vegetable oil for this flight, Guzman says they could have easily picked a different biofuel source. Fuel blends made from algae, Jatropha, Camelina and halophytes were under consideration. The hope is to expand the tests and ultimately offer flights fueled by a blend of biofuel and traditional jet fuel. But one major obstacle, in addition to price, is supply.

"The region is not yet ready to provide or refine enough raw materials to provide a sustainable biofuel source, in order to use biofuel in a profitable way," Guzman says. "That is precisely why we had this first flight, in order to further explore and to give support to all the existing initiatives, organizations or leaders who are taking the first steps to create a sustainable biofuel industry for the future of aviation in the region."

But ultimately, it all comes down to cost. The test flight for LAN was important, but was conducted at significant extra expense. Until the price goes down, flights will be limited, he says.

"Today, biofuels are between six and eight times more expensive than traditional jetfuel," Guzman says. "We hope the region is able to develop the raw materials and also the technology that will permit the price to be at a competitive level."

In today's fast-moving world, 2006 seems like ages ago. One reason it took five years between acceptance of biofuel as a legitimate way to power airplanes and the start of testing is the different requirements that exist for aviation fuel. Scientists were making biofuels long before 2006, but first-generation alternative fuels designed for cars are very different than second-generation biofuel blends destined for cargo planes. Thomas Roetger, IATA's assistant director of environmental technology, points out that automotive fuels like bioethanol or biodiesel — something that is chemically very different from regular diesel — don't have the kersosene-like characteristics needed for jet fuel.

Last summer, biofuels for aviation were finally deemed appropriate and safe. Before that, only limited test flights could be flown with a biofuel mixture. And with an open opportunity to fly with greener fuels, airlines

"There was a lot of enthusiasm from airlines who really wanted to engage themselves in green technologies and to show that they are capable of doing environmentally friendly flights."

— Thomas Roetger, IATA

have jumped at the chance. "There was a lot of enthusiasm from the airlines, who really wanted to engage themselves in green technologies and to show that they are capable of doing environmentally friendly flights," Roetger says.

That currently certified biofuels are close cousins of kerosene is important. Alternative fuels are certified for use as drop-in products, meaning that airlines can replace up to 50 percent of their fuel blend with biofuels without harming the engines or fuel systems. The amount of biofuels used in flights could eventually increase, but for the time being, he says 50 percent is likely to be the tipping point. From an operational standpoint, fueling stations at airports can easily integrate biofuels into their systems.

"The technological challenges are more or less mastered; of course, we are always looking for alternative solutions that offer chances to have alternative production paths that are still more efficient or cheaper," he says. "The main challenge is really the economic and business challenge. We need investors now in that industry."

Governments around the world are getting behind the greening of aviation, but the relationship between the alternative aviation fuel industry and those in power hasn't always been so friendly. At first, airlines were an afterthought when people mentioned biofuels. Everyone was focused on cars and other applications, says Richard Altman, executive director of the Commercial Aviation Alternative Fuels Initiative. His organization's membership includes more than 60 fuel companies, 17 U.S. government agencies and a few international partners in Brazil and Australia.

Altman has helped turn aviation from an also-ran into the leading voice of biofuels. The industry then set a goal of achieving carbon-neutral growth by 2020. Through his organization's work, aviation biofuels have now been made a priority in the U.S. President Obama recently put in place a $510 million framework to develop biofuel facilities.

"Our goal was to take an aviation industry that basically had been ignored as a candidate for sustainable alternative fuels and to move it from being an afterthought to the cutting edge," he says.

Airlines are a good choice for biofuels, Altman says, because of the industry's reliance on liquid-based fuel — "There's discussions of electric cars and all kinds of other alternatives for ground transportation; we don't have any," he says — and a built in fueling infrastructure already developed by airports. He recalls a session during the recent World Biofuels Markets conference when attendees were asked if aviation was a clear first customer for biofuel products. More than 68 percent of the attendees said yes. In 2006, Altman says, those same producers most likely would have come to a different conclusion.

Support is growing for alternative aviation fuels, and Altman says the next step is to secure commercial purchasing agreements for flights. This isn't to say there isn't merit in the test flights, which are important steps in the movement toward alternative fuels. Operationally, however, these flights shouldn't be any different than any of the million flights carriers undertake using traditional fuel.

Plots of halophytes, a salt-tolerant energy crop, were part of Boeing's biofuel research in the United Arab Emirates

"There should be nothing different because this is totally drop-in fuel. However, you've got to show me," Altman says. "The operations people are in the show-me mode; they're not in the that's-a-nice-theory mode."

