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ACE Awards honor industry's stars

Express market regains footing

Latin America's cargo landscape shifts

Contents

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Features

Around the World

The 2014 ACE Awards were held at the World Cargo Symposium in Los Angeles.

Departments

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Facing the need for new blood

John W. McCurry
Editor

The ability to attract new blood to the air cargo sector and retain it is an ongoing concern for many in the industry. The International Air Transport Association is tackling the issue with its fledgling Future Air Cargo Executives (FACE) summit held just prior to the annual World Cargo Symposium.

Seventeen young air cargo professionals, defined as those under 35 years old, were on hand for the second annual FACE summit last month in Los Angeles. They represented airlines, airports, freight forwarders and cargo handlers from around the globe. Even one shipper attended. Attendees were briefed on issues facing the industry and were challenged to innovate.

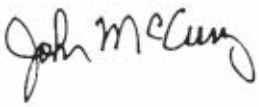
A stellar group of presenters highlighted the session, including Paul Marca, executive director of the Stanford Center for Professional Development, and Michael Bell, an executive search specialist in the Miami office of aviation consultancy Spencer Stuart.

The issue of attracting and retaining top young talent is especially important to Oliver Evans, chief cargo officer for Swiss International Airlines, who gave the welcome address and told the gathering that they must innovate to take advantage of future opportunities for the air cargo industry.

Evans also noted that he is a mentor to a young person at Swiss WorldCargo, spending about an hour a month, sharing his experience and insights. He said the six-month program also offers him a perspective of how the next generation of leaders thinks.

While the FACE summit drew an enthusiastic group of cargo managers, Evans believed the industry can do a better job of embracing this program in the coming years. Following the session, he said that he hopes attendance will increase at future FACE summits and that a group of at least 50 would be a good goal going forward. Swiss WorldCargo certainly did its part, bringing two of its young managers to the session.

As the industry continues to face new and ongoing challenges, companies would do well to follow SwissWorld Cargo's lead and develop their own mentoring programs. Air cargo would also be well-served if more companies would make the FACE program a priority when the opportunity comes around again next year in Shanghai.



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TNT Express posted a net profit for the fourth quarter of 2013.

TNT Express makes a stand and delivers

Alone and isolated, TNT Express faced a bleak future just a year ago.

Its misery was wrought by a failed US$6.8 billion (4.8 billion euro) takeover bid by UPS, thwarted by European Union competition concerns. The immediate effect was to force the Dutch-owned company to embark on a "Deliver!" restructuring program. The austerity strategy called for 4,000 jobs to go and the sale of loss-making domestic operations in Brazil and China.

Fast-forward one year and the heavy dose of medication appears to be taking effect.

Although the company reported a full year net loss of US$168 million (121 million euros) for 2013, it placed heavy emphasis on the fact that for the final quarter, it turned a net profit of $42 million (30.2 million euros), compared with a loss of $200 million (144 million euros) for the same quarter in 2012.

That was helped by some adroit bookkeeping by the TNT bean counters. The company had put two B747-400 freighters up for sale earlier in the year. Having failed to find a buyer for the written down assets, the two aircraft were consequently reinstated on the company manifest, not at their market price, but at their book value.

The difference helped the company to paint a profit in the final quarter.

But even allowing for such sleight of accountancy hand Tex Gunning, TNT's chief executive, says the company remains on course to achieve the $330 million (237.5 million euro) cost savings outlined in its "Deliver!" strategy by 2015. Yes, 4,000 jobs have been cut, with more probably to follow, he confirms. There has been some respite in the bloodletting. Although the China operation has been sold, no buyer has been found for the company's Brazil offshoot. That now remains in-house with a concentrated effort to restore its viability.

But Gunning insists that these outages, along with other restructuring measures, will ultimately strengthen the company in its goal to becoming a standalone global entity.

That intent has been enunciated in no uncertain manner by Gunning, with a beauty pageant parade of newly acquired and enhanced executives to energize the company across the board as part of the "Deliver!" initiative.

Marco van Kalleveen, previously a McKinsey, Bain Capital executive, comes to TNT with the intriguing title of chief transformation officer, identified as a business turnaround guru.

He is joined by Ian Clough, former CEO for DHL in North America, who has been brought in to head up TNT's newly created international Europe division. Another DHL veteran, Martin Sodergard, becomes managing director of network operations.

Three existing TNT staffers have been promoted as part of the strengthened management lineup. Chris Goossens, a 25-year company veteran, becomes managing director customer experience, while Steven Scheers is newly titled chief people officer, as opposed to his former role as global HR director. Lastly, Michael Drake becomes managing director international Asia, Middle East and Africa, a cutover from his previous similar title of managing director international for the same regions, but which signifies the creation of a separate operating division.

But it is in Europe where TNT Express is making its greatest effort to refocus and re-evaluate its business model. That's no easy task. Revenues per consignment were down 4 percent in Europe last year, while revenues per kilo slid 2.5 percent.

Overall tonnage and number of consignments also flat-lined.

That makes it a tough starting point to try and grow the market, and further cost savings will likely be higher on management agendas.

