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Air Cargo World

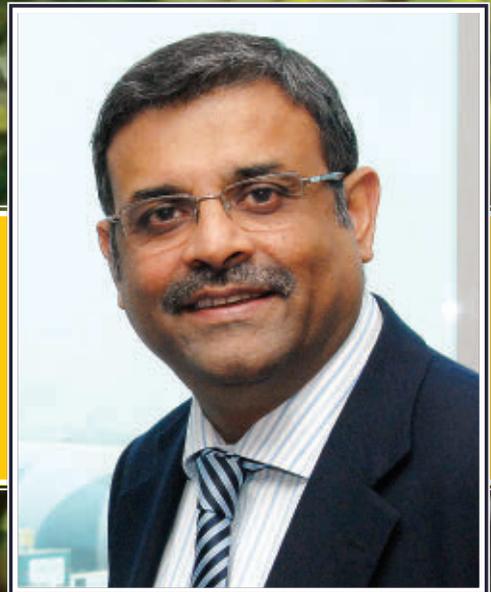
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Simplifying the business



John W. McCurry
Editor

Widespread adoption of E-freight, or E-commerce, or whatever term is used, continues to be viewed as the air cargo industry's best hope for long-term relevance. It certainly has gotten its share of plenary time during this spring's circuit of cargo conferences. If passion among industry association leaders counts for anything, the movement has a good chance to succeed.

Keynote speakers at the recent CNS Partnership Conference in Phoenix drove home the point that the industry is at a crossroads. Among them was FedEx COO Michael Ducker, who asserted that the industry has structurally changed and it's a "new normal" rather than a cyclical upheaval.

"The industry has never faced a more critical time," Des Vertannes, IATA's global head of cargo, said during a media briefing in Phoenix. "We have complete clarification that the modal shift is not a temporary event; it's been a consistent activity over the past five or six years. It means we need to do something on the airline side to grow the pie."

Oliver Evans, cargo chief at Swiss WorldCargo and TIACA's new chairman, puts it this way: "We have to simplify the business."

Vertannes and Evans believe the industry's leaders now have a sense of urgency about air cargo's challenges. They cite the well-attended CNS conference as an example.

"Change means threats, but it also means opportunity," Evans said, noting that the conference drew most of the industry's senior executives. "This tells me that people are noticing that in an environment with many threats, there is also a opportunity work together."

Said Vertannes, "Through these conferences, there is a call to action. We need to embrace E-commerce today. It's not about an aspiration or a vision. We've got to do it and do it now."

Advancing the E-commerce movement will no doubt require greater cooperation between the airlines and freight forwarders. There is an obvious element of tension between the two sets of industry partners, which bubbled to the surface during an E-freight session at the TIACA Annual General Meeting in April when several airline cargo officials expressed their frustrations at the reluctance of elements of the forwarding sector to embrace E-commerce.

Brandon Fried, executive director of the U.S. Airforwarders Association, tackles that issue in his column on p. 54. During the CNS media briefing, Fried acknowledged that there are components of the forwarding industry that aren't ready for E-commerce and they will have to be gently encouraged.

"Obviously there are components of the forwarding industry that might not be ready and I think they have to be brought into the debate and have to be assisted for various reasons... it's a lot easier to lure people with a spoonful of sugar than vinegar," he said.

Air Cargo World is constantly striving to deliver a superior product to its readers. In this issue, we are adding two new departments. Ruwantissa "Tissa" Abeyratne, who recently retired from the International Civil Aviation Organization as its senior legal officer, will write a regular column on legal issues facing the airfreight sector. His column can be found on p. 42.

Drewry, the renowned U.K.-based shipping consultancy, will provide its monthly East-West Freight Price Index. In this issue, we are also including commentary from Drewry research manager Martin Dixon.

We hope you find these additions to be valuable reading.

A handwritten signature in black ink that reads "John W. McCurry". The signature is written in a cursive, slightly slanted style.

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Hello Tomorrow



Coyne critical of proposed UK airport

A Thames Estuary airport would worsen the UK's economic dilemma as the country's competitiveness continues to be compromised by the lack of capacity at Heathrow, Coyne Airways' CEO said.

Larry Coyne told guests at Coyne Airways' 20th anniversary celebrations in London that instead of constructing a new airport, a third runway at Heathrow should be built to prevent cargo capacity from being frozen and the UK losing out to hubs in mainland Europe.

Just under half of the UK's exports by value go by air. Heathrow processes around 65 percent of the UK's air cargo traffic.

"A modest cargo growth of 3 percent per annum between now and then would mean a further 51 percent cargo capacity would be needed to cope," Coyne said. "That happens to be the

amount of extra capacity in flight terms that Paris, Amsterdam, Frankfurt and Madrid currently enjoy over Heathrow."

He said an airport in the Thames Estuary would be poorly positioned because London would be in between the new hub and the nation's main source of manufacturing in the Midlands.

"For many, it would entail writing off their investment in facilities extending all along the Thames valley, and either moving thousands of employees or recruiting and training new ones," Coyne said.

Coyne called on the government to make decisions to secure the future of air transport in the UK. **ACW**



Larry Coyne



Air Cargo Germany's future uncertain

Air Cargo Germany's descent into insolvency was both cruel and heartless.

The suspension of its AOC by the Luftfahrt Bundesamt, Germany's civil aviation authority, came after a snap audit which revealed the airline did not have the financial resources to maintain competent operations over the next 12-month period, a breach of European Union regulations.

Despite assurances by airline CEO Michael Schaecher that operations would quickly resume, the enforced grounding immediately exposed ACG's cash flow weakness. It was only a matter of days before Schaecher was forced to declare insolvency in order to avoid further retribution in the German courts. Under strict company law, it is illegal in Germany not to admit insolvency.

Despite everything, Schaecher remains upbeat about the turn of events.

"Through insolvency proceedings, both management and shareholders envision to create an opportunity to restructure the company and restore operational activities," he insists.

It seems a forlorn hope. All the more so given that any autopsy of Air Cargo Germany would reveal that it was the

positives, which should have ensured the carrier's success, which in the end turned to negatives.

The German carrier's future seemed assured when Russia's Volga-Dnepr Group acquired a 49 percent stake in April 2012. But even prior to this, there had been a strong Russian influence from its earliest inception in 2008.

The airline was started by Michael Bock and Thomas Homering, two former executives of German airline LTU. Bock was reported as holding the majority stock, but much of the early financial support is said to have come from Russian entrepreneur Rashid Mursekaev, one time co-owner of Russia's VIM Airlines. The airline's core management at the time reflected a similar Russian flavor, being made up almost entirely of former Aeroflot Cargo executives.

With the more recent arrival of Volga-Dnepr on the scene, all kinds of synergies were immediately envisioned with VD's line haul operation Air-BridgeCargo. There was also talk of the ACG fleet of four B747-400s being replaced, in part at least, by newer ABC B747-8F capacity.

ACG's new benefactor has had to

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contend with cash flow problems of its own.

“Volga-Dnepr’s base AN-124 business has seen a dramatic decline, and ABC is struggling in a weak scheduled cargo market,” Stan Wraight, aviation consultant and executive director of Strategic Aviation Solutions, says. “This comes at a time when VD has been investing heavily in new maintenance facilities at Leipzig airport in Germany and at Sharjah in the United Arab Emirates.”

ACG has been denied the promised new B747-8F capacity, which instead has been parked-up by cash-strapped ABC.

The only real synergy between the two airlines has been the move by ACG to stop flying out of its Hahn airport base and operate instead out of nearby Frankfurt, to allow greater connectivity with ABC’s services from Germany’s premier hub.

Volga-Dnepr, Wraight adds, has been thwarted from throwing ACG a more meaningful lifeline by the fact that further funding from the Russians would tip it over the European Union’s 49 percent foreign ownership rules.

Bizarrely, ACG’s home state of Rhineland-Palatinate, where Hahn airport is located, came forward with the offer of a liable bank guarantee for the ailing airline, but this has been seen as coming dangerously close to a



Michael Schaecher

government subsidy.

“The problem for ACG is that any source of further borrowing is only going to increase the airline’s debt burden,” Wraight says. “What is really required is an injection of equity funding, preferably from a European entity.”

Wraight stops short of reading the last rites for the German cargo carrier, but says the prospects are not bright, given that one of the airline’s B747-400BCF has already been returned to KLM-Martinair, with the contract on a second Dutch aircraft due to expire this month, which will leave the airline with just two freighters in its downsized fleet.

“It is difficult to be non-partisan in these things, but right now it would be illogical for Air Cargo Germany to restart operations, particularly with just two freighters, which require the same support infrastructure as an operator with six aircraft,” Wraight says. There was some talk in the German airfreight market that it was only a matter of time before ACG was forced out of business. The German civil aviation authority was said to have been watching the airline like a hawk and had already come close to revoking its operating licence on more than one occasion.

Lufthansa Cargo’s role in ACG’s ignominious end may be that of a non-participant, but its loathing of ACG’s business model is clearly understood,

given that at the very outset the new German carrier was established with the single goal of challenging LH Cargo’s dominance in the German market.

“Air Cargo Germany didn’t just happen when it first launched in 2008,” Wraight says.

“It was with the complicity of major elements of the German forwarding community, fed-up with the way they were being treated by the country’s primary flag carrier.”

In particular, Schaecher, then executive vice president airfreight at DHL Global Forwarding, threw his full support behind the new venture. Other senior forwarding executives, such as Wolfgang Meier, who was in charge of Panalpina’s own controlled airfreight network, also endorsed the new second tier cargo carrier.

It was later rumored that DHL Global Forwarding was taking up as much as 70 percent of ACG’s capacity.

Little surprise then when earlier this year Schaecher was appointed as ACG’s new CEO. And Meier also remains in the mix, having in 2009 been appointed vice president for sales at AirBridgeCargo.

“That might have been part of the problem, having a forwarding executive running an airline,” Wraight suggests as being another contributory factor to ACG’s demise. “But in the final analysis, the loss of ACG will be seen as being about petty jealousies in the German market, outside of which nobody else was really bothered.” **ACW**

IAG Cargo plans fleet modernization

IAG Cargo says its fleet modernization program, which includes the addition of next-generation Airbus A350-1000 long-haul aircraft, will increase capacity and enhance functionality. Subject to approval by IAG shareholders, 18 of the aircraft are due to come into service beginning in 2018, with IAG holding options for a further 18. The aircraft will operate on routes across IAG’s network, as well as providing the ability to target new markets as required.

The A350-1000 order is part of IAG’s wider fleet modernization program which includes an order for 24 Boeing 787s and options for 18 more, which IAG is planning to convert into firm orders. The B787s are due to come on-line from 2013 and combined with the A350s will provide IAG Cargo’s customers with a stronger array of wide-body capacity. Additionally, IAG will be bringing into service 12 Airbus A380s, also from this year.

With the A350, IAG Cargo says its

customers will benefit from the availability of an additional three pallets of cargo space per aircraft, equating to a maximum payload of approximately 30 tonnes. These next-generation aircraft will also provide enhanced functionality, including air conditioning in the cargo bays, which is highly beneficial for the transportation of temperature-sensitive freight including pharmaceuticals travelling under the carrier’s Constant Climate product and perishable goods. **ACW**

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Taming the goliath of the flying world

By Adina Solomon

asolomon@aircargoworld.com

(Editor's note: This article begins an occasional look at the personal side of various jobs in the air cargo industry. We begin the series with a Ukraine-based cargo plane pilot. The interviews were conducted via email.)

More than 16,000 hours and 30 years of flying experience, a passion for aviation since a young age and a taste for transporting cargo that no other plane can hold.

This all prepares Dmytro Antonov (pictured in the olive jumpsuit above) for his job flying the An-225, the largest airplane in the world.

"It requires great experience and deep knowledge and analysis of all flight stages," Antonov said. "Due to its size, it is necessary to get acquainted with each flight route and each aerodrome."

Antonov, the chief pilot of Antonov Airlines (no relation between the two), has flown the An-225 since 2002 and also flies the An-124. But it took a long time to reach that point.

Born in Kiev, Ukraine in 1963, he decided to become a military pilot after finishing secondary school. In 1980, Antonov entered military flying school in Balashov, Russia and flew for the first time as a pilot in 1982.

He served in the Soviet Air Force and the Ukrainian Air Force, resigning in 1993, which is when he began working for Antonov Airlines, a Ukrainian cargo airline that owns a joint venture company with Volga-Dnepr Airlines called Ruslan International.

Antonov said that piloting the An-225 is "difficult as well as easy" because in spite of its size – the aircraft is almost 60 feet high and more than 275 feet long – it has high maneuverability.

"As a rule, cargo loads which these aircraft carry are unique," he said.

"These cargo loads are for example turbines for hydroelectric power station, generators, huge machines, yachts, underground railway carriage and so on. These cargo loads cannot be transported by any other airplanes."

Mariya Antonov, one of Dmytro's three children, said she is proud of her father's work.

Dmytro also has a 25-year-old son and a 6-year-old daughter. Mariya is 29.

"He has always been an inspiration to me and my brother, and in many ways, I'm thankful because it's been in a way my motivation to move forward and develop," Mariya said.

But for Mariya, who has two kids, it wasn't always easy to have a pilot as a father.

"It's been always great to welcome father back home from flights," she said. "Since I was nine, we didn't often see him. Sometimes, he was absent for over three months in a row. My father has a very interesting job, but he never told us things in detail. He didn't want us to worry about him."

Aleksandra, Dmytro's wife, said the entire family is proud of Dmytro.

"It is hard when he is away for so long, and we do worry sometimes," she said. "It's nice when we are all back together, and then we enjoy traveling."

When Dmytro isn't flying around the world for work, he likes to go to movie theaters and plays and travel – all with his family by his side.

It's fitting that Dmytro has wanderlust since Antonov aircraft work around the globe.

"Very often we fly to aerodromes not known before, and only good training allowed the crew to do its work safely," he said.

When asked about a memorable flight, he talked about the An-225's first flight to Kabul International Airport in Afghanistan.

"This small airport is difficult to fly



into even for small aircraft," he said. "And we've done it with our enormous freighter."

Andriy Blagovisniy, commercial executive for Antonov Airlines, talked about Dmytro.

"For people who work in sales for cargo charter flights, it is essential to receive proper and optimal route information for the flight from the flight department in order to be able to calculate an accurate price," Blagovisniy wrote. "Captain Dmytro Antonov rids the task of any difficulty by responding in the shortest possible time and in the most professional way."

