



INTERNATIONAL EDITION

# Air Cargo World

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**Correction:** In the September issue, the forwarders rankings (p. 29) did not accurately portray the companies' 2011 gross revenues, due to an editing error. *Kimetsu World Express* also contacted ACW, saying their tonnage result was misrepresented by *Armstrong & Associates*.

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**Jon Ross**  
Editor

## Transition, adaptation and staying ahead of the game

**W**e're now, officially, entering the home stretch toward the end of the year. What better way to celebrate than a ranking of the top airports in the world? Yes, when you look at the list compiled by Airports Council International (p. 32), you'd likely first see some depressing figures. In the year-over-year column, there are a lot of negative numbers. Don't be depressed!

Despite the sluggish year-over-year results and the slow first half of 2012, airport operators have said that, on the whole, cargo operations are becoming busier. That's good news for officials at Hong Kong International Airport, Incheon International Airport and Memphis International Airport, all of whom contributed to the article this month, and all of whom saw either flat growth or declines in their tonnage numbers between 2010 and 2011. The airports that did see boosts were the smaller players in emerging markets. These airports in Africa and Latin America will be even more important in the coming months. We should all watch to see how quickly they keep growing.

In addition to airports, carriers are also on my mind, as we wait for the approval of UPS and TNT Express' merger, and watch, from a distance, the results from the EU's inquiry into a proposed Ryanair-Aer Lingus deal. Closer to home, rumors are swirling about US Airways' pursuit of American Airlines, a carrier that just welcomed a new cargo head a few short months ago. Another new official tasked with boosting up a sometimes troubled airline is Richard Forson, who recently became interim CEO of Cargolux. He provides some interesting comments about transition and strengthening business processes on page 62.

Yes, transition is in the air, as it turns colder here in the Southern U.S. Mergers, while diminishing the number of carriers in the market, are not a bad thing. New vitality can be derived from joining forces, just as better direction can be given to an adrift company when a new perspective takes over. Hopefully, these developments will help exhilarate the industry, turning what has been a so-so 2012 into a booming 2013.

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



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## Air Cargo Germany to acquire two 747-400ERs

**A**irBridgeCargo Airlines will hand over two Boeing 747-400 extended-range freighters to Air Cargo Germany, of which ABC holds a 49-percent stake. ACG is slated to acquire the jumbo freighters once certification from the German Aviation Authority Luftfahrt-Bundesamt is granted. The 747-400ERs will complement the four 747-400SFs currently in the German cargo carrier's fleet.

The 747-400ERs, which can transport a maximum payload of 120 tonnes and fly 9,120 kilometers nonstop, will be a game-changer for ACG, company CEO Michael Bock said. "The aircraft enhance our reach and market options substantially, due to their improved range capabilities, compared to the B-400SFs, and their nose-loading door," he said in a statement.

ACG will return two of its 747-400SFs to lessor Martinair next year, but will replace the aircraft with newer-model 747-400Fs or 747-400ERs, Bock said.

Now that ACG has adequate capacity, the carrier is launching new routes. Next month, ACG will commence three-times-weekly service to Beijing Capital International Airport, a route complementing the carrier's current service to Shanghai. ACG also has plans to up frequencies to Mexico City and Chicago, with services growing from one to two weekly flights and two to three weekly flights, respectively.

"South America is standing on our agenda, too, but will be materialized only in the near future," Bock added.

ACG is also completely taking over AirBridgeCargo's traffic between Europe and North America. "We've signed an interline agreement with ABC for enabling easy transfers of shipments in Moscow and Frankfurt," Bock said in a statement. **ACW**



## Vienna now Lufthansa Cargo's 'third' hub

**H**opes of Austrian Airlines retaining any semblance of an independent cargo product have finally been dissipated. The quick-fix solution of Austrian Lufthansa Cargo, following the acquisition of the ailing Austrian carrier by neighboring Lufthansa, has been consigned to the trash can, a little more than a year after its creation.

Under that scenario, it was dictated that Lufthansa Cargo would hold a 74-percent stake (Austrian Airlines got the remaining 26 percent) in the newly created Austrian/Lufthansa Cargo joint venture, as the chosen vehicle to market the freight capacity of the two carriers in the Austrian market. In all other markets outside of Austria, cargo would be amalgamated under the Lufthansa Cargo brand.

Notably, Lufthansa Cargo also made significant play of that fact Austrian's home base of Vienna would be accorded "hub" status, within its greater European firmament.

"Vienna will become a central European hub for Lufthansa Cargo, comparable to our German hubs at Frankfurt and Munich," Carsten Spohr, CEO and chairman of Lufthansa Cargo, said at the time of the announcement.

It quickly became apparent that Austrian Lufthansa Cargo was a very Vienna-centric setup, with Lufthansa Cargo retaining its own sales organization throughout the rest of Austria. Now, it would appear, Austrian Cargo is set to be airbrushed out of existence.

A new Lufthansa Cargo subsidiary will assume responsibility for all sales and marketing for the airline in the Austrian market. Hasso Schmidt, Lufthansa Cargo's head of regional management for Central and Eastern Europe, will head it. Schmidt was previously joint managing director of the now-defunct joint venture, alongside Franz Zochbauer, former head of Austrian Cargo, whom, it would now seem, is headed for retirement.

In other management changes,





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Arnulf Schoeberl, former hub manager for Vienna, is to take charge of marketing and sales in the Austrian market. His predecessor, Eckhardt Balzer, has been transferred to a management function in the regional German market. The new manager of operations and handling in Vienna is Matthias Schulz, former head of handling in Munich. He replaces ex-Austrian Airlines staffer, Klaus Herring.

"There is very little real change in the face of our sales organization in Austria," Schmidt said. "All that has happened is that most of the senior managers from Austrian have now returned to that airline."

Lufthansa Cargo has concluded, it would appear, that the Austrian market would fare better under the greater Lufthansa Cargo mass than with any allusion to independence. There might also be an element of asset-stripping by the German carrier. Austrian Airlines is still a heavily loss-making operation and is proving difficult to absorb into the German fold, much to the growing frustration of the head office in Frankfurt.

Besides, the Austrian Airlines'

Schmidt said. "That is why we feel we can best develop that concept by being an integral part of the Lufthansa Cargo network."

Within that context, Schmidt is still happy to refer to Vienna as the carrier's third European hub, after Frankfurt and Munich. "We may never see our freighters operating through Vienna, but it will play an increasingly important role for us in developing the Eastern European market," he said. He is dismissive of some of the current freighter operators touching down in Vienna, which he refers to as 'carpetbagger capacity.'

"Some of these carriers are returning to Asia from Europe and are looking to uplift cargo wherever they can." He is also aware that other Eastern European gateways are making headway in attracting direct freighter capacity, which could dent Vienna's Eastern European gateway crown. Indeed, Vienna airport recorded an 8-percent, year-over-year, drop in freight volumes in the first six months of the year, down to 131,000 tonnes.

But Schmidt is content with the extent and reach of the Lufthansa

**"Vienna will become a central European hub for Lufthansa Cargo, comparable to our German hubs at Frankfurt and Munich."**

**— Carsten Spohr, CEO and chairman, Lufthansa Cargo**

Lufthansa Cargo enjoys a 30-percent industry stake.

"There is a very strong focus on the aerospace sector around the Polish city of Rzeszow, in what is known as 'Aviation Valley,' where around 70 companies are located," Schmidt said.

"Here, you have such names as Pratt and Whitney, Sikorsky, Goodrich and Siemens engaged in production, not only of aerospace components, but also complete units, such as passenger doors for Boeing and landing gear for the Airbus A380."

A further aerospace cluster is located around Warsaw, with a strong presence of the European aviation consortium EADS and its Airbus Military subsidiary.

As well as taking on responsibility for Austria, Schmidt's empire now stretches far beyond the confines of Eastern Europe; he currently oversees cargo projects in Greece, Turkey and Israel. "We are going to be adding our first freighter service to Tel Aviv this winter," Schmidt said. "We are also surprised at how strongly Greece is performing, despite its financial troubles." **ACW**



*Vienna International Airport*

cargo business was, it seems, never about Austria, but more about its Vienna hub operation. Schmidt readily conceded this point.

"Vienna for us is about being an Eastern European gateway, rather than just an Austrian entry point,"

sa Cargo product offering in the Eastern European market and the strength of some of the niche sectors within it.

In particular, he refers to the current strength of the Polish air-freight market, in which, he said,

## Air France-KLM reports August cargo drop

**A**ir France-KLM recorded a 7.8-percent, year-over-year, decrease in freight traffic in August, a decline that was propelled by sluggish demand in the Asia-Pacific region and the Americas — AF-KLM's top areas for cargo. The combined carrier also offered 5.2-percent less cargo capacity than in August 2011, according to a press release.

Despite curbing capacity in August, Air France-KLM saw freight load factor fall 1.7 percent, year-over-year, to 60.6 percent. The carrier's cargo load factor also contracted from an eight-month perspective, dropping 2.6 percent from January-to-August 2011 to 63.6 percent.

Declines in the Asia-Pacific region contributed greatly to these figures, according to the press release. AF-KLM's cargo traffic to the Asia-Pacific

plunged 11.9 percent, year-over-year, in August, on a 16.4 percent, year-over-year, capacity reduction. These declines are even more dramatic than the losses the carrier recorded in the first eight months of the year; AF-KLM's traffic to the Asia-Pacific stalled 6.4 percent from January-to-August 2011, while capacity dropped 8.1 percent, year-over-year.

AF-KLM's cargo volumes to the Americas also fell from an eight-month perspective, slowing 7.1 percent, year-over-year. August, however, only saw a 3.6-percent, year-over-year, decline in cargo demand, according to the carrier's statistics for the Americas. AF-KLM cut freight capacity to the Americas by 0.7 percent, year-over-year, in August, leading to an overall freight load factor of 59.8 percent.

The carrier's cargo volumes to Africa/the Middle East and the Caribbean/Indian Ocean regions also lagged in August, sliding 7.4 percent and 5.2 percent, year-over-year, respectively. AF-KLM actually increased capacity to the Caribbean/Indian Ocean region in August, however, offering 12.1-percent more freight space than in August 2011. In contrast, the carrier slashed freight capacity to Africa/the Middle East by 1.6 percent, year-over-year, in August.

Sluggish cargo volumes or not, AF-KLM has seen a hike in passenger volumes lately. The combined carrier recorded a 2.7-percent, year-over-year, surge in passenger traffic from January to August, with load factor increasing 1.7 percent, year-over-year, to 83.3 percent. **ACW**

## EU looking into Ryanair-Aer Lingus deal

**T**he EU Commission has begun an in-depth investigation — known as a Phase II review — of the proposed merger between Ryanair and Aer Lingus, a development that brought up competition concerns when the commission originally looked into the deal. The issue, according to a European Union press release, stems from the fact that “on a large number of European routes ... the two airlines are each other's closest competitors.” A final decision on the potential acquisition is expected by January 16.

Ryanair recently appealed the EU's decision to launch a deeper investigation. The appeal was subsequently denied. Ryanair currently owns 29.82 percent of Aer Lingus, a fact that is currently being examined by the UK Competition Commission.

This is the second time Ryanair has attempted to acquire Aer Lingus. In a previous ruling, released on July 6,



2010, the General Court of the European Union prevented the merger due to competition concerns. Ryanair officials also notified the EU two years later of another impending deal, but soon withdrew their plans. What might be different this time around, according to a press release, is that both airlines have increased

services on which they operate the same routes.

According to HI 2012 numbers released in July by Aer Lingus, cargo revenue finished at €23.3 million, a 5.9-percent, year-over-year, increase. Total revenue stood at €626.3 million, a 10.1-percent, year-over-year, increase. **ACW**

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—Tatyana Arslanova, Executive President of AirBridgeCargo



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## flydubai adds cargo flights

**T**his month, flydubai Cargo will begin direct flights from Dubai to Bucharest, Romania, and Skopje, Macedonia. According to a press release, these flights — which will commence on October 1 and October 18, respectively — are the first direct links by a cargo operator between Dubai and each destination.

In addition to expanding its direct flights, the carrier has been busy forming interline agreements during its first year of existence. In the past 10 months, flydubai Cargo has entered into partnerships with Emirates, British Airways, Estonia Air, Coyne Airways and Jet Airways.

The carrier has been focusing on spreading its network beyond the Middle East. "Through these interline agreements we have opened new routes and thus new avenues for trade," Ghaith Al Ghaith, CEO of flydubai, said in a statement. "We are now able to deliver goods from Sudan to Sydney and also provide Nepal's handicraft industry with access to consumers in the U.S., Europe and Australia."

Flydubai Cargo has mostly been transporting meat, fruits and vegetables to the Indian subcontinent and the CIS. The carrier also flies a lot of live fish to Sudan.



"The wide range of products being transported by flydubai Cargo shows the demand for a timely, affordable and reliable service," he said.

"Less than a year into operations," he continued, "we have grown our network as well as our customer base and aim to continue serving a global audience as our range and operations expand." **ACW**



## Middle Eastern carriers expand in the Americas

**E**tihad Airways CEO James Hogan revealed that the United Arab Emirates-based carrier is eyeing South America for growth and will launch its first route to the region — to Brazil — on June 1, 2013. This announcement comes on the heels of rival carrier Emirates SkyCargo's September 12 commencement of Boeing 777-300 ER service to Washington Dulles International Airport.

Hogan said strong trade volumes between Brazil and the UAE will propel Etihad's upcoming route to Sao Paulo-Guarulhos International Airport from its Abu Dhabi hub. The daily route will also provide Brazil will connectivity to the GCC states, the Indian subcontinent and key Asian markets, he explained.

"Brazil is one of the fastest-growing economies in the world, now ranking as the sixth largest since overtaking the UK in 2011," Hogan said. He revealed that bilateral trade between Brazil and the UAE is valued at approximately \$3 billion annually, "with authorities aiming to lift this to \$10 billion within five years."

Hogan also cited Arab-Brazilian Chamber of Commerce statistics, which showed trade volumes between Brazil and the Arab world reaching \$25 billion in 2011. Experts project this figure to increase by between 10 percent and 15 percent this year, Hogan added. To address this growth, as well as passenger demand, Hogan disclosed that he's in talks with unnamed South American carriers about potential partnerships.

Surging trade volumes between the UAE and the Americas also drove Emirates' decision to launch service to Washington, D.C. In a press release, the carrier said that the new route will address the 113 percent, year-over-year, increase in UAE exports to the U.S. witnessed in 2011.

Transport equipment and machinery parts are projected to be the key commodities exported from Emirates' Dubai International Airport hub, while household goods and garments are expected to top the list of imports to Washington, D.C.; pharmaceuticals and electronics are likely to be seen on both trade lanes, officials for the

carriers revealed.

Orhan Abbas, Emirates Airline's senior vice president of commercial operations for the Americas, called the U.S. a "strategically important market" for the carrier — "a fact underpinned by our recent period of significant growth," he added. February and March saw the launch of daily Emirates service to Dallas/Fort Worth International Airport and Seattle-Taco-

ma International Airport, respectively.

Emirates Airline President Tim Clark said that the carrier's push into the U.S. has economic implications far outside of the Americas. "Our U.S. flights help to open new markets that the business community is reliant upon, as the globalization of commerce is dependent upon transportation for passengers and cargo," he said. "This Emirates service will facilitate trade

and promote tourism to the capital region from around the world, including the Middle East, which generated over 100,000 visitors last year alone."

Like Etihad, South America is also on the carrier's radar. Emirates Sky-Cargo launched daily, linked service to Buenos Aires and Rio de Janeiro in January, a route that complements the carrier's thrice-weekly freight service to Sao Paulo. **ACW**

## Dubai Airport's freight facilities expand

As part of Dubai Airports' \$7.8 billion Strategic Plan 2020, Dubai International Airport's cargo facilities are undergoing a facelift. Renovations are slated to begin in the next few months and will increase the airport's annual freight capacity to more than 3.1 million tonnes by 2018.

The first stage of construction will involve a 30,000-square-meter addition to Dubai International's 1.2-million-tonne Cargo Mega Terminal. The airport's original freight facilities, Hall A and Freight Gate 1, will also under-

go full reconstruction, according to a press release. Once complete, Emirates Airline will occupy both facilities.

Also under construction is a new transshipment facility that will handle freight transferred between Dubai International and Dubai World Central. Jeff Gould, vice president of development at Dubai Airports, said Dubai International's operations won't be disrupted during the construction process, however.

Chris Garton, senior vice president of operations at Dubai Airports,

also spoke out about the renovations, explaining that they will help Dubai World Central and Dubai International meet heightened freight demand. In fact, total cargo traffic across both airports is projected to increase from the 2.19 million tonnes reported in 2011 to 4.1 million tonnes by 2020.

"The new infrastructure will not only increase our capacity, but go a long way to simplifying what has become an increasingly complex cargo operation as the airport has grown," Garton said in a statement. **ACW**

## Middle East cargo soars in July, says IATA

Despite the fact that Middle Eastern carriers recorded a 16-percent, year-over-year, increase in freight demand in July, global cargo markets shrunk 3.2 percent, year-over-year, according to International Air Transport Association statistics. In a press release, IATA partially attributed this decline to a comparison with a "relatively strong" July 2011, but said global trade growth is still sluggish.

Nowhere is this sluggishness more evident than in the Asia-Pacific. Freight carriers in this region saw volumes plunge 7.6 percent, year-over-year, on a 4.3 percent, year-over-year, capacity drop. These declines, which represented the biggest year-over-year losses seen in any region in July, are even more dramatic than those witnessed in the Asia-Pacific in

April and June. In fact, IATA said in the press release, freight carriers in this region have recorded "virtually no growth" in cargo volumes since the fourth quarter of 2011.

Carriers in North America and Europe have also contended with lower-than-average freight volumes recently. Cargo demand in both of these regions dipped 3.6 percent, year-over-year, in July, although European carriers reported a more marked contrast between capacity and demand.

Airlines in Europe offered 0.9 percent more capacity in July 2012 than in July 2011, while North American carriers perfectly matched capacity with demand, offering 3.6 percent less capacity, year-over-year. Unfortunately, this decline couldn't offset the latter region's staggering decline in load factor, which plunged to 32.3

percent in July.

Like their North American counterparts, Latin American carriers also reported a markedly low July cargo load factor. Freight load factor in this region dropped to 35.2 in July, despite Latin American airlines raising capacity by 13.9 percent, year-over-year. Cargo demand in Latin America also slid, falling 5.6 percent, year-over-year.

The Middle East was the only region with any cargo gains in July, according to IATA. In addition to recording a double-digit increase in freight demand, Middle Eastern carriers boosted capacity by 11 percent, year-over-year. Such gains contributed to the region's 2 percent, year-over-year, improvement in freight load factor, which totaled 45.3 percent in July. **ACW**

## IATA's Tony Tyler touts African safety improvements

**T**ony Tyler, director general and CEO of the International Air Transport Association, has implored African officials to use aviation as a driver of economic growth. Doing so, however, will require African governments to adopt global standards, improve aviation safety and develop a supportive infrastructure, he explained.

"The most pressing problem for African aviation today is safety," Tyler said in a statement. In fact, the continent saw an average of one accident for every 305,000 flights using Western-built jets in 2011. Although Tyler conceded that this was a marked improvement from Africa's 2010 accident rate, he said it was still nine times higher than the global average.

"It should be as safe to travel by air in Africa as it is in any other part of the world," Tyler said in a statement.

Fostering a safe environment led aviation authorities to devise the Africa Strategic Improvement Action Plan. The plan, sanctioned by IATA and the International Civil Aviation Organization, calls for all African carriers to complete IATA Operational Safety Audit registration and contains specific ways to improve aviation safety in Africa from now until 2015.

Tyler said IOSA registration is integral to aviation development in Africa since the accident rate of IOSA-registered African airlines in 2011 was nearly equivalent to the global average. "That tells us that applying global standards to African aviation will yield results," Tyler stated. "And the most effective way to increase the adoption of IOSA in Africa is for governments to mandate participation for all airlines."

Other key objectives in the Africa

Strategic Improvement Action Plan include the establishment of independent African civil aviation authorities and the implementation of flight data analysis and safety management systems. IATA and ICAO also encourage African officials to employ "transparent" safety oversight systems and accident-prevention measures, with the latter focused on runway safety and loss of control.

Still, Tyler acknowledged that humanitarian concerns trump aviation development in the minds of African officials. "Eliminating poverty, improving health, raising living standards and generating jobs rank much higher," he said in a statement. "My message is not to shift priorities, but to ask governments to see aviation as an economic driver and develop policies to support that important role." **ACW**



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## Cathay Pacific records less dramatic August declines

**C**athay Pacific and wholly owned subsidiary Dragonair saw freight volumes plunge 6.9 percent, year-over-year, to 122,351 tonnes in August. Although a relatively steep decline, the drop is less dramatic than the 10.5 percent, year-over-year, cargo decline the carriers recorded in July. Cathay Pacific's cargo manager James Woodrow said he expected to see even more improvement in September.

