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Air Cargo World

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Air Cargo World
THE SOURCE FOR AIRFREIGHT LOGISTICS

editorial

Jon Ross
Editor

Another article about e-freight?

I know what you're thinking. No, I'm not a soothsayer, but I've assumed your reaction upon glancing at this month's cover and looking over the table of contents was something along the lines of "E-freight? Again? Are you kidding me?" You may have said this aloud, or you may have quietly cursed the many, many, many articles you've seen promising that "e-freight is just around the corner, I promise." Well, this article is worth reading, I promise.

There's been a new buzz about e-freight ever since Tony Tyler announced a new approach to the electronic transfer of documentation in March at the IATA World Cargo Symposium. Instead of an all-at-once approach, he said that e-freight should be approached in a piece-meal fashion. More important, this was no longer an IATA-centric proposal; e-freight, fueled by GACAG, needed to be pushed forward by all the industry players.

This turn of events is, of course, good news. The old approach seemed to alienate some supply-chain groups, even though e-freight is for the good of all involved. The industry's new targets concerning electronic transfer of air waybills seems like an easy goal, and if the target is achieved, it should create some forward momentum for attaining the next tenet of e-freight.

So, now that we're on the right track, and e-freight implementation, at least in some small part, seems likely in the foreseeable future, what have we learned? Basically, that good things take time. This industry has a huge amount of moving parts, and getting everyone in line requires careful maneuvering that doesn't happen all at once.

With this renewed focus, and a new sense of community, e-freight is now a very achievable goal. As Oliver Evans of Swiss WorldCargo succinctly pointed out in this month's article, "We're taking our bearings in this field from the GACAG e-Commerce Task Force. Still, we urge the GACAG Task Force to set clear, specific, time-definite targets for both eAWBs and e-freight as soon as possible, which should then serve as industry targets for all stakeholders."

DHL launches Asian service

DHL Global Forwarding, Freight, has introduced its multimodal DHL Door-To-More distribution service on shipments from the Asia-Pacific region to Europe. The service, which streamlines Customs' clearance and simplifies the supply chain, integrates DHL's global airfreight capabilities with its European ground network, according to a press release.

Amadou Diallo, CEO of DHL Freight, said the service gives customers a competitive advantage by expediting the shipment of goods. Plus, he said, "A web-based application enables easy booking and shipment preparation and provides end-to-end shipment transparency down to piece level."

Customers can also maintain close watch of their shipments and the associated costs, thanks to a single billing service and track-and-trace capabilities. Such functions help lower import costs, as well as carbon emissions, according to Ingo-Alexander Rahn, head of global airfreight at DHL Global Forwarding.

In the press release, the company explained that DHL Door-To-More was originally designed for clients working in the technology sector.

DHL President and Global Head of Technology Rob Siegers shed more light on this rationale, stating that "the technology industry, with its high pace of innovation and short product cycles, requires cost-efficient and flexible supply-chain solutions. The concept of direct distribution from manufacturing to end customers improves the time to market at minimum inventory cost and reduces the number of handover points."

DHL Door-To-More is currently available to shipments from Hong Kong, Shanghai and Singapore to more than 50 destinations across Europe, the Middle East and North Africa, according to the press release. DHL plans to introduce the service on additional outbound gateways in the near future. ACW

The brainchild of Volga-Dnepr Airlines and Antonov Airlines, Ruslan International Airlines optimizes the founding carriers' respective fleets

Ruslan International tames the AN-124-100

Marketing the capacity of a combined fleet of 17 AN-124-100s must be like trying to corral a herd of rogue elephants. But it is a task that seems to have been achieved with remarkable success through a unique joint venture.

Ruslan International was formed six years ago by Antonov Airlines and Volga-Dnepr Airlines to create a single marketing and sales operation. The objective was to provide the market with a consistent source of AN-124-100 capacity, with 10 aircraft provided by Volga-Dnepr and seven from Antonov Airlines.

For the two operators, it created the opportunity to optimize the utilization of their respected fleets. One of the biggest drags on the two previously separate sales operations was the amount of empty leg flying both carriers were undertaking.

Ruslan International was born of an already initiated cooperation between the two airlines through the Ruslan Salis project to provide NATO with two AN-124-100 aircraft on instant standby. To meet this requirement, an aircraft from each company is permanently on station at Leipzig/Halle airport in Germany. The Ruslan Salis contract has recently been extended for two years.

Testifying to its independence as a completely separate sales and marketing tool, Ruslan International is a UK-based company responsible for reporting its own accounts and results. Provisional results for 2011 show that the company arranged more than 700 individual or multiple flights over the year on behalf of its two shareholders. This reflects a 21.5 percent increase on 2010, with overall revenues up by 28 percent.

Unsurprisingly, fuel remained the highest operating cost factor, accounting for 34 percent of total costs. Even so, the company is expecting to announce a multimillion-dollar pre-tax profit for 2011, compared with a marginal loss the previous year.

According to Michael Goodisman, business development manager for

Ruslan International, the dynamics of the outsized charter business are changing. "Analysis of our 2011 results show that although our customer base has remained broad, the range of cargo carried has narrowed," he said. Goodisman attributes this to rising fuel costs, which has further widened the cost variation between an AN-124-100 charter and the use of conventional shipping methods. The imposition of the European Union Emissions Trading Scheme has only served to further exacerbate charter costs. He added that this combination of factors has prevented Ruslan from filling unused capacity with general cargo, which had been done in the past.

But the kicker for Ruslan International, and the proof of its worth, is the fact that it has less and less unused capacity to fill. "In the early days of the commercial operation of the AN-124-100s, you could reckon on empty leg sectors accounting for 45 percent of flying time, which then was deemed acceptable," Goodisman said. "The efficiencies we have gained over the past six years means that we have been able to reduce empty flying to less than 25 percent of total hours flown." This, he said, has increased overall yields and reduced the need to go chasing marginally rated general cargo.

"Although our customer base has remained broad, the range of cargo carried has narrowed."

— Michael Goodisman, Ruslan International

In effect, with the general market downturn, Ruslan International has reverted to using the AN-124-100 for what it does best — carrying heavy and outsized cargo. The high cost of such charters has to be put into perspective. "Conventional shipping methods will often get the same job done far more cheaply," Goodisman said. "But an AN-124-100 charter can often mean getting a production plant up and running two weeks earlier or a gas platform back on line within days."

For Ruslan International Vice President Valery Kulbaka, the joint venture is all about the complete utilization of their aircraft. This feat is achievable because of the depth of the undertaking. "Operating the two fleets under one management means we are more likely to have an aircraft available near to where it is needed, enabling us to pass back efficiency savings to our customers," he said.

One efficiency even Ruslan International has failed to achieve is the high number of crew required to operate an AN-124-100, which doggedly remains at about 20 for every flight. "There are a myriad of handling systems on the aircraft, each of which requires a specialist to carry out line maintenance," Goodisman said. "That is not about to change anytime soon."

Ruslan International officials have further developed the joint venture concept to enable both partners to pool spare parts and share loading equipment. The joint venture also acts as the focal point for the efforts by both airlines to restore production of the AN-124-100. ACW

Forwarders lack customer service skills, study finds

German consulting firm Simon-Kucher and Partners has unveiled the results of its "Global Forwarding Mystery Shopping Study," a probe into how freight forwarders can differentiate their services from the competition. Mystery shoppers asked eight leading forwarders from nine nations a series of questions — and the results were underwhelming.

Simon-Kucher found that freight forwarders from Canada, China, Brazil, Germany and Poland, as well as other key economies, performed more than half of six outlined sales tasks insufficiently. They also failed to distinguish themselves from the competition in four of the six categories, according to a press release.

Philipp Biermann, a partner at Simon-Kucher, explained that these results are disappointing since "companies have to seize this opportunity to differentiate their services, which in turn will boost their returns." After all, the study found, the influx of freight forwarders in the market renders their services interchangeable.

Although all the forwarders contacted in the study wrote down information about the shipment, they used varying methods to collect the mystery shoppers' data; typically, e-mail was used as a follow-up method. Therefore, a preliminary phone call served purely as way to make initial contact and relay e-mail addresses, according to Simon-Kucher.

Biermann said this process should be enhanced. "Far too often, forwarders pass up the opportunity to consult their customers — all because they did not pursue it during that initial phone contact. In fact, they do the opposite: The calls are ended as quickly as possible," Biermann stated. "China or Canada, Germany or Poland — no matter the country or continent, that's an industry-wide issue."

Even so, the majority of the forwarders succeeded in cross-selling air and seafreight services. The same sales representative provided the mystery shoppers with combined offers for both cargo services, according to the press release. ACW

Eurozone woes cripple aviation improvements

Three-quarters of the world's top 20 freight airports reported lower cargo volumes in April, according to Airports Council International statistics. The contraction in freight traffic was particularly strong in North America, Europe and the Asia-Pacific, with these regions experiencing April declines of 7 percent, 4.3 percent and 3.1 percent, year-over-year, respectively. Financial problems in Europe, however, reverberated throughout the world.

In total, cargo volumes at global airports fell 4 percent, year-over-year, in April. Some airports fared much worse, however, with Stevens Anchorage International Airport in Alaska, Shanghai Pudong International Airport and Frankfurt Airport each reporting respective, year-over-year, declines of 16.7 percent, 12.3 percent and 10.8 percent, in April.

Rafael Echevarne, ACI's director of economics and program development, largely attributed these losses to financial problems in the eurozone. "The European debt problem is having a contagion effect on other economies and trading partners," he said in a statement. "Traffic volume in airfreight has been curtailed not only in the economies of Europe, but also in the trading hubs of North America, Asia-Pacific and Latin America."

The International Air Transport Association has also spoken out about Europe's economic woes, addressing the economy's impact on aviation. In a press release, IATA indicated that problems in the eurozone have led the association to reiterate its expected $3 billion industry profit for 2012, despite a drop in oil prices and the "bottoming out" of freight markets.

"A few months ago, an oil price crisis was the biggest risk," IATA Director General and CEO Tony Tyler said in a statement. "Now, all eyes are back on Europe. Markets are expecting the eurozone sovereign debt crisis to intensify and economic damage to follow. But with little clarity on how European governments will manage the situation beyond providing further liquidity, the risk of a major downward shift in economic prospects is very real.

"The next months are critical, and the implications are big," Tyler continued.

IATA officials project that financial instability in the eurozone will also impair cargo growth in 2012. Although Middle Eastern carriers are reporting a major uptick in cargo volumes, economic weakness in Europe is likely to limit growth, IATA said in the press release.

Overall, IATA is forecasting that 47.8 million tonnes of cargo will be flown in 2012, a slight improvement over the 47.7 million tonnes transported in 2011. ACW

In the news...

German authorities have ordered **Deutsche Post DHL** to pay €516 million in back taxes, a penalty covering the years 1998 through 2010. Although the payment settles a legal dispute initiated by European regulators, it comes at a heavy price — impacting the European mail and express delivery company's earnings before interest and tax by €180 million in the second quarter of 2012. Deutsche Post will make the one-time payment in the third quarter of 2012, according to a press release. The €516 million fee will also set back Deutsche Post's net profit by €265 million. Even so, the company expects to post an EBIT in the €2.5 billion-to-€2.6 billion range for the full year, a forecast it previously announced. In an official statement, Deutsche Post said that the German government deemed the half-billion-euro payment necessary after looking at a number of postal services that were previously exempt from value-added taxes. The European company also announced that it wouldn't appeal the fine… **Lufthansa Consulting** is creating a proposal for the Greek government regarding how to switch its 37 regional airports to a public-private partnership model. The proposal will include an assessment of the airports' operations and infrastructure, the preparation of an investment program, and a suggested strategy for national airport policy… Less than a week after an unmanned SpaceX craft transported 460 kilograms of freight to the International Space Station, **IAG Cargo** completed another NASA-sanctioned mission. The carrier transported the Mid Infra Red Instrument, an integral part of the James Webb Space Telescope, from British Airways World Cargo's hub at London Heathrow Airport to Washington Dulles International Airport on a Boeing 747 aircraft. The instrument, dubbed "MIRI," consists of an infrared camera and a spectrometer and has been in development for 15 years, according to a press release. It's also extremely sensitive, mandating special handling requirements and temperature controls. The IAG Cargo team called upon British Airways' Constant Climate precision time and temperature product to meet these needs, enclosing MIRI in an Envirotainer. Specialists were also onboard the BA World Cargo flight to ensure that the temperature control and monitoring protocols were met, IAG Cargo explained in the press release. Alan Dorling, head of pharmaceuticals and life sciences at IAG Cargo, said the entire flight went off without a hitch and marked a significant achievement for the European carrier. "It was an honor to be a part of the supply chain and an endorsement of our Constant Climate product quality standards, which ensured the European-made component was delivered safely to NASA on its way to becoming a part of the historic James Webb telescope." The James Webb Telescope is slated to launch into space in 2018… Cargo traffic declined by 8.8 percent and load factor fell by 3.9 percent for **Air France-KLM** in May when compared to the same period in 2011. Unit revenue per available-tonne kilometer also decreased. On the passenger side, AF-KLM experienced almost flat passenger traffic growth, with a small rise in load factor and a decline in capacity. The 8.8-percent fall is the second largest monthly decline this year, just outpacing April's 8.3-percent decline. In January, AF-KLM took a 10.3-percent hit in cargo traffic and a 3-percent decline in load factor, year-over-year. In May, AF-KLM saw decreases in revenue-tonne kilometers in every region except the Caribbean/Indian Ocean, which ended May with an 8.1-percent, year-over-year, increase. The biggest RTK losses occurred in Europe (21.2 percent), the Americas (13.4 percent) and the Asia-Pacific region (5.1 percent). Taking into account the entire year, many of the regions — excepting the Caribbean — have experienced losses, though none quite as severe as April's drops. The trend seen in RTKs reverberated throughout AF-KLM's other numbers, with the Caribbean showing most of the positive results in available-tonne kilometers and load factor. The Asia-Pacific region experienced a 0.1-percent uptick in load factor this year, which helped boost its year-to-date load-factor result to 0.6 percent. In a release outlining its performance, AF-KLM highlighted its expansion in Africa — new routings into Lusaka, Zambia, and Abuja, Nigeria — and a new A380 flight to Los Angeles. ACW

Qatar Airways focuses on Africa

In an attempt to further open up underserved markets in Africa, Qatar Airways has announced that it will launch scheduled, three-times-a-week service from Doha to Maputo, Mozambique. The flight, which marks Qatar's 20th destination in Africa, will be routed through Johannesburg on Boeing 777 aircraft.