Dmytro has spent years of piloting – first in the military and then for Antonov Airlines. What he enjoys about working as a pilot is the chance to "discover new places where you have never been."

And it's clear that his family supports him no matter how the wind blows.

"I don't think that anyone I know could be a better cargo pilot for such planes," Mariya said. "He dreamt about becoming one since childhood and did everything to embody his dreams." **ACW**

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Etihad agreement accelerates Abu Dhabi's cargo operations

Etihad Airways has finalized an agreement to acquire three airport services companies, accelerating the development of ground handling, cargo operations and in-flight catering services at Abu Dhabi International Airport.

The three companies — Abu Dhabi Airport Services, Abu Dhabi In-Flight Catering, and Abu Dhabi Cargo Company — are being incorporated, subject to receipt of regulatory approvals, into Etihad Airport Services, a wholly owned subsidiary of Etihad Airways.

"This acquisition follows international best practice and is critical to the continued growth of the airline, and more importantly to the sustained growth and development of Abu Dhabi's aviation industry in general as envisioned in the Abu Dhabi Plan 2030," James Hogan, Etihad Airways' president and CEO, said. "It is once again in line with our strategy of working closely with our partners and service providers to achieve greater organizational and commercial alignment and a more consistent delivery of products and services along the entire value chain of the customer's experience. Airline and cargo customers will also benefit from enhanced service levels and greater integration across hub operations."

The companies, which employ more than 4,000 people, are being integrated into the airline's existing organizational structure. The re-engineered business units will continue to provide the full range of ground handling, catering and cargo services to Etihad Airways and other airlines at Abu Dhabi International Airport.

A transition process is in place, and it is business as usual as Etihad works with its new and existing employees and customers, ensuring that there is no disruption to existing services during the integration period. **ACW**



Emirates logs strong cargo year

Emirates' fiscal year, which ended March 31, brought good news for its cargo division, Emirates SkyCargo, which reported revenue of \$2.8 billion, an 8 percent increase of the previous year.

Overall, the Emirates Group recorded its 25th consecutive year of profit and company-wide growth, despite high fuel prices and a continuing weak global economy. The group recorded a net profit of \$845 million, up 34 percent from 2011-2012.

Emirates SkyCargo's tonnage increased 16 per cent reaching 2.1 million tonnes in a shrinking airfreight market, highlighting its ability to grow revenues against the industry norm. This year, freight yield per Freight Tonne Kilometre (FTKM) decreased by 6 per cent. The cargo division contributed 15 percent of Emirates' total transport revenue.

At the end of the financial year, Emirates SkyCargo freighter fleet totaled 10 aircraft — eight on operating lease and two on wet lease.

"Achieving our 25th consecutive

year of profit in a financial year with our largest ever increase in capacity across the network is an achievement that speaks to the strength of our brands and our leadership," said His Highness (H.H) Sheikh Ahmed bin Saeed Al Maktoum, chairman and CEO, Emirates Airline and Group.

Emirates said it grew its employee base by 12 percent to 68,000.

The group continued with its growth plan and during the financial year saw the largest increase in capacity in the airline's history, receiving 34 new aircraft, the highest in any single year. These aircraft were funded by raising more than \$ 7.8 billion through a variety of financing structures. Overall capacity measured in Available Tonne Kilometers (ATKMs) increased by 5.5 billion tonne-kilometers. Other significant capacity increases include launching 10 new destinations across six continents, shipping more than 2 million tonnes of cargo for the first time and carrying an additional 5.4 million passengers over last year, the highest increase in a financial year.

Managing volatile exchange rates,

coupled with a persistently high fuel bill accounting for 40 per cent of our total expenditures, has required continued strong resolve,” added Sheikh Ahmed. “Even with these lingering challenges we continue to grow and remain profitable despite the industry norms because we continue to rely on our proven business model and un-

derstanding of the marketplace.”

“Staying the course, our strategy for growth has reaped high benefits this past financial year, which has been our strongest ever in relationship to capacity growth,” said Sheikh Ahmed. “Emirates seat load factor over the last three years has been 80 per cent despite our increase in ca-

capacity by 44 per cent during the same period, showing the continued global demand for our product. In addition our capacity measured in terms of Available Tonne Kilometers (AT-KMs), which includes passenger and cargo capacity, crossed the 40 billion tonne-kilometers mark, another first for Emirates.” **ACW**

Fish fly to Saudi Arabia

Saudi Airlines Cargo has transported 630,000 juvenile sea bream fish from Larnaca, Cyprus to Tabuk, Saudi Arabia.

“Thanks to the team effort of everyone involved in this project, we are delighted to report the safe arrival of the young fish to their new home in Tabuk,” Steve Manser, director of cargo charter sales at Saudia Cargo, said. “The success of this operation serves to demonstrate the wide range and nature of cargo that we are able to handle and we hope that the fish will be joined shortly by future flights

from Larnaca.”

The operation, undertaken on behalf of Tabuk Fisheries via marine fishing farm Sagro Aquaculture, required meticulous planning. This included obtaining special approval from flight operations for the method of shipment, arranging extra ground support equipment for Tabuk Airport to be able to handle the MD11F scheduled for the flight and obtaining permission from the airport authority and customs to handle such a large quantity of live cargo arrivals into Saudi Arabia.



“On behalf of Tabuk Fisheries Company, I would like to thank the Saudia Cargo team for their valuable cooperation on this project,” Mohammed Al Ammari, president of Tabuk Fisheries Company, said. “I hope that we will be able to do more business together in the future.” **ACW**

South African, Etihad reach partnership deal

South African Airways and Etihad Airways announced a strategic partnership, allowing the two airlines to introduce a comprehensive range of codeshare and interline air services as well as explore efficiency opportunities.

Nico Bezuidenhout, SAA's acting CEO, said: “This extensive commer-

cial agreement will enable SAA to access the vast majority of Etihad Airways global markets. We are pleased to build upon the commercial areas of the agreement, which are fundamental to a modern airline partnership.”

Collectively, the two airline groups expect to carry more than 20 million passengers in 2013. However, the two

airlines have not established parameters for cargo cooperation.

“At the moment the SAA / Etihad Airways partnership does not include cargo,” said Tleli Makhetha, General Manager at SAA Cargo. “Notwithstanding, the parties will explore further areas of cooperation including cargo.” **ACW**

AV Cargo's new MD11 to begin African service

AV Cargo Airlines has introduced the first of three planned additional MD11 freighters into its fleet.

The aircraft will operate its inaugural flight April 30. Afterward, it will begin scheduled services into Africa to key cities including Lagos,

Nigeria; Bamako, Mali; Entebbe, Uganda; Port Harcourt, Nigeria; Pointe-Noire, Republic of the Congo; Freetown, Sierra Leone; and Pemba Island.

“With the first aircraft in service, we will commence building our scheduled services,” Simon Clarke,

CEO of AV Cargo, said. “The additional capacity will enable us to increase the number of destinations served as we expand our reach across the African continent. This is a pleasing and proud occasion for AV Cargo and another milestone achieved.” **ACW**



Good for the environment even better for Business

LATAM Airlines Group S. A. and its cargo affiliates announced the purchase of 3,517 ultra-light containers from Nordisk Aviation Products. These modern containers will replace all of those currently used in the company's cargo operations, as well as those of LAN CARGO and its affiliated carriers, in Brazil, Colombia and Mexico.

The Nordisk Ultralite is by far the lightest in the market, and ones received them the changes will be significant. The material used to manufacture the ultra-light containers from Nordisk Aviation Products has many advantageous properties, including high impact resistance and excellent stability when exposed to extreme temperatures.

"We are very pleased with the acquisition, as it represents a major investment that will lower maintenance costs and reduce the consumption of fuel, which will contribute to a reduction of the annual CO₂ emissions by 10 thousand tons. This reduction is equivalent to the preservation of 52 acres of Amazon rainforest every year", stated Fernando Poitevin, COO LAN CARGO.

"We are proud to serve the aerospace industry with state-of-the-art lightweight cargo solutions. Working with forward-thinkers like LATAM Airlines Group, makes it possible for us to continue our research and development in this important field", stated Frode Ljoterud, President of Nordisk Aviation Products.

About LATAM Airlines Group S. A.

LATAM Airlines Group S. A. is the new name given to LAN Airlines S. A. as a result of its association with TAM S. A.. LATAM Airlines Group S. A. includes LAN Cargo and its affiliates (MasAir, LAN CARGO Colombia and TAM Cargo).

About Nordisk Aviation

Nordisk Aviation designs, manufactures and sells the widest range of containers and pallets in the industry to airlines, leasing and pooling companies worldwide.

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The transformation of Qantas Freight

In the ongoing downdraft, airlines have been shedding freighters left, right and center. Above all, fuel-thirsty older types like the 747-400BCF have been pulled out of service as the combination of poor yields and high fuel costs crippled their viability. In this setting, the news that Qantas was considering the acquisition of as many as four second-hand 747-400 freighters raised quite a few eyebrows when it surfaced in March. So far, the airline has managed with three 747 freighters – all of them leased.

“Qantas Freight markets the belly space capacity of all domestic and international Qantas, Jetstar and Jetstar Asia flights. Qantas Freight also operates a fleet of 13 freighters to supplement capacity to key import and export destinations,” Lisa Brock, executive manager of Qantas Freight Enterprises, says. “With several lease arrangements coming to an end over the next two years, there has been some speculation in the market, and as you’d expect we are looking at a

range of options.”

Altogether, Qantas Freight commands a fleet of one B767-300F, four B737-300CFs, four BaE146Fs and one SAAB 34, plus three 747-400Fs wet-leased from Atlas Air. One of those 747 leases is due to expire later this year.

After some consideration, Qantas decided against the 747F purchase option and instead decided to lease a newer 747-400F, which should come on stream by the end of the year. The newer model offers greater range and capacity at improved efficiency, according to Brock.

“This lease is a good demonstration of ongoing commitment to the freighter network, but also our intent to carefully manage our cost base and drive down our operating costs,” she says.

For the most part, the carrier’s 747Fs go from Down Under to China and then head across the Pacific, the main reason for the airline’s 5 percent share of the China-U.S. airfreight market. Initially, this activity was concentrated on Shanghai, but in 2012, Qantas followed the migration of pro-

L-3 Link stays active in China

L-3 Link Simulation & Training has been active in China.

Its U.K.-based operation opened a customer support center in China that will provide customers with quick access to simulator spare parts and logistics services.

“When L-3 acquired our civil fixed-wing training and simulation business in August 2012, we immediately identified China as a key growth market for the company,” Lenny Genna, president of L-3 Link, said. “Since then, we have made a significant investment in spare parts, logistics support and additional staff in China that will enable us to provide the level of simulator reliability and reduced life-cycle costs expected by our numerous in-country customers.”

In support of L-3 Link’s Chinese customers – which include Boeing Shanghai Aviation Flight Training Co., Hainan Airlines and Sichuan Airlines – support center personnel will make free visits each year to provide technical support and consultations regarding cost-effective methods to upgrade fielded training devices.

L-3 Link’s Crawley operation has also been awarded a contract by Chengdu, China-based Sichuan Airlines to build and deliver an A320 Full Flight Simulator to Airbus. The A320 FFS, which will be installed in Chengdu, will be ready for training during the fourth quarter of 2013.

“We are delighted to continue our long-standing relationship with the Sichuan Airlines Group by providing a third L-3 Link UK A320 Full Flight Simulator,” Mark Gasson, vice president of L-3 Link UK, said. “We will continue to work closely with Sichuan Airlines as its exciting growth plans come to fruition, and we remain strongly committed to the Chinese aviation market.” **ACW**

duction to China's interior and shifted one flight to Chongqing.

Brock says the new destination has met expectations, but she is non-committal on the possibility of routing more freighters through emerging gateways in the interior. "China is a key export market for Qantas Freight, and we continue to focus on being agile to changing manufacturing trends," she says.

Management has had its hands full on Qantas' home turf with the integration of Australian Air Express, having acquired in 2012 the outstanding 50 percent in the carrier that was held by Australia Post.

Another major undertaking has been the installation of self-service express check kiosks at key international ports in its home market (namely Sydney, Melbourne, Perth and Brisbane). Brock says customer response has been overwhelmingly positive.

"The kiosks have delivered a significant reduction in both waiting

time and loading time in all ports," she says.

Meanwhile, the other large transformation for Qantas took shape at the end of March, when the alliance with Emirates became operational. Pairing up with the Middle Eastern carrier created a joint network covering 233 points. For the Australian airline, it brought access to 65 destinations in Europe, the Middle East, North Africa and Asia.

The partners hope that their deal will soon include points in New Zealand served by Qantas. By mid-May, they were awaiting a decision from the competition commission in Wellington on their alliance.

The hook-up also means that Qantas' cargo flows between Australia and Europe are routed via Dubai instead of Singapore, the carrier's transit point so far.

"Transit times have improved for the majority of European destinations. Qantas Freight cargo landing in Dubai is now handled in the state-

of-the-art Emirates Cargo Mega Terminal, and this co-location is helping simplify handling and reduce transit times," Brock says.

She adds that early responses from customers have been positive.

When the agreement was unveiled last year, Qantas' board signaled that it was looking to develop a partnership well beyond interline and code-share activities. Ultimately, they were aiming for integrated network collaboration with coordinated pricing, sales and scheduling as well as a benefit-sharing model.

"We continue to work closely with the Emirates SkyCargo team on opportunities that are mutually beneficial," Brock says, adding that Qantas Freight is establishing a regional office in the Emirates cargo terminal in Dubai, reflecting that fact that Dubai is now a key hub in its network. "We share a common vision with the Emirates SkyCargo team, and this has helped us form a productive working relationship." **ACW**

Swiss International flies Zurich-Singapore route

Swiss International Air Lines had its inaugural non-stop flight between Zurich and Singapore.

This new daily service, which is being operated with an Airbus A340-300, offers Swiss WorldCargo's customers significant airfreight capacity in both directions.

"We're very proud to reconnect our global network to one of Asia's most vibrant economic powerhouses," said

Ashwin Bhat, Swiss WorldCargo's vice president area management Americas, Middle East and Asia. "Like Switzerland, Singapore is known for its quality, reliability and productivity. And our customers for this new route can be sure of receiving all the tailor-made airfreight solutions and high-grade service that they have come to expect from Swiss WorldCargo."

Business-friendly Singapore is a top transportation hub for sea and air cargo. It is also a major gateway to Asia.

In turn, this flight to Zurich will boost Changi Airport's connectivity to Europe.