"We expect to see some increase in demand from mid-September onwards, driven by the shipment of high-tech products from the key manufacturing centers in Mainland China," Woodrow said in a statement.

August, however, is a traditionally weak month for cargo — "and this year was no exception," Woodrow said. In addition to reporting sluggish freight volumes, Cathay Pacific and Dragonair saw cargo and mail load factor slide 3 percent, year-over-year, to 61.9 percent, in August. To compensate for lagging demand, the carriers offered 6.1-percent less freight capacity than in August 2011.

Cargo problems have plagued Cathay Pacific and Dragonair all year long. From an eight-month perspective, the combined carriers recorded a 9.6 percent, year-over-year, decline in freight volumes amid a 5.5 percent, year-over-year, capacity drop. Cathay Pacific and Dragonair's cargo and mail load factor also took a nosedive in the first eight months of 2012, falling 3.7 percent, year-over-year, to 64 percent.

Despite these declines, the carriers have seen an uptick in passenger volumes. Cathay Pacific and Dragonair transported more than 2.6 million passengers in August, a 4 percent, year-over-year, increase. This improvement is in line with the higher passenger traffic the carriers have witnessed throughout 2012; passenger volumes rose 6.7 percent, year-over-year, in the first eight months of the year. **ACW**



## JAL, Nippon Cargo eye partnerships

**T**wo of the three big Japanese carriers are adding capacity after painful cut-backs — and both are looking to boost growth through international partnerships.

In September, Japan Airlines was due to relist on the Tokyo Stock Exchange, after filing for bankruptcy protection in January 2010. In one of the biggest corporate failures in Japanese history, the carrier had buckled under the weight of \$25 billion in debt. The IPO was expected to raise about \$8.5 billion, nearly doubling the investment of a state-backed fund that injected capital into the carrier following its bankruptcy filing. Analysts projected it to be the second-largest opening this year, only trailing the \$16 billion Facebook offering.

JAL managed to fly through the turbulence of the past year in good financial shape. Fiscal-year 2011, which ended on March 31, brought the Japanese carrier \$2.3 billion in net profit. This success carried over to the first quarter of fiscal-year 2012, with JAL's

net profit soaring 111.2 percent, year-over-year, to \$340.5 million.

Having turned around its cost structure, JAL is back in expansion mode, which was underscored by the announcement in February that management was planning to invest close to \$6.5 billion in new aircraft over a five-year period.

The carrier's network is in growth mode, too, which began in the spring with the launch of flights from Japan to Boston, using Boeing 787 aircraft. "We thought it would take some time to get full loads, but we are seeing strong demand from Asia to Boston. From Boston to Japan, we carry mostly seafood," according to JAL's Shinja Nagayasu.

The carrier's route expansion will continue with services to San Diego and Helsinki, which are due to kick off in December and March, respectively. Again, the carrier will field 787 aircraft on the new routes. JAL's erstwhile B747s are long gone, so the 787s entering the fleet will be replacing 767-300s, which translates into a

40-percent increase in capacity, Nagayasu said. The airline has signed up for 45 787s, in total.

Beyond its own lift, JAL is looking to expand its cooperation with American Airlines, which has been based on interline agreements and some joint-handling activities. Unlike ordinary interline deals, however, this one includes express traffic. "We started to move traffic between Asia and South America," Nagayasu said. "We have seen a significant traffic increase there."

Like JAL, Japan's Nippon Cargo Airlines is also eyeing expansion. The all-freight carrier took delivery of its first Boeing 747-8F this summer and has deployed the aircraft on its Tokyo-Los Angeles-San Francisco-Tokyo route.

Faced with challenging market conditions, NCA will not be expanding its fleet in the foreseeable future, so the 747-8 freighters entering service will be replacing 747-400 aircraft. Still, this constitutes a double-digit rise in lift, said Shawn McWhorter, NCA's president for the Americas. "Every -8 [comes with] 15-percent more capacity. By the end of 2015, we will have an all-747-8 fleet," he said.

This spring, NCA embarked on the second stage of its long-term stra-

tegic plan, which is about growth, according to McWhorter. "The first phase is finished. That was about right-sizing the infrastructure, which had been built for a 20-airplane fleet," he said.

Besides cutting back, another key objective is achieving greater flexibility in order to hone NCA's ability to take on charter service around its scheduled operations. "We were not able to respond to demand," McWhorter said. The airline is in the process of setting up charter teams to develop this business and intends to unveil a new feature on its website soon that will help customers send in their charter requirements.

"There is still growth, but it is uneven," he said. "We will be taking charters to Africa, to Brazil and to China."

A key plank in the push for greater flexibility is decentralizing the carrier's corporate structure and decision-making. Instead, NCA has been investing in regional management with greater powers.

As for the 747-400Fs that are grounded as the 747-8Fs enter service, the plan is to find regular work for them through leasing agreements or joint ventures. Besides avoiding expensive parking or mothballing

**"We are looking to expand without touching Japan. There are parts of the world that have nothing to do with Japan."**

**— Shawn McWhorter, NCA's president for the Americas**

costs of sidelined cargo aircraft, this would enable NCA to push into new markets, McWhorter explained. "We are looking to expand without touching Japan," he said. "There are parts of the world that have nothing to do with Japan."

Even so, he ruled out a Chinese joint venture cargo airline along the lines of the now-defunct Jade Cargo International or Great Wall all-freight carriers. **ACW**

## Air China Cargo launches service to Amsterdam

**A**ir China Cargo has commenced Boeing 747-400 freight service to Amsterdam Airport Schiphol from Shanghai Pudong International Airport. The service, which routes through Chengdu or Chongqing and returns to Shanghai via Tianjin, is initially operating on a five-times-weekly basis, although Air China Cargo has the option for up to 10 weekly flights from Schiphol airport.

According to a press release, some of Air China Cargo's flights to Schiphol are replacing Frankfurt Airport freight routes. The carrier was

attracted to Schiphol airport's extensive road-feeder network, which will allow Air China Cargo to expand its coverage of the European sector.

And Europe, Air China Cargo's Huang Bin said, has been on the carrier's radar for a while. "This is now the third Air China Cargo freighter route serving Europe, which demonstrates our pioneering spirit in the current market recovery, and our great confidence in the prospects for the air cargo market between China and the Netherlands," he said in a statement.

Enno Osinga, senior vice presi-

dent of Schiphol Cargo, also spoke out about Air China Cargo's new service, praising it for "strengthening Schiphol's links with China." In fact, he revealed, the airport now has six cargo carriers serving the Chinese market, as well as 112 weekly flights to and from China's top 10 freight airports.

"Schiphol's strategic location, active encouragement of logistics activity and proactive measures to facilitate the efficient flow of cargo are clearly making it the European airport of choice for major freight carriers," Osinga said in a statement. **ACW**

## Airbus to research biofuels in Chinese facility

Less than two weeks after Boeing co-launched a facility with the Commercial Aircraft Corp. of China to study alternative fuels in Beijing, Airbus inked a deal with the Beijing-based Tsinghua University to propel the commercialization of aviation biofuels. Phase one of Airbus' project, which is slated for completion in the second half of 2012, involves the assessment of suitable feedstock sources.

Used cooking oil and algae are two key fuel sources that Airbus and its partners will look at during their phase-one assessment. The partners will then select the best possible feedstock sources from the mix during the second phase of the project; the

analysis is scheduled for completion by early 2013.

Once all of the preliminary work is completed, the partners will look at increasing the production rate of the biofuels to develop quantities suitable for commercial use.

Tsinghua University's Zhang Xiliang said the research has the potential to tremendously modernize the Chinese aviation sector. "The project will help us improve the understanding of the nature of aviation biofuels commercialization in China, identify the opportunities and challenges, and evaluate the possibility of social, economic, market and technology change and its cost, obstacles and challenges," he said in a statement.

"We believe that the research will have positive effects on energy conservation, emissions reduction and climate-change in the Chinese aviation sector," Zhang continued.

As the fastest-growing aviation market in the world, China is a strategic market for Airbus, according to a press release. In another strategic move, Airbus signed a joint MoU with competitors Boeing and Embraer in March to collaborate on the development of biofuels. The aircraft manufacturers detailed their plans to "speak in unity to government, biofuel producers and other key stakeholders to support, promote and accelerate the availability of sustainable, new jet-fuel sources" in joint press releases. **ACW**

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## CDI Cargo Airlines launches cargo services despite 'depressed' markets

Six months after the Civil Aviation Administration of China gave CDI Cargo Airlines the green light to launch operations, the carrier commenced B737-300 service from its Hangzhou Xiaoshan International Airport hub to Changchun, via Qingdao. And although Asian cargo has been rather sluggish lately, CDI Cargo's Alex Zhang said that the nascent carrier is poised for success.

Unlike the Shenzhen-based Jade Cargo, which officially folded in June, and the Tianjin-based Grandstar Air Cargo, which suspended operations in May, CDI Cargo Airlines is targeting the domestic Chinese market for growth. Zhang believes this distinction will help the carrier offset some of the declines seen in the Asia-Pacific lately.

"No doubt that all long-haul/wide-body freighter operators are suf-

fering a tough time at the moment, based on the current weak demand situation of international markets," Zhang said. "But most of the domestic/narrow-body freighter operators are performing well, due to booming domestic demand." The Chinese express sector has been performing especially well recently, Zhang added, as evidenced by the sector's nearly 30 percent CAGR increase.

But CDI Cargo sees potential beyond its domestic market. Eventually, Zhang said, the carrier is looking to launch international operations with wide-body freighters. Now, however, CDI Cargo will focus on the 737-300Fs, with two more aircraft coming on board in October and December.

"To set up the organization properly and [garner] a healthy financial base, CDI will be focusing on domestic routings with narrow-body freighters during the beginning

phase," Zhang said. "But we will keep our eyes on the development of international markets and prepare ourselves for international operation when the markets are recovered."

The road to recovery may be long, however. In July, the Association of Asia Pacific Airlines revealed that freight demand fell 0.8 percent, year-over-year, in the Asia-Pacific in June, amid a capacity decline of 1.4 percent. Cargo carriers in the region also recorded a sluggish cargo load factor of 67.8 percent.

From a half-year perspective, Asian cargo demand looks even more depressed. AAPA Director General Andrew Herdman said that Asian airlines saw a 4.3 percent, year-over-year, drop in freight demand in the first six months of the year, a byproduct of "weak consumer confidence in major developed markets." **ACW**

## Philippine Airlines to double cargo capacity

As part of a massive fleet overhaul plan, Philippine Airlines has inked a \$7 billion deal with Airbus to acquire 34 A321neos, 10 A321neos and 10 A330-300s. The 54 aircraft, which will begin to arrive in 2013, will reportedly more than double the Southeast Asian carrier's freight and passenger capacity.

Philippine Airlines will operate the wide-body A330s on routes to the Middle East and Australia, as well as high-demand regional routes. The single-aisle A321s, however, will be deployed on domestic and regional routes and fortify PAL's alliances with other carriers, according to a press release.

In a joint statement, PAL Chairman Lucio Tan and PAL President Ramon Ang said the aircraft will enhance

the carrier's operations tremendously. "The orders we are placing with Airbus will play a key role in revitalizing PAL and growing trade and tourism in the country," Tan and Ang said.

"With these aircraft, we will be able to offer more passengers the best the industry has to offer across our Asia-Pacific network," the PAL officials added. "At the same time, we will benefit from the low operating costs associated with new-generation aircraft and the reduced impact on the environment."

Ang revealed in a press conference that PAL is looking to purchase up



to 100 aircraft. The carrier, which is awaiting delivery of three additional Boeing 777-300ERs to supplement its fleet of three 777-300ERs, currently operates five Boeing 747-400s, 15 Airbus A320-200s, eight A330-300s, four A340-300s and four A319s. **ACW**

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## Southern Air to retire Classics, cut employees

In the next few months, Southern Air will accelerate the retirement of its 747-200s — a transformation that had been ongoing for about two years — and lay off an unspecified number of employees, according to an email sent to Southern Air employees by CEO Dan McHugh. McHugh also wrote that the company will focus on ways to reduce corporate debt and improve a capital structure Southern Air inherited from the private equity firm Oak Hill Capital Partners when it acquired a majority share in the ACMI company in 2007. Oak Hill combined an existing air cargo holding, Cargo 360, into the Southern Air fold.

“Today, a significant level of our resources and infrastructure are devoted to running and maintaining the -200s. We now must realign our organization to serve the new business model, including changes to our crew planning, and we will initiate select outsourcing of activities to better align our costs with the operating requirements,” McHugh wrote in the

email, which is dated August 21.

“As a result,” he continued, “we will begin reducing headcount in both line operations and headquarters staff. There will be direct staff reductions, as well as outsourcing of some activities, and we expect the majority of the changes to be in place by the end of the year.”

Southern Air officials have also stopped the process of a possible relocation of the company’s headquarters from Norwalk, Conn. According to a report in July, Southern Air officials had been working on a deal to move the firm to Cincinnati/Northern Kentucky International Airport, bringing 120 jobs to the area.

In the letter, McHugh wrote that he had expected to keep the -200s, known as Classics, in the Southern Air fleet until April 2013. The plan had always been to slowly retire these older aircraft and move the Southern Air fleet toward more modern planes. Declining demand, higher operating costs and increasing

## UPS extends offer period for TNT takeover

UPS has extended its offer period for its €5.16 billion acquisition of Dutch delivery company TNT Express from August 31 until November 9. Despite this setback, the deal is still expected to close in the fourth quarter of 2012, the integrators announced in a joint press release.

UPS and TNT Express explained that the European Commission is unable to meet its original December 12 deadline for the antitrust probe it launched in July, thus delaying the offer period. Separate reports indicate that the EC temporarily halted its Phase 11 review of the merger in order to obtain additional information from the companies.

Either way, the merger is moving forward. In an official statement, the former rivals reiterated their “commitment” to working together and amalgamating their networks.

“Under the terms of the [offer], UPS will acquire TNT Express to create a service leader in the logistics industry and an enhanced, integrated global network,” UPS and TNT Express said in a joint statement. “The complementary strengths of both organizations will create a customer-focused global platform that will be a leader in transportation technology and customer service.”

The integrators added that the merger will not only bolster trade links in the U.S. and Europe, but will also strengthen Asian and Latin American networks. Such improvements will “help to stimulate much-needed economic growth,” UPS and TNT Express said in a statement.

After protracted public negotiations, UPS and TNT Express agreed on a \$6.77 billion deal in March, a little more than a month after TNT Express rejected UPS’ original \$6.4 billion acquisition offer. The all-cash offer comes out to a per-share price of a little less than \$12.50, and the transaction was originally slated to close in the third quarter. **ACW**

regulations, he wrote, were deciding factors in the accelerated timetable. Southern Air has been weighing the retirement for at least the past 18 months. As McHugh put it, “our traditional ACMI customer base is not actively planning to add 747-200 or 747-400 capacity in the near term.”

McHugh outlined that these fleet adjustments highlight a new strategy

for Southern Air moving forward. The firm will continue its relationship with DHL Express and other carriers, while searching out new partners. He wrote that the fleet retirement is “not merely a short-term, cost-cutting move” and that it instead signals the start of a business transformation.

“In order to make Southern Air stronger and operate more efficient-

ly,” he wrote, “we need to transition from a high-maintenance, depreciated Classic fleet, to a modern, efficient fleet operating in more reliable, low-cost, low-risk environments.”

Southern Air added three 777 freighters, airplanes destined for use by DHL Express, to its fleet in April. According to a press release issued at the time, the new planes were to be used for DHL Express’ recently launched around-the-world service. Southern Air started operating its first 777 freighter for DHL in August 2011 on a Cincinnati-Bahrain-Hong Kong route. The ACMI firm also had plans to introduce 747-400 freighters by the end of next year, reducing Southern Air’s fleet age as it phases out the Classics.

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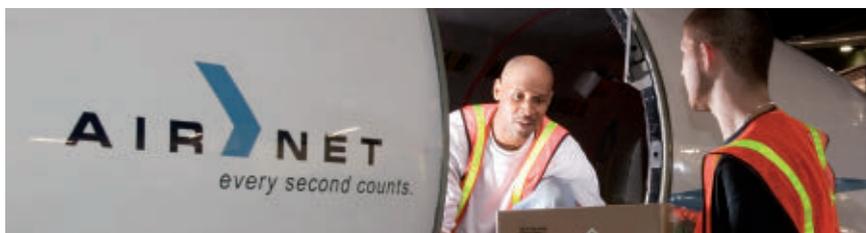
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### In the news...

Cargolux has resumed flights to Latacunga, Ecuador’s **Cotopaxi International Airport** after a nearly 39-month hiatus. The twice-weekly flights replace Cargolux’s previous freight service to Quito’s Mariscal Sucre International Airport and will be propelled by Cotopaxi’s revamped freight facilities and lack of curfew restrictions, according to a press release. Cargolux officials said the latter merit, in particular, provides them with greater flexibility with their operations in Ecuador — the majority of which involve flower transportation. In the press release, they also pointed out that Cotopaxi airport’s cargo facilities feature cool rooms with space for several wide-body freighters... **Aerolíneas Argentinas** has joined the SkyTeam Alliance as its 18th member. The Argentinian flag carrier becomes SkyTeam’s first South American member and adds 40 new destinations to the alliance’s network... **Delta Air Lines** transported 205,156 tonnes of cargo in August, a 5.7 percent, year-over-year, increase. The Atlanta-based carrier’s freight operations are also up slightly from an eight-month perspective, improving 0.8 percent from January-to-August 2011. **United Airlines** transported 194,465 tonnes of cargo in August, a 2.6 percent, year-over-year, drop. The merged carrier’s freight traffic is also down from an eight-month perspective, plunging 7 percent from January-to-August 2011. **ACW**

ies were announced, Stephen Fenwick, DHL Express' CEO, Americas, said the integrator's partnership with Southern Air is "very effective."

"Their performance reliability has been high," he said at the time, "and we are pleased to be expanding our relationship with the start up of this

second 777 round-the-world route, which will also take full advantage of the aircraft's long-range payload capability and fuel efficiency." **ACW**

## FedEx downgrades profit forecast

**F**edEx Corp. saw earnings per diluted share slide from \$1.46 to \$1.45, year-over-year, in the first quarter of fiscal-year 2013, which ended August 30. In a press release, FedEx attributed the decline to global economic woes and downgraded its forecast for the full financial year.

Alan Graf, Jr., FedEx's executive vice president and chief financial officer, spoke out about the troubles that plagued the integrator during the first quarter of fiscal-year 2013. One particular area of struggle, Graf explained, was the FedEx Express sector, which recorded a 28 percent, year-over-year,

decline in operating income during the three-month period.

"Earnings for the first quarter were below our expectations, as weak global economic conditions dampened revenue growth, drove a shift by our customers to our deferred services and outpaced our near-term ability to reduce FedEx Express operating costs to match demand levels," he said in a statement.

Even so, FedEx Express' revenue rose 1 percent, year-over-year, to \$6.63 billion in the first quarter, while the sector's average daily international export volume similarly swelled 1

percent, year-over-year. In the press release, FedEx credited the latter increase with improvements in Europe and Asia.

CEO Frederick Smith explained that FedEx Ground and FedEx Freight segments performed particularly well during the first quarter of fiscal-year 2013. The integrator's Ground segment saw revenue and operating income rise 8 percent and 9 percent, year-over-year, respectively, during the first quarter, while the freight segment netted 5 percent, year-over-year, revenue growth over the span of the three-month period. **ACW**

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*The ground-haul portion of air freight transportation is increasing in importance with great leaps and bounds. Here is an up-to-the-minute report on its progress, problems, and plans by the head of the ground-service organization of the scheduled airlines of the United States.*

# GETTING READY for the JET AGE



By EMERY F. JOHNSON, *President, Air Cargo, Inc.*

This article, from our October 1958 issue, is reprinted in its original form.

**F**IRST of all—and for a right good question—what is the state of our business? How is air freight, and how is the cartage portion thereof? Frankly, we in Air Cargo, Inc., think that it is good, and that we are all truly progressing forward upon a firm onward course.

Last year, at this same time, we all had three completely abnormal months under our belt: The air freight business, and cartage in particular, had gone through a 90-day period—ending with July—in which we had gratefully wallowed in an excess amount of traffic occasioned as a direct consequence of a protracted strike of Railway Express Agency drivers at six major cities. Everybody in air freight had benefitted from this outside work stoppage, and it was actually as though December had been with us for 90 days in a row. It seemed that any progress beyond such a high-water volume benchmark was a tough assignment, but I'm amazed if we haven't now done it!