Maputo is Qatar's fourth new African routing this year. Qatar officials are planning to begin daily service to Kilimanjaro at the end of the month, with daily service to Mobasa coming in August.

"This truly is the year of an African adventure for Qatar Airways, with the introduction of four new routes on this Continent of diverse landscapes, diverse peoples, diverse cultures and diverse natural attractions. At Qatar Airways, we have a robust planning team that is always busy evaluating and researching potential markets with the underlying mission to open up new destinations that are highly underserved internationally," CEO Akbar Al Baker said in a statement.

"Mozambique is a great example of a market that we believe has great potential linking up with key feeder markets in Europe, Asia and other parts of the world," he continued.

Qatar's coming expansions aren't limited to Africa. The carrier will begin new routes to Perth this month, and it will also launch services to Yangon, Myanmar, and Belgrade in the next few months.

While Qatar is focusing on new scheduled services, Africa is booming for charter cargo flights, according to Air Charter International. Officials have witnessed a large increase in charter requests out of Africa, with business in this region growing 25 percent, year-over-year, so far in 2012. Business is also up from a global perspective: ACI has seen a 20-percent increase in charters involving unusual or complicated loads this year. ACW

Oman Air has experienced record cargo numbers so far in 2012

Oman Air sees record cargo numbers

The first five months of 2012 brought unprecedented growth to Oman Air. In addition to reporting double-digit increases in its passenger operations, the Middle Eastern carrier saw cargo revenue and tonnage surge 47 percent and 33 percent, year-over-year, respectfully.

Oman Air CEO Wayne Pearce spoke out about the carrier's performance, starting that "Oman Air has generated greater revenues, carried more passengers and transported more cargo between January [2012] and May 2012 than at any equivalent time in the airline's history."

That's not to say Oman Air's 2011 numbers weren't noteworthy, Pearce said. The Omani flag carrier reported a 28 percent, year-over-year, increase in cargo revenue in 2011, with airfreight tonnage rising 3 percent from 2010.

From a passenger perspective, the carrier's January-to-May statistics were largely on par with its 2011 numbers. Net passenger revenue increased 28 percent, year-over-year, in the first five months of 2012, the exact figure reported in the full-year period of 2011. Oman Air's January-to-May passenger volumes slightly outpaced those seen last year, however, growing 19 percent, year-over-year;

"Oman Air has generated greater revenues, carried more passengers and transported more cargo between January [2012] and May 2012 than at any equivalent time in the airline's history."

— Wayne Pearce, Oman Air CEO

2011 saw 16-percent, year-over-year, growth, according to a press release.

Oman Air expects to post even more growth in 2012 with the launch of a new route between Muscat and Tehran on September 1 and the delivery of two Embraer E175 regional aircraft. The carrier also has six Boeing 737s on order, with two slated for delivery in 2014 and four expected to arrive in 2015. These aircraft will complement the six 787 Dreamliners Boeing will begin handing over to Oman Air in 2015.

In addition to fleet expansion, Oman Air is also focused on staff development — a fact evidenced by the International Air Transport Association's recent recognition of the Oman Air Training Centre. The carrier's facility — which offers a range of accreditation courses endorsed by the Oman Civil Aviation Authority, IATA, Swiss Air and Lufthansa — appeared on IATA's list of the top 10 authorized training centers in the Middle East for the second consecutive year.

Pearce said this recognition "confirms the high standards of our training and staff development." He also remarked that Oman Air looks "forward to consolidating our role as a global leader in aviation training and to promoting business excellence, not just within Oman, but in the entire region." ACW

Emirates Airline launches new Iraq service

Emirates Airline will begin passenger service from Dubai to Erbil, Iraq, four times each week starting in August. The service will be offered daily starting in September. The Airbus 340-300 service comes with room for 13 tonnes of cargo in the belly hold, increasing tonnage on what has been a very profitable route for Emirates SkyCargo.

Three weekly freighter flights to Erbil have been in operation since February 2011. Emirates SkyCargo transports machinery for the oil and gas industry from the city using Boeing 777F equipment. With the new passenger service, weekly capacity to Erbil will stand at more than 400 tonnes.

"Since we first launched flights into Iraq, we have seen demand for our services there increase tenfold," Emirates Airline and Group's CEO, Sheikh Ahmed bin Saeed AlMaktoum, said in a statement.

"We have been facilitating international trade between Erbil and destinations across our network for some time, so we already have a deep understanding of the market and its potential for strong revenue," he continued. "The launch of Erbil will be our third in Iraq within 18 months, a testament not only to the country's potential but also to our own ability to

swiftly enter previously underserved markets."

Emirates' new service will also reap the tonnage benefits from construction projects currently underway in Erbil. One such project outlined in an Emirates press release is a $1.6 billion media center. ACW

Middle East could benefit from mutual recognition

The International Air Cargo Association has applauded the recent agreements forged between the U.S. and Canada, as well as the U.S., EU and Switzerland, to mutually recognize each other's airfreight screening protocols. Similar agreements could strengthen airfreight bonds between the Middle East and other countries, TIACA indicated in a press release.

"We strongly support efforts to enhance security of the air cargo supply chain without unduly disrupting vital commercial flows," TIACA Chairman Michael Steen said in a statement. "Mutual recognition of robust security regimes is an important way to further this goal, [and] TIACA will continue to support additional efforts to mutually recognize security regimes and to implement global, harmonized standards."

In the press release, TIACA explained that mutual recognition of another nation's cargo screening protocols prevents the duplication of security controls, cuts costs and eliminates time delays; it also ensures that airfreight security requirements are consistently met.

Doug Brittin, director of airfreight for the U.S. Transportation Security Administration, spoke out about these benefits at the recent TIACA Executive Summit in Moscow. Remarking that security threats "remain high for all of us," he stated that "our goal, which we know is shared by the industry, is to not lose a plane.

"Together, we have made significant progress in enhancing air cargo security in the past few years, and industry has risen to the challenge, both in the all-cargo and the passenger carrier segments," he continued. "We are moving steadily toward closing all gaps." ACW

Qantas takes FY11-12 hit

A steep hike in fuel prices, financial crises throughout the eurozone and an abundance of capacity affected Qantas' profitability in fiscal-year 2011-2012, which ended June 30. The Qantas Group expects to receive an EBIT loss in excess of $450 million for the financial year, more than double the loss it recorded in fiscal-year 2010-2011.

According to a press release, the Australian carrier and its affiliates will report an underlying profit before tax in the $50 million-to-$100 million range for fiscal-year 2011-2012, a marked decline from the previous financial year.

Even so, the Qantas Group is projecting growth in its domestic sector, forecasting an EBIT of more than $600 million for Qantas' and Jetstar's Australian operations. This figure is impressive, according to a press release, since both carriers have contended with sky-high fuel costs and "aggressive competitor capacity increases."

Alan Joyce, CEO of the Qantas Group, addressed these challenges, stating that the carrier has taken actions "to mitigate loss by withdrawing from loss-making routes, reducing capital investment, and transforming Qantas engineering."

Qantas has also redeployed capacity on routes deemed profitable, including doubling its capacity to Dallas/Fort Worth International Airport and launching service to Santiago International Airport. On the cargo side, the carrier commenced weekly cargo service to emerging manufacturing hub Chongqing, China, on April 20 — a move that demonstrates Qantas' commitment to Asian expansion, according to the press release.

"We remain focused on returning Qantas International to profitability in 2014 and for Qantas International and Domestic, combined, to exceed their cost of capital on a sustainable basis within five years of August 2011," Joyce said. ACW

Economic woes lead Cathay Pacific to park three freighters this year

Where have all the freighters gone?

Undaunted by the blight of Europe, China Airlines has mounted a new freighter service to Belgium. The twice-weekly operation, flown on a B747-400F, goes from Taipei over Kuala Lumpur and Chennai to Brussels. By inserting two Asian markets into the ailing Taipei-Europe sector, the carrier's management seems to be hoping to get a decent return on the service.

The Taiwanese airline is following a trail blazed by Cathay Pacific and Singapore Airlines, carriers that have been trying to leverage their networks to link trunk routes with emerging markets in India, Indonesia, Vietnam and China's interior. However, there are limits to this strategy, as Cathay demonstrated recently; to cope with the brutal decline in traffic and yields, management decided to take two more 747-400BCFs out of service, bringing its tally of freighters parked this year to three.

James Woodrow, manager of cargo sales and marketing, expressed puzzlement over the situation. "With modern planes and our network, we are not making money. How can others, especially if they are going point to point?" he remarked, adding that he had expected more airlines to buckle.

Cathay is taking a knife to its long-haul sectors. According to Nick Rhodes, director and general manager of cargo, the airline is slashing its capacity on the Asia-Europe sector by 25 percent to 30 percent, while lift across the Pacific is going down by 25 percent.

Freighter capacity is on the wane. Jade Cargo, which had already dropped from the scene at the end of last year, made its exit official in early June, just when the end was an-

nounced for Grandstar Air Cargo, the Tianjin-based joint venture that involved Korean Air Cargo. Grandstar, which lost $53 million last year, had suspended operations by early June and was going to be liquidated.

Another significant capacity reduction is coming from Air France-KLM, which recently announced that it would take one of its five freighters out of service. AF-KLM saw its cargo loss grow to $88.4 million in the first quarter from a $11.7 million deficit 12 months earlier. The carrier's cargo revenue contracted by 8.3 percent in April. More cost-cutting measures are looming, as Air France management has signaled that unprofitable routes will be shelved.

However, so far, these cuts carriers have made to capacity have failed to make a serious dent in the gap between supply and demand. In part, this is due to the relative strength of the passenger business in Asia, which has continued to grow, albeit at a reduced pace. "Belly space is replacing freighter capacity, or freighters are too expensive to compete with belly space," commented Robert Song, vice president, Asia-Pacific, for AirBridgeCargo Airlines.

The main reason for the overcapacity is the slump in China's appetite for airfreight. A brief peak in March sparked hopes of growing demand, prompting airlines to jack up rates out of China by up to $0.94 per kilo, but prices bounced back down as soon as that momentum petered out. Since then, prices have continued to plumb new depths. Spot rating is rampant — below levels required for a sustainable freighter operation —remarked Gerhard Blumensaat, director of airfreight for central China at DB Schenker.

As a result of fierce pricing moves from airlines and an overall volatility in the market, forwarders have scaled down their volume commitments to carriers and have gone more and more for ad-hoc pricing. Shipper forecasts for demand two to three months down the road have largely dried up, and forecasts that did arise, turned out to be wildly of the mark, one forwarder reported.

The engine of global growth is visibly stuttering. Not only has export growth from China slowed sharply, but imports have also lost momentum, as high inflation, notably rising food and fuel prices, is eroding the purchasing power of Chinese consumers. Airlines' load factors out of Asia have dropped painfully. In April, the average international load factor of members of the Association of Asia Pacific Airlines fell 2 percentage points to 66.3 percent, despite a 4.8-percent reduction in capacity. In terms of freight-tonne kilometers, their cargo traffic was down 7.6 percent in April.

A number of carriers have been phasing out older cargo aircraft as new models come on stream. Most 747-8 freighters that enter the market are pushing some older types, mostly 747-400BCFs, out of the lineup. China has been one of the top choices in terms of destinations for the new plane, but with too little freight to chase, it is not generating the returns their owners had anticipated. ACW

Malaysia Airlines Cargo fined for price fixing

Following an action by the Australian Competition and Consumer Commission, the Federal Court in Sydney has fined Malaysia Airlines Cargo $6 million for engaging in price fixing. Malaysia Cargo has been found guilty of being part of a cartel from 2001 to 2005.

According to an ACCC press release, Malaysia Airlines Cargo conspired to set security surcharges between October 2001 and October 2005; fixed fuel surcharges between April 2002 and September 2005; and conspired to set Customs fees between May 2004 and October 2005. The ACCC brought the charges against Malaysia on April 9, 2010.

Cases against Singapore Airlines, Cathay Pacific, Emirates, Air New Zealand and Thai Airways are ongoing. But the ACCC, Australia's consumer watchdog, has already seen $58 million in fees imposed against members of the cartel. In 2008, the commission saw price fixing fines levied against Qantas and British Airways. In February 2009, the ACCC saw Air France-KLM hit with a $6 million fine, and Martinair and Cargolux fined $5 million each.