He wants to move beyond simple tests conducted in small batches and achieve a financially viable structure for alternative fuels. In fact, one of his main goals for the next two years is making biofuels affordable. His organization has set a goal of seeing 10 commercial biofuel operations in some stage of execution by 2013.

"The important thing this year will be to see a real commercial arrangement on practical buying terms. That's doable," he says. "Having at least a couple of those this year on the way to multiplying that next year, I think is certainly something we're looking forward to." ACW

AIRPORTS

Leipzig/Halle Airport has named supply chain and logistics professional **Bernhard Hoffmann** as head of air cargo business development. In this role, Hoffmann is responsible for developing the German airport's airfreight hub and streamlining the flow of goods in and out of Europe through Leipzig/Halle Airport. Prior to this appointment, he served at Deutsche Bahn, where he was most recently responsible for managing international sales in the tanker transport sector.


HOFFMANN

AIRLINES

Saudi Airlines Cargo has appointed **Keku Gazder** as regional cargo director for the Indian subcontinent region. A more than 23-year veteran of the airfreight industry, Gazder has held various positions at Al Rais Cargo, Kencargo International Airlines, Martinair Cargo and, most recently, Air France-KLM Cargo and Martinair Cargo, where he served as deputy director. In his new role at Saudi Cargo, Gazder is responsible for the development of cargo markets in India, Pakistan, Bangladesh, Sri Lanka and Nepal. He reports directly to **Peter Scholten**.

INTEGRATORS

TNT Express Middle East has promoted **Sanae Murschel** to commercial and business solutions director. Murschel joined the company in 2009 as commercial manager for the Middle East, and since then, has built a regional commercial department that services and supports more than 20 nations.


MURSCHEL

THIRD PARTIES

Hong Kong Air Cargo Terminals Ltd. has announced several changes to its senior management team. **Tan Chee Hong**, who previously as served Hactl's executive director of information services and director of Hactl Solutions Ltd., has been promoted to chief operating officer, responsible for the entire SuperTerminal 1 operation. **Vincent Lau**, former Hactl executive director of service delivery, and **Jimmy Chan**, former managing director of Hactl subsidiary Hacis, have assumed advisory roles to Hactl's management team. Also, former Hactl executive director **Kenneth Bell** is now managing director of Hacis, in addition to leading Hactl new business projects, and **Eugenia Ma** is now Hactl's finance director. Ma replaces **Christopher Ip**.

Lt. Gen. Vern "Rusty" Findley, Jr., has joined **Southern Air Holdings** as a board advisor on the U.S. Department of Defense and business development. The retired U.S. Air Force general advises Southern Air's senior management team and board of directors on matters related to DOD operations, programs and issues, and represents the company with other federal agencies and offices in Washington, D.C. Before retiring in December, General Findley served as vice commander, air nobility command at Scott Air Force Base in Illinois.


FINDLEY

Menlo Worldwide Logistics has appointed **Victor Loo** as director of operations for its South Asia network. In this position, Loo is responsible for leading the development of Menlo's capabilities in Singapore, Malaysia and Thailand; implementing strategies to improve the efficiency of warehouse operations; and promoting customer satisfaction. Loo previously held positions at Dow Chemical Pacific, Rohm and Haas, and Compaq Asia. Menlo's South Asia network also recently welcomed 12-year human resources veteran **Kelza Phang** as director of HR.

Aramex has announced that company founder **Fadi Ghandour** will retire as CEO by the end of 2012. Ghandour will hand over the day-to-day operations of Aramex to **Hussein Hachem,** his chief lieutenant and current head of the Middle East and Africa regions. The move will allow Ghandour to focus on strategic expansions, new investments and sustainability.

OTHER

The Airbus Corporate Foundation has named two new external members to its board of directors: **Virginie Guyot**, a fighter pilot and former leader of the Patrouille de France, and **Birgitte Stalder-Olsen**, head of logistics at the International Federation of Red Cross and Red Crescent Societies. Current Airbus COO **Fabrice Bregier**, who will take over as company CEO on June 1; **Andrea Debbane**, executive director of the ACF; and **Barry Eccleston**, president and CEO of Airbus Americas, also join the board of directors.