"SWISS has been fondly missed by the Changi Airport community as well as many of its loyal customers since its last flight to Changi in April 2009," Lee Seow Hiang, CAG's CEO, said. "Europe is an important market for

We're very proud to reconnect our global network to one of Asia's most vibrant economic powerhouses."

— Ashwin Bhat



Changi Airport."

Singapore holds a leading position in various areas of manufacturing such as electronics, precision engineering and chemicals. **ACW**

AA Cargo flies nonstop to Dallas/Fort Worth, Seoul

American Airlines Cargo is offering capacity on new nonstop service between Dallas/Fort Worth and Seoul.

The service, operated with a Boeing 777-200 aircraft, departs daily from

Dallas/Fort Worth and Seoul. The aircraft offers 32 cargo positions.

Electronics, auto parts, products for oil and gas exploration and perishables are expected to be key commodities. The service to Seoul also provides op-

portunities to destinations in Japan, China, Australia and Russia.

In June and later this year, AA Cargo will expand into Europe and Latin America with service to Dublin, Helsinki, Brazil and Bogota, Colombia. **ACW**

Melbourne Airport invests in new airfreight facilities

Melbourne Airport plans to invest more than \$1 billion in projects, including new airfreight facilities.



These facilities will help continue Melbourne Airport's status as the leading Australian airport for airfreight exports, handling more than 40 percent of all airfreight leaving Australia.

Some other projects include expanding and upgrading aircraft apron areas, which will provide more capacity for aircraft loading and parking. There will also be major improvements to the airport road network. **ACW**



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Study says U.S. economic growth to continue

Economic growth is expected to continue in the U.S. throughout the remainder of 2013, say the nation's purchasing and supply executives in their spring 2013 Semiannual Economic Forecast. The forecast offers hope for improvement in the airfreight sector. Expectations for the remainder of 2013 continue to be positive in both the manufacturing and non-manufacturing sectors. These projections are part of the forecast issued by the Business Survey Committee of the Institute for Supply Management (ISM).

Sixty-six percent of respondents from the panel of manufacturing supply management executives predict their revenues will be 9.9 percent greater in 2013 compared to 2012, 12 percent expect a 14.6 percent decline, and 22 percent foresee no change. This yields an overall average expectation of 4.8 percent revenue growth among manufacturers in 2013.

"With 17 out of 18 industries within the manufacturing sector predicting growth in 2013 over 2012, U.S. manufacturing continues to demonstrate its broad-based strength, efficiency and leadership in the world economy," said Bradley Holcomb, chairman of the ISM Manufacturing Business Survey Committee.

The 17 industries reporting expectations of growth in revenue for 2013 — listed in order — are: Wood Products; Furniture & Related Products; Nonmetallic Mineral Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Paper Products; Plastics & Rubber Products; Textile Mills; Computer & Electronic Products; Machinery; Primary Metals; Chemical Products; Apparel, Leather & Allied Products; and Fabricated Metal Products.

Fifty-six percent of non-manufacturing purchasing and supply executives expect their 2013 revenues to be greater by 7.9 percent than in 2012. **ACW**



Dulles Airport yearns to grow into cargo hub

By Adina Solomon

Dulles International Airport needs to capitalize on the growing international market, vice president of air service development at the Metropolitan Washington Airports Authority says.

That's why the Washington, D.C.-area airport is striving to grow into a cargo hub.

"It's important to us to expand our cargo operations because we need to best meet the needs of our shipping public in the Washington region," Mark Treadaway says. "As we see our air service grow and we see continued expansion of that air service, we see it as one of our important goals to keep growing as an international gateway cargo hub."

Etihad Airways began daily service in March to Dulles. Emirates started flying out of the airport in 2012. Brussels Airlines pulled into Dulles in June.

Meanwhile, United Airlines, the largest carrier at the airport, is fo-

cused on the burgeoning pharmaceuticals industry, and a controlled temperature facility is in the works at the airport.

Air cargo supports 7,500 jobs in the Washington region and \$600 million in labor income every year, Treadaway says.

"It's an important catalyst, if you will, for job growth in the future and our region," he says.

Treadaway touts the features of Dulles. Its fuel consortium presents cost advantages, it offers matching funding for airlines that want to grow their cargo business and there is a special incentive for cargo carriers who want to bring in a freighter.

Plus, cargo can reach anywhere on the East Coast within a one-day drive of Washington.

But will Dulles achieve its goal of becoming a cargo hub?

Treadaway says he has been at the airports authority for more than 20 years — and cargo has been part of

Dulles' development plan almost his entire career there. Since 2007, the airport has had dips in annual cargo throughput, which Treadaway says is on track with the rest of the U.S. cargo industry.

In 2011, the airport moved 291,000 tonnes of cargo. A year later, that figure fell by 15,000 tonnes.

The airport has also seen drops recently because of the Eurozone crisis.

"The global economy and the interconnectedness of global trade is an inevitable variable that we don't have a lot of control over," Treadaway says.

Yet he remains optimistic.

"We're bullish about the future," he says. "As the economy recovers, Dulles will ride with that."

Treadaway points to the 25 cargo airlines that are at Dulles and the fact that the airport is chasing the pharmaceuticals and perishables industries by planning a perishable goods facility.

"It's just a question of staying committed and staying open and willing

to build the business," he says.

Though Treadaway says he doesn't know how long it will take Dulles to grow into a hub, the airport remains persistent.

"We are 100 percent committed to staying tenacious in growing cargo – growing the cargo that comes naturally because of our international expansion as well as working on freighter service and bringing in the benefits of a larger all-cargo aircraft," he says.

Dulles is exploring all the avenues it can. It has Etihad, Emirates and Brussels. It is looking at the pharmaceuticals and perishables industries.

It is pursuing its goal of maturing into a cargo hub.

"You pick where you think you have the most potential, but you sort of chase everything," Treadaway says. "We have a lot of opportunities, and we have support and incentive to pursue it." **ACW**

Airfreight faces a new normal

By John W. McCurry

The airfreight industry is going through a series of changes, which is resulting in a "new normal" for the sector rather than just a cyclical change. That was the observation offered by Michael L. Ducker, COO and president, International for FedEx Express, during his opening keynote on May 6 at the CNS Partnership Conference.

"We believe this is a pivotal period for the air cargo industry, and as our chairman Fred Smith has pointed out, we are at a critical inflection point," Ducker says. "He thinks it is comparable in some respects to the industry's days when DC3s and Conestogas roamed the skies."

Ducker says the industry has been on a four-year roller coaster ride powered by a downturn in industrial production, which is a result of a lack

of investments. Piling on the lack of investment has been a series of major international events such as the Japan earthquake, the global debt crisis, presidential elections in the U.S. and elsewhere, sequestration and the Arab Spring.

"All of it adds up to a heck of a lot of uncertainty," Ducker says. "Weak investment generally means weak trade levels. As a result, air cargo has certainly taken its lumps."

The industry experienced a "false spring" in 2009 when it took advantage of the inevitable inventory restocking following the global recession. Many in the industry confused this cyclical growth spurt with a sustainable recovery, Ducker says.

He says the first characteristic of the new normal is high fuel prices, which he says is the leading cause of



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While Seoul isn't a new destination for Air Canada Cargo, the airline is adding a direct non-stop flight from Toronto, three days a week with a B777 aircraft, starting June 2, for a total frequency of 7 flights per week between ICN and YYZ/YVR.

Beijing also benefits from increased frequency with two flights every day from Vancouver and 10 flights per week from Toronto (B777 operations). All of this starts June 1, giving the airline 24 flights servicing Beijing per week. Starting May 1, Tokyo will be serviced daily from Calgary, an increase of four frequencies from the winter schedule.

In Europe, Air Canada Cargo will add a few key destinations this summer to its European roster: Istanbul, Venice and Edinburgh.

Seasonal routes to and from Barcelona, Madrid, Athens, Rome (FCO) and Dublin start as early as May and will further expand the carrier's presence in Europe.

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downward pressure on the shipping decisions of airfreight customers.

"High fuel costs affect the bottom line of everything, and the impact on our industry cannot be overstated," Ducker says.

Another new normal is the strong economic headwinds produced by the persistent sluggish global economy. Ducker says FedEx projects continued tepid growth in the highly developed consumer economies of the U.S. and Europe. He says the one bright spot is the growth seen in emerging markets, which includes China, India, Brazil, Mexico, Poland, Colombia, Thailand and Vietnam.

"Those are the lands of opportunity for global airfreight demand, and we think they will be for decades to come," Ducker says.

Another new normal is the "proliferation of fully optimized, super-sophisticated" global supply chains. New technologies are producing efficiencies that give shippers more options. Customers are now armed with more information. One result is that some cargoes that once traveled by air are now shipped via ocean.

"Ocean freight is an increasingly important part of a shipper's overall equation," Ducker says.

Also part of the new normal is increased security requirements and regulatory changes that grow more stringent. In addition, new long-range wide-body aircraft coming online fig-

ure to increase the excess capacity that already exists in the marketplace. This will put continued downward pressure on yields. Right now, just 44 percent of available freight capacity is being used on freighters and passenger jets, Ducker says.

"The bigger picture is that the air cargo industry has structurally changed, and it must adjust and move to the beat of some very new business trends," Ducker says.

Ducker says traditional air cargo products are giving up market share to both international express and ocean cargo. He says that trend will continue unless there is a substantial reversal in energy costs.

"We are seeing a fundamental shift in transportation modes with some traditional air cargo products being shifted to oceanfreight," Ducker says. "Ships have gotten more efficient. A large cargo ship can carry 15,000 tonnes compared to a 777, which can haul 112. Ocean services have become a lot more dependable, and tracking options are better than ever."

Ducker believes the future of air cargo is inseparably tied to oceanfreight. However, he says the wider use of oceanfreight is not for everyone. Airfreight can still be a cheaper or better value than maritime, but it has to relate to the value of the cargo, he says.

He says the competitive landscape is changing and there are opportuni-



Michael L. Ducker

ties for the industry to collaborate.

The industry's needs are many, he says, including improved infrastructure. This includes air traffic control systems, which he says have changed little since the mid-1950s. Airports will become overly congested in the coming years, and major runways improvements are needed. The industry, along with government, must also push for alternative energy developments such as biofuels.

Ducker also believes needless regulations should be eliminated and Congress should act faster on free trade agreements. He says while it's been a rough ride for the past few years, he remains optimistic about the future of the air cargo industry.

"If we can get all of these things right, maybe we can drive trade growth," Ducker says. "We have to make improvements in these areas if we hope to see long-term success." **ACW**

Atlas Air Worldwide's net income falls

Atlas Air Worldwide Holdings's adjusted net income fell in the first quarter compared to a year earlier, the company reported.

Its adjusted net income was \$5.9 million for the first quarter.

First-quarter revenue grew 5 percent to \$377.3 million.

"Our first-quarter results and initiatives demonstrate the benefits of a modern, efficient fleet, diversified business mix and solid balance sheet in a challenging business environment," William J. Flynn, president and CEO, said. "Earnings in the first quarter were

in line with our expectations and our outlook for the year. As a result, we are affirming previous guidance for 2013 but we are raising our expected adjusted earnings per share to \$4.80 from \$4.65 to reflect our actual and anticipated share repurchases."

Revenue, volume and profitability growth in Atlas Air's ACMI business during the first quarter were driven by its new 747-8Fs.

But Atlas Air's AMC Charter saw a 41 percent drop in cargo block hours and lower average cargo revenue per block hour.

Reported earnings for the first quarter included an effective income tax rate benefit of

97.4 percent, reflecting a federal income tax benefit of \$14.2 million.

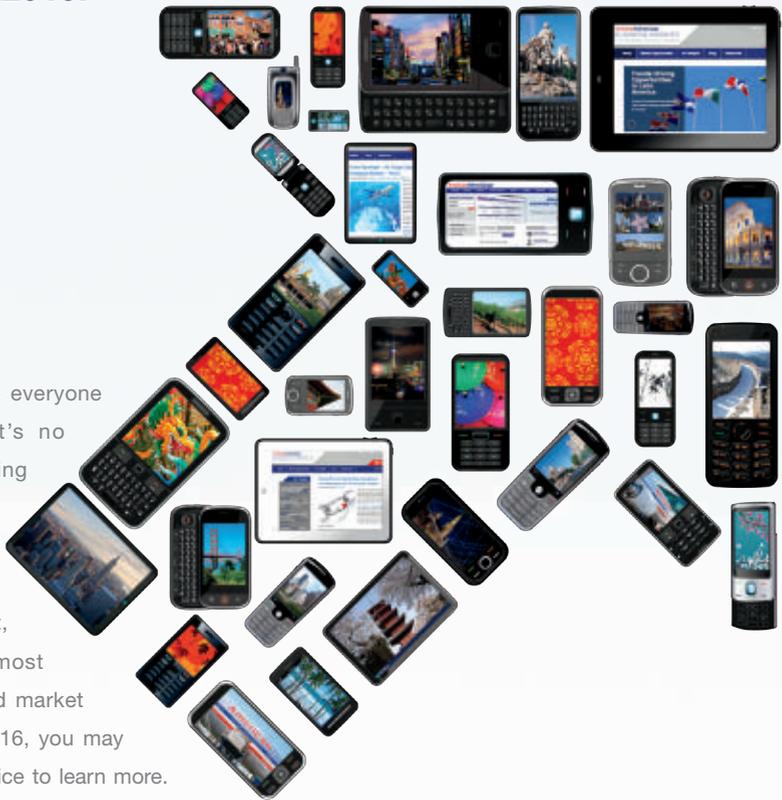
Atlas Air said it expects every one of its business segments to be profitable in 2013.

"In an environment of continuing global uncertainty, we are well-positioned to serve our customers and the airfreight markets," Flynn said. "We have performed well. We are ready to capitalize on market improvements. And we are executing a strategic plan that leverages our core competencies, provides a basis for returning capital to our investors through share repurchases and will enable us to grow over the long-term."

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E-freight is key to improving air cargo sector

By Adina Solomon

It's no secret that the air transport world is a tough business – and a way to improve it is through E-freight, the president of Delta Air Lines says.

“We know that changing behavior can be a challenge, but encouraging the industry to move to E-freight has real tangible benefits,” Edward Bastian says in his keynote address May 6 at the CNS Partnership Conference.

E-freight will boost efficiencies across the cargo supply chain, increase the accuracy of information, decrease the chances of human error and move transactions faster. It will create cost savings that affect the bottom line.

“In the end, this will benefit us all,” he says.