"The ACCC's focus on stopping cartel conduct has sent a strong message. It is crucial for the proper functioning of business in Australia that the ACCC continues to tackle cartel conduct with the full force of the law," Rod Sims, the organization's chairman, said in a statement. "Cartel conduct is damaging and unlawful because it harms competition and usually inflates prices for consumers."

The Australian High Court's actions mirror similar price-fixing penalties levied by authorities around the world against carriers and forwarders. One of the most recent cases came out of the European Union, where authorities fined 14 freight forwarders a combined €169 million for participating in price-fixing activities.

In the U.S., the Department of Justice has meted out fines totaling more than $1.8 billion. The U.S. has also gone after freight forwarders; the most recent ruling, which occurred in September, went against six Japanese freight forwarders to the tune of $46.8 million. ACW

Logistics center planned for HKIA

Officials with Hong Kong International Airport announced last month that they have signed an agreement to develop a 6,685-square-meter logistics center in the free trade zone near the airport. The tenant, YG-1 Co., has committed KOR2.5 million to the project, which is expected to be completed and ready for move-in by September.

YG-1 specializes in mechanical, auto and aircraft parts, and the firm, according to an HKIA press release, is the fifth biggest manufacturer of cutting tools in the world. The company is looking for the new facility to help it cut down delivery time and double its current sales of KOR256 million over three years.

Officials at HKIA are, of course, encouraged by the development and look forward to a boost in cargo tonnage. "More than 70 percent of YG-1's revenue is generated by export, and the company depends on air transport for about 2,000 tonnes, or 35 percent, of their total cargo volume. Their move into the logistics center will also contribute to increasing the airport's cargo volume," an HKIA spokesman said.

After 14 months of declines, Hong Kong International Airport finally recorded modest cargo growth in May. Volumes increased 1.1 percent, year-over-year, to 333,000 tonnes — a figure reflecting a 3 percent, year-over-year, surge in exports and higher-than-average traffic to and from Southeast Asia.

Despite this increase, cargo at HKIA is down from a five-month point of view. Freight volumes fell 0.9 percent, year-over-year, in the first five months of 2012, dropping to 1.6 million tonnes. Cargo activity also decreased on a 12-month basis, plunging 4.5 percent, year-over-year, to 3.9 million tonnes.

Flight movements at HKIA bucked the trend, however. The airport saw 341,830 aircraft movements from May 2011 to May 2012, a 6.2 percent, year-over-year, increase. Flight movements at HKIA were also up in the first five months of 2012, surging 5.9 percent, year-over-year, to 143,445 movements. Although HKIA's May air traffic figures were slightly below the airport's five-month average, they showed considerable improvement, increasing 5 percent from May 2011. HKIA's passenger volumes recorded similar growth in May.

Airport Authority Hong Kong CEO Stanley Hui Hon-chung praised HKIA's passenger increase, but was especially impressed by the cargo growth, considering the economic landscape. Even so, he said he's "cautiously optimistic" about the near future and "will continue to monitor closely the impact of economic uncertainties on the aviation industry." ACW

In the news...

Officials at **Singapore Changi Airport** saw 152,900 tonnes of freight come through the airport last month, a 2.8-percent, year-over-year, drop in activity. The result confirmed Changi's 2012 downward trend, which has resulted in a 1.3-percent decrease in cargo during the first five months of the year. The first two months of the year had been tough for Changi, resulting in 7.1-percent and 12.4-percent traffic decreases in January and February, respectively. March's year-over-year numbers came in at negative 1.8-percent; May's results are a slight rebound over April's 2.8-percent, year-over-year, decline... After grounding its fleet of six Boeing 747-400ERFs on December 31 due to depressed demand, **Jade Cargo International** has officially shut down. The liquidation of the Chinese carrier — of which Shenzhen Airlines, Lufthansa Cargo and German investment firm DEG hold a 51-percent, 25-percent and 24-percent stake, respectively — comes on the heels of numerous capacity cuts in the Asia-Pacific region. In February, Jade Cargo announced a possible restructuring deal between its shareholders and the Shenzhen-based UniTop Group. Unfortunately, the deal fell though, a Lufthansa Cargo spokesman explained. "Due to the ongoing weak demand for air cargo services to and from China, the restructuring of Jade Cargo could not be successfully concluded," the spokesman said. "In view of the latest developments, the board of directors has decided to voluntarily dissolve the company subject to all required government approvals for this process. All efforts will be made to minimize the impact on stakeholders." ... The **Indian government** has formed an air cargo group to push for air cargo facility development at airports in the country, set quality and performance standards for air cargo and continually review governmental air cargo policies. According to a press release, the 17-member board, which will be headed by the secretary of the civil aviation ministry, also has been put into place to resolve what it calls "inter-ministerial issues." ... Leipzig/Halle Airport and **Shanghai Pudong International Airport** have agreed to work together to develop new cargo routes and expand existing trade lanes between Europe and Asia. The united airports will first focus on services to eastern Chinese cities near the Yangtse Delta, according to a joint press release. Officials at the airports will also jointly develop new markets and unite in their quest to nab new customers, exchanging information and personnel when needed. Representatives from Mitteldeutsche Flughaen AG — Leipzig/Halle's parent company — and the Shanghai Airport Authority signed the agreement during the transport logistic China exhibition in Shanghai. "The future belongs to those airports that are involved in actively developing unified standards for making information available to the benefit of customers and anchoring these standards in a high-quality management system," Markus Kopp, Mitteldeutsche's CEO, said in a statement. "This further cooperation arrangement with the Chinese target market will not only open up new horizons for customer acquisition for Leipzig/Halle Airport, but also trigger additional growth incentives." .. **DHL** recently opened a 56,000-square-meter life sciences and healthcare distribution center in Mumbai ... **Kuehne + Nagel** has opened a new spare-parts hub at the Airport Logistics Park in Singapore. ACW

Air Canada, others power multi-carrier biofuel experiment

Air Canada and three other airlines took steps into the world of biofuels on June 19, operating a series of flights between Canada and South America using planes powered by biofuels. Air Canada's Airbus-supported flight, which was partially fueled by recycled cooking oil, is part of an initiative by the International Civil Aviation Organization and was undertaken to correspond with the Rio +20 United Nations Conference on Sustainable Development.

"[The] flight with Air Canada proves that the aviation industry is in a strong position to reduce emissions," Airbus' Fabrice Brégier said in a statement. "To make this a day-to-day commercial reality, it requires now a political will to foster incentives to scale up the use of sustainable biofuels and to accelerate the modernization of the air-traffic-management system. We need a clear endorsement by governments and all aviation stakeholders to venture beyond today's limitations."

ICAO Secretary General Raymond Benjamin traveled on the Air Canada flight from Toronto to Mexico City to make his way down to Rio de Janeiro for the summit. But the Toronto-Mexico flight was just one leg of a journey that involved a handful of carriers and the world's top three aircraft manufacturers. Benjamin began his itinerary in Montreal, traveling on flights operated by Air Canada, Porter Airlines, Aeromexico and GOL.

"This is truly a world-first series of flights, and one which demonstrates that the whole air transport sector is working together to make significant advances across a range of sustainability issues, so that it can continue to fulfill its role as a catalyst for economic and social development, while reducing its impact on the environment," Benjamin said in a statement. ACW

FedEx will retire freighters due to the company's underwhelming performance

FedEx sees sluggish numbers, packs up freighters

Although FedEx's revenue rose 3.8 percent, year-over-year, in the fourth quarter of fiscal-year 2012, which ended May 31, the U.S.-based integrator saw earnings slide 1.4 percent, year-over-year, to $550 million. Even so, FedEx Ground and FedEx Freight performed particularly well in the fourth quarter, with revenues in those segments surging 9 percent and 7 percent, year-over-year, respectively.

FedEx Corp. President Frederick W. Smith said recently that the improved performances of FedEx Ground and FedEx Freight throughout the entire financial year, as well as better yields across all business segments, led to "strong earning results for fiscal 2012."

The integrator's express segment — its most lucrative sector — saw mixed results in the fourth quarter of fiscal-year 2012, however. Revenue increased 2.6 percent, year-over-year, to $6.8 billion, although operating profit in the sector fell 34 percent, year-over-year.

FedEx Express' average daily package volume in the U.S. also dropped in the fourth quarter, declining 5 percent, year-over-year. To address such declines, the integrator retired 18 Airbus A310-200 and six Boeing MD10-10 aircraft, as well as 43 jet engines, from its U.S. Express fleet during the quarter. The retirements led to a non-cash impairment charge of $134 million during the fourth quarter of fiscal-year 2012, according to a press release.

The 24 recently retired freighters joined the five Boeing 727-200 aircraft FedEx cut from its fleet in the fourth quarter of fiscal-year 2012, according to the press release. This year, there will be even more capacity cuts, however, with the retirement of 21 B727 aircraft, a measure previously announced.

"Along with the decisions to retire these 50 aircraft, we are also developing detailed operating and cost structure plans to further improve our efficiency," David Bronczek, Fe-

dEx Express president and CEO, said in a statement. "We expect to provide additional information on these plans in the fall."

The integrator also saw declining daily package volumes abroad, with traffic decreasing 3 percent, year-over-year, in the fourth quarter of fiscal-year 2012. Sluggish volumes out of Asia contributed greatly to this decrease, according to a press release.

Despite this drop, FedEx officials are looking to grow its express business overseas, particularly in Europe. In April, FedEx agreed to purchase Polish courier Opek Sp.z o.o. — a deal that is expected to close this summer — and announced plans to procure French business-to-business express company Tatex one month later. The Tatex acquisition will give FedEx Express access to a domestic ground network that generates approximately €150 million in annual revenue, according to reports.

FedEx hopes such acquisitions will benefit the company in the upcoming financial year. "We are focused on improving margins in all businesses, although we face certain cost increases in fiscal 2013," Alan B. Graf, Jr., the company's executive vice president and CFO, said in a statement.

"We expect to mitigate [the challenges ahead] by reducing costs and improving efficiencies," he added, "and we are continuing to evaluate additional actions to substantially improve FedEx Express margins." ACW

ACI, ICAO sign MoU for airport safety

The International Civil Aviation Organization and Airports Council International have linked up to improve safety at airports worldwide. Under the MoU the organizations signed on June 15, ICAO and ACI will work together on technical assistance programs, support regional collaboration, exchange data and attain mutual access to each other's databases.

The MoU also supports the development of the ACI Airport Excellence (APEX) in Safety Programme, according to a press release. A resource to help airports spot and remedy potential safety risks, APEX incorporates information-sharing, training and technical assistance.

Angela Gittens, ACI director general, said her organization's partnership with ICAO will take APEX — and aviation safety, in general — to a higher level. Calling the MoU significant "for all of us who rely on a safe and secure global air transportation system, Gittens said ACI applauds the "leadership that ICAO has demonstrated for continuous improvement in the safety mission."

Roberto Kobeh González, president of the council of ICAO, similarly praised the partnership, remarking on the tangible benefits that will be gleaned from it. "The memorandum that we [signed] provides a framework for enhanced cooperation between our two organizations and reflects ICAO's continuing efforts to take a more action-oriented approach to promoting safety," he said in a statement. ACW

GAO wants carriers to report screening data

After assessing U.S. screening protocols, the U.S. Government Accountability Office recommended that the U.S. Department of Homeland Security weigh the costs and benefits of forcing all-freight carriers to report inbound cargo screening data. In a report, GAO acknowledged that the DHS is currently addressing this recommendation, but some challenges exist.

Although the U.S. Transportation Security Administration has not mandated 100-percent screening on U.S.-bound cargo flights, it announced a Dec. 3, 2012, deadline for in-bound passenger flights in May. The latter mandate was originally slated to go into effect on Dec. 31, 2011, but was pushed back due to industry feedback.

According to GAO, TSA officials said a key reason for the push-back is that it's difficult to verify the accuracy of self-reported screening data provided by international passenger carriers. Because of this, GAO said the "TSA has not yet weighed the costs and benefits of requiring all-cargo carriers to submit screening data, and by doing so, TSA could determine whether this additional data could enhance its efforts to identify potential risks for inbound air cargo, develop cost-effective strategies and measures to manage these risks, and provide additional assurance that all-cargo carriers are complying with TSA's enhanced screening requirements."

The GAO report acknowledged that the TSA has taken proactive steps since the October 2010 Yemen cargo bomb scare to boost security of inbound freight. One initiative was the TSA's installation of a risk-based screening method from October 2010 to May 2011 to determine potentially hazardous shipments.