The express strike began on April 22 of 1957. Up to the same date of the current year we found that all air freight cartage was progressing at a fat increase of more than 14% in total shipments and 18% in the dollars paid therefor. Comparisons with the strike period then set in and continued through July 21, and while the statistics for 1958 may have looked dismal during this time, I have three facts to confirm that progress was with us nevertheless.

Fact 1 is that upon the conclusion of the strike period we found that 1958 was still ahead of 1957. The actual

dollars were \$2,090,815 through the end of July for this year vs. \$2,057,612 for 1957.

Fact 2 is that during these first seven months our penetration of the potential air freight cartage market—by this I mean how many of the total of all air freight shipments are actually moved in pick-up and delivery service—had increased by three percentage points. Or, put another way, we have created three more cartage shipments out of every 100 available airline shipments.

These things are solid progress, although not as spectacular as Fact 3, which is simply that, according to Air Cargo, Inc.'s own payment records, total air freight cartage shipments have increased by 20%, and the accompanying dollar volume has increased by 31%, when comparing this year with last, during the post-strike period we have enjoyed beginning with August.

## Tangible Progress

We like such tangible progress and are hopeful it is indicative of putting us all upon the last lap toward another highly successful year.

This kind of visible growth has, obviously, got to be backed up by forward movement upon an onward course—and it has. We can reflect upon this progress in many directions, as confirmed by these examples:

Since last year's Air Freight Cartage Conference, we have completely eliminated any requirement for a telephone cut-off time in some 52 important cities. We have expanded our geographical limits so as to provide pickup and delivery to an additional 25 important military bases—including such stra-

tegic ones as Cape Canaveral in Florida; Hill Air Force Base in Utah; and Hamilton Air Force Base in California. We are not only getting prepared for the Jet Age—we are there already—and dealing in missiles and rockets. This particular progress, incidentally, has been accomplished with the complete cooperation of the Military Traffic Management Agency of the Department of Defense, the world's largest purchaser and user of transportation services.

Since last year's Air Freight Cartage Conference, we have also progressed by obtaining a sharply improved level of service in most major cities; we have substantially broadened the true acceptance and use of "automatic delivery" at many, many points; we have dipped our toes into some fairly promising experimentation with containers; we have painted about 85 additional vehicles; we have helped to design a new family of trucks which we hope may be highly useful in the future; we have laid the groundwork for some forthcoming improvements in various procedures; and we have generally tried to live up to that apt GE slogan of progress being our most important product.

Certain of our progress has also come as a direct consequence of last year's Air Freight Cartage Conference. We think the application of cubic dimensional weights to the pricing of cartage services would be considered as progressive in most circles. We know that the establishment of our new Contractors' Advisory Board is a definite forward move upon an onward course. We think that completion of

the Drake, Startzman, Sheahan and Barclay survey is just like having money in the bank.\* And we have made a certain amount of progress toward the ultimate establishment of door-to-door rates.

Up to this point I have meant to use the word "we" in its broadest editorial sense. I do not mean to report that any of this progress briefly mentioned has been made by airlines, by cartage contractors, by Air Cargo, Inc., or by any one group alone. I really mean that it has been accomplished by the effective efforts of all of everyone.

Nevertheless, I must also admit that we in Air Cargo, Inc., have been going around slapping all the linesmen on the rump, meanwhile urging them to dig in and to get ready for the Jet Age—and at the same time I must also concede that some may well wonder just what has been going on in the backfield. I am pleased to report that Air Cargo, Inc., is in good posture (to employ a typical Washington term).

We have been moving forward upon an onward course; we have some new faces; we have some new offices; we have some new procedures and standards for the more useful evaluation of both service and rates. We would like to think that our general state of readiness might well be illustrated by the fact that we are currently in the process of amending our Articles of Incorporation in Delaware so as to serve Alaskan carriers immediately upon the Territory's becoming the 49th State.

### Forward Moves

But we have at least two important forward moves upon our own onward course to report.

First, we have been authorized by our board of directors to take such steps as are necessary so as to extend the life of our standard form of cartage service contract to provide for a minimum duration of a full 12-month period in all cases, as opposed to the terms of the existing document, which permit cancellation upon no more than 45 days' notice. In authorizing such a suggested change, our directors were well aware that this year will see almost 50% of all contractors achieving at least five years of service, with more than 20% in the 10-year category, even under the existing 45-day arrangement. Nevertheless, they still join in a desire to provide an even greater measure of security for all in the future of air freight cartage.

Second—and perhaps of more actual impact—we have also been authorized

(Continued on Page 20)

\* This is a reference to the *Pickup and Delivery Handbook*. See last month's issue of AIR TRANSPORTATION, Page 6.

## "MIDDLEMEN" IN AIR CARGO ARE BUSY THESE DAYS



Air Express International, pioneer international air freight forwarding firm, which has a long string of "firsts" to its credit, established another one several weeks ago when company executives attended the maiden jetcargo flight of Pan American World Airways' first Boeing 707, consigning to it an assortment of shipments from Pepsi Cola, Charles Pfizer, R. H. Macy, Westinghouse, and others. The jet made the New York-San Juan run in less than 3½ hours. Shown here (left to right) are: Manuel Romero, of the managerial staff of Pepsi Cola International; John E. Muhlfeld, AEI vice president-sales; Paul Rennell, sales manager, PAA Atlantic Division; Alvin B. Beck, AEI executive vice president; T. J. Raineri, traffic manager, Pfizer International; and Arthur Hussey, cargo sales manager, PAA Atlantic Division. AEI is girding for Atlantic jetcargo runs.

Every day California Air Freight hauls a planeload of popped popcorn from Los Angeles to San Francisco. Reason is the long-haul truck strike. Ultimate destinations are the theatres of San Francisco—where else? Trucks of Airborne Freight Corporation, general agents for the



company, meet the daily flights and rush the popcorn to consignee. Up to 8,000 pounds of the commodity are flown per C-46 flight. Popcorn is uniformly packed.



Railway Express Agency, newest of the cargo sales agents approved by the International Air Transport Association, is shown transferring international shipments to Seaboard & Western Airlines, scheduled transatlantic all-cargo carrier. REA points out that international airway-bills may be prepared at its 162 IATA-approved offices located in 39 states, Washington, D. C., and Montreal. Officials said that "traffic for world-wide air destinations actually is being originated at more than 13,000 express offices serving some 23,000 communities throughout the nation." See item, page 23.

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### GETTING READY

(Continued from Page 17)

by our directors to progress yet another amendment to our standard form of contract which will have the formal effect of obligating each airline to furnish all cartage traffic which it controls to the contractor so long as the latter is able to perform the service required. Any such like provision is absent in today's arrangement. The establishment of it will become progress of a very real nature. The specific language we have proposed in this regard reads as follows:

*"To the extent that the contractor is ready, willing and able to provide the services contemplated herein, each air carrier will employ contractor exclusively for the provision of all such services, unless otherwise directed by the shipper or consignee."*

While our directors have already authorized these two progressive contractual changes, it must be realized that Air Cargo, Inc. has 31 delegations of specific authority from 31 airlines, and that each of these must first be appropriately amended, working in concert with 31 Legal Departments. The actual fruits of this progress will, therefore, necessarily be some time in the making, but the fact is that we are embarked upon such an onward course

and do feel confident of a valid ability to reach our forward goal.

It appears that we have not yet made too much real progress toward the eventual establishment of door-to-door rates for air freight, and this is strange. We know that most shippers want such service. We know that most receivers feel likewise. We also know that, without a single exception, every one of air freight's direct, and often successful, competitor's offers door-to-door service and rates, yet we are, seemingly, all fouled up in our own inertia in this regard. We do not yet offer the shipping public what we know it fully wants, and we continue to do such nonsensical things as making 3½ million needless rate computations each year in perpetuating our status quo.

Air Cargo, Inc., made what it thought was a reasonable, though somewhat radical, movement forward toward this particular onward course in early June, when (in connection with another matter) we proposed that pickup and delivery could well be priced at a straight rate per ton-mile, which, in turn, would lend to the ready inclusion of cartage with line-haul air charges for the establishment of door-to-door rates between any and all points.

We documented this proposal by demonstrating that actual Air Cargo, Inc. cartage costs had been but

94/100ths of 1¢ per ton-mile for the entire industry during calendar 1957. We then quickly recognized that Air Cargo, Inc. contractors do not haul everything, but were able to compute that had their service been hypothetically provided for every air freight shipment which moved during the year, total payments would have risen to a point where they would have become an expense of 2.17¢ per ton-mile for the entire volume of traffic. As a further and last step, we then conceded that no one rightfully knows how many cartage shipments are presently counted twice (both at origin and at destination), and, therefore, suggested that the foregoing figure could even be doubled so as to arrive at an indicated amount of 4.34¢ per ton-mile as providing an ample cushion for full pickup and delivery costs at today's level of both service and rates.

Having fired this proposal, we then fell back and waited. We are still doing so at this time. The lack of any forward progress here seems somewhat discouraging, and at the risk of temporarily alienating some of our many good airline friends, I would suggest that we have the linesmen well dug in—and that the backfield is ready to get into motion—but that doggone little is coming in from the bench for the further forward advance of this particular progression of plays. It is someone's move next. Yet this is clearly not a matter which is within either the province or control of cartage contractors or Air Cargo, Inc.

Within Air Cargo, Inc., for example, we have recently been engaged in attempting specifically to define some future areas of service. In doing so, we find that we firmly believe in high service standards. We believe this is best for the airlines we serve and for their air freight customers. And, by high standards we mean basically these three things:

▶ Speed and dependability of pickup and delivery.

▶ Attractive appearance; neatly uniformed drivers; clean and well painted vehicles; and good housekeeping, in general, for its effect on employee efficiency and impression upon the shipping public.

▶ An attitude of downright intolerance toward errors, carelessness and sloppiness.

We firmly believe that our over-all service will be less costly with such high standards, and that all of our people will take more pride in their own companies and jobs, and will be more alert to do a proper job for air freight as a widely accepted shipping service of which they can be increasingly proud. Such is our own onward course at this time. ● ● ●

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## GEOGRAPHY, INFRASTRUCTURE PROPEL

# ATLANTA CARGO

**H**artsfield-Jackson Atlanta International Airport has long been heralded for its passenger operations. As the world's busiest passenger airport — a title Hartsfield-Jackson has held for 13 consecutive years — Atlanta airport welcomes travelers from all corners of the world. And if Hartsfield-Jackson's aviation development manager Warren Jones has it his way, this dominance will one day apply to the airport's cargo operations, as well.

Although Hartsfield-Jackson certainly has a long way to go before it achieves such accolades in the airfreight arena — out of the top 50 cargo airports on the Airport Council International's 2012 ranking, Atlanta finished 33rd, with 663,162 tonnes in 2011 (see page 32 for the full ACI rankings) — Jones thinks the tides are changing. "If you look at the past history of Hartsfield-Jackson, in 2010, we saw 17-percent growth; in 2011, we saw 2-percent growth," Jones says. "But in 2011, a lot of the other major U.S. gateways had declined in cargo volumes overall."

Hartsfield-Jackson also saw the introduction of Qatar Airways' freight service to Atlanta in 2011. The twice-weekly Boeing 777F flights, which commenced in November, highlight Atlanta's position as a key exporter to the Middle East, the airport's Louis Miller asserts. "Companies can readily connect with air, road and railway transportation systems in Atlanta," Miller said last fall. "The addition of Qatar Airways further enhance[s] our airport's reputation as a leading cargo airport."

Jones says the March recommencement of Air France-KLM Cargo and Martinair Cargo's service to Atlanta backs up his colleague's assessment. After a three-year flying hiatus, customer demand drove the combined carrier to resume flights to Hartsfield-Jackson, Air France-KLM Cargo and Martinair Cargo's Harm Winkeler reveals. The need for automotive parts transportation out of Atlanta topped the list of most-requested services.

Global automakers Hyundai, Volkswagen, BMW and Mercedes all fly their car parts through Hartsfield-Jackson

on a daily basis, Jones points out, and Kia recently expanded its 2,200-acre manufacturing facility in nearby West Point, Ga., to increase its vehicle production rate. In fact, Jones says, Kia set up shop in the tiny Georgia town in 2010 to take advantage of Hartsfield-Jackson's cargo connectivity.

It appears that luxury brand Porsche is following Kia's lead. Industry rumblings suggest that nonstop flights from Hartsfield-Jackson to Porsche's Stuttgart, Germany, headquarters led Porsche officials to purchase 33 acres of land, with an option for 20 more, adjacent to the airport. Porsche's new facility, which is slated to open in late 2013, replaces the automaker's current North American headquarters. The \$100 million development was announced in 2011 and will help establish the Aerotropolis mixed-use concept, which is located on a former Ford Motor Co. plant.

Bob Pertierra, vice president of supply-chain development at Metro Atlanta Chamber, isn't surprised by this move. Calling Hartsfield-Jackson the Southeastern U.S.' "largest economic engine," he says proximity to the airport is often a key determinant when companies are selecting a location.

Pertierra reveals that he regularly attends meetings where Hartsfield-Jackson representatives tell companies eyeing the Atlanta market about their flight schedules and frequencies. Officials use the airport to lure companies into thinking about Atlanta. "So it's very much a part of how companies pick their locations," he says. After all, Pertierra says, "The airport gives us access to global markets, both for cargo and people — and companies want to be near to that, and they often request and compare Atlanta's airport with other cities' airports to see what's best for their business."

The other factor that companies consider, he says, is whether a prospective market is growing. And in the U.S., the Atlanta market certainly is, Pertierra asserts. "So we point out the fact [to companies] that the population demographic for the Southeast U.S. is growing — it's adding people

— whereas the Northeast U.S. and West are losing people," he says.

Atlanta's vast population is an advantage that Alan Schlesinger regularly cites — particularly when selecting freight forwarders with whom to do business. As the president and CEO of Duluth, Ga.-based Airflotek — a distributor of air filtration systems — Schlesinger says nearby Atlanta's robust forwarding community helps keep prices low.

"I have about four companies that I do business with, and I will shop them continuously," he says. "These forwarders already know they can't be over the top on price because they know that everyone is shopping the competition."

Schlesinger says Airflotek's proximity to Hartsfield-Jackson airport affords similar advantages. Since so many carriers fly to Atlanta, competition always exists — which, he says, ensures best pricing. "And I can always find room in a cargo hold, even if it's at the last minute," Schlesinger adds.

Steve Blane, district manager for Atlanta at Air-Sea Forwarders Inc., says the influx of capacity may not be a good thing, however. Pointing to the recent fluctuation of cargo activity out of Atlanta, Blane says traffic has been sluggish lately, albeit "with a few positive spikes." In June, for instance, Hartsfield-Jackson's cargo volumes fell 3.2 percent, year-over-year, to 54,755 tonnes — a drop in line with the declines the airport recorded in the first six months of 2012. Blane and other stakeholders are hopeful that traffic will turn around in the latter half of the year, but are realistic about the situation.

"Individual air shipments seem to be getting smaller — two to three skids or less," Blane says, "but the shippers are still looking for deep discounts, like they would have received on shipments requiring containerization/palletization. He says the problem stems from three key issues: economic uncertainty, political unrest in certain regions and loss of volumes to seafreight. And, surprisingly, es-

calating airfreight costs isn't the only factor driving the latter trend, Blane says. In fact, Georgia's seafreight rates, such as those out of the Port of Savannah, have risen steadily since 2010.

"With the exception of very time-sensitive commodities, like perishables, seafreight has become a viable option," Blane says. "Shippers, with few exceptions, are not as time-sensitive, and the service-quality gap between seafreight and airfreight seems to have narrowed.

"Whether seafreight has improved and/or the airfreight performance has

**"We want to make sure we can meet the demand of our freight forwarders and our shippers to help them grow."**

**— Warren Jones,  
Hartsfield-Jackson  
Atlanta International  
Airport**

declined may just be a matter of perception and could be based on lower expectations for seafreight and continued higher expectations for air," he continues. "That would be a great question for debate."

Something that isn't up for debate, however, is the importance of a bustling cargo market to a city's health. Whether freight volumes come by air or sea, Blane says cities must have a transportation infrastructure that supports the flow of goods, instead of impedes it. He rates Atlanta's cargo infrastructure — particularly Hartsfield-Jackson's airfreight network and capabilities — as adequate. But Blane says it's crucial that airport personnel keep an eye out for indications of

stress to the infrastructure, whether due to increased age or demand, and take corrective actions before problems escalate.

Congestion is one possible problem, Vito Losurdo, vice president of global airfreight services at UPS, asserts. "Because Atlanta's such a popular global and regional hub, it could, at times, result in traffic congestion, which could be a challenge for companies doing business in the area," Losurdo says. "And it could potentially continue to be a problem with the lack of investment in our national highway system."

Three major highways converge in Atlanta — I-20, I-75 and I-85 — and companies regularly truck freight to and from Hartsfield-Jackson to nearby Florida, North and South Carolina, Tennessee and Alabama, Losurdo explains. Without regular improvements to these roads, there could be kinks in the supply chain. Even so, he calls Atlanta's transportation infrastructure "absolutely favorable" and reiterates the importance of Atlanta to UPS' hub-and-spoke distribution network.

The city, which serves as UPS' corporate headquarters, also sees regular UPS air service out of Hartsfield-Jackson. Losurdo says the "ease of doing business" at Hartsfield-Jackson attracted the global integrator.

"With the lack of curfew restrictions and relatively low landing fees, it's an advantage for UPS — and it would seem that the carriers are attracted to Atlanta as a result of this, too," he says. "As a freight forwarder, the benefits of Hartsfield-Jackson attract and enable the operations of global carriers that we utilize for airfreight needs." He points to the fact that Atlanta serves as the Americas headquarters for European carriers IAG Cargo and Lufthansa Cargo — as well as the world headquarters for Del-

ta Cargo — as a manifestation of this.

Carl Unger, Lufthansa's regional director of sales and handling for the Southern U.S., says Atlanta compares favorably to other Lufthansa Cargo stops in the country. In the South, carriers likely don't have to deal with weather delays common to the Northeast and West, he says — though one notable exception, a winter storm that affected flights for a number of days, does exist in recent memory. Finally, the central location of Atlanta makes the airport a good distribution hub for the Southeast.



Losurdo

"It is vitally important to have a presence in Atlanta, as many major players in the freight-forwarding industry have large gateways here," Unger says. "These gateways consolidate cargo from all over the Southeast and tender it centrally in Atlanta."



Unger

Ease of accessibility tops Unger's list of benefits derived from the Atlanta airport. Hartsfield-Jackson, he says, is easy to navigate and is laid out well. The availability of undeveloped land near the airport — land that shippers are starting to take advantage of — is also a huge selling point for the city. Put simply and literally, Hartsfield-Jackson brings the airfreight business to Atlanta.

"Hartsfield is always cooperative and listens to the requests of its cargo carriers, which is essential to maintaining a strong relationship," Unger says. "Further, Atlanta's mayor, Kasim Reed, is a big advocate for international air cargo, and has encouraged new carriers to bring freighters to Atlanta."

Among carriers operating to Atlanta, Southwest is a newcomer, but the airline has quickly established its dedication to the city. Southwest officials opened a 26,000-square-foot cargo facility to much fanfare on February 12. In the first six months of the new operation, the carrier handled

**"The airport gives us access to global markets, both for cargo and people — and companies want to be near to that."**

**— Bob Pertierra, Metro Atlanta Chamber**

more than 2.5 million pounds of cargo, according to Southwest's Wally Devereaux.

"We've been extremely pleased with the support of the Atlanta shipping community," he says. "The Atlanta airport has been fantastic to work with. The airport aviation general manager, Louis Miller, and his team have been very supportive of our air cargo business thus far."

A strong presence by Lufthansa, Delta, IAG and numerous other carriers is nice, but Hartsfield-Jackson's Jones would still like to add some Latin American carriers to the expanding list of cargo and passenger airlines serving the city. Revealing that the airport is looking to increase connectivity to South America, Jones says he envisions Hartsfield-Jackson one day rivaling Miami International Airport as the gateway to South America. "We feel that can offer more services to our freight forwarders [than MIA]," he says, such as centrality. "So we want to make sure we can meet the demand of our freight forwarders and our shippers to help them grow." To help nurture this idea, Jones is busy gathering data for an airport masterplan, which will discuss the cargo strategy moving forward.