In terms of day-to-day operations, Gunning now identifies TNT's European road network as its core strength.

"Both customers, and for that matter competitors, tell us we hold a real competitive advantage with our European road network," Gunning says. "It

is the most profitable part of our business in terms of service and pricing. Investing further in the road network will help us stay ahead of the game."

The intent is to expand the road network and move more traffic by this means by targeting, in particular, the automotive, high tech, health care and industrial sectors.

Is this the end of the road then for the company's intra-European air network?

Certainly not. The company will continue to operate a mix of some 30 owned aircraft under the banner of TNT Airways, plus leased-in capacity, based at the company's European hub at Liege in Belgium. As with other express operators in the European market the company, rather than degrade its fleet, is looking to upgrade to larger gauge aircraft.

TNT Airways became a thorny issue at the time of the UPS merger talks.

Under European Union law, non-European entities are banned from holding a controlling stake in any European airline. To meet that criterion, TNT had indicated that it would dispose of its controlling stake in TNT Airways immediately prior to the finalization of the UPS deal, if EU approval was forthcoming.

The airline subsidiary has been thrust back into the news of late with speculation of a tie-up with Qatar Airways Cargo. The Gulf carrier is reportedly interested in acquiring a maximum 49 percent stake in the European carrier, to further its ambitions to develop Liege as a major hub for its cargo operation.

TNT Express may have turned the page from the UPS debacle of a year ago and began to make good of Gunning's vision of a revitalized operation, fully able to stand up for itself.

But that leaves it with one outstanding problem. The more successful the company becomes,

Tex Gunning

the higher its profile as a potential takeover target. UPS, in particular, may not be done yet with its former European acquisition target. It still has an appeal outstanding with the European Commission on its previous failed bid. Others may be watching with close intent. ACW

Lufthansa Cargo's head moving to passenger side

The supervisory board of Deutsche Lufthansa AG elected Karl Ulrich Garnadt to the group's executive board at its meeting Wednesday in Frankfurt. He will assume responsibility for Lufthansa Passenger Airlines.

Garnadt will succeed Carsten Spohr, who will become chairman of the executive board and CEO of Lufthansa Group on May 1.

Garnadt has worked for the Lufthansa Group since 1979, including many years in a range of senior management functions at Lufthansa German Airlines and Lufthansa Cargo. He has been CEO and chairman of Lufthansa Cargo since January 2011.

"We are delighted to have obtained Karl Ulrich Garnadt for the executive board of the Lufthansa Group, as he is a very experienced aviation manager with extensive knowledge of the group. He makes an ideal addition to the Executive Board team," said Wolfgang Mayrhuber, chairman of the supervisory board of Deutsche Lufthansa AG.

Karl Ulrich Garnadt

Before he was appointed as CEO and Chairman of Lufthansa Cargo AG in 2011, Garnadt was already a member of the Lufthansa Passenger Airlines Board from 2007 to 2010.

"I'm looking forward to my new role and am delighted that the supervisory board has placed its confidence in me," Garnadt said. "I will do everything together with the Lufthansa Passenger Airlines team to further strengthen Lufthansa's position as the leading European airline. We know the challenges, but we also know our strengths."

The executive board also gave a recommendation to the supervisory board of Lufthansa Cargo to appoint Peter Gerber to take Garnadt's place. Gerber has been responsible for human resources, IT and services on the executive board of Lufthansa German Airlines since June 2012. He is scheduled to take up his new position on May 1.

"Peter Gerber is an excellent nomination for the position of the CEO and chairman of Lufthansa Cargo," said Christoph Franz, chairman of the executive board and CEO of Deutsche Lufthansa AG. ACW

Emirates expects its new Oslo route, which will include oil, maritime and seafood shipments, to be lucrative for airfreight. The service will begin on Sept. 2.

More cargo growth in store for Gulf region

Yet another study predicts the continued surge of air cargo in the Middle East. Alpen Capital, a Dubai-based investment banking firm, issued a report in March predicting that cargo traffic, in terms of freight tonne kilometers, will grow in the Gulf Cooperation Council (GCC) region at a compounded annual growth rate of 7.2 percent through 2032.

Alpen attributes the predicted growth to the region's rising population with disposable income and favorable geographic location. Most of the Middle East's airports and allied infrastructure are undergoing significant expansion to accommodate the growth in cargo and passenger traffic carried by the Gulf carriers.

Route expansion continues with Middle Eastern carriers, including Emirates, which plans to grow its European network with a new daily flight to Oslo starting Sept. 2.

"Norway's resilient economy is built on strong foundations including its dynamic oil, gas, fishing, telecom and maritime sectors," Tim Clark, Emirates president, says.

Norway is Europe's largest oil producer, the world's second largest natural gas exporter and is an important supplier of both oil and natural gas to other European countries. The country ranks fourth in natural gas production globally, according to the U.S. Energy Information Administration. The country also is the world's second largest seafood exporter, with more than 2.1 million tonnes of seafood shipped globally in 2013.