The TSA also judiciously prohibited the transport of belly-hold cargo on aircraft leaving Yemen and Somalia, two nations deemed high-risk, according to a press release. ACW

NOAH

HAD A WORD FOR IT

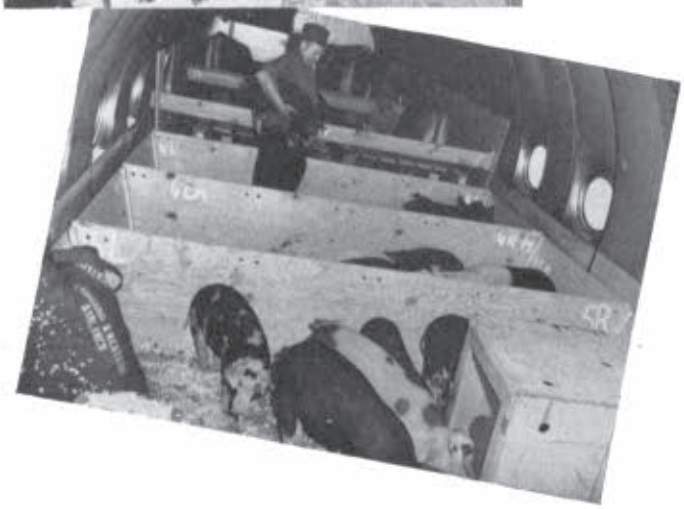
"Noah had a word for it," a case study regarding shipping animals from New York to Milan, appeared in the July 1948 issue of *Air Transportation*.

NOT THAT AIRBORNE animals are rare—but before this we hadn't come across the barnyard variety which Seaboard and Western Airlines, international air freight carrier, zipped over the ocean in a single plane.

Seven bulls, two heifers, 50 swine, five dogs, and 16 White Leghorns—four score animals in all—comprised the 11,000-pound payload flown in 26 hours from LaGuardia Airport, New York, to Milan, Italy. Air Freight Associated Carriers was the forwarder for this record shipment. Carnation Farms, Washington, was consignor for most of the cargo.

Bouquets for Wallace P. Neth, S&W's traffic - warehousing - loading expert, who planned the loading of the DC-4. Bulls and heifers were tethered in prefabricated stalls in the forward part of the plane. Working backward, the pigs were penned in lots of five, with the dogs and chickens taking up the extreme rear. Completing the atmosphere was a deep layer of shavings on the floor of the plane, hay for cattle, and feeding troughs for the swine.

The pictures on this page show the various stages of loading at LaGuardia Airport.



PAGE 14—AIR TRANSPORTATION—*Air Commerce*

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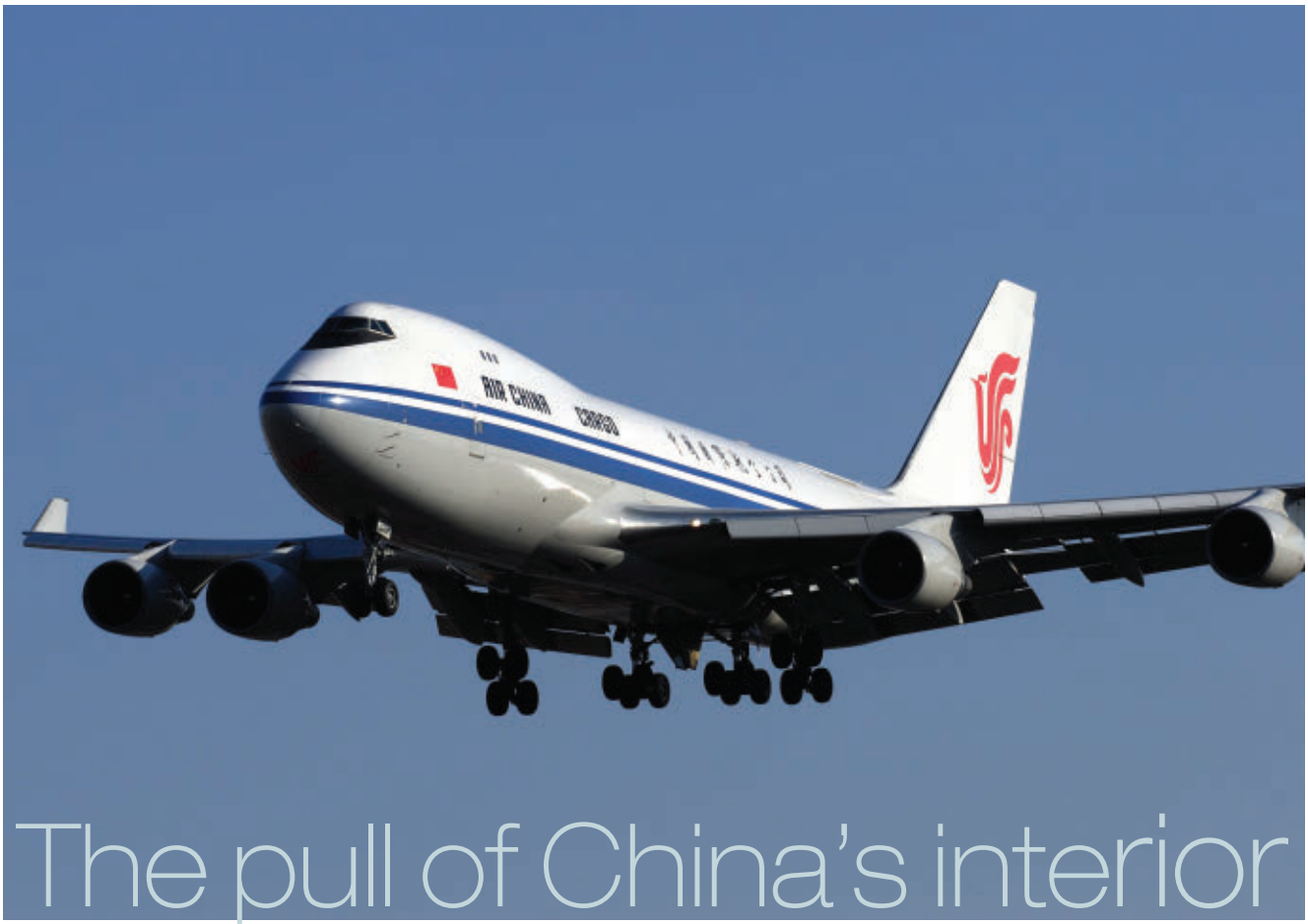

The pull of China's interior

Carriers have been piling capacity into the emerging markets in central and western China, but the momentum of the market lags behind projections.

In May, Cargolux started a twice-weekly freighter service to Chongqing in western China. The European all-cargo outfit joined a slew of international carriers that have added cities in China's interior to their freighter networks during the past nine months, a list that includes FedEx, Korean Air and Singapore Airlines, not to mention the Chinese carriers.

A few of these carriers have jumped into several emerging points. Lufthansa, which had been one of the first carriers to fly freighters to Chengdu, started MD-11F flights to Chongqing this spring; Cathay Pacific boosted its presence in the interior, which had consisted of scheduled freighters to Chengdu and regular charters to Chongqing, to scheduled cargo flights serving Zhengzhou and Chongqing; AirBridgeCargo, which resumed flights to Zhengzhou last fall after a brief hiatus, added Chongqing and Chengdu to its roster this spring.

Cathay Pacific and ABC have ambitions to ramp up their capacity at the newly developed points as soon as possible. ABC currently runs seven flights a week to Zhengzhou — five are routed over Chengdu, and two fly through Chongqing. "We're planning to make that 14 flights a week. Ultimately, we should have daily service out of all three points," says Robert Song, the Russian carrier's vice president, Asia-Pacific.

Zhengzhou was the most recent addition for Cathay Pacific. It is currently served twice a week, but the plan is to eventually go up to four or five frequencies each week. The carrier's weekly routings to Chongqing and Chengdu stand at four and three, respectively, at the moment. James Woodrow, the carrier's general manager of cargo sales and marketing, says that management is considering adding up to six flights a week to each point.

The migration of manufacturing from the coastal provinces to the interior has pushed these new gateways onto the global stage. "Volumes from the interior have been increasing as more high-tech customers moved inland," notes Li Wenjun, head of airfreight for China at DHL Global Forwarding.

First and foremost, the production of notebooks and smartphones has driven the rise in airfreight demand out of the new points. In addition, the automotive industry is ramping up production in the areas around Chengdu, Chongqing and Zhengzhou. Chongqing — a manufacturing base

that includes Hewlett-Packard, Cisco and Acer — is a city about to turn into a center for IT development in China. Airfreight volumes have been somewhat erratic so far, though. "Loads are up and down. It's feast or famine in Chongqing. It helps that we route our flights over Zhengzhou," Song says.

Chengdu has a strong contingent of auto manufacturers aside from Foxconn and Intel, leaders in the city's phalanx of high-tech producers. In Zhengzhou, Foxconn has been the main driver of development. The Taiwanese contract manufacturer has doubled the export volume of the Henan province. "Zhengzhou is one of the fastest-growing centers for electronics manufacturing in the mainland," remarks Nick Rhodes, director and general manager of cargo at Cathay Pacific.

Song agrees with Rhodes' assessment of the area. "Our load factors out of Zhengzhou are high," he says. According to Song, ABC, which was the first international freighter operator in Zhengzhou, carries about 70 percent of the international volume in the market. But, perhaps, not for long, he says.

Others have focused more on the two emerging gateways in the Sichuan province, where they see stronger traffic. "We have volumes out of Zhengzhou, but it is 30 percent of what we have out of Chongqing and Chengdu," says Gerhard Blumensaat, director for airfreight, central China, at DB Schenker. He found the available main-deck capacity sufficient to cover demand out of the emerging regions. The slump in exports from China has hit the interior as well as the established coastal gateways. Moreover, the pace of the migration inland has slowed.

"A year ago we were of the opinion that the migration would be faster than we had anticipated two years ago. Now it seems not so quick. It looks like we are back to the pace that we expected two years ago," Blumensaat says.

At their new feeding grounds, freighters also have to contend with rising belly capacity, most of which comes courtesy of the Chinese carriers. "Belly capacity is a good supplement to our freighter operations in the interior," remarks Titus Diu, chief operating officer of Air China Cargo. The airline's belly capacity has grown considerably with the introduction of B777ERs, which started coming on stream last year. For the most part, though, Chinese carriers are using narrow-body passenger planes to the emerging markets, which limits the scope for belly-hold cargo.

"Chengdu has wide-body belly space connecting with Beijing and Shanghai. Chongqing and Zhengzhou's belly capacity is not sufficient ,as the flights to Beijing and Shanghai have only narrow-body aircraft, which are not suitable for pallet shipment," DHL's Wenjun says.

The large Chinese carriers have all deployed freighters at the new gateways and plan to increase capacity when demand goes up. China Southern Airlines earlier added a stop in Chongqing on the Guangzhou-Amsterdam route. When the time is ripe, it will look at putting freighters into Chengdu and Chongqing, remarks Luo Laijun, senior vice president of China Southern Cargo.

The Chinese carriers have shown significant improvement in their transit capabilities, moving further away from their traditional focus on point-to-point traffic, Blumensaat observes. This, and the arrival of more direct lift to European destinations, has improved transit times. For freight heading to North America, the relative scarcity of capacity means that transit times from China's interior are still markedly longer than those from the coastal gateways. "For Europe and the Asia-Pacific, the transit time is still the same level as for traditional gateways, but for U.S. lanes, the transit time will be one to two days longer due to few direct solutions there," Wenjun says.

ABC has ambitions to mount a China-U.S. operation on a trans-polar route, a plan that would bring down transit times between the two markets. This scenario is not going to materialize in the near future, however, as the carrier lacks the requisite number of aircraft. "We are not interested in operating anywhere twice a week. We want daily or twice-daily," Song says. He describes Zhengzhou as a leading candidate for such a service. ABC is bullish about the city's

Lufthansa was one of the first carriers to fly freighters into Chengdu

export volumes, but even more so about imports. With two populous provinces next to each other, a well-developed rail and road network, and ample space for warehousing facilities, Zhengzhou would make an excellent distribution point for imports into central China, he argues.

Moreover, distribution costs would be significantly lower than in the coastal areas, but this argument has not cut a lot of ice with importers so far. Even for companies that have moved production inland, most distribution and supply-chain management is still managed from the coastal regions, Blumensaat observes.

At this point, Zhengzhou would probably be struggling to assume a large role as a distribution hub. The airport's cargo infrastructure has serious limitations, although a recently built facility for domestic cargo has given operators some breathing space. By the same token, forwarders report that the cargo infrastructure at Chengdu and Chongqing is insufficient to handle the projected growth on their doorstep.

"Chongqing and Chengdu will experience some problems on the facility side. They are already short of space. There is not sufficient land to park freighters. On a long-term basis, that is a worry for us," Song comments. "Zhengzhou still has a lot of land available."

Blumensaat is not concerned about the infrastructure shortcomings. Previous infrastructure development drives in China suggest that infrastructure development will not lag far behind the pace of growth, he says. Moreover, the airport authorities at Zhengzhou, Chongqing and Chengdu have been eager to draw in more freighter flights. However, sluggish conditions for imports and exports suggest that these airports are facing an uphill battle for the foreseeable future. Forwarders and carriers expect some improvement in the second half of this year, but nobody is predicting a strong peak and a surge in volumes.

Toward the end of the second quarter, the market was very quiet. According to some sources, Cargolux suspended its Chongqing service only weeks after it started. A spokesman for Cargolux confirmed the cessation of services, but says flights will resume once an operational issue is resolved.