Blane concedes that Hartsfield-Jackson's infrastructure and service options are superior to Miami International Airport's, but he says the

airport has a long way to go before it steals business from MIA. Even if trucking cargo from Miami takes three days, Blane says many supply-chain professionals will choose this option out of habit. After all, he says, “The air cargo business is change-averse in many ways, and that would include choice of airports for exporting and importing products.

“Shippers and importers will choose comfort over change, unless there is an option that is too attractive to ignore — and close proximity to a majority of markets by itself is not going to drive that change,” Blane continues. Still, he believes that most shippers consider Atlanta’s centrality an advantage and, if all else is equal — or even close to equal — will select Hartsfield-Jackson over the competition.

In order for Atlanta to maintain its position as a cargo-friendly city, however, Blane says industry stakeholders must closely monitor

### Hartsfield-Jackson’s half-year tonnage

- **January:** 44,553 tonnes  
(Down 11.2 percent, year-over-year, from 50,195 tonnes.)
- **February:** 50,653 tonnes  
(Down 2 percent, year-over-year, from 51,706 tonnes.)
- **March:** 56,718 tonnes  
(Down 2.2 percent, year-over-year, from 58,015 tonnes.)
- **April:** 52,677 tonnes  
(Down 5.5 percent, year-over-year, from 55,769 tonnes.)
- **May:** 52,283 tonnes  
(Down 4.6 percent, year-over-year, from 54,796 tonnes.)
- **June:** 54,755 tonnes  
(Down 3.2 percent, year-over-year, from 56,586 tonnes.)

the market.

“The question the logistics community needs to ask now is: ‘What will we do to sustain [Atlanta’s industrial] growth without it

becoming an undue burden on the people and companies it is meant to benefit?’ he says. “As a member of that community, I’m looking forward to finding the solution.” **ACW**

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ATLANTA  
BANGKOK  
BARCELONA  
BERLIN  
BOGOTA  
BRATISLAVA  
BRUSSELS  
BUDAPEST  
CHENNAI  
CHENGDE  
COLUMBIA  
DRESDEN  
DELHI  
DUBAI  
DUBLIN  
EAST MIDLANDS  
FRANKFURT  
HAMBURG  
HANOI  
HELSINKI  
HONG KONG  
HOUSTON  
ISTANBUL  
KOLKATA  
KUALA LUMPUR  
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# FUELED BY CARGO

ACI ranked the busiest cargo airports in 2011. HKIA, once again, tops the list

Last year was mostly a down year for cargo activity at airports around the world, according to Airports Council International. Most of the airports on its list of the 50 busiest cargo destinations in 2011 had experienced year-over-year cargo declines ranging from fractions of a percentage point (JFK, New Delhi) to more than 10 percent, in the case of Tokyo Narita. In the top 10, only Louisville saw year-over-year tonnage growth — even that was only 1 percentage point.

With all the declines and small increases experienced by the majority of the airports on the list, a few stood out. Of course, officials at Hong Kong International Airport deserve recognition for once again obtaining the top spot on the list, despite a 4.5-percent, year-over-year, drop in activity; HKIA overtook the perennial winner, Memphis International Airport, on 2011's list. Airports in Africa, Latin America and the Middle East saw the largest increases in activity.

HKIA squeaked by Memphis this year, finishing at 3.97 million tonnes, compared to the U.S. airport's 3.91 million tonnes. According to an airport spokesman, HKIA officials amassed this amount of cargo with the help of their three biggest cargo markets — Europe, the U.S. and Southeast Asia. To corner a large market share on those routes, those

at HKIA entered into partnerships between the carriers, the airport authority and the government, and made good use of HKIA's access to multi-modal transport.

In the first half of this year, cargo activity at the airport stayed mostly flat, which was a relatively good sign in this difficult economy. Although officials saw a 1.6-percent, year-over-year, decline in July, HKIA has seen a bit of a resurgence recently. Freight volumes rose 3 percent, year-over-year, to 328,000 tonnes in August.

"We've started to see some positive growth in cargo throughput recently," the spokesman says. "Although the cargo performance will still be affected by the eurozone crisis and the U.S. economy in the short term, we are confident in HKIA's long-term air traffic demand."

Moving forward, the spokesman sees a few key challenges for HKIA. The general sluggishness of the economy and the price of fuel is a perennial concern, but one issue specific to the airport is capacity. The spokesman cited estimates that by 2030, cargo volume at HKIA will reach 8.9 million tonnes. Currently, there's not enough room for that type of expansion, he says.

"To truly handle unconstrained demand up to 2030 and possibly beyond," the spokesman says, "HKIA needs to build a third runway."

The Chinese government has given its in-principle approval of add-

ing a third runway to the airport, so the quest for more capacity is slowly moving forward. Next up, officials will conduct environmental impact studies, obtain necessary governmental approvals, and then actually build the runway. The spokesman estimates that project implementation is three years away.

Tonnage should start to skyrocket early next year, with the opening of the HK\$5.5 million Cathay Pacific Cargo Terminal. According to the spokesman, the terminal will increase the airport's capacity by 2.5 million tonnes. Other notable developments include Shenzhen Donghai Airlines' recent freighter service; Silk Way Airlines and SF Airlines will also both start freighter service this year.

South Korea's Incheon Airport ranks fifth on the list of top cargo airports, and its tonnage numbers were good enough for third on the list of Asian airports. But it also experienced a drop in activity, year-over-year, in 2011.

An airport spokesman says Incheon retained its high ranking despite the decline because of strong international business. Incheon has remained the second-busiest international cargo destination for the past six years, the spokesman says, while seeing the international volume at competing airports steadily decline. Transshipment activity this year has helped recent tonnage figures.

"Transshipment cargo moderated

the poor showing of export and import cargo by decreasing only 1.5 percent, compared to 2011,” the spokesman says. “Incheon Airport has strong points in its transshipment environment — such as a geographical benefit of connecting Asia and the Americas — as well as a fast and easy transshipment process.”

Last year’s decline, however, was due mostly to the general malaise in the global economy. That has carried over a bit to this year, with Incheon turning in a first-half decline in tonnage of 5.3 percent, year-over-year. More specifically, these numbers reflect a delay in the European and U.S. economic recoveries, the spokesman says.

Carriers are still adding flights to Incheon, however. Turkish Airlines, Qatar Airways and Evergreen International Airlines all introduced new freighter services to the airport in the first half of 2012. More recently, Emirates restarted its freighter routing into the airport.

“This year’s decrease of cargo in Asian airports and carriers was caused by high oil prices, the high unemployment rate, and the shrinking of consumer confidence in the European and American market,” the spokesman says. “Those factors are not expected to be resolved within a short time period.”

While a majority of the Middle Eastern and African airports in the rankings achieved solid growth when compared to 2010’s tonnage numbers, African airports all showed impressive jumps, year-over-year. Jomo Kinyatta International Airport in Nairobi experienced the single biggest increase out of all the airports on ACI’s list, with a 25.4-percent increase when compared to last year. Though at 288,291 tonnes in 2011, the airport still process a far cry from that of the regional leader, Dubai, which saw more than 2.2 million tonnes pass through last year.

According to William Simbah, commercial manager, cargo, at the Kenya Airports Authority, last year ex-

ceeded the airport’s average annual volume growth rate. He attributes this increase to improved infrastructure, both at the airport and in the surrounding county; expanded cold-room facilities in new, modern sheds; and a larger cargo apron. Carriers including Turkish Airlines, Singapore Airlines and Air Arabia also increased their flight schedules to Nairobi re-

cently. Air Cargo Germany upped its charters to the city, and British Airways recently came back to the airport after a long absence. Transshipment is also important at the airport.

“Nairobi has developed as a major transit hub linking most of the African states,” he says.

This enhanced cargo importance has been spreading throughout the



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## Top 50 Airports

By scheduled freight-tonnes carried

ACI Rank	CITY	Cargo	
		2011 tonnage	YOY%
1	HONG KONG (HKG)	3,976,768	-4.5%
2	MEMPHIS (MEM)	3,916,410	0.0%
3	SHANGHAI (PVG)	3,085,268	-4.4%
4	ANCHORAGE (ANC)	2,543,105	-3.9%
5	INCHEON (ICN)	2,539,221	-5.4%
6	PARIS (CDG)	2,300,063	-4.1%
7	DUBAI (DXB)	2,269,768	0.0%
8	FRANKFURT (FRA)	2,214,939	-2.6%
9	LOUISVILLE (SDF)	2,188,422	1.0%
10	TOKYO (NRT)	1,945,351	-10.3%
11	SINGAPORE (SIN)	1,898,850	3.1%
12	MIAMI (MIA)	1,841,929	0.3%
13	LOS ANGELES (LAX)	1,681,611	-3.8%
14	BEIJING (PEK)	1,640,247	5.7%
15	TAIPEI (TPE)	1,627,463	-7.9%
16	LONDON (LHR)	1,569,449	1.2%
17	AMSTERDAM (AMS)	1,549,686	0.8%
18	NEW YORK (JFK)	1,348,992	-0.5%
19	BANGKOK (BKK)	1,321,853	0.9%
20	CHICAGO (ORD)	1,311,622	-4.7%
21	GUANGZHOU (CAN)	1,179,968	3.1%
22	INDIANAPOLIS (IND)	971,664	-4.0%
23	TOKYO (HND)	873,255	6.6%
24	SHENZHEN (SZX)	828,375	2.4%
25	NEWARK (EWR)	813,209	-5.0%
26	DOHA (DOH)	808,099	14.2%
27	LEIPZIG (LEJ)	743,983	16.5%
28	OSAKA (KIX)	742,977	-2.1%
29	COLOGNE (CGN)	726,257	12.8%
30	KUALA LUMPUR (KUL)	694,311	0.0%
31	MUMBAI (BOM)	681,265	1.5%
32	LIEGE (LGG)	674,360	5.4%
33	ATLANTA (ATL)	663,162	0.6%
34	LUXEMBOURG (LUX)	656,931	-6.9%
35	DALLAS/FORT WORTH (DFW)	654,415	-8.0%
36	BOGOTA (BOG)	617,467	17.2%
37	NEW DELHI (DEL)	593,483	-0.2%
38	JAKARTA (CGK)	582,088	11.2%

ACI Rank	CITY	Cargo	
		2011 tonnage	YOY%
39	ISTANBUL (IST)	513,935	10.2%
40	SÃO PAULO (GRU)	497,087	15.4%
41	TORONTO (YYZ)	492,660	2.5%
42	ABU DHABI (AUH)	487,951	10.3%
43	OAKLAND (OAK)	483,375	-5.4%
44	CINCINNATI (CVG)	481,669	29.7%
45	CHENGDU (CTU)	477,696	10.5%
46	SHANGHAI (SHA)	454,069	-5.5%
47	MILAN (MXP)	450,448	4.1%
48	HOUSTON (IAH)	446,328	5.4%
49	SYDNEY (SYD)	434,300	4.6%
50	BRUSSELS (BRU)	430,496	-2.4%

### EUROPE

ACI Rank	CITY	Cargo	
		2011 tonnage	YOY%
6	PARIS (CDG)	2,300,063	-4.1%
8	FRANKFURT (FRA)	2,214,939	-2.6%
16	LONDON (LHR)	1,569,449	1.2%
17	AMSTERDAM (AMS)	1,549,686	0.8%
27	LEIPZIG (LEJ)	743,983	16.5%
29	COLOGNE (CGN)	726,257	12.8%
32	LIEGE (LGG)	674,360	5.4%
34	LUXEMBOURG (LUX)	656,931	-6.9%
39	ISTANBUL (IST)	513,935	10.2%
47	MILAN (MXP)	450,448	4.1%
50	BRUSSELS (BRU)	430,496	-2.4%
51	MADRID (MAD)	422,168	5.2%
62	COPENHAGEN (CPH)	322,877	4.4%
63	ZURICH (ZRH)	318,878	1.5%
65	MOSCOW (SVO)	304,621	37.5%
66	MUNICH (MUC)	303,655	5.9%
68	EAST MIDLANDS (EMA)	301,229	-1.8%
91	LONDON (STN)	231,638	0.4%
94	HAHN (HHN)	222,836	33.3%
95	VIENNA (VIE)	213,337	-8.0%

region. So far this year, Simbah has also seen increased joint ventures among airports and foreign investors.

“Dar-es-Salaam is just about to open a new cargo terminal; Addis Ababa has built a new expanded airport, and so has Kigali. Entebbe has improved its existing facilities and is now feeding South Sudan and the Eastern Congo,” he says. “Kenya is developing new cargo facilities at the new Kisumu International Airport to capture the cargo potential in the Great Lakes Region and Central Africa.”

But these expansions can't achieve their full potential in Africa without first fixing a few challenges common to the country's air system. Simbah points to poor infrastructure as a hindrance to moving cargo inside the country. This is a barrier to trade that the government needs to address, he says.

The government could also help out with the introduction of regional trade agreements; currently those in the African cargo supply chain have had to deal with “unharmonized Customs tariffs,” Simbah says. More specifically to Nairobi's airport, an imbalance exists between imports and exports, which has muddied airfreight rates. The list of potential difficulties goes on and on, he explains.

“Upcoming regional airport developments and improvements in existing airport facilities are likely to bring regional competition, which is healthy, but will bring new challenges,” Simbah says. “Risks associated with security and terrorism are a major factor impinging on cargo growth due to costs related to mitigation measures.”

Leipzig/Halle Airport ranked 27th among the top 50 carriers, but saw the largest rise, year-over-year, among European airports. According to Markus Kopp, CEO of Mitteldeutsche Airport Holding, the parent company of Leipzig/Halle Airport, this is the seventh time airport officials have seen record year-over-year rises.

Leipzig/Halle achieves its success, he says, by focusing on niche markets like the cargo charter business

and live-animal exports (the airport opened its Animal Export Center in 2010). The airport's proximity to Eastern European growth markets, direct access to the trans-European motorway, and 24-7 operations have also helped keep the airport in the running as a major cargo facility.

Due to all these factors, 2011 was an exceptionally good year, but Kopp says that this year is shaping up nicely as well. Officials saw a 15-percent, year-over-year, rise in tonnage from January to August, and he expects to see the airport pass the 800,000 tonnes mark this year.

“Contrary to the general German and European trend, cargo volume at Leipzig/Halle is rising steadily,” he says. “However, we do not live on a paradisiacal ‘logistics island,’ but are ... dependent on global economic forces. Unfortunately, we cannot look into a crystal ball and see the future.”

Exciting developments are also coming to Leipzig/Halle. By 2014, officials will unveil a €40 million cargo center, complete with direct apron access. By the end of this year, Kopp expects to see the finishing touches on a new apron, which can accommodate up to five wide-body freighters,

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## MIDDLE EAST/AFRICA

and a new maintenance facility. As far as expansions in services, Kopp notes that airport officials are currently in touch with several Chinese carriers. And these developments, it seems, could be just the beginning.

“Leipzig/Halle Airport is a relatively young player, and it is our goal to firmly position the airport in the international markets in the long run,” Kopp says. “We will keep working hard to ensure further growth and to become ‘best in class.’ In the past few years, we had been able to demonstrate that our strategy of focusing on logistics offers huge potential for success. This is our benchmark for the future.”

Memphis International Airport isn't used to being second on ACI's list, but for the second year in a row, the airport ranks just behind HKIA. Year-over-year, Memphis'

ACI Rank	CITY	Cargo	
		2011 tonnage	YOY%
7	DUBAI (DXB)	2,269,768	0.0%
26	DOHA (DOH)	808,099	14.2%
42	ABU DHABI (AUH)	487,951	10.3%
59	SHARJAH (SHJ)	342,044	-14.0%
60	JOHANNESBURG (JNB)	335,964	17.4%
69	TEL-AVIV (TLV)	296,700	-2.0%
70	BAHRAIN (BAH)	292,145	-11.5%
71	NAIROBI (NBO)	288,291	25.4%
74	CAIRO (CAI)	280,573	-9.8%
79	JEDDAH (JED)	265,629	15.1%
80	RIYADH (RUH)	263,886	15.0%
99	KUWAIT (KWI)	195,820	-6.3%

activity remained flat, which is an accomplishment in the current market, and according to Larry Cox, head of the Memphis-Shelby County Airport Authority, tonnage for 2012 is up 2.75 percent. But with this boost comes a bit of disappointing passenger news — passenger activity is down 19 percent because of Delta Air Lines cutbacks. These cutbacks, in addition to the European economy, were the biggest impacts to cargo activity.

“It seems to me that cargo activity is reducing due to global economic conditions for most American airports, with little relief at hand,” he says.

A big challenge to American cargo growth includes a predilection to divert airfreight to ground transport because of ballooning air transport costs. This leads Cox to believe that the best bet moving forward is international cargo business in the perishable and critical parts spheres.

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NORTH AMERICA			
ACI Rank	CITY	Cargo	
		2011 tonnage	YOY%
2	MEMPHIS (MEM)	3,916,410	0.0%
4	ANCHORAGE (ANC)	2,543,105	-3.9%
9	LOUISVILLE (SDF)	2,188,422	1.0%
12	MIAMI (MIA)	1,841,929	0.3%
13	LOS ANGELES (LAX)	1,681,611	-3.8%
18	NEW YORK (JFK)	1,348,992	-0.5%
20	CHICAGO (ORD)	1,311,622	-4.7%
22	INDIANAPOLIS (IND)	971,664	-4.0%
25	NEWARK (EWR)	813,209	-5.0%
33	ATLANTA (ATL)	663,162	0.6%
35	DALLAS/FORT WORTH (DFW)	654,415	-8.0%
41	TORONTO (YYZ)	492,660	2.5%
43	OAKLAND (OAK)	483,375	-5.4%
44	CINCINNATI (CVG)	481,669	29.7%
48	HOUSTON (IAH)	446,328	5.4%
52	PHILADELPHIA (PHL)	415,205	-1.1%
55	SAN FRANCISCO (SFO)	382,019	-10.5%
56	ONTARIO (ONT)	378,728	6.4%
61	HONOLULU (HNL)	327,331	-25.7%
67	WASHINGTON, DC (IAD)	302,661	-8.9%
75	SEATTLE (SEA)	279,625	-1.3%
76	PHOENIX (PHX)	274,046	9.3%
83	BOSTON (BOS)	251,520	-3.1%
85	DENVER (DEN)	248,141	-1.4%
90	SALT LAKE CITY (SLC)	233,143	60.3%
93	VANCOUVER (YVR)	223,878	-2.0%
96	MINNEAPOLIS (MSP)	208,636	-1.4%
97	DETROIT (DTW)	206,426	6.8%
100	PORTLAND (PDX)	194,513	2.3%

LATIN AMERICA			
ACI Rank	CITY	Cargo	
		2011 tonnage	YOY%
36	BOGOTA (BOG)	617,467	17.2%
40	SÃO PAULO (GRU)	497,087	15.4%
53	MEXICO CITY (MEX)	415,074	4.5%
72	SANTIAGO (SCL)	288,233	1.0%
73	LIMA (LIM)	286,641	5.5%
78	CAMPINAS (VCP)	267,946	5.1%
98	BUENOS AIRES (EZE)	204,828	-3.8%

Of course, the slow economy can't last forever. For those airport officials waiting for the global recovery, Cox has some advice: Be ready. At Memphis, he says, infrastructure improvements and the expansions are always ongoing. FedEx, one of the airport's major drivers of activity, is working on new facilities as well.

"Airport operators need to continue to plan for airport facility improvements to be ready for the inevitable turnaround in the global economy," he says, "and operate their airports in a cost-effective way to compete with other modes of transportation." **ACW**

ASIA			
ACI Rank	CITY	Cargo	
		2011 tonnage	YOY%
1	HONG KONG (HKG)	3,976,768	-4.5%
3	SHANGHAI (PVG)	3,085,268	-4.4%
5	INCHEON (ICN)	2,539,221	-5.4%
10	TOKYO (NRT)	1,945,351	-10.3%
11	SINGAPORE (SIN)	1,898,850	3.1%
14	BEIJING (PEK)	1,640,247	5.7%
15	TAIPEI (TPE)	1,627,463	-7.9%
19	BANGKOK (BKK)	1,321,853	0.9%
21	GUANGZHOU (CAN)	1,179,968	3.1%
23	TOKYO (HND)	873,255	6.6%
24	SHENZHEN (SZX)	828,375	2.4%
28	OSAKA (KIX)	742,977	-2.1%
30	KUALA LUMPUR (KUL)	694,311	0.0%
31	MUMBAI (BOM)	681,265	1.5%
37	NEW DELHI (DEL)	593,483	-0.2%
38	JAKARTA (CGK)	582,088	11.2%
45	CHENGDU (CTU)	477,696	10.5%
46	SHANGHAI (SHA)	454,069	-5.5%
49	SYDNEY (SYD)	434,300	4.6%
54	MANILA (MNL)	410,377	-3.2%
57	MADRAS (MAA)	373,748	-2.9%
58	NAHA (OKA)	373,384	-3.9%
64	HANGZHOU (HGH)	306,243	8.0%
77	KUNMING (KMG)	272,465	-0.4%
81	XIAMEN (XMN)	260,575	6.1%
82	HA NOI (HAN)	252,046	16.2%
84	FUKUOKA (FUK)	249,596	-2.9%
86	NANJING (NKG)	246,334	5.1%
87	MELBOURNE (MEL)	238,598	5.4%
88	CHONGQING (CKG)	237,573	21.4%
89	SAPPORO (CTS)	233,628	2.5%
92	BANGALORE (BLR)	225,988	5.4%

**Air Charter Service**

**A**ir Charter Service has reported a 15-percent rise in the number of charters it has arranged, year-to-date, compared to 2011. Chris Leach, ACS's chairman and founder, noted: "It is clear that the charter market as a whole has not increased by this amount — various sources indicate that the U.S. and European business aviation markets both shrank in June and July this year, so we can conclude that our market share has increased substantially. This is something that we are very proud of, especially considering the economic climate and the competitive nature of chartered aviation.