Emirates SkyCargo will offer 23 tonnes of cargo capacity between the two cities. Popular commodities are expected to include oil and gas equipment, maritime and ship spares, pharmaceuticals, seafood, chemicals, electronics, telecommunication equipment, machinery, dairy products and fruits and vegetables bound for markets such as Vietnam, China and Taiwan.

Also in March, Qatar Airways Cargo has announced it will begin scheduled dedicated freighter services to two new destinations, Hyderabad, India, and London Stansted, and that it will restart services to Zaragoza, Spain.

"Our goal is to be a world-class air cargo service provider and in order to achieve that goal, we need to constantly increase frequencies and expand our number of destinations, so that our customers can benefit from our global reach," says Qatar Airways chief officer cargo Ulrich Ogiermann. "The addition of these new freighter routes clearly represent yet another milestone in Qatar Airways' growth strategy. And on top of this, we will take delivery of three new freighter aircraft in the course of 2014: two B777F and one A330-F."

Main exports from Hyderabad will include IT products and pharmaceuticals. Qatar Airways already operates a daily passenger flight between Doha and Hyderabad.

And, effective May 2, Qatar Airways Cargo will begin five weekly Boeing 777 freighter flights to London Stansted. Renowned for its operational capacity and infrastructure quality, Stansted is one of the largest freight hubs in the UK and home to an international cargo operation that transports more than 200,000 tonnes of goods annually to destinations worldwide.

Qatar Airways Cargo is also resuming services to Zaragoza. The scheduled twice-weekly Airbus A330 freighter service commenced on March 1. Textiles, agricultural products, footwear, automobile and pharmaceuticals are the major commodities expected to ship from Zaragoza. ACW

DHL expands in Africa

Deutsche Post DHL attributes its financial results for 2013 partly to emerging markets such as Africa.

"DHL Express is the market leader across Africa, and our unparalleled footprint and continued investment in the continent is testament to that," Charles Brewer, managing director for DHL Express Sub-Saharan Africa, said. "During 2013, we continued with our expansion plans throughout sub-Saharan Africa (SSA), investing heavily in facilities and increasing our vehicle and aviation fleet."

Brewer points to the International Air Transport Association's Airline recent Industry Forecast 2013-2017 report, which named Africa as the fastest growing region globally over the forecast period, with a growth rate of 3.2 percent expected for international freight volumes.

"The International Monetary Fund has forecasted economic growth of 2.8 percent in 2014 for South Africa, and 6.1 percent for the sub-Saharan African region, and with the continued growth from intra-Africa and international trade, the outlook for the SSA logistics industry is extremely positive," Brewer said.

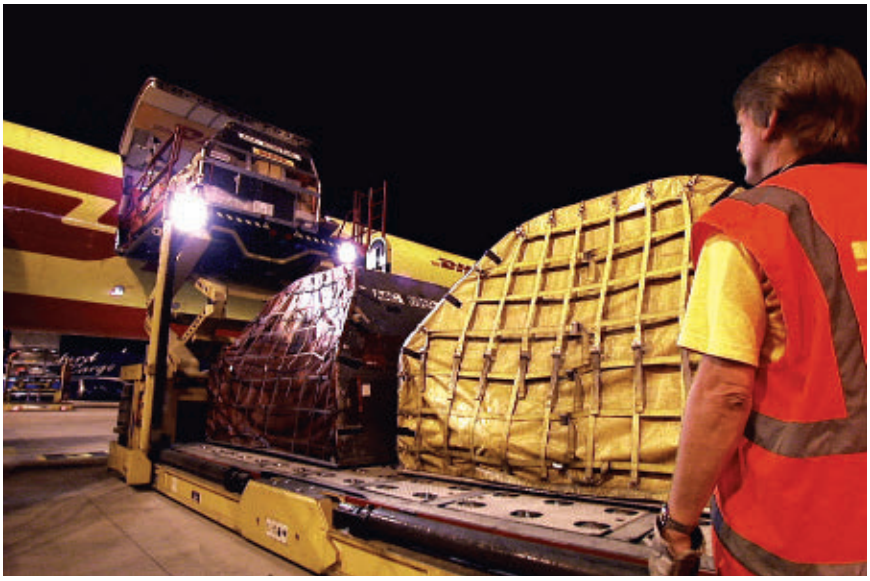
He said the routes expected to experience the most significant growth in Africa in 2014 are linked to the fastest growing markets, which include Ethiopia, Ghana and Nigeria.

Brewer said small and medium enterprises are the catalyst for some of this growth. E-commerce is also having an effect.

"Buying and selling online is growing year on year in Africa, which includes a big shift towards e-commerce in South Africa," he said. "Other factors that will likely influence trade are developments in technology, health care, construction and services, as well as the increase in manufacturing in Africa."

Brewer said this year, DHL has various investments in SSA, including the opening of a number of new facilitates, and planned expansion in Ethiopia, Kenya, Nigeria, South Africa, Ghana and Angola. DHL Express SSA will also be expanding its dedicated air fleet, adding new planes to the West Africa region, including a Boeing 737.

"The introduction of these new facilities and planes reflect the continuation of our expansion strategy for 2014," he said. "This allows us to serve our customers better, who in turn, can process, sell or assemble their products faster and more securely." ACW



DHL launched a temperature-controlled air cargo service across the Atlantic on a 747-400 freighter. The company may also begin routes to Asia due to the rise in health care traffic.