More capacity is bound to come into the picture. Air China Cargo will get two final B747-400BCFs from Cathay Pacific soon, and it has no intention of parking them, Diu says. Meanwhile, the carrier's contingent of B777-ER passenger planes will go up from the current fleet of seven to 16 by the end of next year. ACW

COMMERCE 2.0:
CARGO'S PUSH TOWARD PAPERLESS

It was the declaration heard 'round the world: Instead of advocating for an all-at-once method regarding e-freight implementation, the International Air Transport Association announced in March that it would hone in on what many in the industry deem a more feasible goal, pushing for 100-percent e-air waybill implementation by 2014. Although the airway bill is only one document in a shipment — consignments can require up to 30 documents — it's arguably the most important one. And eAWB advocates say that digitizing them can reduce errors associated with rekeying the same data multiple times; it also helps prevent the falsification of information. But from a total e-freight perspective, paperless air waybills are only a small piece of the puzzle.

Tim Scharwath, executive vice president of air logistics at Kuehne + Nagel, says the eAWB is an essential document, but he believes the true value for freight forwarders is in full e-freight implementation. After all, Scharwath explains, forwarders utilizing eAWBs still have to carry pouches for other documents, such as packing lists and deliveries. "Therefore," he says, "we think it's okay to put an emphasis on eAWBs, but it's not really the real deal."

Despite setting a new benchmark for e-commerce implementation, IATA holds a similar viewpoint, Des Vertannes, the association's global head of cargo, maintains. A key misconception, he says, is that IATA has shifted its focus away from e-freight. Not so, Vertannes asserts.

"We are simply progressing the goal through areas we can most influence," he says. "Because of its central role in the cargo transportation process, we see the eAWB as a natural first step toward a full paperless industry." Vertannes says eAWB facilitation familiarizes industry stakeholders with defined paperless procedures, establishes electronic links, and promotes accurate data quality, "which all contribute and catalyze the removal of other documents in the e-freight scope."

The full implementation of e-freight remains IATA's top objective, however, with the association citing December 2015 as the industry's latest deadline for going paperless. Still, Vertannes says IATA is reviewing the feasibility of this goal with its partners from the Global Air Cargo Advisory Group, the coalition encompassing IATA, The International Air Cargo Association, the International Federation of Freight Forwarders Associations (FIATA) and the Global Shippers' Forum.

Bill Gottlieb, chairman of the GACAG E-Commerce Task Force and former FIATA president, isn't convinced that the industry will hit IATA's targets. For starters, Gottlieb says, IATA's goal of total e-AWB implementation by 2014 is rather aggressive. "It would be nice to assume that it would be ready by then, but I think it will take a bit longer than that to see usage reaching a fairly high level," Gottlieb says. "E-commerce is motherhood and apple pie — everyone supports it and wants to drive its implementation, but there are significant costs involved."

Cost isn't the only barrier to e-freight acceptance. Industry insiders point to both system-integration issues and the Warsaw Convention, which mandated in 1929 that carriers must contain paper air waybills to keep their liability limits intact, as other roadblocks. Such impediments have even led some to question whether total e-freight implementation is a realistic goal or simply a pipe dream.

Digital demands

Even Vertannes, who touts e-freight as "the cornerstone of modernizing our industry," admits that the Warsaw Convention could impede progress. Although the Montreal Protocol and the Montreal Convention 1999 — which both validated the use of e-documents — counteracted the Warsaw Convention, some nations haven't ratified the newer laws. It's only a small number — around 10 percent — but this is a problem, nonetheless. Vertannes points to technology as another challenge. Digitizing air waybills requires carriers and freight forwarders to have access to IT systems to facilitate the exchange of information, he says.

K + N's Scharwath cites a related issue. From a technical perspective, he says, many carriers are utilizing outdated systems, which can com-

promise data quality. Take Cargo Interchange Message Procedures, or Cargo-IMP, for example, he says. Because the system is 20 to 30 years old, Scharwath says it doesn't provide all the information necessary for effective e-commerce. "And it definitely doesn't make all the information as good as it should be when it comes to printing or when it comes to using the information on these e-documents," he says. Overcoming this obstacle often requires forwarders and carriers to upgrade their systems to an XML format, Scharwath says.


Scharwath

Stan Wright, manager of cargo systems and e-freight at Emirates SkyCargo, agrees that implementing such a change is challenging, but says the biggest hurdle to overcome is altering the cargo community's mindset. To some, the idea of going paperless seems taxing, Wright explains. But he says it's well worth it.

"Once businesses and organizations recognize the advantages of e-freight and e-commerce, greater cooperation and coordination will be seen across the board, and the process will gather pace," he says. "There is a perception that it will cost more. However, in reality, it reduces cost and increases the overall efficiency of the supply chain, which should benefit the end consumer."

Wright has witnessed these benefits firsthand, he explains. Since November, Emirates SkyCargo has utilized eAWBs on all shipments out of its Dubai hub. Wright acknowledges that the carrier was already equipped to meet IATA's 2014 deadline for AWBs — since more than 50 of the destinations it serves are e-commerce-compliant — but says the execution of this demonstrates Emirates SkyCargo's commitment to progress. "We firmly believe e-freight will become the industry standard, and those who embrace the changes first will be best placed to reap those benefits," he says.

In addition to eliminating paper air waybills in Dubai, Emirates SkyCargo has achieved other milestones in the past year and a half, Wright says. In December 2010, the freight carrier completed its first paperless flight — a Boeing 777-300ER traveling from Mauritius to Dubai — and operated its inaugural paperless freighter flight in April 2011, flying from Nairobi, Kenya, to Amsterdam.

To Wright, these accomplishments do more than show Emirates SkyCargo's fulfillment of industry goals; they put the carrier in a category of "forward-thinking" airlines and forwarders, he says.

Global initiatives

Cathay Pacific Airways was one of the first airlines to make headlines for its paperless initiatives. The carrier removed all paper air waybills from its Hong Kong International Airport hub on Jan. 1, 2011, and introduced eAWBs in Singapore and Malaysia 14 months later.

Hong Kong Air Cargo Terminals Ltd., HKIA's largest freight-handler, has also made significant strides in the push toward paperless, explains Hactl's general manager of information services, Cindy Ng. After IATA selected HKIA as one of its five pilot airports for e-freight in 2007, Hactl began defining targets for the new regime, she says. Two years later, Hactl initiated the process of rolling out its fully e-freight-enabled COSAC-Plus cargo management system. Ng calls the web-based system a game-changer for Hactl, opening up e-freight to smaller cargo agents who can't afford heavy IT investments.

"As it is, Hactl and Hong Kong are ahead of the game," she says, "but we all have a very long way to go." After all, she says, change takes time and energy — but it's a fruitful pursuit. Ng reveals that Hactl is currently enhancing COSAC-Plus to en-

Carrier spotlight: Swiss WorldCargo

Air Cargo World: What are some of the key barriers to e-commerce?

Oliver Evans, chief cargo officer: What went wrong with e-freight in the past was an autocratic and uncoordinated initiative of IATA, leading to the totally predictable recognition that e-freight is a far more complex proposition than e-tickets, and an equally predictable cacophony of protest, misinformation and confusion. This is all history, and we have all learned from it. Today's barriers are very clear: the only partial readiness and willingness of the industry to use messaging as the core of their communication strategy, and the poor quality of messages caused by inadequate awareness and training.

ACW: How will e-freight alter operations?

Evans: E-freight will become the standard. Any company unwilling or unable to keep up will be severely hampered or penalized by its commercial partners. E-freight requires planning and great effort by all stakeholders. Companies that successfully manage the transition will all benefit hugely, passing quality and cost advantages along the supply chain.

ACW: How is Swiss WorldCargo breaking away from paper documents?

Evans: First, we are conducting an internal awareness program, comprising both e-learning initiatives and workshops. We are also taking the lead in our home market of Switzerland with the Interest Group Air Cargo, which we helped form last year. We also liaise closely with the local community in markets where the national carrier has taken a similar lead, such as in the case of Cathay Pacific in Hong Kong. Thirdly, we actively engage with all of our customers who are ready to convert specific cargo flows to e-freight on lanes that are e-enabled.

ACW: Where do you get your direction concerning e-freight?

Evans: We're taking our bearings in this field from the GACAG e-Commerce Task Force. Still, we urge the GACAG Task Force to set clear, specific, time-definite targets for both eAWBs and e-freight as soon as possible, which should then serve as industry targets for all stakeholders.

Hactl's facility at Hong Kong International Airport is fueled by the e-freight enabled COSAC-Plus cargo management system

able freight forwarders to submit house and master AWBs directly into carriers' systems.

Without progress, Ng fears that the airfreight industry will suffer. "The industry is lagging behind the business sectors it serves, and that makes us very vulnerable," she says. "Airfreight must collectively change its attitude to this technology." It's sink or swim, Ng says: "If you do not adapt, extinction is the penalty."

Vertannes holds a similar viewpoint, explaining that achieving full eAWB utilization — and eventually, e-freight implementation — will require a sea change in the airfreight sector. Still, he points to significant strides around the globe, including Russia's cross-governmental initiative to implement e-freight and China's "real dialogue with authorities, which we believe will translate into practical steps in 2012." The U.S. has also made immense progress in the push toward paperless, Vertannes says, with e-freight for domestic shipments live at most U.S. airports.

"But we must recognize these are significant changes for the state administrations," he says. "This cannot happen overnight and must align with their government's own policies and constraints, including topics like security and fiscal compliance."

IATA is currently working within GACAG on a three-pronged approach to e-commerce. The gameplan includes expanding the e-freight route network, defining a joint roadmap to full e-freight implementation and adding new data and resources for industry stakeholders.

"At the end of the day, successful implementation remains a task for leaders from key industry players," Vertannes says. Because of this, he hopes to get more shippers on board with e-commerce, collaborate more closely with regulators, and more effectively merge resources of IATA and FIATA.

The future of the entire global airfreight sector depends on it, he says. ACW

"The industry is lagging behind the business sectors it serves, and that makes us very vulnerable. Airfreight must collectively change its attitude to this new technology."

— Cindy Ng, Hactl

Airport spotlight: Amsterdam Airport Schiphol

Air Cargo World: What is Schiphol's stance on IATA's eAWB focus?

Saskia van Pelt, director of business development: Since IATA is an airline organization, and carriers need to implement eAWBs, it is understandable that IATA would consider this a top priority. But we hope that this shift in emphasis will not result in a softening of the ambition to achieve the larger goal of paperless airfreight. Although full e-freight is a major task and will take a lot more time and effort to complete, the end result is vital to the future of the air cargo industry. We should not be back-pedaling.

ACW: What has impeded the utilization of e-freight in the past?

Van Pelt: The systems used by many of the large, multinational forwarders make it complicated and potentially costly to adapt to a new, paperless way of working. Regulatory bodies in some parts of the world will also need to make major changes to their systems and procedures. And smaller agents need to be convinced of the benefits of adopting paperless systems.

This was never going to be easy, but that doesn't mean that it isn't worth the effort. Airfreight is living in the past. It's hard to believe that an industry that owes its very existence to speed should continue passing paper around and allow the errors and inefficiencies that result. These problems work against our industry and erode our competitive edge against other transport modes at a time when we can't afford it.

ACW: How is Schiphol airport propelling the use of e-freight?

Van Pelt: E-freight is a significant element in Schiphol Airport's drive for sustainability and greater efficiency in airfreight. Schiphol Cargo conducted its first e-freight session in January 2010 and formed the Efreight@NL consortium in April 2010. In 2010, the Dutch Ministry of Economic Affairs awarded the project a €1.2 million grant. With KLM Cargo as secretary, the project's participants include various supply-chain partners and organizations, including Air Cargo Netherlands. Amsterdam Airport Schiphol plays a key role in strengthening relations with other major worldwide hubs involved in e-freight, and we've established MoUs with both Singapore Changi Airport and Incheon International Airport.

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CHARTERS

Special Advertising Feature

CHARTING NEW MARKETS

The ability to diversify and adapt to changing market demands is helping many players in the cargo charter business strengthen their position and develop new business opportunities. Whether its Wallace Air Cargo's connection with Kalitta or Coyne Airways' military service, the following eight companies are flying their own courses in the volatile charter market.

Volga-Dnepr Airlines

The delivery of a fifth IL-76TD-90VD has prompted Volga-Dnepr Airlines to position one of the new-generation freighters within Europe for the first time. The fifth new generation IL-76TD-90VD freighter was built to order at the Tashkent Chkalov Aviation factory in accordance with a contract concluded between UAC-Transport Aircraft and Volga-Dnepr-Leasing. Basing an aircraft at Leipzig/Halle in Germany will bring improved operating efficiencies, according to Ivan Strelnikov, deputy commercial director of Volga-Dnepr Airlines.

"Stationing one of the new aircraft at Leipzig/Halle will significantly reduce the cost of ferry flights and provide further service benefits for our customers in Europe," he says. "The availability of a maintenance facility directly on site will also allow us to use this equipment more effectively."

Dennis Gliznoutsa, Vice President for Sales, Volga-Dnepr Airlines, says the increase in the IL-76TD-90VD fleet will allow Volga-Dnepr to re-

spond to market demand more flexibly and expeditiously. "The aircraft performs to an extremely high standard for airfreight transportation and is in high demand by our customers," he says. "The entry of the fifth IL-76TD-90VD into service facilitates our plans to gain a larger share of the cargo market for shipments in the up-to-50-tonnes category of the international market."

The strong demand for the modernized IL-76TD-90VD, he adds, is due to its ability to operate globally without restrictions and because older versions of the aircraft are gradually being taken off the market. The aircraft is equipped with PS-90A-76 engines and modern avionics, using the Kupol-III-76M-VD flight navigation system. A 7-percent to 9-percent more-efficient fuel burn over old IL-76s increases its operating range to 10,200 kilometers. The aircraft crew size of the IL-76TD-90VD, compared to old versions of the IL-76, also has been reduced to four people.