In an interview with Air Cargo World, Bastian says as far as implementation of E-freight goes, everyone in the industry is struggling with it. The need to work through the entire supply chain to achieve adoption presents the greatest challenge, he says.

“I don't think that the airlines or the air cargo carriers have as much control as they'd like over the exercise,” Bastian says. “I think if it was up to the air cargo carriers, you'd see much greater progress.”

In his speech, Bastian also talks about how the industry must move toward risk-based screening for cargo. This will improve the flow of goods through the supply chain.

“[Air Cargo Advance Screening] and programs like it can focus on

the shipments that are most likely to present a concern,” he says. “We need to avoid as much complexity in the operation as possible.”

He also speaks about shipping dangerous goods. Though Delta's agents are trained to handle dangerous goods, cooperation is needed throughout the industry.

“With our competitive tendencies, this is also the biggest challenge,” Bastian says. “One of the challenges the industry must overcome is the fragmenting nature of the issues being addressed.”

But he forecasts that global trade will continue to grow – and airfreight will play a role in transporting those goods around the world.

“I do see signs though in our global economy for cautious optimism,” he says.

The biggest opportunity for Delta in emerging markets is Latin America, especially Brazil, Bastian says. He also says China is a long-term opportunity.

In his interview, Bastian says industries that are willing to pay more for speed will factor into air cargo's role in the future. He names the biomedical sector, pharmaceuticals, automobile sector and other premium-related products.

Technology trends will also play a part in air cargo's – and Delta's – future. Scott Barkley, managing director global cargo operations at Delta, says the airline now scans cargo at every touch point, making



Ed Bastian

Delta more efficient.

Tony Charaf, chief cargo officer for Delta, says down the line, he expects the airfreight business to get rid of scanning in favor of active chips.

“They would transmit information at all times, wherever they are, and it will have automatic readers through satellites that will tell you exactly where every shipment is without any scanning done by any human,” Charaf says. “We are still babies in the woods trying to really get to the level where absolutely we must have that. I think that's really the end state.”

As far as when chips would be implemented, Bastian says it comes down to the cost of the technology.

“I think that's the ultimate growth opportunity that we have is to be a leader in that space,” he says. “But it will require some additional efficiencies by the technology.” **ACW**

FedEx to provide domestic air transportation for USPS

U.S. Postal Service awarded FedEx a seven-year Air Cargo Network contract to provide domestic air transportation service for priority and express mail.

The present contract with FedEx ends in September, and the new contract will begin in October.

Following an evaluation of techni-

cal aspects, pricing and other factors, USPS determined that FedEx would get the contract.

Based on estimated volumes, the new agreement is valued at approximately \$10.5 billion over the seven-year term. **ACW**





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HERO GOES TO ZERO — *IN ONE SECOND*

The airfreight industry loses an icon as Ram Menen retires from Emirates

Arguably the most iconic name in the world of air cargo – though he would never make such an extravagant claim on his own behalf – Ram Menen retires as head of Emirates SkyCargo in June.

After almost 40 years in the industry, Menen claims to have worked harder than ever on the run-up to his 60th birthday.

“On 6 June, it will be like hitting the tailhook on an aircraft carrier,” he says. “I will go from full speed to zero in less than one second.”

His achievements at Emirates, dating back to the airline's launch in 1985, will never be matched. He not only helped take Emirates – officially recognized last year as the world's largest cargo carrier – to the top of the world league, but was also central to the development of Dubai as a major global airfreight hub. He has striven during his long career to raise air cargo's profile through his work with industry associations.

Born in Cochin in 1953, Menen grew up in central India and went on to study electrical engineering in Bhopal.

After emigrating to the Middle East, the young Menen joined Kuwait Airways “at the bottom of the ladder” on the cargo ramp in 1976 and was there for four years before going on to manage British Airways' cargo operation in Kuwait. In 1984, he joined the Kuwait-owned Alghanim shipping agency to set up an airfreight forwarding division in Dubai.

BA, under the late Geoff Bridges, had said it would keep his job open for him, but instead Menen joined a fledgling carrier called Emirates a month before it got off the ground in 1985.

“They told me, ‘You've got the job.’ I asked, ‘What job?’ I had never been involved in setting up an airline, so it was a crash course,” Menen says.

He became part of a launch team, including Maurice Flanagan and Tim Clark, which stayed together for many years.

“It's a collective team effort that has made Emirates what it is,” Menen says with characteristic modesty. “We catalysed the growth of Dubai. Then it changed and they catalysed us. The government has been absolutely marvellous. They just let you get on with it.”

Emirates initially operated just one B737-300 and an A300B4 on a power-by-the-hour basis from Pakistan International Airlines.

“Our seed capital was only \$10 million, so we couldn't afford aircraft of our own,” Menen recalls.

The first routings were Dubai to Karachi, Delhi and Mumbai, as neighboring Gulf states refused to award traffic rights. “We couldn't land in Abu Dhabi til 1991, and Bahrain was not allowed until 1999,” he says. “We were a perceived threat to Gulf Air. It's sad about their decline.”

Much has been made of Menen's role in 1986 in developing the LD-36 unit load device. Again, he downplays this.



“It was an order for our first A310 that prompted it. BA had come up with a unit that was essentially 747 friendly, but the Airbus belly was smaller, and it was a question of how we could leverage it. I talked with a ULD manufacturer at the Air Cargo Forum in Basel and told him what I wanted,” he says. “The new design had its challenges. It was bending to begin with, and we had to get around that with a thicker base plate. But no one except us used them for 10 years. Only three could be trucked instead of the usual four. People didn't realize you could load 33 percent more.”

Ten years after its launch, in 1995, Emirates still had only nine or 10 airplanes including its first wet-leased Atlas freighters, operated jointly with KLM. The world knows all about the carrier's subsequent growth trajectory. It now has 186 aircraft, with 193 firm orders.

Menen became a founding member of The International Air Cargo Association when it separated from the U.S. Society of Automotive Engineers in 1990 and was president and chairman of its board in 1995-1996.

“TIACA brought all walks of the industry together. We were one industry, and it was important to align all its elements into one coherent body, as the carriers and freight forwarders were still doing their own thing,” he says. “One thing we realized was that we were all skilled at something else, and had come into this industry by default and were having to reinvent the wheel. We wanted to firm up education and talked with leading academic institutions about developing training programs. Effectively, we launched the science of supply chain management.”

TIACA soon began dialog with the World Trade Organization on the basis that the two bodies had a mutual interest in enabling commerce. Shippers became involved beginning in 1996 through TIACA's interaction with the National Industrial Transportation League in the U.S. The integration process continues, and Menen believes the formation of

the Global Air Cargo Advisory Group in 2010 has been transformational in allowing the industry to fight for its interests with a unified voice.

Menen was inducted into TIACA's Hall of Fame in 2005 in recognition of his championing of international air cargo liberalization and his drive for improved technology. It was just one in a long sequence of special achievement and lifetime contribution awards from trade associations and the business media.

Active within IATA since the late 80s, Menen chaired the association's Cargo Committee through the depths of the recession from 2008 to 2011, giving him perhaps a distinct perspective on the challenges facing the airfreight industry.

Conditions will remain "very volatile for the next three to five years," he says. "There is structural damage to many economies that will take time to heal. The old rules don't apply. But is this a temporary aberration or the new normal?"

Oil prices have long been a problem, and he says: "Unless they fall to \$50-60 per barrel and stay there, commerce will be affected. We have to tread very carefully."

More positively, Menen thinks globalization will take on a new shape.

"America is outsourcing everything to China and the rest of Asia, but final assembly will be nearer to the point of consumption in future. Volume goods will be supplied in smaller batches but more frequently. Smarter supply chain operators will use transportation as their inventory, cutting out inventory on land. That's good news for air cargo," he says.

Menen defines his biggest achievement, without hesitation, as: "Friendship, the friends I made. They're forever. I have been humbled by the reaction I'm getting. I'm not walking into the sunset but a new sunrise. I want to make more new memories, not live on the old ones."

He promises to "chase the sun" with his wife, Malou.

"We love Malaysia. We've had a condominium there for four years, but we will spend time in Europe too. I've been a citizen of Luxembourg since the early 1990s and my son has been working there-in logistics, of course—for several months now, he says. "I won't be going into consultancy or attending any more industry conferences

in the future, but I want those people who need help to continue to have access to my knowledge. I've been doing less through [AllExperts] in the last eight or nine months, but I will reactivate this. What the industry gave me, I can never fully give back." **ACW**



There'll simply never be another Ram, a leader unprecedented in his achievements, happy to share all knowledge and experience without ever seeking reward and his successes over three decades will undoubtedly never be surpassed. Over this period he's endured and overcome every global crisis imaginable yet always stayed focused on his customers and his team. He has served the wider industry with such distinction and throughout every appearance his humility and accessibility is renowned. The fact he includes among close friends so many colleagues from all corners of the world is a testament to his global reputation and personality.

— Des Vertannes, global head of cargo, IATA

Ram is a gem of a person! An extraordinary man in his field, always good to meet and to enjoy his jokes. His contribution to the industry is massive and we will indeed be losing an icon. The cargo industry will always be indebted to him. He will be remembered for his joie de vivre, sheer dedication, his sense of humility and his love of a good discussion. He has been an inspiration to almost everyone in the industry and will always be regarded as a global leader in the business.

— Uli Ogiemann, chief officer cargo, Qatar Airways

Ram is the one the air cargo press could rely upon to share his important views and opinions with the industry. He would answer and engage in a conversation no matter what the time was in the far reaches of the world in which he traveled. A quotable man and respected friend to all who have covered the air cargo beat is Ram Menen. Best wishes for a happy retirement to you and Malou.

— Steve Prince, Publisher, Air Cargo World

Ram has been ever present at our industry's events for as long as I can remember, but it is the manner of his presence that will be forever remembered: as the centre of attention in and around the Emirates booth, as a tireless master of his subject when addressing his colleagues at an industry association meeting or speaking to a wider audience at a conference. Forever present, forever active, forever engaged. But for me personally the most vivid memory will be the unrestrained and warm hugs that greeted me on every occasion we met, proof that personal relationships are what drives our industry.

— Oliver Evans, chief cargo officer, Swiss International Air Lines

There are very few people who are not only well known, but also highly respected by everybody in an industry. Probably nobody else has shaped the face of the airfreight industry in recent years the way Ram Menen did. The numerous awards he received during his career speak for themselves, but also his huge success with Emirates, where he led the cargo division from the very beginning. He has been personally instrumental in driving air cargo to develop the profile it deserves within the global trade process. Ram, I would like to thank you for your never-ending dedication and spirit and wish you all the very best for your new chapter in life.

— Tim Scharwath, executive VP Air Logistics and member of the management board of Kuehne + Nagel International

We all know Ram as the best-known and most influential person in the air cargo business, for his countless awards on behalf of Emirates SkyCargo and more recently for many lifetime achievement awards. He stands right at the top, and deservedly so. He has been a huge influence in our industry, always pushing for changes to improve efficiency and make improvements that help not just Emirates but all participants in the industry.

It's not just that he is willing to speak at conferences and chair industry bodies, it's Ram "the man" that really impresses me. Ram is a genuine decent guy who is always willing to help. He never lets his importance go to his head, is always humble, honest, helpful, amusing and extremely knowledgeable. I have never heard him knock anyone. He is the genuine Mr Nice Guy and his presence in our industry will be sadly missed.

— Larry Coyne, CEO, Coyne Airways





CHALLENGING TIMES

FOR EUROPEAN CARRIERS

Emirates' introduction of a daily passenger B777 from Dubai to Lisbon more than doubled airfreight capacity from Portugal, one of the Eurozone's weakest economies, to the Near East and Asia. Nothing could better illustrate the problems afflicting the European airfreight market and its native carriers. Demand is weak, and competition is intensifying.

The growth in capacity from Middle Eastern carriers shows no signs of slowing, Chris Nielen, regional com-

mercial manager Europe for IAG Cargo, says.

"What may prove particularly challenging is that these carriers are not just serving major hubs, but also smaller regional airports, giving them a service reach that will appeal to freight forwarders," Nielen admits.

This will force established carriers to focus more than ever on service quality, he believes.

"Formidable competitors in the Middle East are offering huge networks and operate to high standards,"

Oliver Evans, chief cargo officer at Swiss International Air Lines, says. "Maybe one or two will overreach themselves, but others will succeed. You have different ways now of flying from North America to Asia or Europe to Asia. It's a huge challenge for European operators."

Carsten Wirths, vice president Europe and Africa at Lufthansa Cargo, says the fast-expanding passenger networks of new-generation carriers, whose planes are cargo-friendly but whose focus "is not necessarily on

earning from cargo,” has meant that other carriers’ capacity reductions have proved insufficient in a declining European market.

The Eurozone crisis continues to hang heavy over those both within and outside the single currency.

“Declining inbound cargo volumes have reflected the loss in consumer confidence caused by an uncertain economic situation,” Nielen says. “The Netherlands is in the grip of a triple-dip recession. We’ve seen a particular decline in electronic goods shipments into Schiphol from the Far East as consumers hold back on those big purchases. When it comes to nice-to-have or luxury goods, people are not buying as they did a few years ago and there are scant signs of this changing in the near-term.”

Air exports from Europe are patchy and depend on the mood in the destination market.

“We have seen continued demand

from China for German car parts as German cars remain popular in China, and consumers are still willing to spend,” Nielen says.

While the pharmaceutical, car parts and machinery exporters of Switzerland, Germany and Italy are likely to keep leading the way, even countries that are flat-lining at home are seeing some export success. IAG Cargo reports “steady and secure” business out of Greece and Cyprus, despite its challenging economic circumstances.

“There will always be a demand for perishables from these two countries, particularly fish, so we are less exposed to a decline in other industries. But the best we can hope for from Europe overall is modest growth,” Nielen says.

Redeployment of freighters from the Asian market to trans-Atlantic routes has helped balance capacity, he suggests. “With less capacity on these Asian routes, we hope to see

more stable yields and maybe even an increase.”

Exports from Europe to the U.S. are sluggish, but certain niche trans-Atlantic markets are thriving.

“We’ve recognized increasing demand for pharmaceutical shipments to Latin America and have worked on increasing the number of Constant-Climat-enabled stations in this region,” Nielen says.

Lufthansa Cargo saw a 7.2 percent decline in cargo volume in the first quarter of 2013. Asia-Pacific business suffered the most, with an 11.2 percent decrease. LC has consciously excluded itself from competing for some business through tight capacity management. Capacity was scaled back by 7.4 percent with the aim of keeping the business profitable.