Healthy profits in Asia

The battle for coveted health care traffic entered a new round in February when DHL launched a temperature-controlled airfreight service across the Atlantic on a dedicated 747-400 freighter flight. Management characterized the venture as "the first of many routes with a dedicated airfreight service" and indicated that more are planned.

DHL has not given any indications where the next routes will be, but several Asian points are hot contenders, given the rise in health care traffic to and from the region. LifeConEx, the DHL subsidiary that specializes in this segment, is bullish on Asia. CEO David Bang says the company's business there has shown healthy and steady growth fueled by a growing middle class and an aging population, as well as by the company's multi-modal cold chain capabilities in and out of India and China.

DHL is not alone there. UPS opened three health care facilities in the Asia-Pacific region in 2013, describing Asia as its fastest growing market in this segment with rising demand for reliable, flexible and compliant supply chains.

Bang has aggressive expansion plans in Asia. Besides its existing nine certified life sciences stations in the region, LifeConEx is looking to add Bangkok; Osaka, Japan; Shenzhen, China; Hong Kong and Guangzhou, China, he reveals.

China and India dominate the landscape, and much of the traffic is made up of flows into these countries, but exports are beginning to register on the radar.

"DHL's major growth in Asia is coming from India and China, while Korea and Japan are also pretty steady but mainly import-driven. However, although not yet significant, some fast-growing biotech companies in the region are rapidly gaining health authority approvals in the EU and Americas markets for their bio-similar products," Bang says.

In China, Hangzhou has emerged as a major center for the health care industry. This was underscored last year, when UPS opened a 204,000-square-foot (18,952-square-meter) facility, which caters chiefly to pharmaceuticals manufacturers in the area.

The integrator also set up a 70,400-square-foot (6,540-square-meter) building in the free trade zone adjacent to its hub in Shanghai, which primarily serves the medical device market, and a 50,000-square-foot (4,645-square-meter) terminal in Sydney whose primary purpose is to serve regional healthcare traffic.

DB Schenker boosted its footprint in Asian healthcare logistics last summer with the opening of a 65,660-square-foot (6,100-square-meter) facility near Seoul with temperature-controlled storage facilities for cargo requiring storage at 2-8 and 15-25 degrees Celsius (35.6-46.4 and 59-77 degrees Fahrenheit), following the opening of specialty hubs in India and the Philippines.

Korean Air Cargo is also in the process of beefing up its capabilities to handle pharmaceuticals. Last summer, it obtained quality enhancement plan accreditation from Envirotainer for seven stations in the U.S. and for its facility in Sao Paulo, bringing its global footprint to 22 certified stations. This year, it plans to add three more points – Istanbul, Tel Aviv and Madrid, according to a company spokesman.

Bang welcomes such moves, calling for more airlines to join the party.

"We are happy to see some of the Asian carriers stepping up in this area, but we would love to see a couple more major Asian carriers step up too. The key for them will be growing more talent with this special knowledge through systematic training and quality management systems. IATA Perishable Cargo Regulation, Chapter 17 – air transport logistics for time- and temperature-sensitive health care products – is a good starting point for carriers and their ground handlers," he says.

He finds that airports in Asia have upped their game but would like to see more efforts there too.