"We feel that we have been able to achieve this by offering our clients the best value, with both pricing and our market-leading customer service — something that is always essential, regardless of how well the industry is doing as a whole."

On top of growing market share, ACS has already opened two new offices this year and has plans for a third in the coming months. The company has also welcomed aviation pioneer Erik Lindbergh on board as a brand ambassador this year. Charles, Erik's grandfather, was the first man to fly across the Atlantic in 1927, a feat which Erik recreated for the 75-year anniversary in 2002. Erik is on the board of directors of The Lindbergh Foundation and is also heavily involved in the pioneering X-Prize, which promotes space travel for the public, as well as his electric flight program LEAP (Lindbergh Electric Aircraft Programme). Erik will be working with ACS on a number of projects for both their cargo and passenger divisions.



# TIACA JOURNEYS to ATLANTA



# 50

years ago, the Society of Automotive Engineers unveiled a new conference in Atlanta. Dubbed the International Air Cargo Forum, this worldwide gathering of industry heavyweights focused on creating standards in the industry and presenting new ideas for the future. In the 1990s, a group that would become The International Air Cargo Association splintered off from SAE and took up the mantle of the event. Since the development of TIACA, 10 chairmen have headed the board, watching the organization slowly generate a more prominent stance in the air cargo world. Now, in a triumphant return to Atlanta, TIACA officials are trumpeting increased membership, record registrations for the ACF and an ever-widening influence in the industry.

**A**tlas Air Worldwide has been transforming our industry for 20 years. As the parent company of Atlas Air, Inc., Polar Air Cargo Worldwide and Titan Aviation Leasing, we're recognized as the world leader in ACMI and CMI outsourcing solutions for global cargo charter operations. Now, with both VIP and high-density passenger services for customers around the world, Atlas continues to innovate by offering the flexibility and convenience our customers require to transport passengers safely and comfortably, whether across the country or around the world.



We're celebrating our two decades of safe, efficient and reliable operations with a growing fleet of highly efficient, new-generation Boeing 747-8 freighters and the addition of a Boeing 767 fleet. These solid investments in our future will help us to continue delivering value, every day of the year, to hundreds of destinations on six continents.

Our unique combination of innovative services and solutions empowers our airline, express delivery, freight forwarder, and military and commercial charter customers to increase fleet flexibility and network efficiency, drive an expanded global footprint, and effectively capitalize on growing market opportunities.

We may not know what the next 20 years will bring, but we're looking forward to providing solutions to our customers that keep global airfreight moving.



This increased presence will be apparent to attendees at the Air Cargo Forum, according to Daniel Fernandez, TIACA's secretary general. In an interview a few weeks before the show, he said that registrations for the event had experienced a 20-percent increase over attendance numbers for the 2010 forum in Amsterdam. The amount of companies scheduled to exhibit on the floor has also increased, he said. A number of these organizations are based in the U.S. and

are excited about exhibiting at TIACA's first show in the States in 12 years. Every time the show moves around the globe — this year, it's the United States' turn; in 2014, South Korea takes the show — it picks up more exhibitors who see a new opportunity closer to home, he said.

But the one factor really driving registration and enthusiasm, Fernandez said, is optimism. Amid a sea of air cargo troubles — declining tonnages, rising fuel costs and roller-coaster regulatory requirements — companies registering for

## SHORT TAKES

*Ian Morgan is vice president, the Americas, for Cargolux. Based in Atlanta, he sees a lot of cargo benefits derived from the city and its airport for the European carrier.*

### What are some pros and cons of flying to Atlanta?

It's an easily accessible airport, geographically. And it's been an airport that has been easy to communicate with — the infrastructure there and the people at the airport are readily accessible. From a cost standpoint, it's competitive as well. And the reason an airline flies anywhere is because there's demand from the customer base. This has definitely been the case in Atlanta.

### Where would you rate Hartsfield-Jackson compared to other airports?

Very highly, from the standpoint that they manage to keep themselves very competitive, cost-wise. They continue to invest in the

infrastructure of the airport. And, when we look into introducing new aircraft — we just introduced the -8, and we've operated into Atlanta — they worked closely with us to make the airport ready for that and communicated well with us. So from a standpoint of infrastructure, it's very solid. I would rate it highly. But also from the standpoint of the ability to communicate with the Atlanta airport and get responses and feedback, I would rank the airport very highly, as well.

### How does Hartsfield-Jackson accommodate cargo carriers?

If you look at the way they manage the parking area, the airport itself manages the ramp-parking area for the freighters, which I think is very positive. The fact that they are a neutral entity in terms of allocating parking spaces is positive, compared to some other airports.

In some other airports, various entities may own those parking spaces, which, when you have a number of aircraft arriving at the same time, can limit your ability to park the aircraft. And that limitation can add additional costs because, obviously, if you have to wait for an aircraft to be parked and then off-loaded, it adds additional costs to the carrier.



the ACF see a way to get their business on strong footing again.

“There’s a lot of bad news, obviously, out there in the economy. This is a rough time for the industry, but I think everyone realizes that you have to get out there and get some business,” he said. “This is the biggest air cargo event in the world, and what better place to put your investment and to generate more business for your company?”

Along with the increased attendance, a few logistical items have been rethought

for the Atlanta event. Instead of dedicating two or more days to conference panels chaired by industry experts, as TIACA has organized in the past, this year will focus on dividing the event into a short, high-level conference and an expanded exhibition. By scheduling the entire conference in one half-day, organizers were able to give attendees more time on the exhibitor floor without taking away from the impact of the discussion panels. And by ensuring that the conference can stand on its own — the exhibit hall will

**What are some of the key imports and exports you’re carrying on flights to and from Atlanta?**

We’ve got the full range: a lot of automotive, a lot of electronics, and various commodities go in and out. The fact that Atlanta, by default, has afforded itself as a hub [provides] what we would call “consolidation cargo.” But, obviously, we’ve seen the automotive sector increasing in that area in the Southern states. So we’re definitely seeing an increase in automotive and cars in the market.

**Is Atlanta’s transportation infrastructure favorable to cargo carriers?**

The density of the forwarding community — plus the lack of curfew, cost structure and transportation infrastructure — I think it makes it very favorable. You’ve got a high density of freight forwarders there, and they’ve developed Atlanta as a hub, and it’s worked very well. I think you’re seeing the carriers being attracted today. Obviously, you’re got one of the busiest — if not the busiest — passenger airports in the world, and that’s due to the considerable commercial infrastructure around there as well, and



**Morgan**

businesses. So I think it’s very favorably positioned from that position as well.

**Do you have any plans to increase flights to Atlanta in the near future?**

We’re constantly reviewing it. We’re dealing with our customer bases, and Atlanta is always one of the airports that we see potential to increase flights. The market is very volatile at the moment, but it’s an airport that is definitely high on the list of looking at how we can increase capacity — whether we can increase capacity on the existing flights or whether we actually increase flights into Atlanta. And both of those are very viable options for us at the moment.

**Incheon Airport**

Incheon Airport is going to partake in the TIACA ACF 2012 in Atlanta this October. Incheon Airport will have a booth during the exhibition and will host the gala dinner on October 3 as the host of TIACA ACF 2014.



During this event, Incheon Airport will run a 200-square-foot booth. The theme of Incheon Airport’s booth (Hall A No.505) is “Creating Difference, Incheon Airport.” Visitors can learn how Incheon makes a difference with airlines and forwarders in the air cargo market. The booth will also include a chance for excellent networking, a preview of the latest cargo facilities, and information about the geographical benefits between Asia and the Americas.

Moreover, you can meet people from Korean Air, Asiana Airlines and logistics companies like Pantos Logistics at the Incheon Airport stand. In addition, Incheon Airport will host interesting events at the booth that will allow visitors to experience Korean culture. We are going to present Korean traditional fans with the name of visitors in the Korean alphabet.



The gala dinner, hosted by Incheon Airport, will be filled with magnificent spectacles. Incheon will promote TIACA ACF 2014 and invite the entire worldwide air cargo field to Seoul. Incheon Airport will prepare performances, so that guests will have a chance to learn about Korean culture such as Korean fan dance and sand art.

### L3 Security & Detection Systems

#### L-3's Powerful New Dual-view Systems for Air Cargo Screening

L-3 offers three, new multi-view systems. The compact, high-capacity PX10.10-MV, with 1 M x 1 M tunnel, is ideal for inspecting break-bulk freight and packages. The system provides superior imaging performance with the optimal combination of X-ray geometry and low belt height. Its modular architecture allows the system to be installed in many areas previously only accessible to much smaller units.

The larger, configurable PX15.17-MV 200 and PX18.18-MV 200 systems can screen skids, pallets and ULD containers.

These high-powered systems achieve best-in-class penetration, even in densely packed goods.

Each of these systems has been submitted for TSA qualification and is deployed at freight forwarders and shippers globally.

The L-3 approach: customized, scalable systems

L-3 Security & Detection Systems designs equipment for shipments of varied sizes and applications. With more than 30 years of experience, L-3 offers scanning inspection systems for break-bulk, skids, pallets and ULDs. Its deployment of a multi-sensor scanner to inspect customs freight at Amsterdam's Schiphol Airport is one of the most advanced cargo system installations in the world. L-3's equipment screens cargo ranging from containers of fruits and vegetables to electronics, and this equipment is currently in operation at shipping, forwarding and certified cargo screening facilities.

L-3's broad range of cargo screening products leverages our commitment to innovation. The company works closely with regulators and operators worldwide to develop technology with a focus on detection capability and high-throughput screening to keep commerce moving in a cost-effective manner.



### Air Cargo Forum



not be open during the panels, as it has in previous years — TIACA can bring all the focus to the important items being discussed.

Fernandez said members want more time on the floor — more time to meet with customers and figure out solutions to problems that have arisen in this troubled air cargo landscape. In keeping with this idea of increasing

meeting opportunities,

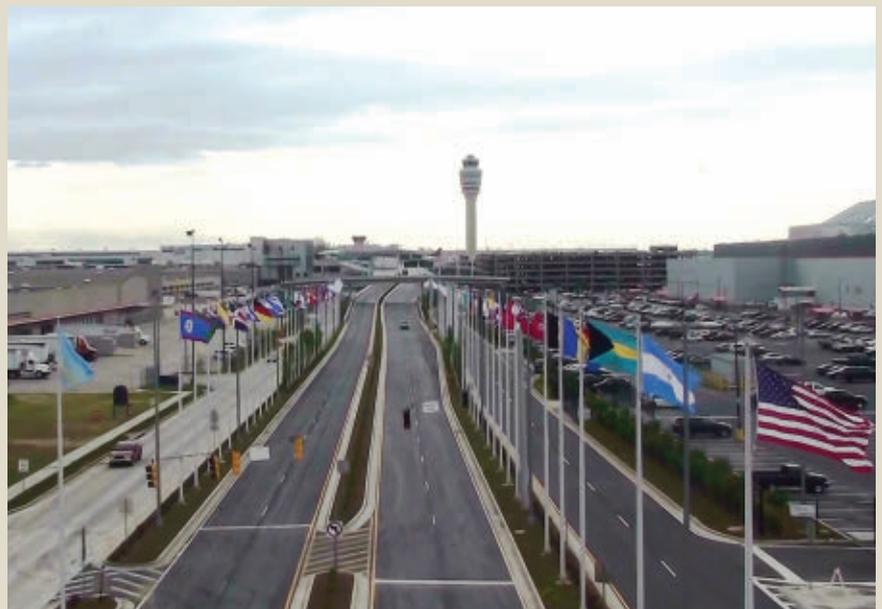
TIACA has also organized a service where companies that don't have exhibit booths can connect with customers ahead of time, pre-scheduling meetings for the exhibition room floor.

"This opens up the networking possibilities even more because now you can pre-schedule your meetings," Fernandez said. "We're trying to introduce innovation and keep the event fresh."



*Fernandez*

The Air Cargo Forum also marks the two-year anniversary of the Global Air Cargo Advisory Group, which was unveiled at the Amsterdam ACF. Gathering together the International Air Transport Association, the Global Shippers' Forum and the International Federation of Freight Forwarders Associations (FIATA), GACAG has united the industry in a concentrated push for change. Michael Steen, TIACA's chairman and the head of GACAG, said he will hold a press conference during



*The new international terminal recently opened at Hartsfield-Jackson Atlanta International Airport*

**SHORT TAKES**

**Vito Losurdo** is the vice president of global airfreight services for UPS. In anticipation of the Air Cargo Forum, he talked about UPS' presence in Atlanta and where the city fits in the national cargo scene.

**What are some pros and cons of flying to Atlanta?**

Atlanta is one of the world's largest airports. And for UPS Freight Forwarding, it gives us extensive access to the multiple, global carriers that are flying in and out of Hartsfield-Jackson. It just allows us to complement the amount of airfreight capacity that we have to service customer needs.

**How important is Atlanta to your flight schedule? What contributed to your decision to address the Atlanta market?**

Well, you know, at UPS, we operate a hub-and-spoke system. And we consider Atlanta one of those spokes. For us, it's a key gateway location for UPS, and it's very important to our airfreight network. We provide air service right into Atlanta with our UPS airline for our small-package and cargo shipments. But we also utilize a significant amount of capacity on commercial freighters and passenger bellies to service our airfreight into and out of the Southeastern U.S.

**How does Hartsfield-Jackson accommodate cargo carriers?**

Hartsfield actively accommodates the cargo carriers serving a good, regional airfreight hub and attracting multiple, different freight carriers from all regions of the world. We have flights that are somehow connected to Europe, Asia and, most recently, the Middle East. So a couple of our key carriers, like British Airways, Air France, Cathay, Korean Air and Qatar, are all flying 747s or 777s into Hartsfield-Jackson every week.



**What are some of the key imports and exports you're carrying on flights to and from Atlanta? Do you envision these volumes changing moving forward?**

Hartsfield-Jackson is the largest, centrally located gateway to many of the major metropolitan areas in the Southeast. Atlanta handles virtually all imports and exports. Some of the key industries — at UPS, we're servicing the healthcare, automotive and high-tech sector. As far as volumes, we really can't speculate what it's going to look like going forward. But if U.S. manufacturing and exports increase, especially in the Southeast, Hartsfield-Jackson will certainly see an increase in freight volumes. That's also dependant on manufacturing and other leading global economies as well.

**Airborne Global Solutions**

**A**irborne Global Solutions, Inc. specializes in providing operating and leasing solutions utilizing cost-efficient medium wide-body freighter aircraft. AGS, a subsidiary of Air Transport Services Group, Inc. (ATSG), leverages the entire ATSG portfolio and other solution partners to develop bundled, turn-key cargo airline solutions that are flexible, customized and built on decades of experience in global cargo airline operations. Through strategic alliances with other ATSG companies — including a leasing arm, three cargo airlines, an aircraft maintenance organization and ancillary airline service providers — we offer a bundled solution approach to providing the right solution at the right time — anywhere in the world.



AGS builds solutions around the diverse market needs of our customers to create the right combination of assets and services to meet the global needs of an increasingly connected world. The key to our value proposition is our access to unrivalled aircraft assets; our airline providers allow customers to add efficient cargo capacity to their operation through the B757-200PCF, B767-200SE, and B767-300ER, the most efficient aircraft for medium range needs.

Airborne Global Solutions' bundled service solutions minimize the customer's up-front capital investment while accomplishing their strategic objectives. We work extensively with the customer scheduling team to evaluate market needs and develop the best solution based on service, cost, and market requirements. Our combination of global cargo airline expertise and strategic alliances produces leveraged cost savings, reliable service, and unmatched speed-to-market capability to enhance the competitive position of those we serve. Learn more at [www.airborneglobal.com](http://www.airborneglobal.com). or call us at (937) 366-2216.

## Halifax Stanfield International Airport

**H**alifax Stanfield International Airport is Atlantic Canada's air gateway, facilitating passenger and cargo access to markets across Canada, the U.S. and Europe. It is Atlantic Canada's largest airport by passenger volume, and it is the seventh busiest airport in Canada. HSIA is the closest major continental North American link to the European Union, and it enjoys open-skies access to the United States.



The airport is open 24-7, including Canada Customs clearance. It is not congested and is competitively priced. A \$28 million project is currently underway to increase the length of our main runway from 8,800 feet to 10,500 feet. Work is expected to be completed by the middle of November; when finished, the runway will bear maximum payloads on all freighter types.

The airport houses a 40,000-square-foot, multi-tenant cargo facility with direct airside access — the largest of its kind north of Miami. Seven thousand square feet of this space is temperature-controlled, with an additional 12,000 square feet of space available for use during colder months. It is operated by Gateway Facilities and includes FedEx as an anchor tenant. Their services complement those of freight forwarders, customs brokers and cargo specialists located on site. These cargo services constitute an ideal "cold chain" for exporters of high-value seafood.

## Air Cargo Forum



the ACF to give a status update on the organization. GACAG will also convene a meeting during the ACF.

This status update will concern the issues GACAG holds close to its heart — security, e-commerce, among them — but Steen warned that progress on these issues will not come quickly. While he said that industry engagement is good and that major accomplishments have been achieved during the two years, these challenges won't be met overnight. There has been significant progress on some fronts, but true solutions will take time, he said.

"There's not going to be a barrage of news releases coming out with final solutions because this is something that will take time," Steen said. "Gradually, you're going to see that we reach these milestones that we're putting up."

At the IATA's World Cargo Symposium in March, Steen said that there were several other stakeholders currently not present in GACAG's working committees. Through TIACA's expansion and Steen's ability to get more people involved with GACAG, the working groups now have the involvement of new players. Steen pointed to DHL Global Forwarding's Steve Smith as an example; Smith now heads up the e-commerce task force.

GACAG isn't the only group holding a meeting during the ACF. Fernandez said Customs and Border Protection, with the U.S. Transportation Security Administration, is gathering together to talk through their screening pilot program. In addition to smaller agencies getting together, the Council of Supply Chain Management Professionals will be holding its own



*Steen*

conference next door to the ACF. This bit of scheduling has Fernandez particularly excited.

"We've coordinated our agendas so delegates from either side can participate, and we've facilitated ways for them to do that," Fernandez said. "We're expecting quite a significant number of their delegates to participate in our event because we have an exhibition, and they don't."

Moving forward, TIACA will, of course, further the goals and ideals of GACAG, but it will also pave its own path. Fernandez said TIACA will focus on increasing its already record membership — which has experienced a 15-percent growth in less than a year, he said — to even further reaches of the air cargo supply chain. The organization will also have an increasing role in shaping policy, lobbying for the air cargo industry and making sure the industry is on the mind of lawmakers worldwide.

"We have the highest number of members we've ever had now, and that's because we are not just an exhibition company," Fernandez said. "We are very active in becoming more effective in the representational part of our agenda."



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## Turkish Cargo

**T**urkish Cargo, the cargo division of Turkey's flag carrier, provides technology-driven logistics solutions to individual customers and major corporations by using Turkish Airlines' fleet and networking capabilities. It is one of the most rapidly growing firms in the air cargo sector. Turkish Cargo operates to more than 200 destinations with 179 aircraft, including a freighter fleet of four A310Fs and two new A330-200Fs.



Turkish Cargo operates to 35 international freighter destinations on a weekly scheduled basis. Turkish flies to: BUDAPEST, MOSCOW, PARIS, ZURICH, MILAN, MAASTRICHT, FRANKFURT, TIRANA, STOCKHOLM, KIEV, MADRID, TASHKENT, ALMATY, BISHKEK, NEW DELHI, DHAKA, MUMBAI, BANGKOK, HONG KONG, TBLISI, KARACHI, SEOUL, TEL AVIV, BEIRUT, AMMAN, JEDDAH, RIYADH, DUBAI, CASABLANCA, ALGIERS, MITIGA, CAIRO, LAGOS, VIENNA, and MINSK.