Volga-Dnepr Group will continue to implement the program to grow its new IL-76 fleet, confirms Gliznoutsa, with negotiations continuing with UAC for the delivery of 10 more aircraft, with options to double that figure.

Wallace Air Cargo

For all intents and purposes, Wallace Air Cargo is a small, independent air cargo brokerage firm based on the West Coast of the U.S. Its status may belie the fact that it carries the name of Ned Wallace, its founder and president — one of the true legends of the air cargo business.


NED WALLACE

Wallace's antecedence links him back 25 years to the pioneering air cargo carrier Flying Tigers. He then helped launch Air Hong Kong before founding his own cargo airline, Polar Air Cargo, and later selling off his interest. Any thought that Wallace has finished with big fleet freighter operations can be quickly dispelled by the fact that, today, Wallace Air Cargo is responsible for the worldwide scheduled and charter marketing and sales for Kalitta Air.


LARRY COYNE

"That puts at our disposal a fleet of seven B747-400 and 15 B747-200 freighters," Wallace says of his work with Kalitta. "We use the aircraft to fly a mix of scheduled, military contract, mail, ACMI and ad hoc charter work, with the latter accounting for 20 percent of our business." The Kalitta business model, in fact, virtually demands that ad hoc charter work is an integral part of the overall operation. "We only market and sell inbound scheduled services from Asia into the U.S.," Wallace says. "To facilitate the outbound sector, we fly the aircraft through Europe, one with a scheduled service to Amsterdam, but with the others operating a mix of mail and military contract flights through to Bahrain and beyond to Afghanistan." Ad hoc charters are given equal status with this eclectic business mix.

As a designated U.S. Civil Reserve Air Fleet carrier, Kalitta plays a significant role in supporting U.S. operations in Afghanistan. "That is not just about flying cargo from the U.S. into the region, but also about providing more intensive local support," Wallace says. "At any one time, we have had up to five Kalitta freighters based in Dubai in the United Arab Emirates, ferrying supplies into Afghanistan."

The intransigence of Pakistan in halting overland routes has made the air bridge even more critical, Wallace says. "The situation changes by the day, and the charter demands become ever more challenging," he says. "We were recently requested to operate 50 B747F flights from Riga in Latvia into Afghanistan to alleviate the severe backlog of traffic due to move overland."

Coyne Airways

UK-based Coyne Airways describes itself as a non-asset-based airline with the understated mandate of serving "difficult to reach" destinations — no more so than Afghanistan. The company has built up its services to the extent of operating two weekly B747-400F flights to Bagram, Kandahar and Kabul out of its Dubai hub.

"The upgrade to B747-400F capacity demonstrates the demand we are having to meet on these routes," says Larry Coyne, CEO of Coyne Airways. "We also supplement these services

with IL-76F flights to points such as Camp Bastion and Camp Leatherneck, allowing us greater flexibility and the ability to provide direct service to other forward-operating bases."

As a non-U.S. entity, Coyne Airways is precluded from qualifying as a Civil Reserve Air Fleet carrier. But this does not prevent it from gaining secondary subcontracts from CRAF-approved operators. "We have seen a 60-percent increase in U.S. sales in the last year alone," Coyne says. "This is largely a result of increased defense work, but also includes oil and gas and general cargo business."

Coyne Airways, he says, has gained its secondary U.S. credentials through proving its ability to work in one of the most difficult and challenging charter

markets. "Our role is becoming ever-more critical to supporting operations in Afghanistan," Coyne says. "Overland transit options are in lockdown, particularly in Pakistan, where there are now over 50,000 20-foot sea containers stranded."

But with the endgame now apparently in sight in Afghanistan, the parameters, he says, are beginning to change yet again. The accelerated drawdown of U.S. and other combat forces in Afghanistan is expected to lead to a heavy demand for airlift as vast amounts of military equipment begins to be moved from the combat zone. Those best placed to immediately benefit from this reverse surge will be operators who have already been closely involved in the build-up and continued support of military operations in Afghanistan.

"We are already beginning to move backloads of 'retrograde' traffic on our return flights to Dubai," Coyne says. "Also, new contracts are incorporating a requirement to handle the return shipment."

Air Charter Service

The cargo charter market has always been price driven and price sensitive, but never more so than now, according to UK broker Air Charter Service. "It is a price-critical business, but in these stricter economic times, price is invariably the key component of any charter," says Dan Morgan-Evans, ACS' London cargo director. "But this does not mean that rates should be driven down to remain competitive."

At ACS, he says, the criteria is not about offering the lowest charter rates, but about providing the best value-added service. "The often common view is that every charter is time-critical and all the stops have to be pulled out, regardless of price, to meet a deadline," Morgan-Evans says. "Experience tells us that this is not always the case and that clients can often withstand a delayed option."

The job of a responsible cargo charter broker, he adds, is to provide a range of solutions to every charter. "We want to ensure we offer our clients the best value for their money and the most consistent level of service through whichever ACS office they book a charter," Morgan-Evans says. "We know that each of our offices around the globe will provide that."

ACS is confident in that claim because it insists that each and every employee recruited to the company, anywhere around the world, spends at least the first two months of their job at its head office in London. "They get to meet us, and we get to know them. This helps greatly in future communications, so that we get the

Left to Right: Tony Bauckham, Erik Lindbergh and Chris Leach of Air Charter Service

same message across to our clients," Morgan-Evans says.

That message has been reinforced recently with the announcement that Erik Lindbergh, grandson of pioneer aviator Charles Lindbergh, has joined the ACS team in the role of brand ambassador. The younger Lindbergh is a renowned aviator in his own right; in 2002, he actually recreated his grandfather's historic solo flight, flying a single-engine airplane across the North Atlantic. He is expected to work on a number of business projects for ACS.

Chapman Freeborn Airchartering

Latin America is viewed as having huge potential for the cargo charter business. Chapman Freeborn Airchartering is determined to exploit this potential, with Brazil being seen as the richest prize.

According to Roberto Berrios, the company's marketing manager for USA and Latin America, it is a challenge which needs to be put into perspective. "Brazil is a huge market in its own right and one which you have to separate out from the rest of Latin America," he says. "We have done that by opening an office in Sao Paulo, so that we can give priority to this market."

Outside of Brazil, the company is also looking for opportunities. He points to U.S. neighboring countries Columbia, Venezuela and Panama as having the most immediate potential to develop cargo charters. "There is a lot of oil and gas, textile and perishables business coming out of these places," Berrios says. "If we can build up business through these points, it will help us expand further into Latin America."

The continued focus the company is giving to the Mexican market will be key to this expansion. "As partners in the North America Free Trade Agreement, it is a lot easier to facilitate

charters between the U.S. and Mexico and tap into the trade flows between the two countries," says Berrios. "In particular, Mexico has a large manufacturing base, which frequently has to be serviced from the U.S."

Berrios refers to the Mexican auto industry and the oil and gas fields off its shores as two prime business sources. "Both these need a constant source of charters to provide spares or to return equipment to the U.S. for repair," he says. "These can be charters of any size.


Michele Wilkinson

Tailwind International Charters

Niche marketing, with a focus on accessing executive jet capacity, has helped Tailwind International Charters establish itself as a recognized provider of micro cargo charters. It is a highly successful strategy formulated by Michele Wilkinson, who founded the company 20 years ago. She built Tailwind after an already extensive career in the air cargo business, working for cargo carriers Flying Tigers, Evergreen International and forwarders such as Emery Air Freight.

The executive jet capacity is used largely to meet the specialized demand of the auto industry — in particular, the heavy flow of traffic between auto plants in Mexico and suppliers in the U.S. Tailwind International Charters is ideally placed to service this market sector from its base near Dallas, Texas. "It is, in fact, a two-way street with a high daily demand in

both directions, often for the smallest of parts," Wilkinson says about the auto industry. "But without these instant charters, production lines can be halted at a cost of anything up to $200,000 an hour."

With such a strong focus on accessing executive jet capacity for this particular business sector, there was only one logical step for Tailwind International Charters. The firm needed to acquire its own fleet of executive jet aircraft. It achieved that by purchasing Cherry Air, a local executive jet operator which had filed for Chapter

11 bankruptcy in January 2009. "We bought the company in November of last year, having since its Chapter 11 filing had exclusive representation of its fleet," Wilkinson says. "Today, with an FAA Part 135 Certificate, we are fully approved to operate on-demand air charters."

Tailwind has inherited a fleet of four Falcon 20 executive jets in a cargo configuration.

"The plan is to acquire Learjet 35s, fitted with the larger 36-inch door, in order for us to take on work which does not require even the size of a Falcon 20 jet," Wilkinson says. "We have learned in this business that you need to be in the position to offer the best and widest choice possible."

DHL Aviation

DHL Aviation has extended the reach of its charter business into a global operation. It is a business strategy based on utilizing the downtime hours of the extensive DHL Aviation fleet when it is not operating on behalf of its prime customer, DHL Express. It is a concept which was first developed out of the company's regional headquarters in Bahrain in the Arabian Gulf where Erwin Burger, global charter manager, is based and which remains the focus for much of DHL's growing charter business.

"We have four B767Fs, two B757Fs and four B727Fs based in Bahrain operating on behalf of DHL Express within the region," Burger says. "But daytime downtime allows us to offer this capacity to the local market if a charter can be operated within the available flying hours — in this case, that gives us good coverage of the Gulf and North Africa."

He says extra crews have been put in position by DHL Aviation to ensure the ability to provide extended flying time for its local fleet. Burger says the company has achieved considerable success in rolling out the DHL downtime charter concept around the globe, particularly in Europe, where a more extensive DHL Aviation fleet is on call. But even with the close linkage to DHL Express and other DHL entities, Burger insists he wants to develop the company's operation as a neutral broker

in the cargo charter market.

"Our prime objective is to utilize the downtime availability of the DHL Aviation fleet, but as and when necessary, we will access third-party capacity," he says.

Despite its neutrality in the open market, the DHL Aviation charters continue to benefit from gaining direct business from other DHL divisions.

Heavyweight Air Express

Officials at Heavyweight Air Express say they are able to gain unparalleled access to otherwise elusive charter capacity in Heavyweight's role as a cargo airline management company. The UK-based operator offers a range of airline support services, primarily as a GSSA from its base at East Midlands airport, but includes air cargo chartering among its core activities.

"We have a dedicated charter team positioned strategically at our offices around the globe. But it is our position as GSSA and wholesale entity which allows us to gain access to scheduled and part charter capacity that can sometimes not be available to full charter specialists," says Peter Kerins, vice president, Heavyweight Air Express Group.

The unique position, he says, often allows the company to offer hybrid aircraft chartering solutions to the global market. "Our charter experts have built a sound reputation for delivering cost-effective, innovative solutions to clients across multiple industry fields, such as aerospace, oil and gas, automotive, government and humanitarian flights," Kerins says. "Importantly, we can assure our clients that we will never attempt to sell them more aircraft than they need."

In a typical offering, the company recently organized the charter of a full B747F to operate from Tampa, Florida, to Afghanistan. "The charter was a mix of general and oversized cargo, requiring us to work closely with both the freight agent and the airline," says Chris Buscemi, the company's U.S.-based managing director, charter and air projects. "We also worked against tight deadlines with the carrier and the Afghan ground support to ensure we were able to deliver on our commitment."

Heavyweight Air Express has continued to expand its presence globally with owned offices in Europe, North America, the Middle East and Asia. More recently, it has expanded its network into Latin America, with a new office opening in Sao Paulo and one planned for Buenos Aires. ACW

Navigating a hazardous landscape

Katherine Rooney, head of the International Civil Aviation Organization's dangerous goods program, is plenty busy this time of year. Well, she's always busy, but the middle of June marks one of the two yearly sessions the United Nations convenes regarding dangerous goods. And while the UN is concerned about flammable and other hazardous freight on all forms of transportation, Rooney knows that ICAO's regulation over airlines is a big responsibility, so her seat at the table is very important.

But in terms of so-called dangerous goods flown on passenger and cargo flights — anything from paint (flammable) to some pharmaceuticals (radioactive) to lithium batteries (explosive) — Rooney has seen the number of additions to ICAO's technical instructions diminish in the last few years. This, she says, may be because there is simply a limit to new chemicals and substances being released. That doesn't mean the threat is gone. While there may be fewer substances to cover, there has been a lot of media coverage of the goods that still need to be regulated.

Rooney recently took time out of preparing for her June meeting at the UN — where agenda topics would range from electronic transmission of dangerous goods information to exemptions and to changes in dangerous goods signage — to talk with *Air Cargo World* about how the ICAO Dangerous Goods Panel approaches dangerous goods and the evolving state of hazardous freight.

Air Cargo World: Is dangerous goods regulation a big part of ICAO?

Katherine Rooney: Within ICAO, the secretary general most recently has recognized the increasing importance of dangerous goods and has decided to devote a separate section to dangerous goods in our hierarchy. Before, it was part of flight operations.

ACW: How does ICAO develop its regulations toward dangerous goods?

Rooney: Practically no air journey is going to be done in isolation; you're going to be transporting with other modes. We work very closely with the UN Committee of Experts on the Transfer of Dangerous Goods. They publish recommendations on model regulations every two years. We then take those model regulations, look at them from an aviation perspective, and make changes, if necessary. For multimodal harmonization purposes, all the modes are encouraged as much as possible to keep to what's decided on at the UN.