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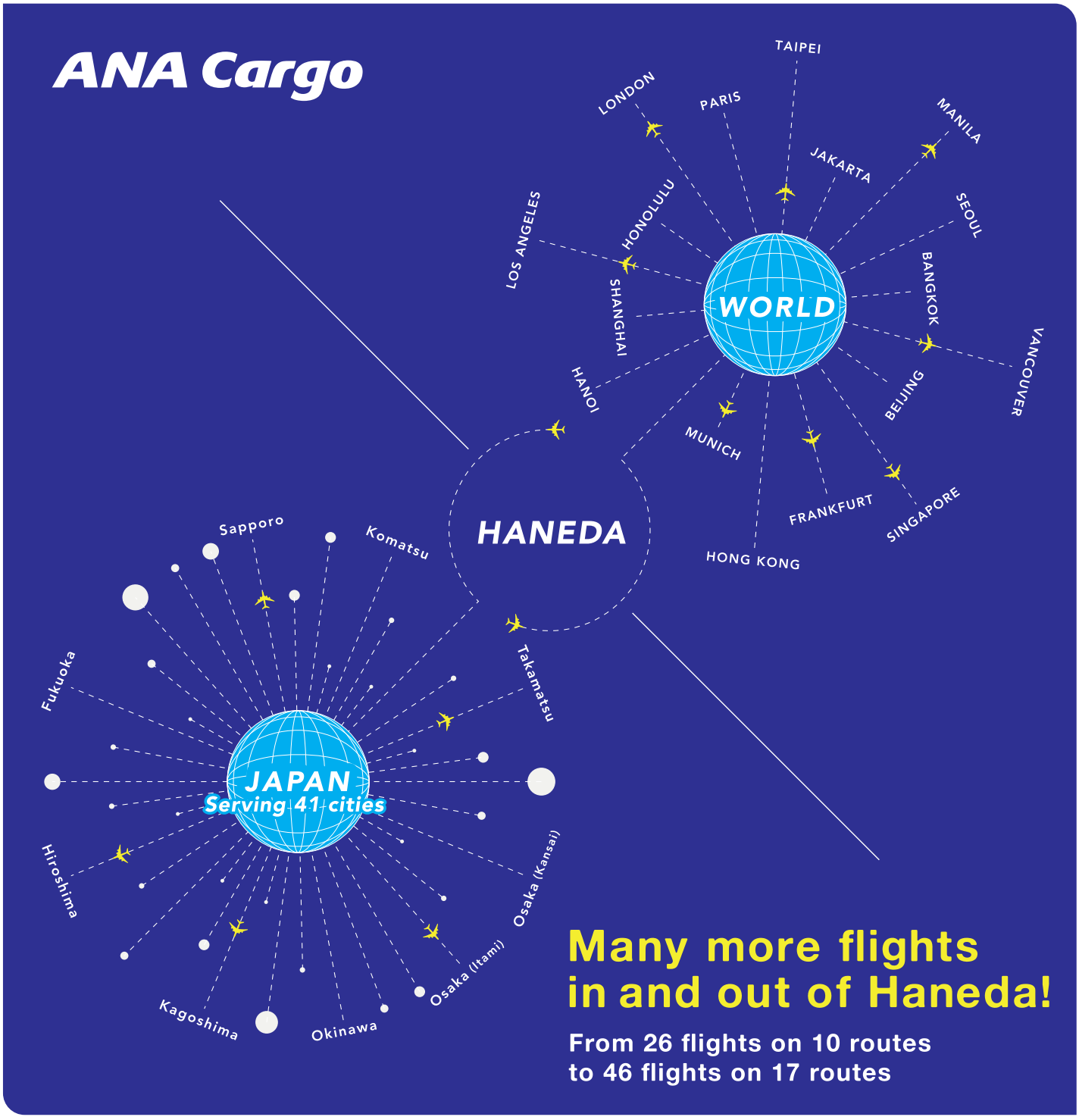

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"Compared to just 3-4 years ago, I am happy to say that we have seen tremendous improvement with regard to some of those challenges we used to face in the past, like inadequate basic +2 to +8C storage availability or lack of training at ground handling level in some locations. Many of them have significantly improved, but in my opinion, there is still room for improvement in some of the airport ground handlers' cool room capabilities and customs processes for active cool containers and auxiliary tracking devices," he says.

As the region's premier hub for health care traffic, Singapore already has ample capabilities, but those received a big shot in the arm last year when dnata opened a perishables facility at Changi Airport equipped with a modular cold storage design with dedicated climate control capability and a web-based monitoring system.

The airport looks to this segment as one of the hopes for this year.

"Growth in cargo volumes, if any, will be amidst a challenging environment as global consumer demand and cargo yields continue to remain depressed," a spokesman says. "As with recent years, there will likely be growth in the time- and temperature-sensitive cargo segments, for example express, perishables and pharmaceuticals, and Changi Airport will be able to serve this growth with our strong connectivity and temperature-controlled facilities." ACW

Asia Pacific cargo market firm in face of Chinese New Year

Air cargo markets were relatively firm for Asia Pacific carriers in January, in the lead up to Chinese New Year, according to preliminary traffic figures released by the Association of Asia Pacific Airlines (AAPA).

International air cargo demand, measured in freight tonne kilometers, saw a 3.9 percent increase compared to the same month in 2013, slightly boosted by the earlier timing of Chinese New Year this year.

Offered freight capacity expanded by 5.3 percent, resulting in a 0.7 percentage point decline in the average international freight load factor to 61.3 percent.

"Asian carriers face a number of headwinds, including recent stock market and currency volatility in emerging markets, and widespread competitive pressures holding down yields," Andrew Herdman, AAPA director general said. "Furthermore, the situation in the air cargo market remains quite difficult, with little evidence of any sustained pickup in demand given sluggish international trade growth, whilst freight rates remain pressured by an overhang of excess freighter capacity."


Andrew Herdman

The region's airlines carried 8.7 percent more passengers in January year over year.

"Despite these challenges, the outlook for the year ahead remains broadly positive given expectations of further improvements in the global economy that should help underpin further increases in both business and leisure travel demand," Herdman said. ACW

Garuda Indonesia joins SkyTeam alliance

Garuda Indonesia has joined SkyTeam, a global airline alliance, as its 20th member and second airline from Southeast Asia.

Garuda's membership adds Jakarta, Indonesia, as an alternative gateway to and from Southeast Asia, as well as 40 new destinations to SkyTeam's network.

"Garuda's entry into the alliance will give its customers access to SkyTeam's 1,064 destinations, covering over 90 percent of the most relevant traffic flows in the world," Michael Wisbrun, SkyTeam's managing director, said. "SkyTeam aims to boost its members' competitiveness by strengthening network and hubs, enhancing its global footprint, improving customer experience and introducing innovative initiatives that enhance customer benefits."