At the heart of Turkish Cargo's growth lies the desire to meet the demands of each core air cargo sector — perishables, dangerous goods, valuables, live animals and vulnerables — individually and in a customized manner. Turkish Cargo always bears in mind that the key aspects in logistics are velocity and maximum reliability. The main principle of the service quality lies in this philosophy, which is applied to every single step of the shipment process; the barcode TV systems established in our hub ensures this integrity. A maximum endeavor of improving customer value, with a system-wide perspective of supply chain logistics, makes Turkish Cargo the most prominent cargo carrier.

The company vision is to become the most preferred solution for customers in the global air cargo sector. The lean and dynamic structure of Turkish Cargo is the reason for its rising momentum in the last few years; this dynamic will be more reinforced by our vision to meet each customer's individual needs. Turkish Cargo offers complete supply-chain solutions and translates this to the best practices in the air cargo industry.

## Air Cargo Forum



### SHORT TAKES

**Bob Pertierra** is vice president of supply chain development at Metro Atlanta Chamber. In his role, he uses the airport as a tool to recruit companies that might be considering a move to Atlanta.

#### How important is cargo to Atlanta's economic health?

We're talking about \$23 billion in revenue, almost 400,000 jobs, and almost \$3 billion in tax impact. One air cargo flight alone can have a big economic impact. It's very quantifiable and often connects our companies and our economy with other economies around the world. So that access to global markets is critically important to our growth and our future growth.

#### How do you use cargo to attract new businesses to Atlanta?

A lot of companies, when they come here, they want to be close to an airport. They may specify certain countries that they need to fly to, or they also may say they'll compare the number of international destinations of several cities with airports.

I think companies use this [metric] all the time in terms of when they pick locations to move goods — their products — to market, as well as to move their people around the world.

#### Are there any projects in the works to better Atlanta's air cargo transportation infrastructure?

We continue to work with the airport to attract new carriers. And I think we have plenty of capacity in terms of runways and flight hours. Atlanta is a 24-hour airport.

Atlanta has no landing or time restrictions, so basically it's a 24-hour operation, which means that we have plenty of slots. There are no scheduled slots for aircraft like in European cities, for example. So we're very much open and have plenty of capacity to bring in new flights.

We're just continuing to work to attract new carriers to the region to fly to Atlanta and service markets. And, I think if you talk to the airport, there is a pad-ready site on the airport, on the South cargo area, that, when it's needed, they can add another cargo facility.

#### How is Atlanta limited by its cargo infrastructure?

I think the only limitations we have are that when we're talking to companies, and we don't fly to a particular location they want to fly to. The only time we're limited is when we don't have service to that market. And part of our effort is to make sure that we target markets when we need service. So that's how we fill the gaps.

I think we're doing very well, and we have pretty good connectivity compared to most airports in the world. So I wouldn't say we're limited at all at this point by our cargo infrastructure.

#### How is the Metro Atlanta Chamber working to increase cargo volumes at Hartsfield-Jackson?

We're part of the host committee (which is the airport, UPS, Delta and us) that has worked nearly five years to bring the TIACA conference to Atlanta. We have, obviously, worked with the airport to go to recruit and speak directly to airlines and help to talk about the market opportunities in Atlanta.

Companies care about a number of things — real estate, the multimodal operations — and we try to show them the market opportunities that exist in the Southeastern U.S.

**SHORT TAKES**

**Carl Unger** is Lufthansa Cargo's regional director of sales and handling for the Southern U.S. In advance of the Air Cargo Forum, he answered some questions about the importance of Atlanta and its airport to Lufthansa Cargo.

**What are some of the key imports and exports you're carrying on flights to and from Atlanta? Do you envision these volumes changing moving forward?**

During the past decade, many foreign automakers have established manufacturing plants in the Southeast U.S. BMW, Mercedes-Benz, Volkswagon and Kia have all established plants in Georgia or neighboring states over the past few years. These manufacturers, along with their suppliers, play a large role in the Atlanta air cargo industry.

Additionally, we see lots of hatching egg and baby chicks business ex Atlanta, due to the large poultry industry in middle and southern Georgia. Other commodities shipped via Atlanta include machinery parts and medical equipment.

**In your opinion, has Atlanta's lack of curfew restrictions and low landing fees attracted carriers?**

Atlanta's competitive landing fees and lack of a curfew certainly make it attractive for



cargo carriers. We are fortunate that curfews are not very common among other airports in the region. If one were introduced, it would have a significantly negative impact on the cargo business.

**Is Atlanta's transportation infrastructure favorable to cargo carriers? Why or why not?**

Yes, Atlanta's highway system allows for easy access to the rest of the region. Traffic can be a challenge during certain times of the day, but improvements are being made throughout metro Atlanta. Additionally, there is a vast network of railroads linking Atlanta cargo to the Savannah and Charleston ports, as well as many other metropolitan areas in the region.

**Do you have any plans to increase flights to Atlanta in the near future?**

The current market is saturated with capacity, so there is no need for additional capacity in the short-term. However, we feel that this will balance out in the long-term. One of Lufthansa Cargo's strengths is its network flexibility, as we are easily able to add additional capacity as needed.

**Qatar Airways**

Over the past 10 years, Qatar Airways Cargo has grown to become a leading carrier in the cargo industry. Its operation continues to grow, as the airline's freighter network also develops worldwide. Attending premier events, such as this year's Air Cargo Forum, is an opportunity to showcase our product to the international freighter community.

Qatar Airways is one of the fastest-growing carriers in the world with an unprecedented expansion rate averaging almost 40 percent, year-over-year. Currently operating to 40 freighter destinations worldwide, with an ever-expanding fleet including four brand new Boeing 777 freighters, Qatar Airways plans to further expand its operations in the coming years.



The company has earned the coveted ISO 9001:2008 for quality management systems in freight space.

On the all-freighter front, Qatar Cargo has recently revamped its charter product to cater to an increasing demand for special consignments — anything from horses and gas items to humanitarian cargo. One of our first clients under of the newly launched QCharter was the world-famous Cirque du Soleil. Qatar Airways was proud to have been chosen as a transport partner by the show's team of organizers, and the partnership is testament to the care and skill employed by the Qatar Cargo team on every consignment.

The introduction of the QCharter product offers agents, brokers and forwarders the ability to request special loads on any of the company's four Boeing 777 freighters or three Airbus 300-600 freighters.

Qatar Airways Cargo has expanded its freighter services with the introduction of three new routes to Seoul, Johannesburg, Muscat and Tripoli, along with the re-introduction of freighter services to Karachi.

Named the World's Best Airline by Skytrax in 2012 for the second year running, Qatar Airways looks forward to further developing its business and providing an unrivalled customer experience to all of its clients worldwide.

**H**eadquartered in Columbus, OH, AirNet Cargo Charter Services is a leading small-package express cargo airline that services a wide range of industries that require speed, reliability, flexibility and security in the transportation of high-priority shipments. The company was founded in 1974 and operates a fleet of more than 130 aircraft that conduct almost 200 scheduled and on-demand flights per night throughout North America. We are one of the largest specialized air cargo airlines in the nation and the largest commercial operator of Cessna aircraft in the world.



We offer a wide array of time-critical transportation services. With our scheduled or on-demand cargo charters, we can provide the appropriate aircraft for service to any location at any time. AirNet's aircraft are strategically positioned throughout the U.S. to offer quick response times (within two hours).

The scheduled package delivery program is a regional air transportation solution utilizing our fleet of Cessna 210 aircraft. The Cessna 210 provides fast, economical transportation routes ranging from 200 miles to 400 miles. It is ideal for congested markets where traffic delays impede timely delivery.

AirNet Express is an overnight, small-package shipping service utilizing our fleet of aircraft. AirNet's flight schedule allows for the latest departures and earliest arrivals in the industry.

AirNet's extensive air network provides the most secure and persistent chain of custody of any air cargo carrier in the business. Our on-time performance record is second to none, averaging 99.2 percent. Our customers can depend on the on-time arrival of their urgent shipments every time.



## SHORT TAKES

**Harold Hagans** is president of Atlanta Customs Brokers and International Freight Forwarders Inc.

**Talk a little about the fluctuation of cargo activity you've seen into and out of Atlanta from 2010 to the present.**

I would think activity has changed from Europe to the U.S. mainly because of the eurozone itself and the economic strife that Europe is going through. When you look at Greece, Spain, Italy, Portugal and Ireland — some of our big customers years ago now are just sitting around. But business is still good, and there's a little bit of a growth factor out there. China is beginning to hurt, too. It's slowing down a little bit in China, you might say, but that's from China to Europe. So we're feeling the effects of what's going on in Europe everyday.

I think that's the reason for a little fluctuation, but the airfreight business in Atlanta is going great. We've got a good program, and they have a lot to sell at Hartsfield-Jackson.

**How do you view Atlanta's transportation infrastructure, and what could be done (if anything) to enhance it?**

Oh my goodness, we can't do anything. We have the network here at I-285, I-85 and I-75, and we have the rail lines. And looking at the airport, I recently went to an event where the Porsche people are coming in. They're actually starting to put up their structures over the old Ford plant here at the airport, which is gigantic. I think initially they had purchased 33 acres; now they went in to purchase an additional 20 acres. It's the biggest economic shot in the arm to that particular geographic location

there that they've had in many, many years.

**How does Hartsfield-Jackson's Customs clearance process stack up against other U.S. cities?**

Second to none, second to none. I would not want to be anywhere else working with Customs and all the different federal agencies. Now you have to understand that ... there are 60 above-board that we work with, and I couldn't ask for a better support or structure from U.S. Customs, or the agricultural folks, the food and drug personnel, etc.

**Has Atlanta lost any of its air cargo business to seafreight as a result of escalating prices in air transport?**

Well, sometimes that fluctuates. But the big thing — the difference between the air and sea — are the time elements involved. There's just a substantial difference between the time elements. And even in August [when the interview was conducted], we're bringing in Christmas trees. So you couldn't just wait on freight coming in unless you do a lot of planning. But, no, I don't see a big loss to seafreight.

**How does a robust cargo market help a city grow and thrive? Have you seen that during your time in Atlanta?**

Oh my goodness, yes. I've been in Atlanta for about 25 years now. If you bring an airplane full of freight in from a foreign country, you don't realize the tradeoffs that going into the freight itself. Not only are people employed at the airport; people are employed doing the total supply chain of those commodities itself. And you might deliver the cargo to Tennessee, and then you have restaurants on the way, and you have gas stations on the way. So there's an awful lot that goes into one simple airplane coming in from a foreign land.



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Southwest has received numerous awards in the air cargo category related to on-time performance, customer service and overall excellence. Southwest is also the first airline to provide a comprehensive asset-tracking service on a transactional basis. Southwest Airlines recently announced Cargo Companion, a cellular-based GPS tracking service that monitors the location and environmental status of cargo during transit. With Cargo Companion, customers can track by air waybill at [www.swacargo.com](http://www.swacargo.com), and easily find out the location, shock, light, temperature, pressure and humidity of each shipment. Customers also receive proactive e-mail alerts if issues arrive during transit and when their shipments arrive safely at their destinations.

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**SHORT TAKES**

***Alan Schlesinger** is president and CEO of Duluth, Ga.-based Airflotek. Though he only uses a small amount of airfreight to ship his products around the world, he still is intimately acquainted with the Atlanta air cargo market.*

**How important is airfreight to your company?**

This year, Airflotek will do between \$5 million to \$7 million in sales and 4 percent to 5 percent of that will require airfreight. Half of that is international: South Africa, Canada, Middle East, Mexico and South America. We ship all over the U.S. via air and truck. Airfreight has allowed us to provide a higher level of service at a greater discount for our customers, both domestic and international. Obviously, airfreight allows us to tap into markets beyond our standard truck zone.

One important point to note: While the international business is important to us, with the increasing costs of airfreight these days, we always prefer using the customers' account for airfreight. At this time, we require cash upfront for international customers. We cannot be guaranteed of recouping additional freight costs if there is a snag in Customs or a travel delay that costs more. Therefore, I always try to put the burden of freight on the buyer and, as such, international airfreight cost is not the critical part of the equation for us.

**How has the use of freight forwarders streamlined the logistics process?**

We work with medium-to-large freight forwarders. You might think dealing with a middleman wouldn't streamline the process, but it most certainly does. Carriers wholesale out the cargo space to forwarders, who buy

space at a contracted rate. I want the volume discount freight forwarders can offer me. Plus, many freight forwarders have no issue with smaller companies, who sometimes want to just ship one pallet at a time. The bottom line is this: Everybody would like to be able to buy direct and cut out the middleman, but that doesn't ensure you get the best price. The best price comes from the wholesaler — that's the freight forwarder.

In my business, we deal with a lot of pharmaceutical companies. When they need my filters, they are often shut down until the shipment arrives. That means next-day is a critical part of the equation for me.

**Does Atlanta have a robust forwarding community?**

Yes, it's huge because of the traffic volume in and out of Hartsfield. If you're in a smaller area, you have to use a small-town airport; this means you are restricted by space and may even have to drive to a larger airport to get it to a place with more international connections. That also means you can be paying double freight costs because of the connections.

Plus, having a large community of options is great because I shop the forwarders to get the best price. ... And by having good relationships with multiple companies, I can always find space when I need it.

**It's advertised that Atlanta is only a day's worth of trucking from 80 percent of U.S. businesses. Is that your experience?**

I don't agree with this statement at all. Who says Atlanta is only a day's worth of trucking away from 80 percent of U.S. businesses? That's plain untrue. From Atlanta, I can ship in a day to Cincinnati, North Carolina, Orlando and Mississippi. Beyond those areas, you are talking about two days. That being said, Atlanta is a great distribution breakpoint, so we do have location on our side.

# BOEING

## PREDICTS COMING WIDE-BODY SURGE



Boeing has released its biannual cargo forecast that foresees a significant increase in wide-body freighters over the next 20 years.

### AIR CARGO FLEET GROWTH AND CHANGE

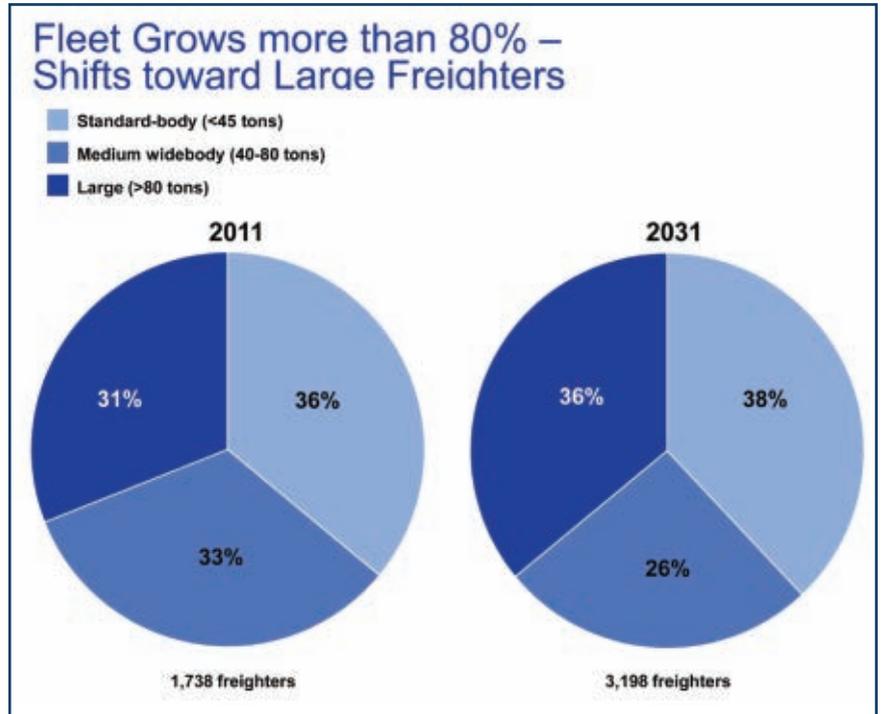
**T**he number of airplanes in the worldwide freighter fleet will increase by more than 80 percent during the next 20 years, as demand for air cargo services nearly triples. Large freighters will play an increasing role in air cargo transport, as the large

freighter category comes to represent 36 percent of the world's freighter fleet by 2031, compared to 31 percent today and 22 percent a decade ago. By leveraging the significant efficiency and capability advantages of large freighters, carriers will be able to manage projected traffic growth without proportionately increasing the number of airplanes.

Despite natural disasters and a continuing series of political and

economic challenges, air cargo traffic remains relatively flat, after rebounding strongly in 2010 from the global economic crisis of 2008 and 2009. Cargo operators have varied freighter utilization, temporarily grounded portions of the fleet and/or retired older freighters in response to market uncertainties. In the long term, the industry will benefit from this removal of surplus capacity and replacement of older freighters with

**By 2031, freighters will provide nearly 45 percent of the world's cargo capacity, despite the continuing trend toward passenger airplanes with greater belly-hold capability.**



All charts courtesy of Boeing

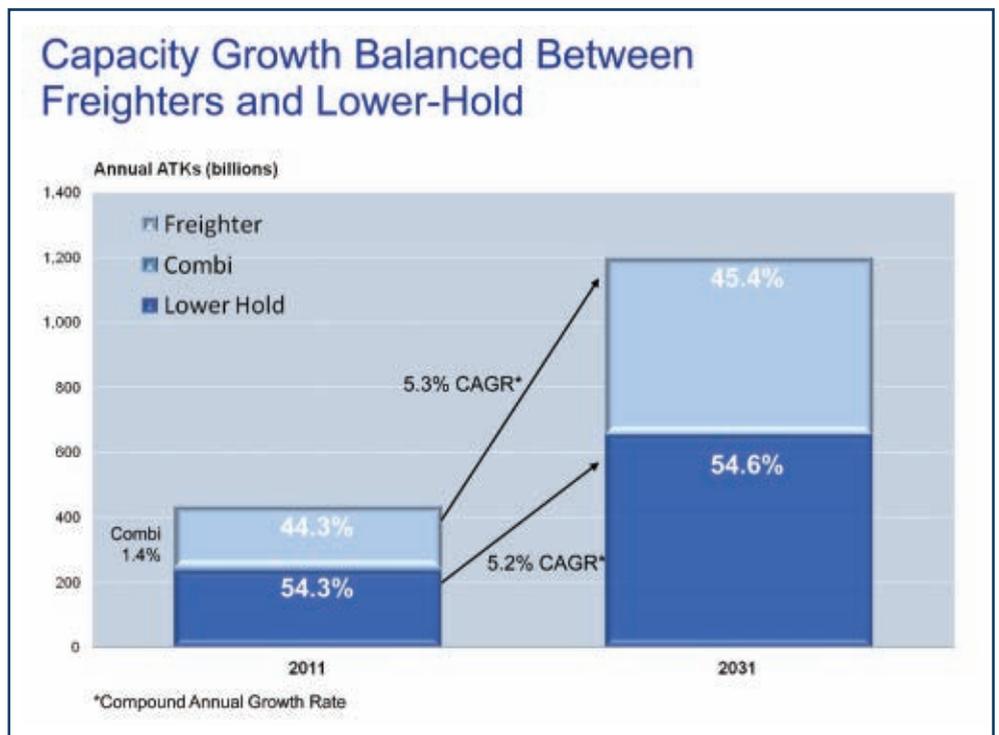
more efficient airplanes.

Reflecting traffic stability, the number of airplanes in the freighter fleet has remained virtually the same since 2009 (1,755 planes in 2009 compared to a current 1,738 aircraft). The mix of airplane sizes has shifted, however, toward large freighters. The large freighter share of the fleet has grown from 26 percent to 31 percent since 2009. As deliveries of newer, larger freighters increased over the past 18 months, yields and load factors came under pressure. (Please note that the accompanying charts present actual data, as opposed to the rounded totals presented in the Boeing Current Market Outlook 2012-2031.)