BREGIER

Donald Brydon has been re-appointed to his position as group chairman of the **Royal Mail Group**. His term, which began in April 2009, has been extended by three years. During his first term as chairman, he saw passage of the Postal Services Act by Parliament, provided a solution to Royal Mail's pension problems and resettled the organization's management. Brydon worked for the Barclays Group for 20 years and has also served as chairman of the London Metal Exchange. ACW

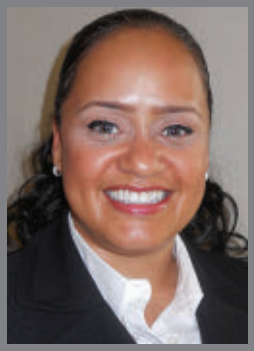
Five Questions with... Mickey Diaz

German logistics firm Dachser has long eyed North America as a key region of growth. To facilitate this expansion, Dachser Transport of America has appointed 20-year transportation veteran Mickey Diaz to director of U.S. airfreight in addition to maintaining her responsibilities with Latin American development. Diaz recently discussed the unique logistical challenges of North American airfreight with *Air Cargo World*.

1. What are some of the biggest logistical challenges in the North American airfreight sector?

Without question, the major challenge facing the airfreight industry is the price of fuel. Yes, fluctuations are to be expected, but fuel is 25-percent higher than it was just two years ago. Overcapacity is another concern for everyone in freight transportation. I expect capacity not only in air, but also in ocean, to decrease this year simply because there's no alternative to maintain sustainable rate levels. Managing capacity for the long-term is a must so carriers can continue to provide excellent, reliable service with secure, dependable equipment.

For cargo moving to the U.S., the continuing expansion on security issues, such as the Transportation Security Administration's proposed 100-percent air cargo import screening mandate, will not only add to the total cost of importing, but will also add time — which is all too precious for supply chains. The export and security processes are much stricter in the U.S. than in most other countries. I'd like to see the U.S. domestic carrier system be as competitive or accessible as the EU market.



Diaz

2. How will you work with shippers to address the demands of the U.S. airfreight sector?

Relationship management and knowing your customers' markets and shipping cycles are becoming more and more important. Often times, it is us — the forwarder — who needs to measure and track cycles as shippers are, rightly so, more concerned with managing their businesses than providing forecasts. Market trends can be calculated to some extent using the right tools and tracking the right trends.

Dachser continues to make significant investment in its U.S. network to provide value-added services like supply-chain consulting, export and import compliance consulting, letter of credit services, logistics execution, and transportation services to meet the demands and needs of shippers so they can do what they do best.

3. You're also focused on Latin American development. What are some of the key nations of interest for Dachser and why?

The "ABCs" of South America — Argentina, Brazil and Chile — will remain in the forefront of Dachser's expansion plan. However, we notice favorable trends and increases in Costa Rica, Peru, Colombia and Ecuador, and even the Caribbean market. Our global expansion plan will further expand our capabilities, enhance our service offerings, and increase the global reach for our American clients and their global partners.

4. In an increasingly volatile airfreight market, how does Dachser's partnership with Lufthansa Cargo help confront the challenges of today?

Our customers stand to benefit from even better access to worldwide capacities due to our partnership with Lufthansa Cargo. As a global partner, we can count on support from Lufthansa in new or lesser-developed countries to offer a more dedicated account structure and allow for on-time pricing opportunities. We are also currently utilizing and further exploring synergies in technology and warehousing with Lufthansa.

5. During the recession, an increasing amount of goods were shipped by sea. Is airfreight capacity continuing to be lost to seafreight and, if so, how do you combat this?

We have seen some reduction in airfreight due to the recession; however, air cargo remains the viable, valuable option for commodities that require faster transit time and a more secured and controlled environment. Accessibility is also advantageous — seafreight is limited to delivery at ports, while airfreight could provide closer proximity to final destinations, which could eliminate high warehousing and inventory-carrying costs.

events

MAY 1-2
Jeddah: Kingdom Airports Aviation and Logistics Exhibition is a new conference and exhibition focused on aviation, airports and logistics opportunities in Saudi Arabia. For more information, visit *www.kingdomaeroexpo.com*.

MAY 1-3
Birmingham, England: Multimodal 2012, billed as the UK and Ireland's leading transport and logistics event, will feature three days of seminars and an expansive exhibition area. For more information, visit *www.multimodal.org.uk*.

MAY 6-8
Miami: The theme for the 2012 CNS Partnership conference is "together towards tomorrow." According to a press release, it 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." *Air Cargo World* will once again be producing a daily newsletter during the event. 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 is a forum for supply chain professionals involved in global trade. The focus is on Latin America. Visit *www.alacat2012.org* for more information.

MAY 24-26
Antwerp: The sixth iteration of the WCA Projects Network annual conference will be held alongside the Breakbulk Europe 2012 exhibition and conference. The WCA conference features a half-day plenary followed by three one-on-one meeting sessions. For more information, visit *www. conference.wcafamily.com/wcapn2012*.

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. More information is available at *www.fiata.com*.