Garuda flies to 64 destinations in 12 countries, including 40 domestic destinations.

"Today is a historic and momentous event for Garuda Indonesia as we are now officially becoming the 20th member of SkyTeam. For these past 3 years, Garuda Indonesia has been actively forging cooperation with the other 19 member airlines with this objective in mind, and it has been an incredible journey," Emirsyah Satar president and CEO of Garuda Indonesia, said. "Garuda Indonesia is proud to connect SkyTeam's global extensive network to one of the largest economies in Southeast Asia via its hubs in Jakarta, Denpasar, Makassar, Medan, Surabaya and Balikpapan."

The airline boosts SkyTeam's presence in Australia with service to Brisbane, Melbourne, Perth and Sydney; and in Tokyo with flights to Narita and Haneda airports. Garuda will increase its service to Europe in May with a new route between Jakarta and London's Gatwick airport. ACW

Lockheed Martin is producing the LM-100J, the civilian version of the company's C-130J Super Hercules military aircraft. The first LM-100J will be delivered in early 2018.

Lockheed's Herculean undertaking

By Adina Solomon
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More than two decades have passed since Lockheed Martin has produced civilian Hercules cargo aircraft.

The Bethesda, Md.-based defense company says the time is right and the market is ripe for the LM-100J, the civilian version of Lockheed's C-130J Super Hercules military aircraft. Its predecessor is the L-100.

"It's a product of a number of years of our customers basically asking us when we would be coming forward with a new version of the legacy L-100 aircraft, which we built for a number of years," says Ray Fajay, Lockheed director of air mobility business development.

These planes were last produced in 1992, so as they age, the cost of operation and maintenance grow, Fajay says.

Lynden Air Cargo, a freight airline based in Anchorage, owns and operates seven Hercules aircraft with an average fleet age of 35 years old, Richard Zerkel, president of Lynden Air Cargo, says.

"As these aircraft age, they become subject to all kinds of [airworthiness directives], and they just become more expensive to maintain," Zerkel says. "There's not a suitable replacement out there."

The first LM-100J will be delivered in early 2018, though Fajay declined to give a specific price for the plane. There is a present market for 100 aircraft "over a period of years," he estimates.

"There's an accessible market of probably somewhere near 300 aircraft," he continues.

Lynden Air Cargo has participated in several sittings with Lockheed as the company develops the LM-100J. But the airline hasn't made a decision about whether it will purchase the new plane from Lockheed.

"We're pleased that they've decided to make that commitment," Zerkel says. "We'll have to look at market conditions and the economics of the situation at that time."

Lynden uses Hercules planes for its main markets supporting large projects, oil and gas, construction and mining throughout the world.

The rear cargo door is especially useful, Fajay says.

"That allows our customers, such as the oil and gas industry as an example, able to load spare parts and pipes and other supplies to take to very remote areas around the world where they may have oil operations," he says.

Hercules aircraft are also built to land on unimproved strips and in remote areas, Zerkel and Fajay say.

"It's a very niche market," Zerkel says. "That's where this airplane really, really works well – the only aircraft that will do what we do with it."

The LM-100J will have some changes from the legacy L-100. Because of the increases in technology since 1992, Fajay says the plane will have better range and fuel efficiency. Zerkel says it will require a crew of two instead of three, and it will lower its volume to meet the Federal Aviation Administration's stage 4 noise standards.

The plane will also feature newer avionics.

"We've completely redone our fleet over the years, glass cockpits and all," Zerkel says. "But this one will come out of the box with a whole lot of additional capabilities that aren't currently available in the legacy fleet."

Many airlines worldwide are getting rid of their freighters in favor of using the bellies of passenger planes. Fajay says the L-100 is still in demand because it doesn't limit itself to carrying cargo from one point to another.

"I like to refer to it as a swing asset where it can do that job, but it can also do these other special type of jobs in the oil and gas industry, or if there are humanitarian relief operations in place in remote areas like areas in Africa and so forth," he says. "It can be very easily adapt itself to those

types of requirements."

Zerkel says Lockheed's new plane is a "good move" for the company. Though heavy movements such as Lynden's are a niche market, the L-100 is well suited for the job.

"There will always be this type of market," Zerkel says. "Of course it being a niche market, it does swing wildly, but there will always be that type of market, and I think they [at Lockheed] recognize that." ACW

Latin America's largest MRO center inaugurated

Grupo Aeromexico and Delta Air Lines inaugurated their aircraft maintenance, repair and overhaul (MRO) center, TechOps Mexico, in a ceremony led by Mexican President Enrique Pena Nieto.

TechOps Mexico is located near Queretaro Intercontinental Airport in Central Mexico. It is the largest aircraft MRO center in Latin America.

"TechOps Mexico is a sign of the confidence foreign and domestic investors have in our country," said Eduardo Tricio, chairman of the board of directors of Grupo Aeromexico. "This is a very important day for the aviation industry in Mexico, as these facilities put it at the global forefront and transform it into a leader of the business opportunities that our nation has to offer."