The company has predicted a significant pick-up in demand later this year, but Wirths sees the same regional variations as his competitors.

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“In terms of imports from the U.S. into Europe, we have a better situation in the first months of this year than we experienced in 2011 or 2012,” he says. “The picture is different out of Asia, which is still in decline.”

The mood in Western Europe is “not really getting any better,” with the debt crisis dampening companies’ appetite for investment, he says. Turkey, Russia and parts of Eastern Europe are performing more strongly, though Wirths pinpoints problems in Bulgaria and Slovenia.

On the export front, pharmaceuticals are “developing nicely,” both to the U.S. and to emerging markets such as China. Like IAG Cargo, Lufthansa is playing to its strengths in the temperature-controlled market.

The benefit of a large freighter fleet is that main-deck services can be more responsive to fluctuations in demand than passenger networks. LC recently opened up Guadalajara with a twice-weekly freighter from Frankfurt as well as increasing its Cairo service, which is strong in both directions, from two to three per week.

Elco van Asch, vice president Europe for Air France-KLM Cargo and Martinair Cargo, points out that Europe is not alone in its woes – though a decrease in import demand may have afflicted supplier markets. CASS figures showed a significant decline in airfreight exports globally in January and February, and while shipments ex-Europe were down 10 percent year-over-year, he points to double-digit decreases out of Mexico (-35 percent), Japan (-28 percent) and Brazil (-15 percent).

“Freight forwarders always say at this time of year that the second half will be better, but there is an element of wishful thinking about that,” van Asch says.

He is encouraged by his group’s movement of perishables, pharmaceuticals and automotive spares, but says the technology sector has slowed due to fewer new product launches.



Alexis Sioris

Athens cargo volumes plummet

Alexis Sioris, manager of cargo development at Athens International Airport, says air imports into Greece’s main hub have been shrinking since the economic downturn began in 2009 – and at a faster rate than the decline in GDP, with volumes down by almost 40 percent compared with a 25 percent reduction in the size of the Greek economy overall.

“Business and consumer confidence are very low. I see no signs of improvement until [European Union] member states get back to the basics and re-establish confidence with each other. I assume that Germany would have to take the lead in such an endeavor, but we can exclude any brave initiatives prior to the German elections next autumn,” he says.

Greek exports rose by 6 percent in 2012, with fresh fish and other perishables, ships’ spares, textiles, medical products and telecommunications equipment leading the way in airfreight.

However, the discontinuation of services by Thai Airways in 2010 and Singapore Airlines in 2012 has significantly hampered the Asian trade lane, Sioris notes.

“Emirates and Qatar Airways stand out as the airlines that have taken up the missing connections, but growth has stalled due to lack of capacity. Air service to and from the U.S. via Delta and Continental was also discontinued last winter for the first time in 40 or so years,” he says. “Connections have resumed for the summer season, but in the absence of main-deck capacity, stable flows will be more difficult to maintain, as certain European carriers are more costly if they export to the U.S. through their home hubs.”

Qatar Airways had intended to introduce a daily year-round Athens-New York service in July, Sioris points out, but the problems with the Dreamliner will likely delay the launch until October.

Among bright spots in Europe, Spain is shipping increased volumes of pharmaceuticals and fashion goods, while Germany saw a 20 percent increase in exports to Shanghai in March.

Carriers use various performance indicators to try to determine future airfreight trends, but some traditional indicators are now proving less reliable.

“We have started to look at the purchasing managers’ index, where there is still a good correlation. This has been improving since February,” van Asch says. “Japan is back above 50 [the neutral point], and Europe has seen a slight improvement to 48 compared with 44 last summer. Airfreight volumes typically lag this index by two to three months.”

Wirths says LC follows consumer confidence, business confidence and business investment indices as a guide to overall air cargo volumes, and also watches GDP and manufacturing activity to help assess development of the export market.

Swiss also tracks business confi-

dence.

“GDP used to have a close correlation with airfreight volumes, but less so now because political and economic problems have made trends more complex to read,” Evans says.

Swiss has been achieving “steady rather than spectacular” volume growth since the fourth quarter of 2012, but the increase in demand has not yet reflected in higher yields. He claims this is likely because the influx of capacity is exceeding demand growth.

Though outside the EU, Switzerland is geographically close to major Eurozone economies.

“Our extended home market stretches to eastern France, southern Germany and northern Italy,” Evans says.

Italian exporters represent an opportunity for third-party carriers because Italy lacks a strong national carrier with global reach, and a lot of commodities are trucked to Zurich to access the growing Swiss network.



Chris Nielsen

Last year, the operator added Newark and Beijing to its list of destinations, joined by Singapore in May.

Despite political turmoil – and a GDP that is set to fall further this year – Italy is still benefiting from strong exports of fashion and industrial goods. Lufthansa is increasing its market share and Wirths sees further opportunities to develop the Italian market.



Eelco van Asch

Pharmaceuticals and luxury goods dominate air exports from Switzerland, though Evans says the latter sector has been more volatile lately. “Exports of Swiss watches have grown strongly, but that has reversed recently. Shipments to China are 25 percent down this year, but consumer spending is increasing fast in other markets such as India, Russia and Latin America. A lot of giants are



Carsten Wirths

awakening – and North America is becoming one of our most interesting export markets.”

The competitive challenge is primarily at the volume end of the business, Evans says.

“We’re a small player with a specific focus on certain market segments,” he says, “so we will continue to hold our own and compete on the basis of quality and market knowledge.” **ACW**



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WHERE THE PAPER TRAIL LEADS

By Adina Solomon

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Panalpina has dozens of contracts with air carriers. Twice a year, the Switzerland-based freight forwarder meets individually with selected companies for rate negotiations.

Though those meetings take one afternoon, the analysis work and data-crunching stretch the process to three months, says Lucas Kuehner, Panalpina's global head of airfreight.

"Our strategy with the contract is to set a general framework of cooperation between two companies and to make sure that our partners follow our standards," Kuehner says. "I think that's what we're trying to achieve in terms of contracts. But we're trying to get beyond that pretty quickly because then what we're really interested in is how can we work with an airline and get them to act as a key partner and understand what they need also so that we can act as a key partner, but that really takes more than contract conversations. That really then takes developing a relationship, understanding each other's businesses, and that's really what we then try to do through our semi-annual sourcing process."

Michael McDaniel and Christoph Wahner, both partners at the Law Offices of Countryman & McDaniel specializing in cargo law, talk about some of the pitfalls a forwarder should watch out for with contracts.

The Los-Angeles-based attorneys, who supervise cases in 87 countries, say there are two types of agreements between freight forwarders and shippers that their firm commonly reviews: volume commitment subject to ordinary trading terms, and contracts that supersede the normally applicable trading terms.

That's where danger lies, Wahner says.

By entering into these special agreements with volume shippers' "perhaps onerous demands," the freight forwarder could be eviscerating protections ordinarily afforded under applicable law and trading terms, as well as its liability insurance coverage in the event of a claim, he says.

They say forwarders should always have legal counsel look at contracts.

McDaniel says he and Wahner are seeing a trend toward freight forwarders and shippers adopting special contracts.

"It's incumbent on the parties to get the contracts right at the beginning to make sure that they're acceptable to the legal liability underwriters because those agreements can last for a long time," McDaniel says.

He says these contracts tend to have evergreen clauses.

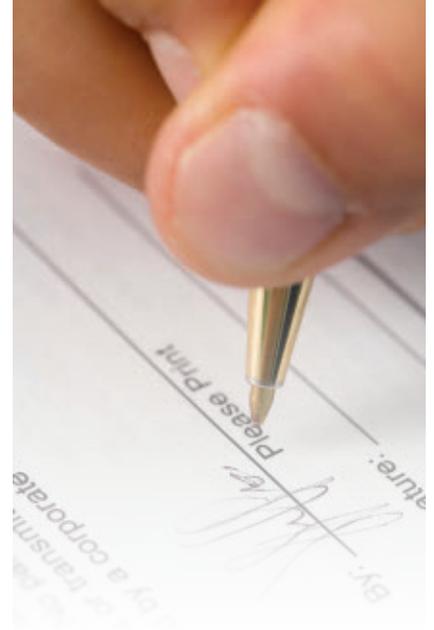
"If they're not canceled by one party or another, they have often times a clause known as an evergreen clause which will automatically renew the contract for another term of either a year or three years or what have you," he says.

Sounds like a timesaver, right?

But McDaniels insists that an evergreen clause is a trap if you aren't aware of the deadline. Wahner says these clauses must be put in a calendar so the date doesn't fly by.

"You may be stuck with those terms. You may be stuck with those rates. So legal counsel needs to look through that document and make sure that if there is an evergreen clause, that it's been detected and identified and all parties put on notice of it," Wahner advises.

He says contracts, particularly those with evergreen clauses, need to have mechanisms to make adjustments for fluctuating costs. For example, the rates could be variable or sub-



ject to renegotiation based on aspects beyond control, such as fuel rates or security charges.

"No one wants to get stuck in an unprofitable contract," he says.

Kuehner says Panalpina's contracts include performance requirements, how it deals with claims and its code of conduct. The forwarding company also talks about e-cargo and the environmental standards of the equipment that the carrier uses.

"Basically, all the things that you don't need necessarily on a day-to-day basis transaction, but you need it in writing once something goes wrong," Kuehner says. "I think that's a good way of describing of what we want to have in a contract in general."

Cathay Pacific Airways' contracts usually state the selling rates and space offered by the airline, including the flight, day of week and specific allocation, Mandy Ng, manager cargo sales and marketing at Cathay Pacific Airways, tells Air Cargo World.

"At Cathay Pacific Cargo, we view the freight forwarders as our long-term business partners, and we always strive to provide the best service levels and solutions in the airfreight industry," Ng writes.

McDaniel and Wahner discuss how complicated air cargo contracts can become, especially if one of the parties tries to deviate from standard International Air Transport Association terms that are used by both forwarders and airlines.

Wahner gives an example: say a freight forwarder enters into an e-



Christopher Wahner



Lucas Kuehner



Mandy Ng



Michael McDaniel

AWB agreement with an airline and the standard term for cargo damage is that there must be written notice within two weeks.

“Let’s say the freight forwarder enters into this very lucrative contract with a large manufacturer, and that large manufacturer’s general counsel, unfamiliar with transportation or air cargo, has a boilerplate vendor contract, and it says, ‘Well, in the event of a loss, we have three months to let you know to make a claim for it,’” he says. “So now we have a freight forwarder that agreed to accept it as late as five months, but the freight forwarder is bound under the IATA terms to give notice to the airline within two weeks. So what happens when the freight forwarder gets notice two months after delivery? They basically just accepted the loss without recourse against the actual responsible party.”

People in freight must review freight agreements, McDaniel stresses. Wahner says to always include a severance clause and to speak up if there is something unenforceable in a contract.

“We saw one [contract] earlier this week from a Fortune 500 company that contained a requirement that we as the forwarder would agree to abide by the regulations of the Interstate Commerce Commission, which incidentally has not existed for about two decades,” McDaniel says.

Another issue that arises with forwarder contracts is which country’s law will apply to the interpretation of the contract.

“As we see the trend toward more

and more international contracts, there can be pitfalls for the unwary – the consequences of a contract being interpreted under an international legal jurisdiction,” he says.

For example, many special contracts between forwarders and shippers have provisions that call for the limitation of liability to be overcome in circumstances where gross negligence has occurred, McDaniel says. In the U.S., gross negligence is a high standard, but if EU laws apply, the bar is much lower.

Kuehner says all the contracts and negotiations with companies come down to freight forwarding being a people’s business.

“You really have to have a good understanding of who you’re working with because what it boils down to is filling a plane that leaves at a certain point in time, and once the plane has left and is not full, then that product is gone. It’s never going to come back. So in order to understand how exactly the other company works, there are cultural things to understand,” Kuehner says. “As a freight forwarder, we’re acting on behalf of our clients, of the shippers, and we need to find the best optimal way to move shippers’ cargo, and that takes into account not just the cost but also service standards, quality standards and so on. And that really takes time to develop the relationship.”

Ng says Cathay Pacific considers a freight forwarder to be a business partner.

“Together, we provide the best products and services to our mutual customers. We strive to develop win/

win solutions on all commercial issues,” she says.

Kuehner says having a relationship with a company is beneficial. When an Icelandic volcano’s ash cloud shut down airspace across Europe in 2010, there was a backlog of cargo that needed to be flown, he says. Panalpina got access to pallet positions in its airline partners’ planes, including British Airways.

“The cargo needed to move because otherwise, a company over in Europe was risking a line shut down from their assembly plant,” Kuehner says. “We would not have received that space from our key partner there unless we had a relationship in place in the first place. You can’t just come at the last minute and ask for a favor, so to say, if you don’t have something to give in return.”

He also says key partners such as Cathay Pacific and Lufthansa have delayed a plane’s departure by a few hours in order for Panalpina to put on the cargo of a mutual client.

A healthy relationship with a company includes a contract.

And the advice that McDaniel and Wahner drive home again and again is to have contracts reviewed.

McDaniel points out the high value of much of the cargo that planes carry.

“We see the effect upon a contract that was not well thought out and not reviewed,” he says. “When you’re dealing with risks of that magnitude, it puts into sharp focus the need for proper foresight in drafting these agreements and having them frequently reviewed just as you would doing a safety check on an aircraft.” **ACW**



CARGO ALLIANCES AWAIT

TECHNOLOGY

Delta and other SkyTeam partners promote their cargo alliance at industry trade shows.

By John W. McCurry

jmccurry@aircargoworld.com

Airline alliances have been successful on the passenger side, allowing seamless transfer of travelers and meshing of passenger loyalty programs.

However, that hasn't been the case thus far for air cargo. Technology is lacking on the cargo side as are common processes, industry officials say.

Kenji Hashimoto's perspective on airline alliances is steeped in experi-

ence. Prior to being appointed American Airlines' president-cargo last year, he spent three years as the airline's vice president of strategic alliances. He notes that while passenger alliances have been highly successful, there are significant challenges on the cargo side.

"On the cargo side of things, we do a limited amount of interlining, and it's not very technically advanced," Hashimoto says. "We are in the early days of alliances and cargo."

Hashimoto says the biggest challenge is the lack of robust technology and technology platforms. Alliances only work if they are for the benefit of the customer, and putting a marketing label and declaring an alliance is not enough.