The general principle with the UN is to try to regulate dangerous goods so as to prevent, or at least mitigate as much as possible, any incidents that endanger public safety or harm the environment.

The regulations are a balancing act between getting the regulations so that they provide safety, while at the same time, don't hinder the movement in the transport side. You're basically reducing the risks to a minimum while making transport feasible.

ACW: How are new substances added to the dangerous goods list?

Rooney: If you were to take all uniquely identified chemicals — the last count I heard was over 60 million registered substances on the chemical abstract service — there's no way that we can handle that number. So they came up with a series of tests and criteria to determine which substances can be identified as being dangerous goods in transport. They take into account the physical and chemical characteristics, the type of packaging or containment that's going to be used, and what type of response procedures that would be most appropriate if there was an accidental release.

Based on that, the UN came up with nine classes of dangerous goods, with a listing of approximately over 3,000 items of dangerous goods, some of which are very generic family names, such as alcohols. The classes of dangerous goods — there's no particular order or precedence — you've

got things such as explosives and radioactive material; you've got flammable liquids. With each of those classes, we then sit down and work out the correct packaging — what can we do to ensure that whilst in transport, the danger that's imposed by that chemical or article is reduced to a minimum should there be an incident?

If it's to be declared as an item of dangerous goods, that implies a large set of responsibilities that then have to be undertaken by the shipper, who is declaring that as an item of dangerous goods; by the airline, who is supporting it; by the freight forwarders, who are moving it from the shipper to the airport; and of course, by the authorities, who are going to ensure that the compliances are being observed at all parts.

ACW: Currently, air transportation of lithium batteries has been in the news. What's ICAO's ruling on lithium batteries?

Rooney: The UN decided a very small number of batteries can be exempted from most of the requirements using a special provision if it has met certain UN tests. For air transport, we've decided that for those exempted lithium batteries, those which have been transported as cargo — not packed with equipment or contained in equipment — we have, to a very large extent, removed or certainly reduced the number of exemptions that are possible.

Now, with a very few exceptions, they will have to meet most of the requirements in the technical instructions. One of the most important aspects is that it now means that the pilots will be notified that these shipments are onboard.

We are aware of bulk shipments of these batteries being transported on aircraft. When the UN was designing this system originally, I don't think that the idea of 80,000 batteries in a bulk shipment [crossed their minds], and yet that is what has happened. We've had these very large bulk shipments coming through.

We've had lengthy discussions in the ICAO panel; lithium batteries is certainly one of the hot topics. We believe that we now have a fairly balanced approach, that we addressed the needs of operators, the pilots, the shippers and the regulators.

It is fair to say that ICAO has devoted considerable attention to the subject of lithium batteries. We had our panel meeting last October; we were unable to come to a final decision on lithium batteries, and we held a special working group of the panel last February. The amendments will come through for 2013.

ACW: On an issue like this, how does the UN react when you make the rules more restrictive?

Rooney: We would obviously inform the UN when we are being more restrictive. But they are also aware that air transport is, after all, the only mode of transport where the dangerous goods are being transported along with passengers. The UN understands the reason for the extra stringency that we apply. ACW

The forwarder's perspective

Richard Zablocki, vice president of air products at CEVA Logistics, has a front-line perspective on handling dangerous goods. While it's not a huge part of CEVA's business, the company nevertheless deals with dangerous goods on a regular basis.

Why does CEVA deal at all with dangerous goods airfreight?

Many of our customers deal in commodities that can be classified as dangerous goods, but don't necessarily pose a great deal of risk for handling and carriage. We minimize risk by providing specialized employee training and applying documented handling and shipping procedures for complete compliance with the applicable transport regulations. The handling of any freight can be dangerous without the proper resources. Hazardous materials are strictly monitored and deeply understood by those dealing with the materials.

Can you give me one or two examples of dangerous goods shipments CEVA was involved with?

We frequently ship engines that have been tested and as a result of coming in contact with fuel they will be classified as DG cargo. We also have pharmaceutical shipments and perishable goods.

What are some of the most pressing current issues involved in handling dangerous goods airfreight?

Some of the most pressing issues are around staying current with the regulations governing the handling and shipping of dangerous goods. Other issues involve shipper knowledge and awareness for the proper packaging and documentation of these goods. CEVA's dangerous goods specialists are frequently asked for guidance with these matters.

Hazardous materials shipments have the best visibility by global and local regulators, manufacturers, packers, carriers, distribution centers and other entities than any commodity in the market today. Because of this visibility, the responsibility and resources required by and available to anyone who handles the materials is extensive.

How would you classify the regulatory environment for dangerous goods shipping?

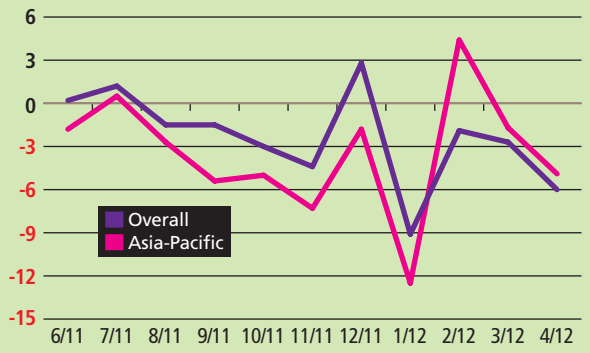
The regulatory environment, with regard to hazardous materials, is probably one of the most evolved and strongest for any product in the market. The enforcement of regulations as they exist is the best remedy to maintaining a safe global environment.

What happens when a good is classified in the dangerous goods category? Does it hurt trade?

A lot depends on the classification and whether there are limitations on packaging, volume, mode of transport or interaction with other commodities. If severe restrictions were placed on something like lithium batteries, which are currently transported relatively freely, it could be costly to manufacturers and shippers. Fortunately, the new regulations issued for shipping freight by air do not present a serious cost threat or threaten to slow the flow of the goods.

CARRYING EUROPE

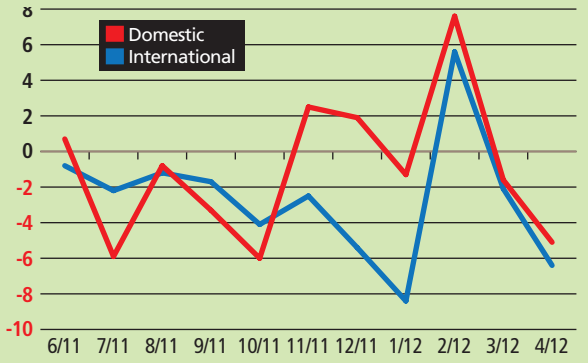
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

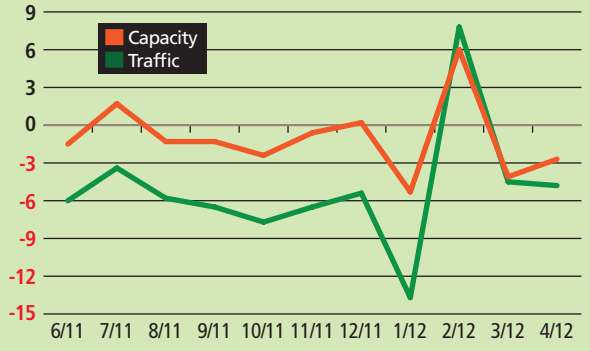
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Air Transport Association of America

CARRYING ASIA

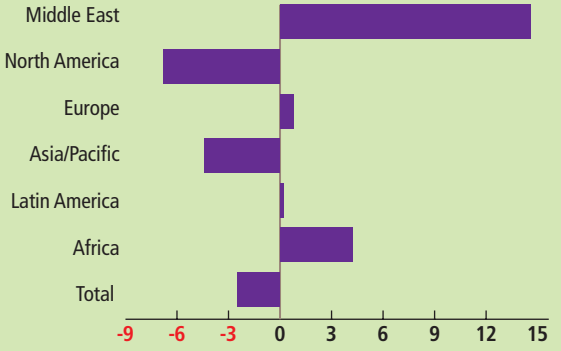
Monthly year-over-year percent change in capacity, in available-tonne kilometers, and traffic, in freight-tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

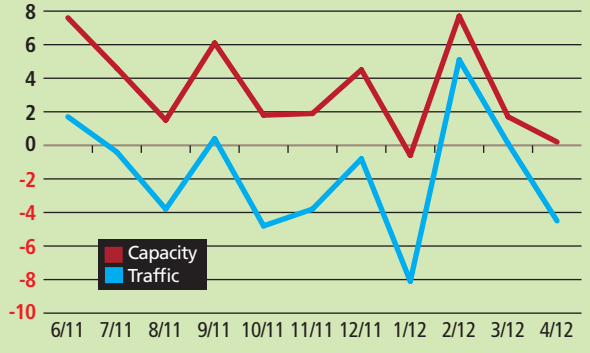
International air cargo year-to-date percent change for April 2011 vs. April 2012



Source: IATA

CARRYING INTERNATIONAL

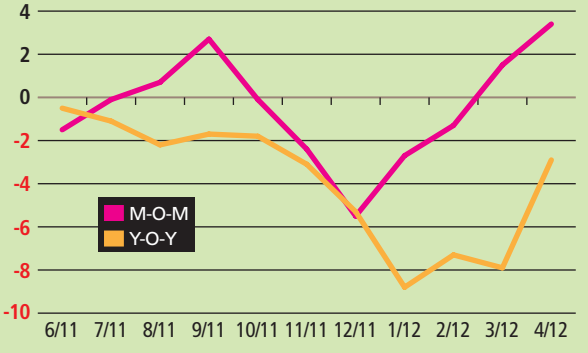
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight-tonne kilometers and available-tonne kilometers.



Source: IATA

SEMICONDUCTORS

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



Source: Semiconductor Industry Association

Five Questions with... Dennis Omanoff

The severe floods that ravaged Thailand last year devastated supply chains, shutting down manufacturing facilities and rendering products produced in the region unusable. Nowhere was this more evident than in the hard-disk-drive manufacturing sector; Thailand counts itself among the industry's top producers. In the wake of the devastation, manufacturer Seagate Technology streamlined its global supply-chain operations. Dennis Omanoff, who recently took over as senior vice president of worldwide supply chain and procurement, discussed the company's reliance on airfreight with *Air Cargo World*.

1. How important is air cargo to Seagate?

Airfreight is an important part of our total supply chain, and we balance its use with ocean and surface freight in order to optimize both customer satisfaction and Seagate profitability. We carefully consider the urgency of the demand being serviced and then determine which method of fulfillment best satisfies these sometimes-conflicting metrics.

During the recent floods in Thailand, we relied heavily on airfreight to help meet customer demand, given the very tight supply environment that existed. We also relied on it during the Icelandic volcano of 2010, and it enabled us to maintain active shipping lanes from Asia to Europe despite the massive disruption in service that resulted from the eruption. So air cargo is, and will continue to be, an important part of our supply-chain arsenal. We will continue to use it, when appropriate, to fulfill customer demand and provide our customers with assurance of supply.

Omanoff

2. Is cargo theft a concern, especially when there could be cracks in the supply chain?

It doesn't benefit us to be "fast" or "cheap" if we're losing cargo. Seagate and its logistics partners spend a significant amount of time reviewing our current processes and looking for any "holes" that could potentially be exploited to our detriment.

When we have supply-chain disruptions, like in the Thailand flooding, we put even more emphasis on our security protocols. Our logistics partners also take cargo security very seriously. They work closely with Seagate's security organization, along with my own logistics organization, to make sure that our responsibilities are aligned with this activity. This may mean restricting the use of a certain destination airport or prohibiting the use of certain air or surface carriers based on historic performance.

3. Where is Seagate targeting for expansion?

Seagate has a global leadership presence in the information-storage industry and participates in all major geographies. Obviously, with the rapid expansion of the Asian economies, especially China and India, there is an enhanced focus on that part of the world. However, the same can be said for other fast-expanding economies, such as Brazil, Russia, and parts of the Middle East.

Each of these geographic regions presents unique issues that need to be addressed. Often times, there are legal or Customs issues that may be specific to a region. Again, in these cases, we ask our partners to help us find the most optimal solution to the problem at hand. We also see that in faster-growing economies — more so than in the more mature ones — that changes in demand are more frequent and lead times are often shorter. And meeting customer demand may require us to use more airfreight.

At the same time, we see that demand is more predictable in the more established markets, making it amenable to alternative methods of product movement. Ultimately, we have found that no one solution is appropriate for any region and that a full battery of logistics offerings must be available to our company at all times. That's why we are constantly focused on improving on what we call our "fast-execution network," involving our customers and our logistics partners in revolutionary fulfillment change.

4. Have escalating prices in air transportation affected Seagate's utilization of airfreight? Why or why not?

Price — or in this case, cost — is definitely a key factor when we move products from our factories or distribution centers to our customer sites. If fuel surcharges are included with the baseline air cargo rates, then cost is certainly a big factor when deciding what mode to use.

Lead times, complexity, customer satisfaction, margin, product security, origin and destination are other factors that we consider before choosing the mode of transit. After all, we're not going to fly product if we don't have to. However, moving from air cargo to surface- or ocean-freight requires cooperation among multiple parties — some of which are internal to Seagate while others are external, such as the customer and the logistics provider. One of our imperatives is that our logistics partners are capable of supporting all modes of fulfillment on a global basis. That way, they are motivated to work with us on optimizing a total supply-chain solution, regardless of the transportation mode that's selected.