Both airlines invested a total of US$55 million (40 million euros), divided into equal shares, to construct these new facilities, which are located next to the Queretaro Aerospace Park. This project also received support from the state government of Queretaro.

Grupo Aeromexico and Delta inaugurated their aircraft maintenance, repair and overhaul center, TechOps Mexico, which is located near Queretaro Intercontinental Airport.

The total surface area measures more than 100,000 square meters (1,076,391 square feet). Its three hangars can accommodate up to nine aircraft simultaneously.

This project adds to the aeronautic cluster the state of Queretaro has been developing over the last few years.

The crew that will service the airplanes is being trained and updated in the classrooms of the Aeronautics University of Queretaro.

TechOps Mexico is equipped with systems for renewable and clean energy that reduce the use of traditional energy by one third, as well as a rainwater harvesting system, a recycling program and other environmentally-friendly mechanisms.

"The inauguration of this facility reflects the strong alliance between Aeromexico and Delta," said Gil West, Delta's executive vice president and COO. ACW

Austin gains its first regular transatlantic service

IAG Cargo launched service from London Heathrow to Austin, Texas.

IAG Cargo launched the service in part to support the technology and pharmaceutical industries growing in Austin's Silicon Hills. In 2013, Austin's economy expanded 5.8 percent.

The Boeing 787 Dreamliner will service the route. IAG Cargo will initially offer five flights a week to Austin before moving to daily flights beginning May 3.

The route will become Austin's first regular transatlantic service.

"Texas is increasingly proving to be a key market for us, so it makes complete sense to open up this new service in Austin," Steve Gunning, CEO at IAG Cargo, said. "Alongside our existing operations in Dallas and Houston, this route gives businesses in the region a valuable connection to global markets through our Heathrow hub." ACW

Cathay plans Rickenbacker freighter service

Cathay Pacific Airways launched a twice-weekly scheduled freighter service to Columbus, Ohio. Columbus is Cathay Pacific's 12th freighter destination in North America.

"Cathay Pacific is delighted to further strengthen our industry-leading, transpacific service by adding Columbus to our network," James Woodrow, Cathay Pacific director cargo, said. "Our 13 Boeing 747-8F freighters are the ideal aircraft to link Hong Kong with the Americas, giving a reliable and fuel efficient service to our customers."

Cathay Pacific will operate the Columbus service on a Hong Kong-Anchorage-Columbus-New York (JFK)-Vancouver-Hong Kong routing every Wednesday and Friday, using its newest and biggest freighter, the Boeing 747-8F.

In March, the airline launched a thrice-weekly scheduled freighter service to Mexico City. Cathay Pacific recently took delivery of its 13th Boeing 747-8F freighter aircraft, with one more on order for delivery in 2016.

"The whole region will benefit from this new service and Cathay's connectivity throughout the world," said Elaine Roberts, president and CEO of the Columbus Regional Airport Authority, which operates Rickenbacker International Airport. "This is great news for Rickenbacker, and we are delighted to welcome Cathay Pacific Cargo to Columbus."

This service initiative is supported by RCS Logistics, which recently moved in to a new 48,000-square-foot air-side warehouse at Rickenbacker. In addition to serving local retailers, RCS transports air cargo that arrives at Rickenbacker to points as far away as Texas, Georgia and Florida.

"Cathay's entry into our market provides an outstanding opportunity to better utilize Rickenbacker," said Kenny McDonald, chief economic officer of Columbus 2020. "The new service is a testament to the Columbus Region's strength as an export hub."

Rickenbacker is one of the world's few cargo-dedicated airports and is a component of Rickenbacker Inland Port, a multi-modal logistics hub in Columbus. The inland port offers high-speed connections to all four modes of transport – air, ocean, rail and trucking – as well as Foreign Trade Zone status for companies located in the region. ACW

2013 Air Cargo E

Emirates, Southwest and Japan Airlines take Diamond Awards

Emirates SkyCargo, Japan Airlines and Southwest Airlines won the Diamond Awards in their respective categories at Air Cargo World's Air Cargo Excellence (ACE) Awards ceremony held on March 10 at the Hyatt Regency Century Plaza Hotel in Los Angeles during the International Air Transport Assocation's World Cargo Symposium.

Airports were awarded geographically and were also defined by annual tonnage.

North American airports receiving the Diamond Awards were Ted Stevens Anchorage International Airport, Dallas/Fort Worth International Airport and Minneapolis-St. Paul International. Winning European airports were Amsterdam Schiphol, Cologne/Bonn and Zurich. Santiago took the Diamond Award in Latin America. Winning Asia airports were Incheon, Osaka-Kansai and Sydney. Doha took the Diamond honors for the Middle East/India/Africa region.

Winners in each air carrier category received the Diamond Award, followed by Platinum Awards to the runners up and Gold Awards to third place.

Emirates Sky Cargo, a regular ACE winner, took the Diamond award for air carriers carrying more than 800,000 tonnes.

"We're proud to win this prestigious award," says Nabil Sultan, divisional senior vice president, cargo at Emirates. "We want to thank all the freight forwarders who voted for us. Most importantly, I thank all of our staff who have done an excellent job."