"Otherwise, it's just a pretty slogan or something you slap on boxes," Hashimoto says. "If people are really focused on the customer and the technology can be overcome, there are real opportunities. We at American

Airlines believe in alliances, but with- in those constraints. We do alliances more than many other airlines, but we do it with just a certain number of carriers who we have relationships with and aligned products and procedures. We only do it when the customer benefit is there. If those come together, we pursue it and do it.”

Cesar Marti Garro, director, revenue management, network and alliances for Delta Air Lines, agrees that it is harder to make alliances work for cargo. He says there is an established culture within passenger alliances that is not there for cargo.

“On the cargo side, you can always have an interline agreement with another airline, and it pretty much gets you anywhere you want,” Marti Garro says.

Marti Garro says alliances play a large role for Delta in three ways: with joint-venture partners, with SkyTeam partners and with interline

agreements. Delta has joint ventures with Air France/KLM and Alitalia and plans one with Virgin Atlantic.

“When you look at the joint ventures, we work as one company and there’s a lot of benefits we can gain from that,” he says. “On the SkyTeam, we have 10 partners. We have three objectives with SkyTeam: effectiveness, efficiency and image. They are our three pillars.”

China Cargo Airlines will become SkyTeam partner No. 11 in June.

In terms of effectiveness, SkyTeam offers common products with the goal of making it easy to do business.

“The fact that we have the same product, processes and parameters helps make the connection in our hubs,” Marti Garro says.

SkyTeam has a goal of being under one roof to boost efficiency. Marti Garro says this is the case with 38 airports.

“There may not be the 10 of us,

“When you look at the joint ventures, we work as one company and there’s a lot of benefits we can gain from that.”

**— Cesar Marti Garro
Delta Airlines**

but at least three of us are under one roof, which makes it easier to transfer among each other and reduces costs,” he says.

The alliance’s image efforts include joint exhibition at the world’s major cargo shows and sponsorship of

I am Whatever it Takes

Shanti Ramnath
Manager Cargo Sales & Reservations Mumbai

To every consignment you entrust us with, we will add something rather valuable: reliability that keeps your supply chain flowing, punctuality that safeguards your deadlines, and precision that gives you peace of mind. That is how **We care for your cargo.**



Kenji Hashimoto

events such as the golf tournament at the CNS Partnership Conference. The alliance shares the cost of exhibiting.

“We have a big booth at the major trade shows and the other carriers are there. This is something that on a stand-alone basis we wouldn’t do,” Marti Garro says.

Delta is active with about 70 interline agreements. Marti Garro says Delta can pretty much cover the world through this arrangement.

The addition of China Cargo Airlines to SkyTeam will give Delta more access to mainland China and mainland China more access to the U.S. through Delta’s Shanghai flights.

Marti Garro acknowledges that improved technology is a major need if cargo alliances are going to advance.

“We don’t have other carriers’ schedules in our system, and there is not good connectivity among the carriers,” he says.

Oliver Evans, chief cargo officer at Swiss International Airlines, says there is a compelling logic to having cargo alliances, but it takes a major effort to extract benefits. He says there is an opportunity to develop common processes on the cargo side, but it will take much longer than it did on the passenger side. He adds that unlike the passenger, side there are fundamental differences on the cargo side when it comes to alliances.

“In the cargo world, we write very detailed processes for our handlers



Cesar Marti Garro

and even when we move under one roof, you find that the process descriptions of the airlines and the freight forwarders are fundamentally different,” Evans says.

Evans says cargo has a very different understanding of how alliances work.

“SkyTeam is a passenger alliance that has now developed a cargo alliance model,” he says. “With the Star Alliance, to which my company belongs, that is not the case. We will collaborate in terms of common facilities where that make sense, but we maintain an autonomous business model because that is what is driving value for our customers.”

Freight forwarders have a decidedly different perspective from the airlines.

“From a passenger perspective, if my favorite airline has an alliance with another carrier so that as a passenger I can make a transfer, I am excited,” Brandon Fried, executive director of the U.S. Airforwarder’s Association says. “As a freight forwarder under the same circumstances, I am nervous because I am hoping and praying that the same standards are used and there is a linking of synergies. I might trust my first carrier, but I really don’t know about their code partner. I am not saying it’s good or bad; it just leaves open the possibility for issues.”

Fried says members of his association report that there is not always a



Oliver Evans

defined benefit from shipping within an alliance, but airlines are working closer together.

Des Vertannes, IATA’s global head of cargo, says if the air cargo industry can become more E-centric, it can be far more transparent with its services.

“We are keen to drive things that catalyze a future benefit to the air cargo side. If the forwarders can see electronically as we develop alliance partnerships, it gives them a greater choice. This is about information reaching them where today it’s not visible.”

Vertannes says FedEx and UPS offer the industry a model to follow in terms of technology sharing.

“If you look at FedEx and UPS today, do you think they operate on all continents and every city? No they don’t. They have subcontractors, but what they give to subcontractors is their IT platform,” Vertannes says. “It allows seamless service to its customers that FedEx or UPS controls from start to finish. We don’t have that in our world today, but I believe as we develop standards you will begin to see it in the years to come.”

Fried says it’s vital that forwarders not be left behind as cargo alliances and the technology to run them are developed.

“There needs to be a market-driven solution,” he says. “Forwarders come in all shapes and sizes, and customers pick forwarders based on many different criteria.” **ACW**



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Flowers' FANTASTIC VOYAGE

A worker at Flores de Tenjo in Colombia pushes a cart of freshly-picked roses.

By Adina Solomon

asolomon@aircargoworld.com

It starts in a country like Colombia at a farm like Flores de Tenjo. The sweet smell of 120 acres of flowers permeates the air. Workers scurry around the farm, tending to, cutting and transporting row after row of flower buds in greenhouse after greenhouse.

Flores de Tenjo grows 50 varieties of flowers, 10 of which are roses, in the town of Tenjo, Colombia, in the Andes

Mountains just outside of Bogota.

"If you want to be the leader in South America and you want to be recognized like that for everybody in South America, you have to be in the flower business," Pablo Canoles, director of LAN Cargo for Colombia, says.

Air Cargo World visited Flores de Tenjo as part of a sponsored press trip with LAN Airlines. Flores de Tenjo is just one of LAN's floral clients.

Flowers often begin their journey in Colombia, Ecuador, Ethiopia or Kenya – the top flower-exporting countries. They must travel thousands of miles before reaching their final destinations in the U.S., Europe and Canada on store shelves.

"Flowers are not like other perishables," Christine Boldt, executive vice president of the Association of Floral Importers of

Florida, says. “We don’t really have seasons. We are 365 days a year.”

Most flowers are moved by air.

Boldt says South America is popular for growing flowers because it’s close to the Equator. Ecuador and Colombia have the same weather conditions all year round.

She says 89 percent of all the flowers that enter the U.S. travel through Miami – and 60 percent of those flowers come from Colombia.

The majority of the flowers that LAN – and many South American countries – exports go to Miami, Canoles says.

“Miami has all the infrastructure and all the players, and the logistics have been arranged,” Victor Mejia, vice president of cargo at Tampa Cargo and TACA, says. “No matter which point of the United States is going to be the final destination, they will enter the country in Miami.”

Some flowers from Colombia go to Los Angeles, and there is a small market into South America. A quarter of the flowers go to Europe, usually Amsterdam Airport Schiphol.

Bart Pouwels, director business development cargo at Schiphol, says there are 9,000 producers of flowers and plants in the Netherlands. Red roses, one of Schiphol’s biggest varieties of flowers, mostly come from Kenya and Ethiopia.

“It’s not general cargo,” Pouwels says. “It’s different. It’s perishables.”

From farm to consumer

In the greenhouses where Flores de Tenjo’s flowers are grown, one of the first steps before picking the flowers is to spray them with environmentally friendly pesticides. Workers cut the flowers according to their destination country. North America likes its flowers short. From stem to head, the typical flower for North America is 17 inches long. For Russia and the Netherlands, the flowers are almost three times as long.

After workers cut the flowers in the heat of the greenhouse, they put them in carts with water. A worker

then picks up the carts of flowers and using cables strung along every row and path of every greenhouse, he walks the carts of flowers to another facility on the farm grounds.

Every 90 days, a plant grows a new flower bud.

Of the flowers that Flores de Tenjo grows, 80 percent are its own varieties. The farm has coral-colored roses, fungus-resistant roses and even ones that are engineered to smell like apples.

Once the flowers are carted out of the greenhouse, they go to a room busy with people handling flowers. The workers move in rhythm with the Spanish pop music blasting throughout the facility. A machine sorts the flowers by stem size. Workers sitting at individual tables make bouquets, mostly mixed, by hand.

The workers who assemble the bouquets are exclusively women. A guide says this is because of the belief that making flower bouquets is women’s work.

After the flowers are assembled and labeled, workers put the flowers in boxes along with water into a cooling room, where they stay for 12-24 hours. It’s there that the flowers are irrigated, drinking enough water for the trip ahead.

The flowers then go into a cold box storage room for two days.

Forty-five people work at one time at Flores de Tenjo. For the two weeks leading up to Mother’s Day, the number of workers more than triples.

During the entire time the flowers are handled and transported, they must be kept in the cool chain. Boldt says the optimal temperature for flowers is 34-38 degrees Fahrenheit.

“Maintaining the cold chain maintains the integrity of the product that we’re trying to sell,” she says. “If the consumers don’t have a good experience with the flowers, there’s the possibility that they won’t purchase again. And just looking at a flower at the beginning, you can’t always tell if it was maintained in cold or not because right at the beginning, it may look fine but depending how it reacts when it gets to an ambient temperature depends on how long it lasts.”

The flowers are flown out of Colombia during the cool of night – odds are to either Amsterdam or Miami.

Air Cargo World followed flowers transported by LAN to Miami.

During the journey, the temperature of the flowers doubles because they create their own heat, Schiphol’s Pouwels says. This is due to the fact that the flowers are still growing, and the energy produced puts off heat.

LAN’s planes are kept at 50 degrees Fahrenheit for the 3.5-hour trip from



A worker at Flores de Tenjo in Colombia transports boxes of flowers using cables that are strung along every row and path of every greenhouse.

Bogota to Miami, Canoles says.

“If you ship under the right conditions,” Pouwels says, “then you will have a longer vase life, which is a kind of quality indicator.”

At LAN’s cooler at Miami International Airport – the largest refrigerated cooler at a U.S. airport operated by an airline – workers are busy unloading a newly arrived 767 full of flowers. It takes about 40 minutes to unload

an aircraft.

The flowers must be inspected by U.S. Customs and Border Protection within 1.5 hours, which officers do by taking a sample from each shipment of flowers. Once the boxes of flowers are inspected, they are stacked in LAN’s cooler, which is kept at 32 degrees Fahrenheit.

All the boxes of flowers are counted to make sure there are no extra or missing boxes and to check that LAN’s AWBs match each box.

Each shipment of flowers can belong to 100 or more companies.

The entire process from unloading the plane to checking boxes takes four to seven hours, depending on the size of the aircraft.

LAN’s cooler can handle eight flights at once. Usually, there are four flights full of perishables in a day.

When the flowers are ready, the refrigerated trucks of floral distributors come rolling into the airport. The trucks back up into the cooler to maintain the cool chain. They then take the flowers around the country, which eventually end up in the hands of consumers.

The cool chain is vital for making sure a flower stays beautiful and fresh for consumers. If they aren’t kept in the cool chain, Mejia says, they can get black stains in the petals and die quicker.

“Every time flowers rise above the temperature that is optimal for them, they lose life. So for every hour that they’re outside that temperature, they’re going to lose part of their life,” Boldt says. “The last thing we want is somebody to pay money on Mother’s Day, get a bunch of roses sent to their mother, and three days later, they’re dead because they weren’t handled properly.”

Flowers that were kept in the cool chain during the entire trip last seven to 10 days.

“At the end, this is the most important thing that the customers are looking for. You can have a delay maybe. You can have a delay in your air flight. You can be three hours later to Miami than the time that the customer was expecting. But you cannot break the cool chain,” Canoles says. “If you get the flower in bad condition, that’s it.”

When the flower industry really blooms

There are specific times of year when the air cargo industry transports more flowers. All the people interviewed by Air Cargo World say Valentine’s Day and Mother’s Day are the two biggest holidays, when the amount of flowers shipped triples for many.

Pouwels mentions the start of gar-



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Boxes of flowers are loaded onto a LAN Airlines plane.

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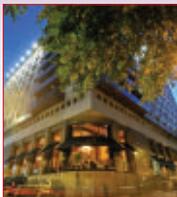


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VP Cargo Operations Of Qatar Airways

CONFERENCE DAY ONE

08.00 REGISTRATION OPENS
09.00 CHAIRMAN'S OPENING REMARKS
09.15 COAG: ONE YEAR ON
10.00 A HEALTHY COOL CHAIN
10.45 BREAK FOR REFRESHMENTS AND VIEWING OF EXHIBITION
11.15 BRIGHT SPOTS AROUND THE WORLD
12.00 WHAT THEY REALLY, REALLY WANT
12.45 BREAK FOR LUNCH AND VIEWING OF EXHIBITION
14.15 SYSTEMS UPDATE
15.00 QUALITY, STANDARDS AND STANDARDISATION
15.45 BREAK FOR REFRESHMENTS AND VIEWING OF EXHIBITION
16.15 CRISIS? WHAT CRISIS?
17.00 END OF DAY ONE
19.00 GALA DINNER

CONFERENCE DAY TWO

09.15 OPENING REMARKS FROM THE CHAIRMAN

WORKING GROUP SESSIONS
09.30 AIRLINES: WHAT ARE AIRLINES DOING TO FURTHER IMPROVE AIR CARGO HANDLING QUALITY AND EFFICIENCY?
10.00 SHIPPERS & FORWARDERS: WHAT ARE SHIPPERS AND FORWARDERS DOING TO IMPROVE THE AIR CARGO HANDLING CHAIN?
10.30 BREAK FOR REFRESHMENTS AND VIEWING OF EXHIBITION
11.00 CARGO HANDLERS: WHAT ARE HANDLERS DOING TO IMPROVE AIR CARGO HANDLING QUALITY AND EFFICIENCY?
11.30 AIRPORTS: WHAT ARE AIRPORTS DOING TO IMPROVE AIR CARGO HANDLING QUALITY AND EFFICIENCY?
12.00 WORKSHOP WRAP-UP
12.15 COAG REVIEW
13.00 FINAL WORDS FROM THE CHAIRMAN
13.15 LUNCH - CLOSE OF CONFERENCE

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09.15 COAG: ONE YEAR ON
10.00 THE WEAKEST LINK
10.45 BREAK FOR REFRESHMENTS AND VIEWING OF EXHIBITION
11.15 MANAGING EMERGING MARKETS
12.00 VISIBLY BETTER
12.45 BREAK FOR LUNCH AND VIEWING OF EXHIBITION
14.15 RESPONDING TO MODAL SHIFT
15.00 FOOD FOR THOUGHT
15.45 BREAK FOR REFRESHMENTS
16.15 MOVING FORWARD
16.45 CLOSING WORDS FROM THE CHAIRMAN
17.00 END OF CONFERENCE

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dening season in early May as another peak. In September when school starts, Russian children offer roses to teachers.