OCTOBER 27-28
Erbil, Iraq: Details for the second annual Iraq Airport, Aviation and Logistics Conference and Exhibition are still being firmed up, but officials are excited to build on the success of the innagural event. More information is available at *www.http://www.arabianreach.com/iraq/why_exhibit.aspx*.

FEBRUARY 20-22, 2013
Johannesburg: The second biennial international air cargo conference to take place in Africa will try to continue the success of the Nairobi event, held in February 2011. Scheduled for the Emperors Palace in Johannesburg, the event will focus on discussing and finding air cargo opportunities in Africa. Visit *www.stattimes.com/aca2013* for more details.

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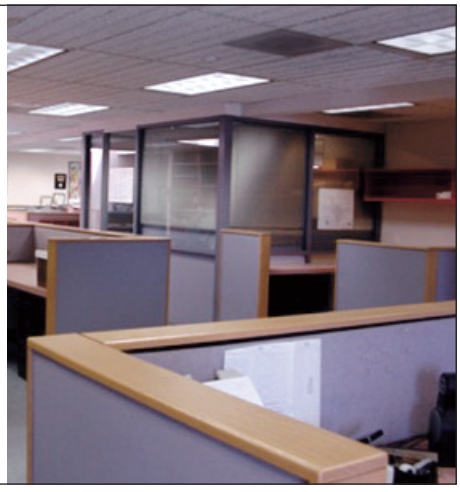
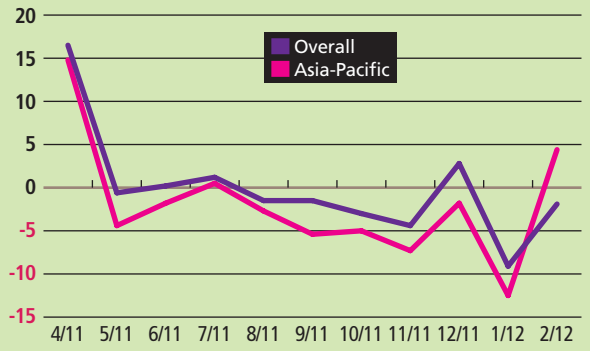


CARRYING EUROPE

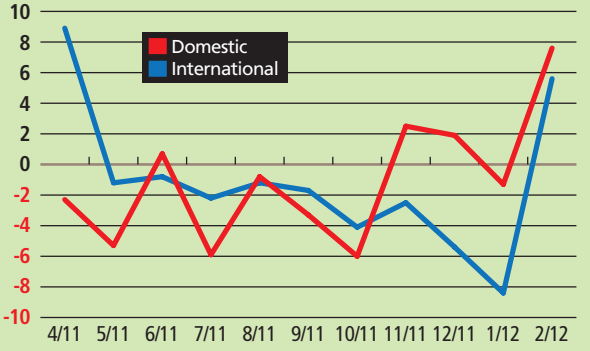
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

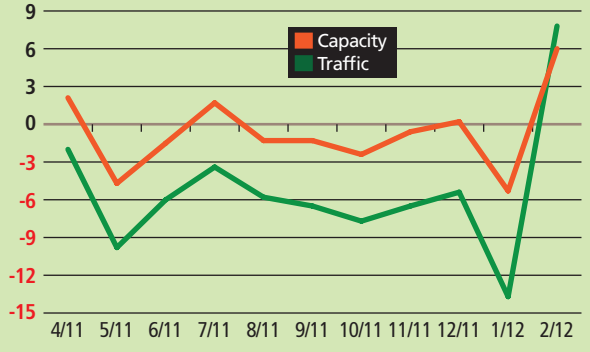
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

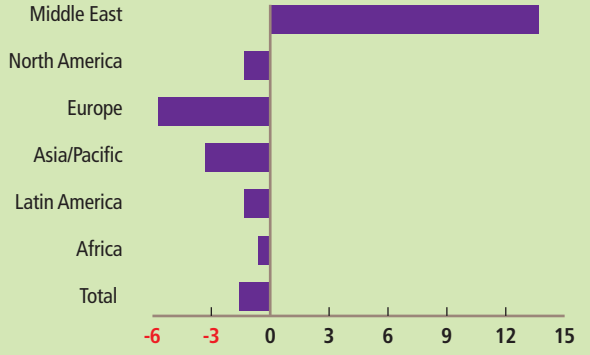
Monthly year-over-year percent change in capacity, in available-tonne kilometers, and traffic, in freight-tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