The industry's oft-demonstrated resilience is projected to prevail over recent adverse pressures. Demand for air cargo services will nearly triple by 2031 in response to the industry's growing dependence on speed and reliability, contin-

ued product innovation and global interdependence. This demand growth will spur the world freighter fleet to expand by more than 80 percent — from the current 1,738 airplanes to 3,198 airplanes by the end of the forecast period. About 1,300 of the 2,754

projected freighter deliveries will replace retiring airplanes, with the remainder expanding the fleet to meet the requirements of project traffic growth. Two-thirds of deliveries will be freighter conversions, 60 percent of which will be from standard-body



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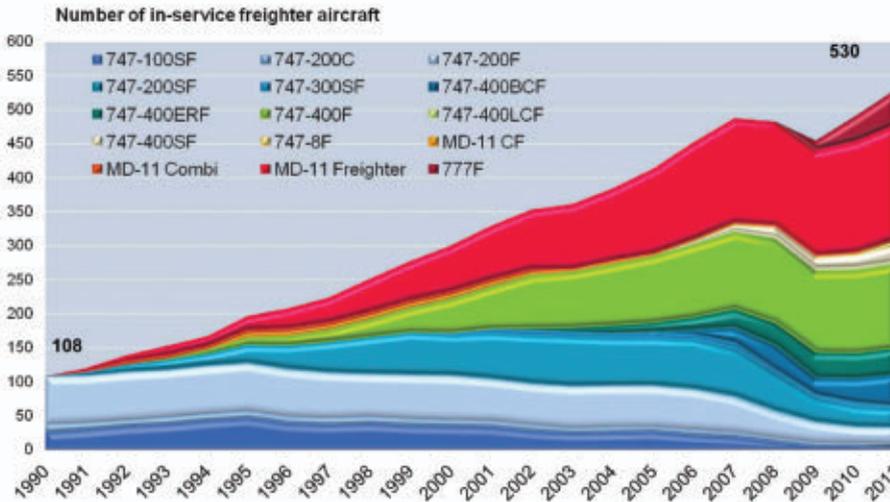


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## Large Freighter Fleet Modernization Continues



passenger airplanes. Of the projected 935 new production airplane deliveries (valued at \$250 billion), about three-quarters will be in the large freighter category.

Cargo capacity supplied by dedicated freighters will continue to rise slightly faster than lower-hold capacity in the passenger airplane fleet. By 2031, freighters will provide nearly 45 percent of the world's cargo capacity, despite the continuing trend toward passenger airplanes with greater belly-hold capability.

The freighter share of the total commercial fleet will decline slightly to 8 percent, even as the number of freighter airplanes grows. Continual increase in average freighter size and the influx of newer, more efficient airplanes will facilitate higher airplane utilization and load factor to meet projected demand growth without a proportional increase in freighter numbers.

### SIGNIFICANT DEVELOPMENTS AND TRENDS

Diverse factors affect world freighter fleet growth, often exerting contrary pressures. For example, rising fuel prices increase air cargo trans-

port costs, depressing demand for services. At the same time, high fuel prices are an incentive for airlines to replace aging airplanes, bolstering demand for new freighters.

The forecast takes into account several significant world freighter fleet developments and trends. First, it's concerned with the introduction of wide-body passenger airplanes with increasingly capable belly-holds, which continues to moderate freight-

er demand. Also, the advantages offered by freighter operations — including superior focus and control, timing and routing, capacity (volume, weight, hazmat, and dimensional), handling location and ramp proximity — weigh into the picture. Most important, however, the forecast weighs the reliability and predictability of freighters, often offset a lower-hold price advantage.

Freighter orders during the first six months of 2012 were far fewer than the near-record number received in 2011, as a five-year delivery backlog exceeding 200 airplanes was worked

down. Volatile fuel prices accelerate freighter retirements and enhance the value of newer airplanes that offer higher operating efficiency. Near-term overcapacity exerts downward pressure on the fleet, as relatively new freighters are parked and even considered for retirement in the face of declining yields, load factor and utilization. Noise, emissions and aircraft-aging regulations drive carriers to accelerate evaluation of

## Freighter Size Categories

### Standard-body (< 45 tonnes)

- BAE-146
- DC-9\*
- 737\*
- 727\*
- Tu204
- 707
- DC-8\*
- 757-200
- A320\*
- MD-80\*

### Medium Widebody (40 - 80 tonnes)

- 767\*
- A300\*
- A310\*
- DC-10\*
- 787
- A330\*
- IL-76TD

### Large (> 80 tonnes)

- MD-11
- 747\*
- 777
- A350
- A380
- IL-96T
- AN-124

\*Represents a model series

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Doha, Qatar | 14th March 2013

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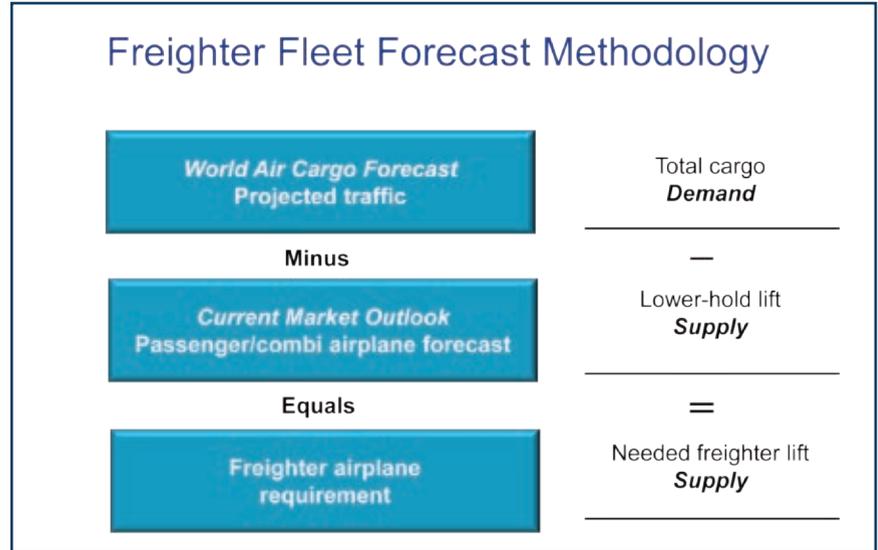
their fleet requirements.

Passenger carriers continue to emphasize the revenue potential of cargo. Airlines that operate both passenger airplanes and freighters typically enjoy 20-percent higher cargo load factors and increased yields in the belly-hold of their passenger airplanes.

Cost-effective ground transport alternatives and abundant belly-hold capacity will moderate medium wide-body fleet growth in large established regional markets. Growth will concentrate in a few large express carriers and developing regions where difficult terrain or lack of alternative modes favor air transport. Profitable long-haul operation of medium wide-body freighters is challenging, even with full loads, because of the 20-percent to 30-percent advantage in operational economics enjoyed by large freighters.

### FORECAST APPROACH

The model mix within the three freighter payload categories remains unchanged from previous forecasts. Our integrated top-down/bottom-up approach combines a thorough analysis of macro trends in the industry with detailed consideration of regional- and operator-specific information,

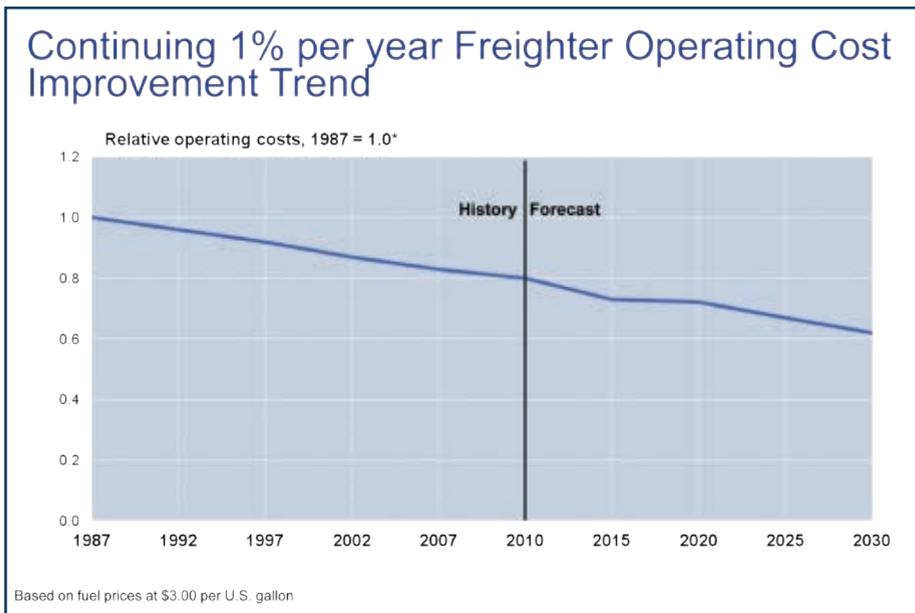


developments and strategies. The current and projected fleet is divided into three payload categories by fuselage width and payload capability, regardless of range or presumed service markets. The three payload categories are standard-body (all freighters less than 45 tonnes); medium wide-body (40 tonnes to 80 tonnes); and large (greater than 80 tonnes).

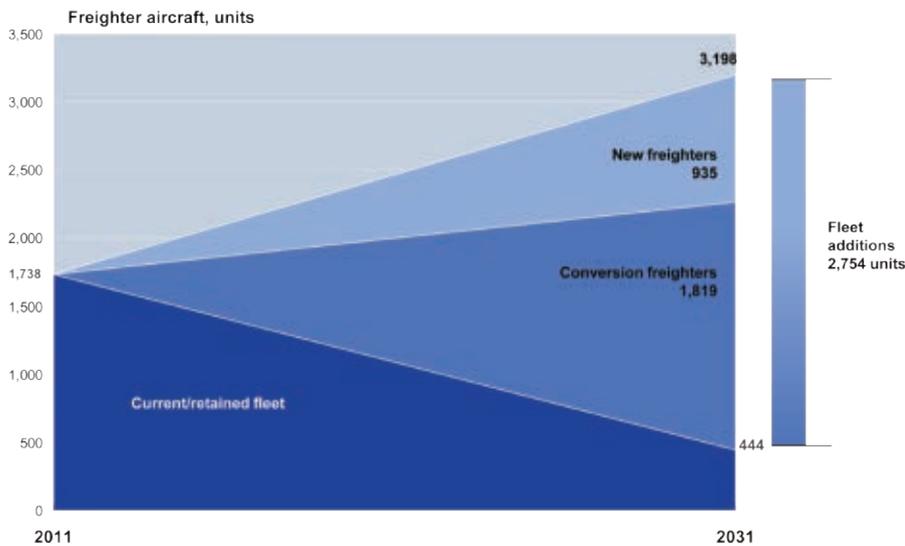
We begin with a top-down analysis of worldwide air cargo flows and traffic. Next, we subtract current and projected lower-hold cargo capacity (adjusted for passenger baggage re-

quirements) from the total air cargo demand, as developed for the World Air Cargo Forecast. We use analysis from the companion Boeing publication, Current Market Outlook, to evaluate available belly-hold lift for each carrier by region, as well as actual reported load factors. More recent developments — such as the imposition of checked baggage fees and restrictive security requirements on belly-hold capacity — are considered. The freighter fleet requirement is the difference between total demand for air cargo services and the supply of revenue cargo capacity provided by the passenger fleet. Remaining air cargo traffic is apportioned to regional domiciles and specific carrier freighter fleets.

After identifying the likely nature and timing of future freighter offerings, an assessment is made of airplane capability, performance and availability. At the regional domicile level for each airline (or from the bottom-up), such variables as fleet type and age, airplane size, retirements, utilization, load factor, market share, service, and market strategies are factored in. The exhaustive top-down/bottom-up analysis is rounded out, balancing these variables with total air cargo lift, traffic and availability of passenger aircraft for conversion.



## Production and Conversion Freighter Additions Support Fleet Growth



### FREIGHTER FLEET DEVELOPMENT

During the past decade, the large freighter category boosted its share of the fleet from 22 percent to 31 percent. Average freighter size increased nearly 2 percent per year, highlighting the importance of size and efficiency for freighter operations. It is not surprising, therefore, that the fleet-wide operating cost improvement trend of about 1 percent per year is expected to continue, even as fuel price and other cost pressures intensify.

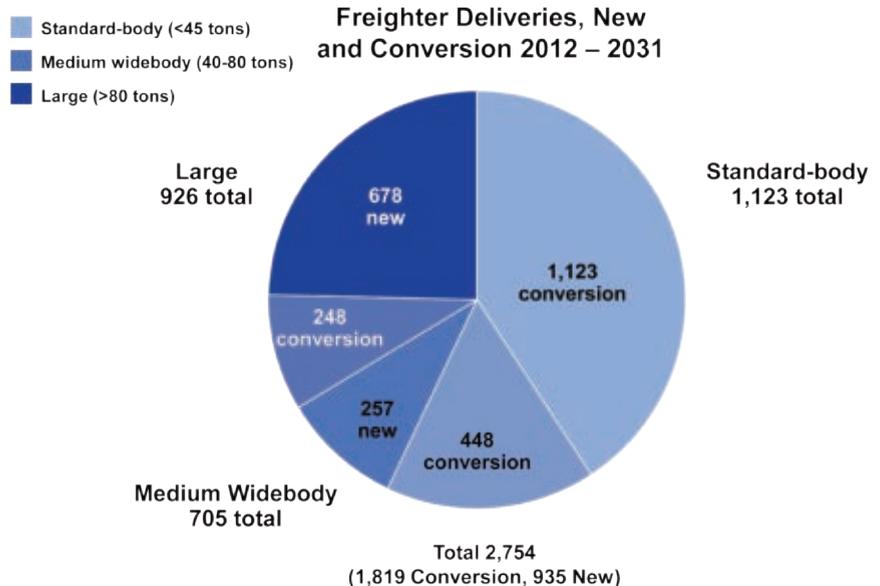
Several striking comparisons illustrate the crucial importance of freighter efficiency and capability. Wide-body freighters account for about 65 percent of the current fleet, yet they supply 95 percent of its capacity. Within the wide-body fleet, the large category of freighters alone currently represents 31 percent of the freighters in the fleet, and this number will grow to 36 percent by 2031. Large freighters, which supplied 66 percent of

the fleet's capacity in 2001, supply nearly 80 percent of that capacity today. In particular, the largest line-haul freighter in service, the 747 freighter, represents less than 17 percent of the freighter fleet, with about 235 purpose-built and conversion freighters

flying. Yet, its size, high utilization and high load factors allow the 747F to provide more than half of the world's total freighter capacity.

Freighter operating costs have improved, across the fleet, by an average of about 1 percent per year for more

### Percentage of New to Conversion Deliveries Grows with Freighter Size





airplanes, operators targeting premium, long-range service often find production freighters more attractive than conversion freighters. Greater reliability, utilization and capability can be significant competitive advantages. During the next 20 years, about two-thirds of fleet additions for replacement and market growth will

than 20 years. This trend, which extends all the way back to the replacement of piston-engine airplanes by jet freighters, is expected to continue throughout the forecast period.

The accompanying chart shows operating cost averaged over history, which tends to smooth out the periodic nature of new freighter model introductions. The forecast portion of the curve, however, displays improvements expected from the replacement of older 747Fs and MD11Fs by more efficient 747-8 freighters and 777 freighters, as well as from future freighters yet to be introduced. Profitability margins are much narrower for freight carriers than for passenger carriers, owing in large part to competition from ground transport and passenger alternatives. The growth of the large freighter share of the cargo fleet reflects the heightened sensitivity of freighter operations to airplane operating costs.

## PRODUCTION AND CONVERSION FREIGHTERS

While two-thirds of fleet additions will come from converted passenger

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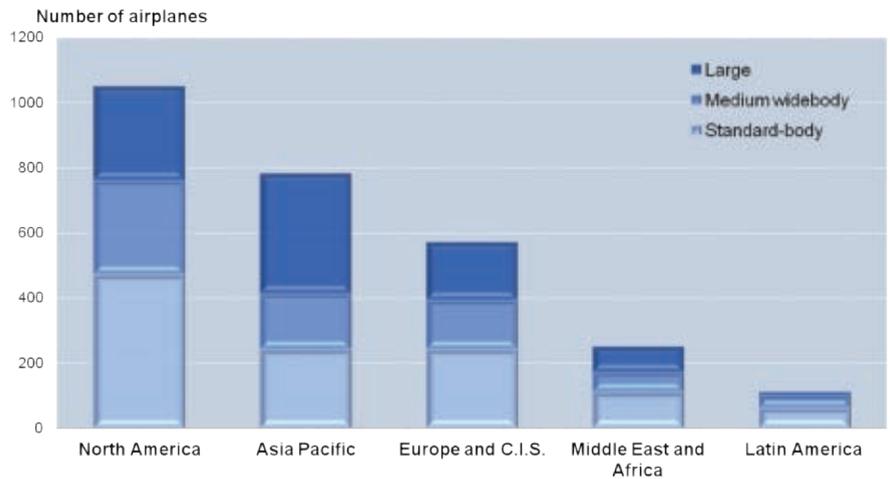
come from modified passenger and combi airplanes. Production freighters, though, will continue to play an important role because their superior reliability, operating cost and capability can outweigh the significant on-ramp acquisition cost advantages enjoyed by conversions.

The breadth of the airplane family can be as important in the conversion market as it is in the production freighter market. Therefore, aircraft manufacturers and conversion providers continue expanding their product offerings, matching size and capability to market demand.

Cargo payloads, on average, generate only half as much revenue by weight as passenger payloads. Freighter profitability is, therefore, extremely sensitive to airplane size. The relatively tight revenue performance of smaller airplanes makes acquisition costs highly significant, favoring freighter conversions. All standard-body fleet additions will be conversions — mostly 737s, 757s, A320s and A321s.

The ratio of new freighters to conversions increases with airplane size. In the medium wide-body category, nearly 65 percent of fleet additions will be conversions. Because of the ready availability of newer medium wide-body passenger airplanes, many of these airplanes will be converted before the typical 15- to 20-year average service life for passenger airplanes. The most common wide-body conversions will be 747, 777, 767 and A330 passenger airplanes. In the large freighter category, only slightly more than 25 percent of fleet additions will be conversions. Production freighters can achieve higher utilization

## North America Leads in Total Deliveries; Asia with Large Freighters



and better profit potential in the high-yield, long-distance markets typically served by large freighters.

### FREIGHTER DELIVERIES BY CARRIER DOMICILE AND OPERATIONAL MODEL

Continuing a years-long trend in the Asia-Pacific region, all-cargo and combination carriers will take

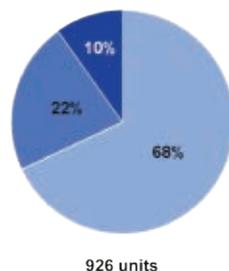
the greatest number of large freighters, which are uniquely suited to long-haul, intercontinental markets. Express carrier networks will take the majority of medium wide-body freighters, ideally sized to support high-yield, time-critical operations. Standard-body freighters will serve emerging regional and niche markets, as well as express markets.

Nearly 40 percent of all freighter deliveries during the 20-year

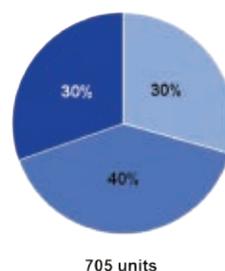
## Large Freighters to General Carriers; Medium Widebodies for Express

- All-Cargo+Combination
- Express Carriers
- Miscellaneous Airline Groups

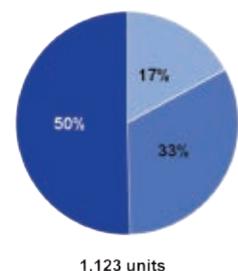
### Large Freighters



### Medium Widebody



### Standard-body





*Qatar uses some of its 777s for humanitarian work in partnership with Boeing*

for new freighter market growth.

*This text has been excerpted from Boeing's World Air Cargo Forecast 2012-2013. A complete version of the forecast will be released this month at TIACA's Air Cargo Forum & Exposition in Atlanta and online at [www.boeing.com/commercial/cargo](http://www.boeing.com/commercial/cargo). ACW*

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forecast period will be to carriers in North America, predominately to express operations. Historically, up to three-quarters of medium wide-bodies, both production and conversion, have supported express operations, where relatively low airplane utilization makes converted freighters economically attractive.

Asia-Pacific carriers will continue to receive the greatest number of large freighters to serve their long-haul, intercontinental routes. Standard-bodies will continue to support the needs of emerging regions, niche segments and express operations. Competitively priced surface transport and belly-hold airfreight alternatives constrain expansion of the medium wide-body fleet in Asia and Europe. Deliveries to the Middle East and Africa will be more balanced in terms of freighter size. Latin America is forecast to receive mostly standard-body freighters for use within the region and will rely predominantly on medium wide-bodies, rather than large freighters, for service to other regions.

The largest share of medium wide-body freighters delivered during the next 20 years will go to dedicated express operators or airlines supporting express operations. High-yield express traffic is growing faster than the industry average, which helps make medium wide-bodies attractive for fleet growth, as express carriers seek to expand their networks as well as replace smaller freighters. Aircraft utilization tends to be relatively low for express carriers, so converted freighters are particularly suitable for these operations.