Pouwels and Canoles say Russians also give flowers for International Women's Day in March, a public holi-

day Russia inherited from the days of the Soviet Union.

There's no hiding flowers' importance to the airfreight industry. Pouwels says perishables – mostly flowers – make up a quarter of the total cargo volume at Schiphol.

Flowers are an important part of Tampa Cargo, Mejia says. In fact, the airline began 40 years ago to serve the floral business.

"The flower industry is very important for us to balance the southbound cargo with the northbound cargo from the U.S. and Europe into and out of South America," Fernando Poitevin, COO at LAN Cargo, says. "One of the keys to our success is to have a very efficient operation. And one of the key components of efficiency is to make sure our flights are full 100 percent of the time."

Poitevin says LAN's main import market is Brazil. When its cargo planes go to Brazil, they need to return full of perishables, so the airline uses flowers to balance it out. He says flowers account for 15 percent of LAN Cargo's revenue.

"The flower industry is key for our business," Poitevin says, "for our success." **ACW**



Workers at Flores de Tenjo in Colombia arrange flowers into bouquets.

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Cargo & Logistics





Ruwantissa Abeyratne is a former senior legal officer at ICAO

Air cargo security regulations need harmonization

Civil aviation is estimated to grow by 6 percent this year, 6.4 percent in 2014 and 4.9 percent on an annual basis until 2020, according to the International Civil Aviation Organization at its 2012 aviation security conference. At the same time, ICAO cautioned that this growth may not halt the threat of unlawful interference with civil aviation – and that the threat will evolve into a web of activity as new methods of attack spring up.

ICAO endorses calling for the strengthening of security screening procedures, enhancement of human factors and utilization of modern technologies to detect prohibited articles and support of research and development of technology for the detection of explosives, weapons and prohibited articles in order to prevent acts of unlawful interference.

In November 2012, the ICAO Council adopted Amendment 13. This amendment defines transfer cargo mail as cargo and mail departing on an aircraft other than that on which it arrived, and goes on to define high risk cargo or mail as cargo or mail presented by an unknown entity or showing signs of tampering and gives three criteria for their detection. The amendment prescribes measures relating to access control through screening of people other than passengers as well as cargo, mail and other goods. It also addresses insider threats by requiring that enhanced security measures apply to high-risk cargo and mail to appropriately mitigate threats.

On the subject of transfer cargo or mail from a freighter to a passenger airline, the amendment prescribes screening at the point of transfer to be confirmed by a regulated agent, and goes on to say that such cargo or mail accepted for carriage is issued with a security status which will accompany, either in electronic form or in writing, the cargo or mail throughout the security supply chain.

It's clear that the glue that binds the requirements discussed above is law and practice. These are already in place in principle. For instance, it is required that each contracting state ensures that appropriate security controls, including screening where applicable, are applied to

If laws and practices are the glue that keeps air cargo security together, political will is the fuel that will ignite its development.

cargo and mail, prior to being loaded onto an aircraft. The keys words — “security controls” — are up for interpretation; different states could have different security controls, and they should be harmonized to ensure supply chain security and global security standards. Screening of cargo and mail are paramount to this consideration.

If laws and practices are the glue that keeps air cargo security together, political will is the fuel that will ignite its development. The thrust of political will lies in a security culture that must be visible in every state. A security culture would make states aware of their rights and duties, and, more importantly, enable states to assert them. States should ensure that security controls applied throughout the supply chain must be founded upon international baseline standards and that all players in that chain are appropriately certified.

Those who belong to a security culture are quick to educate and caution those who, out of ignorance, forgetfulness or personal weakness, partake in insecure conduct. This security consciousness would become a “culture” when all the 191 member states of ICAO as a whole make security violations socially and morally unacceptable within the group. **ACW**

(Editor's note: Ruwantissa Abeyratne has worked in aviation management for 30 years, the last 23 with ICAO. He will be contributing regular commentary to Air Cargo World on legal issues affecting the industry.)



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Five Questions with... John Johnston

John Johnston is the CEO of CHAMP Cargosystems, which provides IT products for the air cargo industry. The company is opening a regional support facility in the Middle East, and CHAMP USA will open this year, probably in Atlanta, he said. Johnston spoke with Air Cargo World about the latest technology.

1. What is the outlook for the air cargo industry during the next year?

Certainly I think the consolidation at the carrier level will continue. We've seen acceleration of that in the past few weeks, so I think that will continue because there is certainly significant overcapacity in the market at the moment, which impacts the yields which are so critical for the carriers to operate their businesses successfully. I think that we will march into a very even recovery. What we see is more and more demands from our customers to have services delivered through portals that they can pass on to their customers as well. So I think from how we will operate, we will be shifting more and more towards a full portal type of technology for the future.

2. What technology trends have you noticed in the airfreight industry?

There were a lot of initiatives started some years ago and I think one of the most fundamental of course is the E-freight initiative, i.e. to get the paper out of the processes, to streamline the processes and to make them much more efficient. And efficiency is the name of the game. Everyone is trying to protect their margins or in the worse cases, trying to get back to having a margin to protect in the first place. And if the markets are soft and the business is not there, the only way to do that is to cut costs and to exercise extreme cost caution in how you conduct your business. What we're working towards is this one-stop-shop portal of the future which any participant involved in the global supply chain will be able to get all of the information technology solutions and services they require through one portal.

3. What will the role of E-freight be in cargo?

I think the word E-freight is an overused term, and I think different people will interpret E-freight different ways. But if I could change it a little bit to say that I think e-cargo is really accelerating. And it's accelerating as a critical need in order to contain costs and be more efficient. And I think that you're seeing the use

of things like tablet computers more often...Because of the highly competitive and volatile market conditions, the people who are making the critical business decisions and the sales people that are out there trying to win business for their companies, they need access to good quality business intelligence and information much, much earlier so that they're able to make the right decisions, rather than always having to listen to their guts...So it's all about not only increasing the speed of data communication amongst all the parties – increasing the quality of it – but opening that data further to allow for better decision-making. And the winners are going to be those companies that are able to embrace change quickly and efficiently.



Johnston

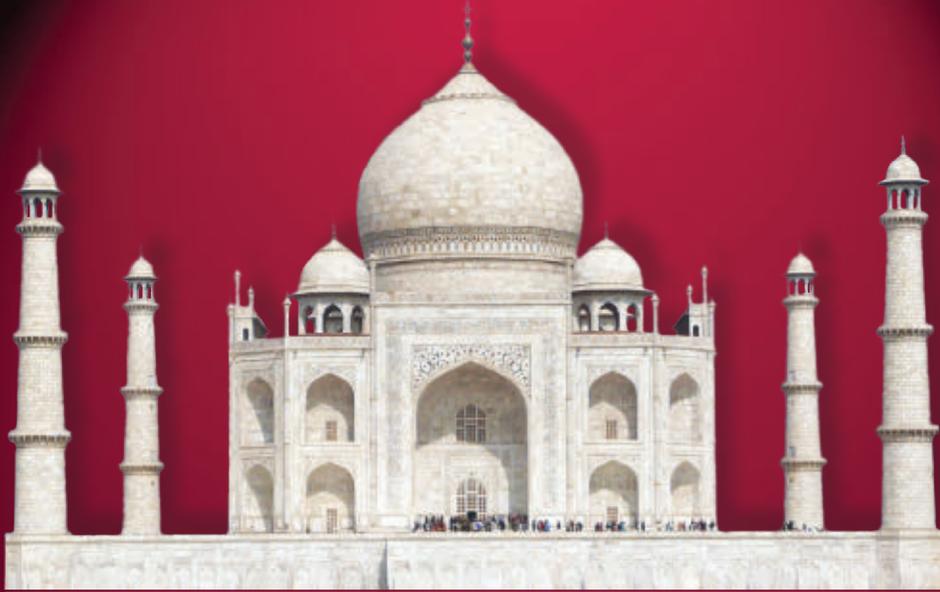
4. How well does the air cargo industry adapt to new technology?

As a whole, it's patchy. There are some carriers, some parts of the industry, which will adopt changes better than others. There are some companies whose culture is always to embrace new technology and to try and push the envelope of what can be achieved and there are others which are very much, 'Works today. Why am I going to change it?' But I think that's fundamentally changing, and it's in the times of great stress like the economic downturn that we're experiencing, which is unprecedented – that is one of the most significant catalysts for change because people have to think outside the box. They have to think differently if their companies want to survive.

5. What is the outlook for CHAMP Cargosystems?

The company grew by 14 percent in 2012, so we were very happy with that in the face of a very tough market. 2013, we're also predicting growth. We are engaged in a number of major projects around the world, so we're happy about that. I think if I look at it as an overall strategic outlook, we're looking to invest much more heavily in the regions, so having much stronger regional presence as opposed to a more centralistic approach that we had in the past.

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AIRLINES

Oliver Lackmann took over the position of postholder flight operations at **airberlin**. He is responsible for airberlin flight operations. Lackmann succeeds Ralf Nagel, who is leaving the company to pursue new professional opportunities. Lackmann has been with airberlin since 2001, most recently as deputy postholder flight operations. He was also base captain in Dusseldorf.

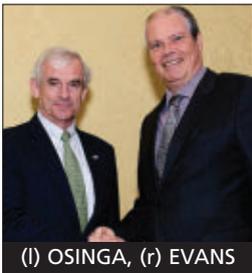
Virgin Atlantic Cargo promoted **Steve Hughes** to regional vice president sales for the Europe, Middle East and Africa. Hughes previously held the position of regional sales manager, Continental Europe. He began his career with Virgin Atlantic in 2005 as UK account manager and later spent two years as Europe offline and interline manager. Before joining Virgin Atlantic, Steve spent seven years with British Airways World Cargo working across a range of departments including imports, customer reception, exports and sales.



HUGHES

THIRD PARTIES

Oliver Evans and **Enno Osinga** have been elected as chairman and vice chairman, respectively, of **The International Air Cargo Association**. Evans is chief cargo officer at Swiss International Air Lines Ltd., while Osinga is senior vice president cargo at Amsterdam Airport Schiphol. Evans and Osinga will serve in their roles for a two-year term. Evans, who has held the post of vice chairman for the last two years, succeeds Michael Steen, executive vice president and chief commercial officer of Atlas Air Worldwide Holdings Inc., who took over as TIACA chairman in 2010. Evans became chief cargo office in 2005 and joined Swiss in 2002. Osinga worked in senior management positions in the Netherlands and around the world for 20 years. In 2006, he came senior vice pres-



(l) OSINGA, (r) EVANS

ident cargo at Schiphol. Lucas Kuehner, Panalpina's global head of airfreight, has been elected to TIACA's board. He will give 3PLs a voice on the board.

Jeannette Goeldi, who is globally responsible for **Panalpina's** standards and governance in the airfreight division, joins the board of **Cargo 2000**. She is the first woman on the board, which consists of representatives from five airlines and six freight forwarders.



GOELDI

Panalpina was one of the founding members of Cargo 2000.

David Paul Hills has joined **Airbus Americas** in the newly-created position of director, research and technology. Hills previously worked with Airbus Operations in the UK. He has been with Airbus for 14 years, most recently as head of policy and development for the Landing Gear Engineering Center. Before joining Airbus, Hills spent 15 years at BAE Systems.

Air Partner, an air charter broker, has appointed **Saeed Ghodrat** to join the freight team as an account manager. Ghodrat joins Air Partner with four years of experience in freight forwarding, most recently at SDV Aerospace.



GHODRAT

Towne Holdings, Inc., a trucking carrier and a portfolio company of Charterhouse Group, Inc., has named **Kim Sheridan-Rohasek** as COO. Sheridan-Rohasek joined Towne in 2008 as vice president of the west region after Towne acquired Synergy Cargo Logistics, a company she founded. Before this, Sheridan-Rohasek held the position of executive vice president of operations. As COO, she will be responsible for all terminal operations, information technology and logistics.

OAG Cargo, a provider of air cargo data solutions and a sister company of

Air Cargo World, has appointed two new regional sales managers as part of its global expansion. **Russ Terregino** has been appointed sales manager, North America and Latin America, while **Paul Ritchie** joins as sales manager, Europe, Middle East and Africa. Terregino has more than 25 years of experience in the global airline and transportation industries. He



TERREGINO



RITCHIE

previously held regional management positions with British Airways World Cargo. Most recently, he worked at Evergreen International Airlines. Ritchie has experience in the third-party and fourth-party global logistics arena, having previously worked on international supply chain solutions for TNT, Acumen and Yusen Logistics.

AIT Worldwide Logistics has hired **Myung Kim** as business development director. Kim comes to AIT from CEVA Logistics where he most recently held the position of managing director for Korea, leading more than 850 employees and generating annual revenues of more than \$140 million. He brings nearly 15 years of experience to his new role managing direct sales efforts in southern California.



KIM

Stephan Blank has become the general manager of **Air Charter Service**. He will expand the freight charter operations at Frankfurt/Main. Blank has been working as director cargo Germany since September 2011. He was involved in the expansion and international positioning of Leipzig/Halle Airport as managing director of EasternAir-



BLANK

events

JULY 1-3

Marina Bay Sands, Singapore: More than 600 supply chain, logistics and manufacturing leaders will join at SCM Logistics & Manufacturing World Asia 2013 to explore Asia-focused strategies for the region's market conditions. For more information, visit www.terrapinn.com/conference/scm-logistics-world/index.stm.

JULY 7-9

Kampala, Uganda: The Civil Aviation Authority of Uganda and the Entebbe International Airport are hosting the 8th annual Routes Africa. The gathering brings together people across the aviation industry to plan for the future. For more information, visit www.routesonline.com/events/159/routes-africa-2013/.

SEPTEMBER 22-25

San Jose, Calif.: The ACI-NA Annual Conference and Exhibition allows airport industry professionals to network with leaders in the industry and see the latest products and services. More than 1,700 visitors from more than 100 airports will attend. For more information, visit www.aci-na.org/event/2419.