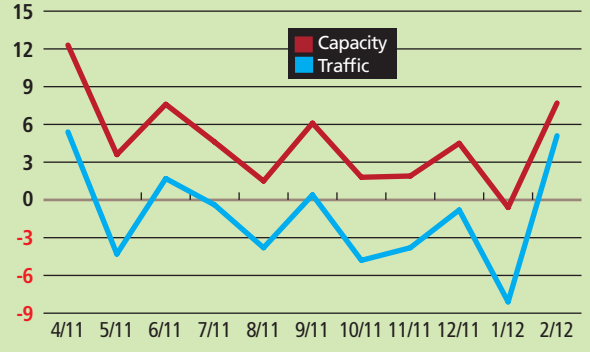
International air cargo year-to-date percent change for February 2011 vs. February 2012



Source: IATA

CARRYING INTERNATIONAL

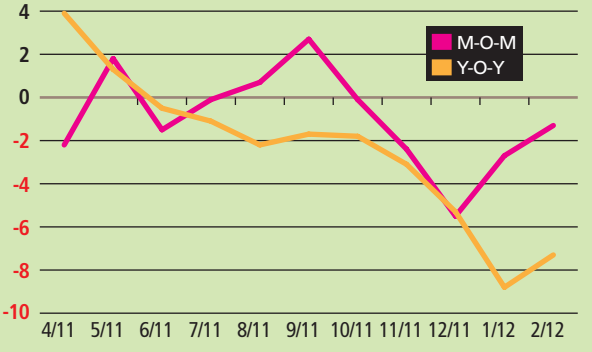
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight tonne-kilometers and available tonne-kilometers.



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

Seeking equal-opportunity airfreight

The chairman of the Augusta National Golf Club, the host of America's most prestigious golf tournament, recently was asked why the club prohibits female members. It seems that the head of IBM, a primary sponsor of the annual Masters tournament, cannot join because she is a woman. Rather than answer the question on this prickly issue, the chairman responded only that it was a "private matter."

Is he kidding?

At the recent AirCargo 2012 conference in Miami, a group of highly successful women working in the airfreight industry gathered to discuss their experiences in meeting the challenges of this seemingly male-dominated business. As the airfreight industry begins to attract a more educated and sophisticated workforce, many of the gender stereotypes are beginning to fade as well. Change is occurring slowly, though.

Women have had a difficult time achieving equal opportunity in many industries. Recent data released by the U.S. Census Bureau shows that, on average, female employees still make only 77 cents for each dollar earned by their male counterparts. This gap has remained stagnant for the last decade.

Despite legislation in the U.S., such as the Equal Pay Act of 1963 and Title VII of the Civil Rights Act of 1964, inequality clearly still exists today. Current employment practices often ignore the laws that ban discrimination and social expectations. Many women face the proverbial "glass ceiling," which hinders their advancement to more senior positions that can offer higher pay. Companies' promotion policies, along with lack of mentoring and support, contribute to the significant disparity. In addition, many women deal with harassment in the workplace, especially in higher-wage, traditionally male-dominated occupations.

A recent Ohio State University study about women working in logistics found that only 32 percent of those surveyed described their role within their company as managerial, while 19 percent were employed at the level of director. Few indicated higher positions, such as vice president or president; these jobs tend to be held by their male counterparts. The report indicated that 86 percent of women have immediate supervisors who are male.

The Ohio State report seems to indicate that skills are not the issue. The majority of the respondents (41 percent) had completed an undergraduate degree. On top of that, 34 percent indicated that they graduated with a master's degree.

Regardless of the statistics working against women, those in freight forwarding continue to overcome the ingrained gender bias. Some have even shattered the glass ceiling. Names that come to mind include Panalpina CEO Monika Ribar and Hassett Express President Michelle Halkerston. Both of these women are encouraging examples of business leaders who prove that freight executive suites are not just for men.

Many forwarding companies realize that competing in a global environment presents diversity hurdles on a daily basis. To effectively compete, teams need to include women and men with a wide range of nationalities and ages. A gender-balanced, ethnically diverse and cross-generational team is not just about political correctness, but is essential to meet the challenges of international business.

Gender barriers in the freight forwarding industry appear to be coming down, as initiatives around the world are encouraging more women to join the industry. This trend is expected to continue, thanks to a growing number of logistics-focused women's groups. The annual AirCargo conference plays a valuable role in that effort by featuring the ever-growing and popular women's networking session. This session is specifically designed to promote discussion and confront gender bias issues.

Freight forwarding should not be viewed as a male or female industry, but one where good opportunities exist for all. We need to move forward without stereotyping freight transportation as a male sector. This can be accomplished through increased education, networking and career development opportunities.

As for the members at the Augusta National Golf Club, maybe the best advice would be to "man up" and dispense with the discriminatory policies of the past. Looking to recent changes in the airfreight forwarding industry may be a good place for them to start. ACW

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