Long-distance and general cargo carriers tend to favor the economics of large freighters and the reliability of production freighters. Regional and niche carriers, challenged by cost-competitive ground transport modes, tend to favor standard-body converted freighters for their lower purchase price and low trip costs. The medium wide-body market is, therefore, bounded on both sides. The large freighter category consequently enjoys the highest potential

# Five Questions with... Richard Forson

Following the departure of Frank Reimen, Richard Forson has taken over as interim CEO and president of Cargolux. Forson, who still retains his chief financial officer responsibilities, recently sat down with *Air Cargo World* to discuss what this appointment means for the European freight carrier.

**1.** It seems like there's been a lot of change at the top of Cargolux recently; how can you stabilize the ship as interim CEO?

*We have, indeed, seen some change at Cargolux recently, and I believe there is more change lying ahead of us if we want to remain a leading player in the industry. The airfreight industry has undergone a period of extreme volatility since the economic crisis of 2008. Change is normal and should not be regarded with apprehension. We are undergoing change in order to position ourselves correctly for the future.*

*While it was profitable in the last decade, global economic circumstances and the emergence and significant growth of new competitors compels Cargolux to review its business model and, if required, implement the changes necessary to remain a competitive and relevant player in the air cargo market. It is my mission to ensure the sustainability of Cargolux — not only now and in the near future, but also 10 to 15 years from now.*

*We must ascertain that we have the right business model to withstand challenging economic times and remain competitive in the global marketplace. And yes, I believe in my ability to affect change in an interim position. This is largely a matter of vision, commitment and determination. We have no time to waste. Management and employees must all pull together and rally behind the same goals. And the permanent CEO must pursue such goals equally hard when [he or she] is appointed later in the year. Change is a relative concept. Changes we make now may have to be further addressed as time passes and economic conditions change even further.*

**2.** How have the EU Emissions Trading Scheme and global financial woes affected Cargolux so far this year?

*Most of the issues we have confronted so far in 2012 are not specific to Cargolux, but have plagued the aviation industry as a whole. They include rising fuel costs, overcapacity and depressed demand due to the eurozone crisis and a challenging global economic climate. As a result, load factors and yields have come under increasing pressure. If you operate in a high-cost environment with restrained flexibility, such as nighttime curfews, the adverse impact on profitability is even more intense. To a certain extent, combination carriers with significant belly-freight capacity have*

*an edge over pure-play cargo operators — not only because the belly space is a byproduct of passenger operations, but also because passenger traffic is less strongly correlated with the global economy.*

*From an EU ETS standpoint, we are fully compliant with the requirements of the scheme and have not experienced any unfavorable impact. Ultimately, however, we must implement a global system to avoid the potential distortion of competition at an international level that would harm European hubs.*



Forson

**3.** Which regions and niche markets is Cargolux eyeing for growth?

*We see some potential for growth in Africa and Latin America. Although China's explosive growth has slowed down somewhat, the country remains among the fastest-developing economies in the world and offers attractive business opportunities, such as in the western region. Overall, the Middle East and Asia rank among the most attractive regions. If we are to reinforce our position there, we must secure the appropriate traffic rights. Generally speaking, oil-producing*

*countries are also of interest to us because our fleet, particularly our Boeing 747-8 freighters, is suited for the transportation of outsized cargo.*

*We are, of course, keen to strengthen our leadership position in a variety of niche markets, such as dangerous goods, pharmaceuticals, outsized cargo and live animals. We have the equipment, experience and skills required to operate successfully in this field.*

**4.** Cargolux has been operating the 747-8F for nearly a year now. How has this aircraft been a game-changer for you?

*The 747-8F is undoubtedly a cargo airplane in a class of its own. It is considerably more fuel-efficient than the 747-400F and offers higher payload capacity. With double-digit improvements in fuel efficiency and carbon emissions, in combination with a 30-percent noise reduction, the 747-8F has been very beneficial for our environmental performance, especially in the light of the EU ETS.*

*On the other hand, the 747-8F was built for [healthy] economic times; if trading conditions deteriorate, then it is more challenging to fill the big aircraft. We have been de-*

*(Continued on page 65)*

## AIRLINES

**Cathay Pacific Airways** has appointed 17-year company veteran **Tom Owen** senior vice president for the Americas. Owen is based in San Francisco, Cathay Pacific's U.S. headquarters, and is responsible for the overall management of the carrier's American operations. During his tenure at Cathay Pacific, Owen has transitioned from assistant to the general manager of revenue and marketing to general manager of revenue. Most recently, he served as chief operating officer of logistics for Steamships Trading Company Ltd. in Papua New Guinea, a subsidiary of Cathay Pacific's parent company, Swire Group.

**John Evans** is **Etihad Airways'** new general manager for the Philippines. Evans, who has more than 35



EVANS

years of aviation experience, transfers to the Manila-based position from Cyprus, where he served as Etihad's general manager for the past year. Prior to this appointment, he held senior management roles at Swissair and Gulf Air in the UK and Thailand.

**Michael Rodyniuk** has been named executive vice chairman of **Gavarnie Holding, LLC's** (parent company to **Hawaii Island Air**) board of directors. A veteran airline executive, Rodyniuk has held top management posts at Swissair's SR Technics, Air Canada's Zip Air, WestJet



RODYNIUK

and Winnipeg Airports Authority. He has also served in managerial roles at United Airlines and American Airlines and, most recently, worked as chief operating officer of Exchange Income Corp.'s aviation segment.

## THIRD PARTIES

**Damco** has named 30-year-plus industry veteran **Steve Hoffman** the global head for activities in the industrial sector. Hoffman, who joins Damco from

Kuehne + Nagel, similarly led K + N's North American industry vertical. Prior to this appointment, Hoffman worked for Panalpina as the global leader of the automotive vertical.



HOFFMAN

**Chris Carpenter** has joined **AIT Worldwide Logistics** as director of life sciences and government. Carpenter, who began his career in the transportation sector two decades ago as a driver with Priority Air Express, most recently served as president and CEO of Priority. In his new role, Carpenter is developing AIT's presence in the life sciences and government sectors. In addition to his market responsibilities, Carpenter oversees the company's New York City location, as well as the Philadelphia station, where he is based.

**SEKO Logistics** has appointed **Joe Bento** to its executive management team as chief sales officer, a role based in North America. Bento joins SEKO from CEVA Logistics, where he served



BENTO

as president of global freight management, president for the Americas region and, most recently, executive vice president. He had previously been president of North America and chief marketing officer for EGL, prior to its acquisition by CEVA Logistics.

**Mike McDonald** has been named **Associated Global Systems'** district manager of sales and service in San Francisco. In this role, he is responsible for service quality, cost control and administration functions, as well as the development of new business in the San Francisco Bay area. McDonald began his transportation career with Profit Freight Systems/LEP International, with positions in domestic and international operations, as well as customer service. Prior to joining AGS, he served as operations manager for AIT Worldwide in San Francisco.

**Stephen Koller** has been con-

firmed as the full-time CEO of **Air Menzies International**, with a brief to grow the airfreight wholesaler through increased focus on online activities and geographical expansion. Koller first assumed responsibility



KOLLER

for AMI in late 2010, while simultaneously serving as executive vice president of IT for Menzies Aviation. He has now relinquished his IT responsibilities, following the appointment of **Martin Gallington** as senior vice president of IT, and the completion of a phased handover. In addition to his post as CEO of AMI, Koller is also one of Menzies Aviation's executive directors.

## OTHER

**OAG Cargo** has named supply-chain veteran **Alv Hill** interim executive vice president.

Formerly an executive consultant with Ernst & Young, Hill has led numerous European and global strategy development, reengineering and transformation programs.



HILL

By January, **Airbus** will reorganize its organization in line with the company's 2020 Vision, making the manufacturer "more efficient and agile," according to an Airbus press release. The overall goal is to shorten the chain of command, giving decision-making power to those not just at the top level of management. "This new organization will help us to strengthen our leadership position," Airbus' CEO, Fabrice Bregier, said in a statement. "We are now ready to give more empowerment and on-the-spot decision-making to our local teams in order to scrap bureaucracy and shorten lines of command. Boosting agility, efficiency and speed, and meeting our high customers' expectations is the overriding driver for us. This new organization has all the ingredients to take our business excellence to the next level." **ACW**



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events

**SEPTEMBER 29-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](http://www.routesonline.com/events/150/the-18th-world-route-development-forum).

**OCTOBER 1**

**Atlanta:** Organized by *Air Cargo World*, the Air Cargo Forum's golf event will take place at the scenic and historic Stone Mountain Golf Club. The course features incredible views of Stone Mountain, with its famous Confederate Memorial carving. To register, go to <http://acfgolf.aircargoworld.com>.

**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 collocated with the Council of Supply Chain Management Professionals' annual global conference. For more information, visit [www.tiaca.org/tiaca/acf.asp?snid=756955195](http://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.fia-ta.com](http://www.fia-ta.com) for more information.

**FEBRUARY 10-12, 2013**

**Cartagena de Indias, Colombia:** The sixth staging of Routes Americas will be hosted by Cartagena-Rafael Nunez International Airport. The event will bring together air cargo decision-makers from North, Central and South America. Visit [www.routesonline.com](http://www.routesonline.com) for more details.

[routesonline.com](http://www.routesonline.com) for more details.

**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 finding air cargo opportunities in Africa. Visit [www.statetimes.com/aca2013](http://www.statetimes.com/aca2013) for more details.

**MARCH 7-10, 2013**

**Bangkok:** For the 15th consecutive year, members of the World Cargo Alliance, a global network of independent international freight forwarders, will come together to meet face-to-face with their peers to build new business relationships and strengthen existing ties. Details are sparse, so keep checking [www.wcafamily.com](http://www.wcafamily.com) for updates.

(Continued from page 62)  
 plying the aircraft on the main trunk routes where the payload advantage can be leveraged. Having said this, I'm convinced that the 747-8 freighter will continue to play a role in the airfreight business.

5. What are some issues currently facing the global airfreight industry that may become major sticking points in the year ahead? How are you working to overcome them?

*Deteriorating economic conditions,*

*high fuel costs, slackening demand and excess capacity, as well as increased volatility and lack of visibility, are some key issues. Another problem is that airfreight is a global and highly competitive business, yet cargo airlines don't operate on a level playing field. There are huge differences due to cost and regulatory advantages.*

*Airports in the Middle East, for instance, operate 24 hours a day; labor cost is lower there and governments have the capacity to readily invest in infrastructural developments to boost competitiveness and efficiency. If Eu-*

*ropean carriers are unable to retain a maximum level of flexibility in order to adapt to a radically changed environment, their long-term survival will be put at stake.*

*We are currently conducting an in-depth analysis of our business model. We are looking at every single aspect of the organization to identify areas for improvement: where costs can be reduced, how revenues can be enhanced, and how productivity can increase. I have one main objective, which is to ensure that Cargolux will remain a relevant player in the long run. ACW*

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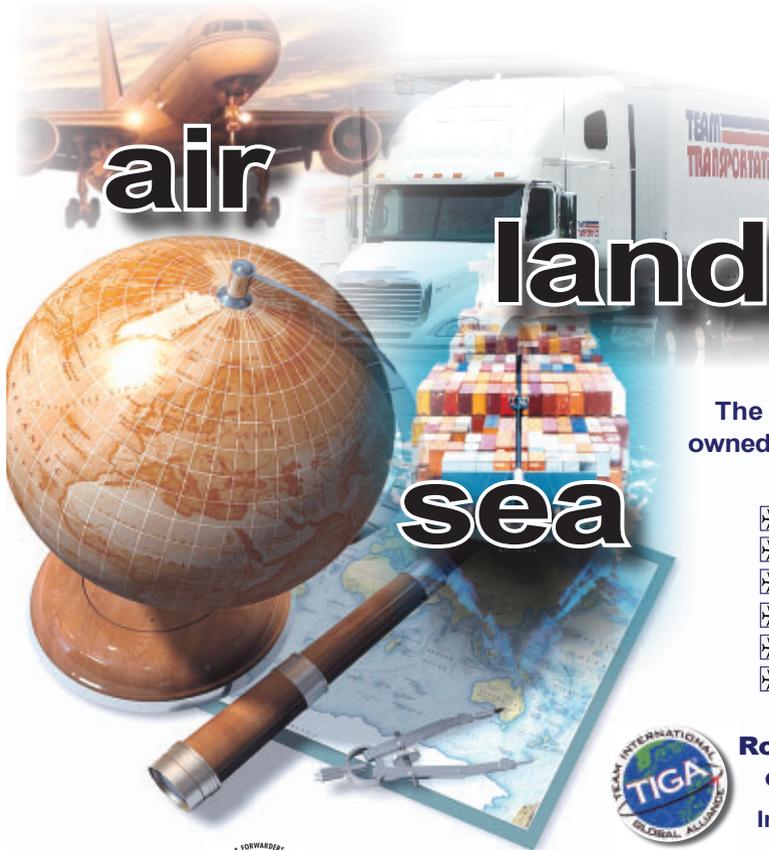
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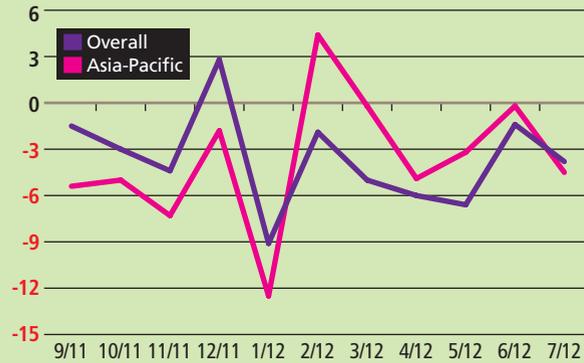
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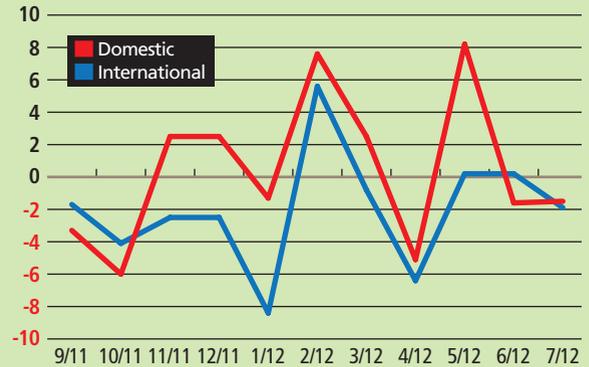
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

### U.S. AIRLINES

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



Source: Air Transport Association of America

### CARRYING ASIA

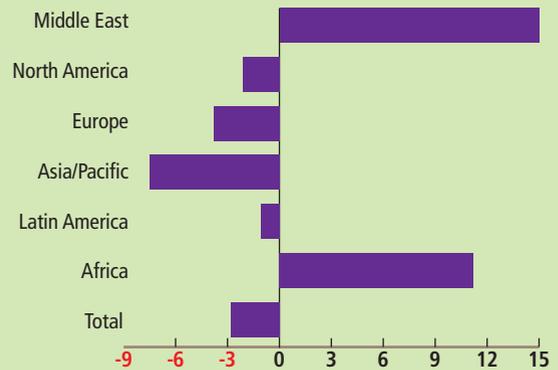
Monthly year-over-year percent change in capacity, in available-tonne kilometers, and traffic, in freight-tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

### SHARING MARKETS

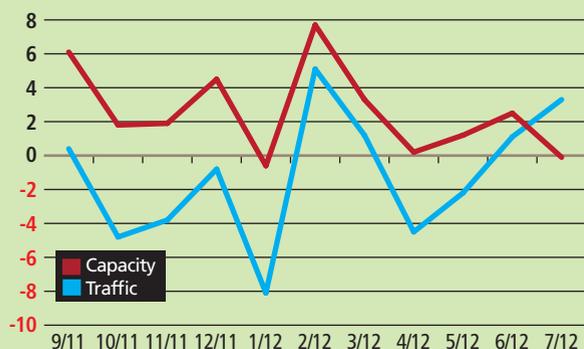
International air cargo year-to-date percent change for July 2011 vs. July 2012



Source: IATA

### CARRYING INTERNATIONAL

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



Source: IATA

### SEMICONDUCTORS

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



Source: Semiconductor Industry Association



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

## Increasing regulation: A growing concern

**F**or about 25 years, airfreight forwarders in the U.S. have been largely free of substantive federal regulations due to the demise of the Civil Aeronautics Board. Of course, forwarders had to make sure that hazardous materials were properly transported on planes, but for the most part, the domestic industry was largely burden-free.

Let us hope that the recent advent of increased U.S. federal regulations do not portend a return to the years before the 1978 dissolution of the CAB. Many of us old enough to remember vinyl records and disco do not miss the CAB's rigidity. Forwarders were forced to file tariffs whenever they wanted to change rates, a time-consuming and wasteful process, among other things. This changed with the Airline Deregulation Act, which greatly reduced the U.S. government's control of the industry.

Free from CAB oversight, forwarders were free to respond to market conditions immediately and were able to capture more business with their newfound flexible-pricing ability. The ensuing years were certainly tumultuous, with several new airlines entering and exiting the market.

Unfortunately, other branches of government have begun to impose rules that harken back to the days when forwarders barely made a move without Washington oversight. Until Sept. 11, the regulatory responsibilities and overall landscape for freight forwarders was relatively clear. Now, the regulatory burden on forwarders is constantly increasing, and industry insiders are beginning to worry about its cost.

The government's eager response to the 9/11 terrorist attacks — the passing of the Air Transportation Security Act and the establishment of the Transportation Security Administration — was swift. The new agency tracked down more than 4,000 airfreight forwarders in the U.S. that had flourished under a relatively regulation-free environment. An elaborate and utterly confusing air cargo security re-

gime was imposed upon an industry long free of the CAB's iron shackles.

The TSA's increased security requirements also brought a new era of enforcement. Confusing regulations and frequent visits from government security inspectors became commonplace. Security training, locked doors and safety

cameras made the forwarder more of a policeman than a transportation expert. Those forwarders not taking compliance requirements seriously began to pay the price through stiff fines and jail terms. Many companies not willing to comply have dropped out of the business or focused on other, less regulation-intensive modes.

Customs and Border Protection, an agency long seen as the collector of import taxes and duties, now has an increased security role through its involvement in the Air Cargo Advanced

Screening program. The initiative analyzes house airbill shipment information before departure as a way to assess risk on shipments coming into the U.S. While the program is in a voluntary pilot stage, rest assured that a regulation or legislative requirement is coming soon. Forwarders are now working to figure out how to get the required information into the CBP's hands without decreasing the amount of time to prepare shipments before departure.

And thanks to recently passed transportation legislation, there are new demands on forwarders arranging truck shipments. In an industry deregulated long ago, the federal regulatory burden seems to be increasing. Of course, all of this is added on top of the ever-growing maze of regulations imposed by a number of different federal agencies surrounding imports and exports.

All of us know that nature abhors a vacuum. The U.S. government sees a vacuum and appears to be filling the void with an increasing regulatory burden. However well intentioned, this may create another vacancy where a successful industry once thrived. **ACW**

**Security training, locked doors and safety cameras made the forwarder more of a policeman than a transportation expert.**



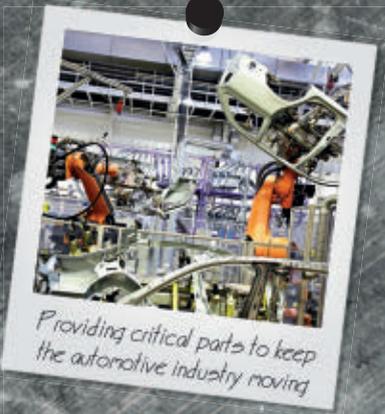
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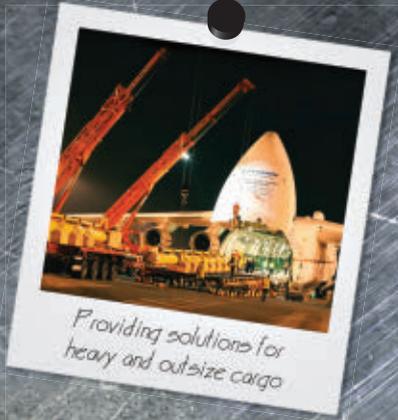
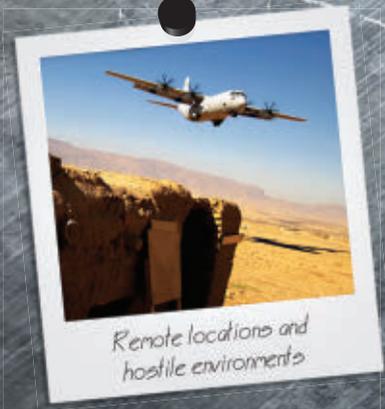
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