SEPTEMBER 25-27

Lisbon, Portugal: Air Cargo Handling Conference 2013 will be hosted by ANA Aeroportos de Portugal. It is the fifth an-

nual conference. For more information, visit <http://evaint.com/our-events/air-cargo-handling-conference-2013>.

OCTOBER 5-8

Las Vegas: Route development professionals from around the world will gather to discuss the future of air services. For more information, visit www.routesonline.com/events/160/world-routes-2013/.

OCTOBER 7-11

Munich: SMART Airports is a series of five, one-day conferences about topics such as aviation and economic development, airport security and IT and automation. For more information, visit www.smart-airports.com/.

OCTOBER 14-16

Shenzhen, China: The China International Logistics and Transportation Fair, which debuted in 2006, is a meeting for people in logistics and transport all over the world. Held by the Ministry of Transport of the PRC and the Shenzhen Municipal People's Government, the fair is expected to receive more than 80,000 attendees. For more information, visit www.scmfair.com/en/index.html.

OCTOBER 15-19

Suntec City, Singapore: FIATA Singapore 2013 brings together freight for-

warders to learn and share industry practices. For more information, visit www.fiata2013.org/site/.

OCTOBER 16-18

Singapore: Air Cargo & Logistics Asia 2013 is a regional trade event for Asia and the Middle East. The international conference, which will be held by the STAT Media Group of India and the VFPR & Media Consultants in Singapore, will focus on air cargo, logistics and e-commerce. For more information, visit www.acla.asia/.

NOVEMBER 6-8

Miami: Air Cargo Americas offers an air cargo exhibition where companies can market their products and services to leading manufacturers, exporters, freight forwarders, importers and distributors in the Western Hemisphere. This is its 12th annual show. For more information, visit www.aircargoamericas.com/.

NOVEMBER 21-23

Istanbul: The 7th logitrans Transport Logistics Exhibition is held by Messe Munchen International and EKO Fair Limited Co. The 2012 show attracted more than 12,600 people from 53 countries, and compared to the previous event, attendance rose by 6 percent. For more information, visit www.logitrans.com.tr/english/.

Cargo before he joined ACS.

Maher Terminals, one of the largest multi-user container terminal operators in North America, appointed **Gary Cross** as president and CEO. Cross joined Maher in 1978 as a management trainee in the safety department. He joined the sales and marketing team in 1996, eventually becoming head of marketing & business development in 2009. Cross was promoted to executive vice president in 2011.

Heike Fölster has become CFO of **Flughafen Berlin Brandenburg**, the

operating company of Berlin's airports. Fölster has extensive experience in finance. Her previous roles included management positions at Mobil Oil AG, Airbus and Hamburg Airport. Since 2008, she had been serving as finance director of Germanischer Lloyd SE.

F.S. Mackenzie, the UK member of the FPS network of independent forwarders, has promoted **Lloyd Smith** to managing director. Smith, previously a director of F.S. Mackenzie, has been with the company since 2005. He played a key role in building up its airfreight activities, headquar-

tered at London Heathrow. He replaces company founder and chairman Alfred Stienen, who is now responsible for projects and development for the entire group. Fellow director Justin Keable, who has been with F.S. Mackenzie since its launch in 1999 and now manages its general forwarding division, assumes new responsibility for the Basildon headquarters and the Liverpool and Midlands offices. Director John Smith Allen continues to manage LCL operations, assisted by Adam Gosling as import manager, who is responsible for inbound consolidation services. **ACW**

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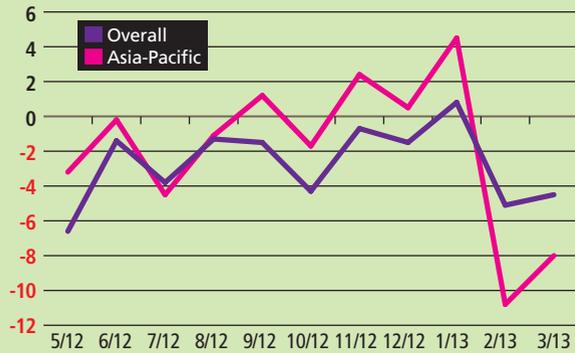


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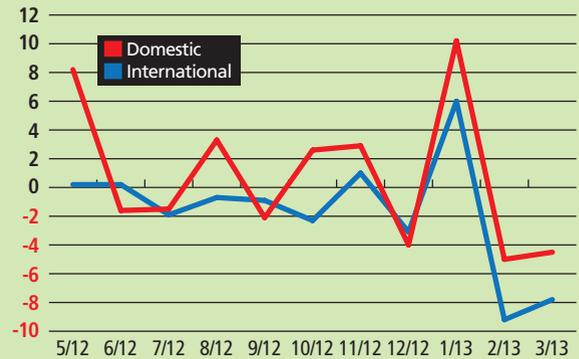
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

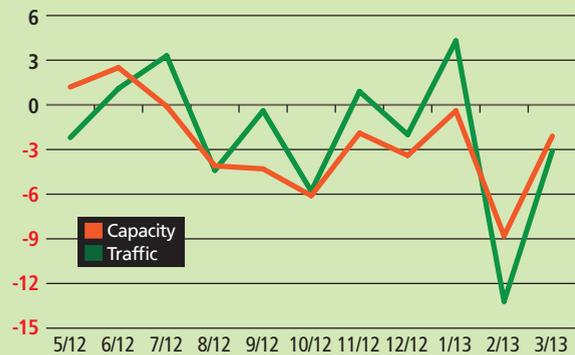
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Airlines for America

CARRYING ASIA

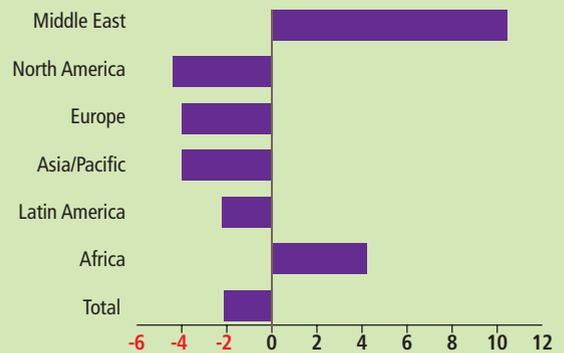
Monthly year-over-year percent change in capacity, in available-tonne kilometers, and traffic, in freight-tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

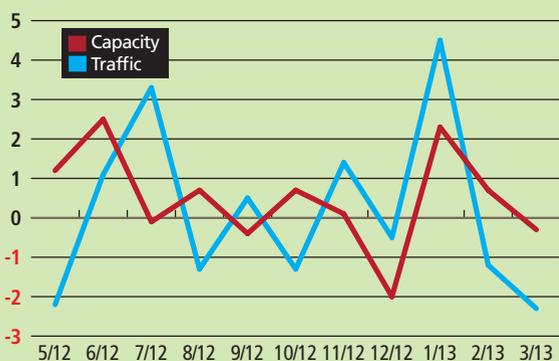
International air cargo year-to-date percent change for March 2012 vs. March 2013



Source: IATA

CARRYING INTERNATIONAL

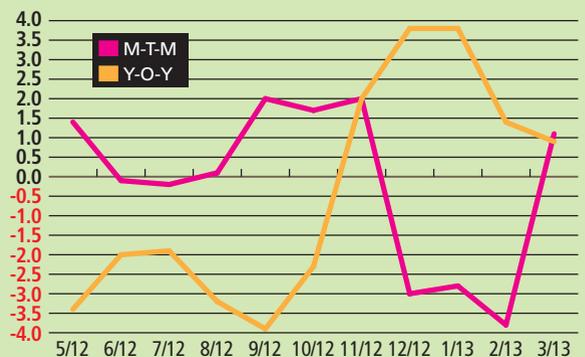
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight-tonne kilometers and available-tonne kilometers.



Source: IATA

SEMICONDUCTORS

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



Source: Semiconductor Industry Association

Drewry: Air rates make small gain in April

By Martin Dixon
Research Manager at Drewry

Airfreight rates made up for some of March's unexpected lost ground posting a small gain in April, according to Drewry's latest Sea & Air Shipper Insight.

Volume data from the International Air Transport Association provided some explanation for these trends, as it reported weakening demand in March, but anecdotal evidence suggests stronger traffic figures for April.

Composite Freight Traffic Indicator, % change year-on-year



Container port throughput is also proving to be very sluggish, although not quite hitting the depths of air freight. As shown in this chart from Drewry, monthly port throughput growth has been outstripping air freight in every month. In the March 2012 to March 2013 period, container traffic has grown at an average monthly rate of 3.5 percent year-over-year, whereas international air freight demand has been decreasing at an average of 1.6 percent.

Drewry East-West Airfreight Price Index (May 2012 = 100)



Notes: This index is a weighted average of all-in airfreight "buy rates" paid by forwarders to airlines for standard deferred airport-to-airport airfreight services on 21 major East-West routes. Rates are expressed in \$/kg and include 3 components: the base rate, the fuel surcharge and the security surcharge. They exclude door delivery costs.

Drewry's East-West Air Freight Price Index, a weighted average of airfreight rates across 21 East-West trades, rose

by 1.9 points in April to 98.8 points. This made up for some of the 5.3 point slide in March's pricing, but still left a deficit of 13.4 points from November 2012's peak.

Freight rates on most trades were relatively stable over the month. Eastbound transpacific pricing rose marginally, led by Shanghai-Chicago with a jump of 5.9 percent in all-in rates. Westbound rates were largely unchanged, with the exception of Chicago-Hong Kong, which dropped by 4.3 percent thanks to lower fuel surcharges.

Westbound Asia-Europe rates were largely stable, though pricing from Shanghai to Frankfurt recovered by 13.8 percent, making up for some of March's losses. Eastbound pricing also changed little from March, but rates between London and Hong Kong fell by 5.6 percent as a result lower fuel surcharges.

Several airport hubs in Asia reported stronger export traffic in April, explaining some of the rise in pricing. This time of year is usually strong for air cargo volumes as spring season restocking in North America and Europe boosts traffic levels and load factors. But underlying market weakness has held back demand.

Looking ahead, sentiment in Asia is improving, which will feed into stronger export demand and higher pricing. But as the trade enters the Northern hemisphere summer, we can expect pricing to weaken as load factors are affected by additional seasonal belly-load capacity.

On the transatlantic, rates between New York and London dropped by 7 percent thanks to lower fuel surcharges, while in the opposite direction London-Chicago pricing fell by 8 percent, making up for some of March's 13 percent tumble.

Continuing weakness of airfreight demand was confirmed by statistics published by IATA, which showed a second consecutive month of year-over-year declines in March. The fall of the previous month was due to the timing of Chinese New Year and was therefore expected, but March's fall was not anticipated.

Forwarders remain apprehensive, as demonstrated by Danske Bank's European airfreight forwarder sentiment index whose forward-looking sentiment reading fell further below 50 to 41, indicating fears of contracting demand.



Martin Dixon (dixon@drewry.co.uk), Research Manager at Drewry is responsible for freight rate benchmarking research and business development and has spoken widely at industry conferences around the world. He contributes analysis for the SEA & AIR SHIPPER INSIGHT AND CONTAINER FREIGHT RATE INSIGHT (www.drewrycfri.co.uk).



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

Industry should focus on E-freight solutions

At a recent major air cargo industry conference, airline executives claimed that forwarders would lose business if they failed to adapt to E-freight. The E-freight initiative, which is sponsored by the International Air Transport Association, is a program that aims to build a paperless, end-to-end transportation process for air cargo. It involves the entire air cargo supply chain.

The electronic transmission of shipping documents is an efficient way to move them between origin and destination. Many industries, including air cargo, have benefited from the numerous ways technology improves process flows and the overall quality of the transaction. Members of the Airforwarders Association agree that leveraging electronic data interchange is not only beneficial for business but will be the continuing wave of the future.

For years, despite airlines investing little in cargo technology while spending millions on passengers, forwarders moved ahead, building solutions to enhance internal operations for themselves and their shippers. Now some of those same carriers are beating the drum and pointing the finger at forwarders for being laggards in the electronic data process.

But here is a word of caution to some of our friends in the airline community: Forwarders are not laggards. Nor are we your “agents.” We are your customers and should be treated as such. Threats and unsupported allegations have no room in this important narrative.

This is not a one-size-fits-all world. Your customers come in all shapes and sizes. What may work for a large, multi-national forwarder is not necessarily going to work with a smaller, midsized company. As your customers, forwarders are not ignorant of the effects of technology on our globally connected supply chains. We understand the concept of productivity gains to be had through automating paper-intensive processes. Many of us have been doing it for years internally, with our agents and our shippers.

The free marketplace is a work of beauty and a joy to behold. Let’s embrace it and let it do its job. This is not an industry but a market question. All carriers are not the same and do not offer identical levels of service or access to information. This is the way it should be; let the free marketplace sort it out.

Visions are great, but if we had tried to build a smartphone in 1993, the effort would have failed. Why? The building blocks were not there at the time. Let’s work to-

gether in laying out a roadmap starting with the e-AWB that logically builds one step upon the other. Some may move down the path faster than others, but rest assured that success will quickly attract copycats.

We should also think in terms of options. For instance, the large, multi-national forwarder has more proprietary systems and the resources to build solutions in-house. The midsized forwarder is a bit more resource-constrained and is, in many cases, using a third-party software provider. Are we engaging these third parties? The smaller players are a bit of a different challenge. If an airline is willing to build web-based E-freight solutions for these companies, it may attract substantial business.

Embrace a more collaborative strategy. This starts with backing up and taking a holistic approach to the issues, namely:

- Articulate and quantify the value proposition for each entity in the supply chain.
- Better understand the forwarder’s challenges digitizing shipper data that is usually supplied to them by their customers in hard or soft copy.
- Work with the forwarding community to develop a realistically phased timeline.
- Recognize that your customers are a diverse lot and collaborate on a menu of options to include proprietary host-to-host, third-party software providers in their many forms, and for those that need it, web-based manual entry options.

At the same time, continue efforts to encourage customs organizations in other countries to accept paperless document transmission routinely. There is still much work to be done in this area. and a true paperless shipping environment will never be realized unless the world harmonizes its requirements.

Think about the history of this industry, which first took off after World War II. Air cargo gained traction simply through a collaborative partnership of the many diverse stakeholders and a sense that we are all in this together. By unifying and building on one another’s strengths, we compensated for the weaknesses and became mutually successful.

Finger pointing, threats and prognostications of doom will not solve this important issue. Rather, let’s focus on solutions. **ACW**



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