(continued on page 40)

AIRLINES

UPS has appointed 13-year company veteran **Mark Martyn-Fisher** managing director of UPS India. He replaces **Mark Khambatta**, who joins the UPS Asia-Pacific strategy team. Martyn-Fisher brings to the role 30 years of international management experience, most recently serving as operations director of the UPS Turkey, Middle East and Central Asia district. In his new position, he oversees UPS' express and supply-chain operations in India, including international trade services, security, and ocean, air and ground operations. In a corresponding move, UPS has promoted **Brendan Canavan**, who has worked at the company for 31 years, to president of the Asia-Pacific region. He most recently served as one of the company's European presidents.


BUTT

Kashif Butt has joined **Saudi Airlines Cargo** as the cargo manager for Pakistan. He now oversees 36 passenger flights in addition to building the Saudi brand in Pakistan and searching for new opportunities. Butt, a 15-year industry veteran, most recently served as director of TCSL, the GSA for British Airways World Cargo, and has previously worked at a handful of other GSAs. He has also worked at Qatar Airways and TAQ Logistics.

AIRPORTS

Joop Wijn has been appointed to the **Schiphol Group** Advisory Board for a four-year term. Wijn has previously served as the Dutch minister of economic affairs, the state secretary for finance and the state secretary for economic affairs. According to a press release, Wijn brings to the board an extensive expertise in business, public administration and civil society organizations.

THIRD PARTIES

Mercury Air Cargo has appointed **Rafael Valencia** and **Juan Munoz** to head up its operations at Los Angeles International Airport. Valencia, who joined Mercury in 1996 and was promoted to terminal manager of the company's 68,000-square-foot warehouse at 5908 Avion Drive in November 2010, is now terminal manager of Mercury's 200,000-square-foot warehouse at 6040 Avion Drive. Munoz, who served as Mercury Air Cargo's manager of cargo processes and procedures since July 2010, has assumed Valencia's vacated role.


O'BRIEN

C.H. Robinson Worldwide has promoted **Christopher O'Brien** to senior vice president of transportation, following his nine-year stint as vice president of transportation. O'Brien, who joined C.H. Robinson in 1993, has played a key role in driving the company's sales and account management strategies. He has also helped lead the company's European operations for more than a decade, and he also developed its transportation-management and outsourcing services.

Swissport International has named **Martin Sodergard** senior vice president of cargo operations. Sodergard most recently supported Swissport's operations in the U.S. as interim senior vice president of cargo for North America, and he subsequently began developing Swissport's integrator-handling business. He replaces **Guy Ghysels**, who is transitioning to vice president of European cargo operations. **Alan Wright** has taken over Sodergard's role in developing integrator handling. Another key change following Swissport's acquisition of Flightcare Spain and Belgium is that **Pedro Garcia** is temporarily leaving his role as vice president of cargo information systems and is assuming a six-month assignment as integration manager.


SODERGARD

ASSOCIATIONS

The Cool Chain Association has announced several key changes to its board of directors. Jan de Rijk Logistics CEO and CCA Secretary General

(continued from page 39)

5. What are some of the biggest challenges of managing supply chains in the IT sector?

The IT sector came of age during the "just-in-time" era. That mentality may have encouraged the replacement of good planning practices with speedy-supply response, which was fine when oil was in the $40-to-$60-per-barrel range; it's quite another story, when oil is $100 a barrel.

I think that the IT sector is starting to understand that the design of the end-to-end supply chain is critical. It's no longer sufficient to just talk about the supply chain; it's imperative to design and implement collaborative networks that involve suppliers, customers, logistics partners, security experts, postponement providers, etc. We all rely on our 3PL partners for innovative solutions in this area, considering that they service most — if not all — of our customers, as well as many of our own suppliers. Because of this, they see the supply-chain issues that our industry faces from multiple perspectives.

The IT industry is ready for a paradigm shift in how products are moved from point "A" to point "B." The cost and lead-time associated with moving products from Asia to the Americas argues that new, region-based solutions must be explored. Industry leaders are starting to understand that world-class supply chains are a necessity for success. Flexibility, responsiveness and speed are the outcomes of a collaboratively planned, end-to-end supply chain. When implemented properly, such an asset enhances customer satisfaction.

events

SEPTEMBER 9-12
Calgary: Officials call the 21st iteration of the ACI-NA's annual conference the premier event for airport industry professionals. For more informaton, visit *www.aci-na.org/event/1280*.

SEPTEMBER 16-19
Xiamen: The 2011 version of the Sino-International Freight Forwarders Conference, which is now in its ninth year, attracted more than 2,000 delegates. To read more about the conference, visit *www.sinoforeignforwardersconference.com*.

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 last hosted the exhibition in 1996. 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. Visit *www.fiata.com* to read about the panels, keynote speakers and to register for the event.

OCTOBER 25-26
Geneva: For more information about the IATA Cargo and Mail Supply Chain Forum, visit *www.iata.org/events/pages/cargo-security.aspx*.

OCTOBER 27-28
Erbil, Iraq: Details for the second annual Iraq Airport, Aviation and Logistics Conference and Exhibition are still being firmed up. 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 aims to top the February 2011 Nairobi event. 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.

JUNE 4-7, 2013
Germay: Celebrate the sixth annual Air Cargo Europe exhibition and conference at the New Munich Trade Fair Centre. Keep checking *www.aircargoeurope.com* for more details.

Sebastiaan Scholte is now chairman of the board, replacing **Robert Arendal**, who stepped down after working as chairman for 10 years. Despite this move, Arendal continues to serve on the association's board, focusing on airfreight and sustainability. Also, Xtreme Technologies BV CEO **Edwin Kalischnig** replaces Scholte as security general and Paris-Vatry Airport Deputy General Manager **Youri Busaan** is now CCA treasurer. In addition to this role, Busaan acts as a key liaison between the CCA and the International Air Transport Association.

Josh Saltzman, a former Congressional aid, is the new vice president of global government affairs at **Airlines for America**. He spent the last 12 years on Capitol Hill, working mostly as a legislative aid for Pete Sessions. Saltzman also worked for California Republican Edward Royce and Pennsylvania Republican Patrick Toomey.

MANUFACTURERS

Boeing has announced that 34-year company veteran **George Maffeo** will succeed the retiring **Mike Denton** as president of Boeing Japan in October. Denton joined Boeing in 1977 and held a number of senior-level positions, such as chief project engineer for the company's 777 program, before taking the helm of Boeing Japan in January 2010. Maffeo most recently worked as vice president of 787 suppplier management.

Fabrice Bregier has taken over as **Airbus** president and CEO for a five-year term. Bregier, who previously served as Airbus' chief operating officer, succeeds **Tom Enders**, who has been named CEO of parent company **EADS**. In other Airbus news, **Guenter Butschek** is Airbus' new chief operating officer. Also, three Airbus executive committee members — **Harald Wilhelm**, **Thierry Baril** and **Klaus Richter** — now have an EADS corporate responsibility in addition to their main Airbus functions. ACW


BREGIER

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Gerard O'Neill is the marketing director for UK-based BT Global Services. The firm specializes in managed network IT services for government organizations and businesses

With EU-U.S. agreement, new technology needed

While the recent air cargo security agreement between the U.S. Transportation Security Administration and the European Union should eliminate costly duplication and wasted time and effort, it is also likely to create requirements for more interactive collaboration between air cargo handlers, booking agents and other members of the supply chain. Emerging technologies, such as secure cloud-computing platforms, offer tremendous potential for managing these new challenges.

The new arrangement, which involves mutual recognition of the respective air cargo security regimes, will strengthen security by ensuring that information is shared between the two countries. To be successful, this program will rely, in large part, on the National Cargo Security Program recognition process, which analyses the programs of other countries and gauges the extent to which they meet U.S. requirements. The harmonization of air cargo screening will allow the industry to follow a single program when transporting cargo between countries. The agreement follows a separate agreement between the U.S. and Canada concerning the mutual recognition of air cargo security in both countries.

The TSA has set a deadline of December 3 for passenger carriers to conduct complete cargo screening on international inbound flights. The screening requirement builds additional risk-based, intelligence-driven procedures into the prescreening process to determine the screening protocols on a per-shipment basis. This requires enhanced screening for higher-risk shipments, with lower-risk shipments undergoing other protocols.

Upstream screening will enable the advance examination of shipment data. Knowing that each party's screening processes are commensurate with the other's standards will eliminate the duplicate and triplicate screening, which often occurs in U.S.-EU and EU-U.S. cargo traffic today. The mutual recognition of standards and processes will call for the ability to transmit information once to a single window, which can be accessed by all parties; the sharing of screening results with the importing authorities; and the alignment of Authorized Economic Operator and regulated agent programs.

This partnership model will no doubt serve as a template for other national regulators moving toward risk-based regimes. It will also result in the need to integrate the systems and communications infrastructure over which air cargo operators and booking agents collaborate. This integration will be critical to the successful expansion of the program.

The global telecom infrastructure is a key delivery mechanism for the distribution of information and applications across the air cargo value chain and for enabling those involved to collaborate across organizational, geographic and systems boundaries. It embodies the intelligence to harmonize security policies, authenticate users and enable the growing use of smartphones, tablets and other mobile devices. The air cargo security partnership also comprehends the need to enable machine-to-machine communications. This intelligent telecoms network itself thus becomes an asset, having the capability to address mixed end-user and customer requirements and to manage traffic across a heterogeneous set of access points and underlying transport bearers.

An intelligent telecoms network is a fundamental part of the infrastructure needed to enable efficient air cargo operations. It goes far beyond the provision of simple connectivity. Developed and optimized for today's requirements, it is also architected to accommodate future technology innovations and to provide the flexibility and scalability necessary for the dynamics of the industry. A well-chosen telecoms network is one that can serve as a platform for cloud computing, enable mobile access and help address the changing threat landscape, transforming the network into a service-delivery mechanism for meeting the business and security goals of the air cargo sector. ACW

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

Search for opportunity in volatility

Forwarders and workers in other logistics-related industries are facing business challenges in this fragile global economy. Instability across the globe, which is largely out of forwarders' control, has recently contributed to massive fluctuations in global air cargo volumes. The International Air Transport Association recently released global airfreight figures that point to some signs of recovery, but also indicate that shaky consumer confidence continues to impact volumes.

Different regions have experienced varying cargo activity. Asia continues to lag behind 2011 levels, with China struggling in large part due to a collapse in demand from the European Union. The growth rate in other Asian markets could also be affected by the slowdown in outsourcing from Europe and the U.S. as well as the continued emphasis on near-sourcing manufacturing closer to those regions. European countries continue to struggle with a credit crisis that has resulted in an overall year-to-date decline in volume of 6 percent. In contrast to Asia and Europe, the Middle East has outperformed its neighbors with double-digit growth.

Freight demand instability will be the norm for the foreseeable future. Despite this lackluster outlook, forwarders are beginning to see opportunities now that may not have existed in the past.

Recent trade pacts are beginning to open the door to opportunities for shippers and their airfreight forwarders. After a four-year debate, the U.S. Congress has finally agreed on a much-needed trade agreement with South Korea. A second U.S. free-trade agreement with Colombia will also create new business opportunities, which could lead to economic growth and, of course, an increase in shipping between the two nations.

Meanwhile, in response to lower cargo volumes on almost all trade lanes, oceanfreight carriers are beginning to slow-steam. But as the length of time for voyages increases, the number of shipper-related complaints also rises. Skyrocketing inventory costs and a lack of marketing and manufacturing opportunities contribute to the decrease in traditional oceanfreight savings. Interestingly, ocean carriers aren't trying to offset the slower transit times with lower costs; many ocean carriers are actually raising their rates. As such, airfreight becomes a more attractive option even with its higher costs relative to ocean transit.

Shippers and their forwarders also have reason to rejoice about new bilateral screening agreements. Private industry can now move cargo though the 27 EU Member States, the U.S. and Switzerland while abiding by a single set of security rules. (A similar arrangement between the U.S. and Canada was reached in late May.) These agreements mean that goods screened by these countries will no longer be subjected to additional costly and time-consuming inspections in order to meet U.S. regulations. Since air cargo traffic between the EU and the U.S. yields more than 1 million tonnes per year, the increased savings on cargo screening costs will be significant.

The Air Cargo Advance Screening voluntary pilot program now requires airlines and forwarders to submit seven shipment data elements on goods coming to the U.S. to the U.S. Customs and Border Protection before departure. This marks a significant change in the process; information is currently transmitted four hours prior to arrival. CBP officials tell forwarders that the new approach allows for more effective advanced terrorist targeting and is an opportunity to fix data errors earlier in the process. With that being the case, forwarders should join the pilot program as soon as possible to provide their input in what will probably soon become a requirement.

Finally, despite the malaise resulting from lower freight volumes, forwarders are seeing opportunities in perishables, pharmaceuticals, and oil and gas — industries where quick transport and timely arrival is essential. When combined with the forwarder's reputation for out-of-the-box thinking, reduced dependence on costly assets and the ability to quickly respond to changing market conditions, forwarders seem to be the most prepared to find and exploit opportunities during these unfavorable and challenging times. ACW

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