Sultan also credits the Dubai airport as being an integral part of Emirates success, as well as the airlines' effort to expand its infrastructure.

xcellence Survey

Amsterdam Airport Schiphol took the Diamond Award for airports in Europe handling more than 1,000,000 tonnes.

"We are delighted to have moved into top position this year, and to have shown a marked improvement in all categories," says Schiphol cargo senior vice president Enno Osinga. "Once again, we thank all those who have ranked Schiphol so highly. Our continuing work to drive streamlining of processes at Schiphol, in conjunction with our community and our authorities, has clearly played a part in these results, as it has in the steady growth of traffic through our airport. We hope that our many initiatives, and the dividends they achieve, will be studied and adopted around the world. Airfreight is only as strong as its weakest link, so we all need to work together and raise standards across the industry."

Southwest Airlines is another perennial winner, taking the Diamond Award in the up to 299,999 tonnes category.

"We're thrilled," says Wally Devereaux, senior director, cargo and charters, at Southwest. "It's an honor to be recognized by our customers, the freight forwarders. It's an important award for us."

Swiss WorldCargo won the Platinum Award for air carriers that move up to 299,999 tonnes of cargo.

"I hope that it's still to the high-standing quality we do for the customers," says Urs Stulz, Swiss WorldCargo vice president for central services.

In the future, the carrier is focusing on its e-business, such as E-freight and the e-air waybill, Stulz says.

For a second year in a row, Santiago Airport won the Diamond Award for airports in Latin America. Mario Maechtig D. credits Santiago Airport's cargo operators and warehouses for receiving the award.

"Ninety-nine percent of the win is for them," he says.

Maechtig says the airport plans to have a new 5,000-square-meter (53,819-square-foot) terminal for couriers in 2015.

Lufthansa Cargo received the Platinum Award for carriers that move 800,000 or more tonnes.

"It's a great recognition of what we are doing in the progress and servic-

Airports

	Performance	Value	Facilities	Operations	Overall	Award
Airports North America — 1,000,000 or more tonnes						
Anchorage, ANC	123	126	127	126	125	Diamond
Memphis, MEM	110	113	109	112	111	Certificate
Miami, MIA	94	101	102	100	99	
Chicago, ORD	99	93	95	94	95	
Louisville, SDF	92	96	95	96	95	
New York, JFK	87	86	91	89	88	
Los Angeles, LAX	95	85	82	83	86	

	Performance	Value	Facilities	Operations	Overall	Award
Airports North America — 400,000 to 999,999 tonnes						
Dallas/Fort Worth, DFW	110	112	112	109	111	Diamond
Indianapolis, IND	111	111	112	106	110	Certificate
Ontario (CA), ONT	111	111	106	107	109	Certificate
Toronto, YYZ	101	104	105	110	105	Certificate
Cincinnati-Northern Kentucky, CVG	101	109	101	107	104	Certificate
Houston, IAH	98	92	91	99	95	
Oakland, OAK	93	100	105	80	94	
Newark, EWR	89	84	81	93	87	
Atlanta, ATL	87	79	87	90	86	

	Performance	Value	Facilities	Operations	Overall	Award
Airports North America — UP TO 399,999 tonnes						
Minneapolis-St. Paul, MSP	106	114	119	109	112	Diamond
Phoenix, PHX	99	101	106	107	103	Certificate
Philadelphia, PHL	103	105	102	96	102	Certificate
Denver, DEN	93	98	104	102	99	
Portland, PDX	105	94	89	89	94	
Boston, BOS	93	92	96	93	93	
Washington Dulles, IAD	91	89	103	85	92	
Seattle-Tacoma, SEA	91	96	85	86	90	
San Francisco, SFO	91	82	94	89	89	
Detroit, DTW	91	94	84	84	88	
Airports Europe — 1,000,000 or more tonnes						
Amsterdam, AMS	116	113	111	114	113	Diamond
Frankfurt, FRA	108	110	109	108	109	Certificate
London-Heathrow, LHR	91	87	90	89	89	
Paris De Gaulle, CDG	85	90	90	88	88	
Airports Europe — 400,000 to 999,999 tonnes						
Cologne/Bonn, CGN	136	122	119	120	124	Diamond
Liege, LGG	110	113	110	111	111	Certificate
Milan, MXP	100	103	107	104	104	Certificate
Luxembourg, LUX	94	92	93	93	93	
Istanbul, IST	83	85	83	88	85	
Madrid, MAD	88	84	82	83	84	
Brussels, BRU	75	81	84	85	81	

ACE SURVEY CRITERIA FOR AIRPORTS

PERFORMANCE
Fulfills promises and contractual agreements; dependable, prompt and courteous customer service; allied services — ground handling, trucking, etc.

VALUE
Competitive rates; rates commensurate with service level you require; value-added programs

FACILITIES
Apron, warehousing, perishables center; access to highways and other modes of transportation

REGULATORY OPERATIONS
Customs, security, FTZ

es," says Achim Martinka, vice president Americas, at Lufthansa Cargo. "At the same time, it's a motivation to keep working."

The airline also has plans in the works, including taking delivery of two more 777s, investing US$1 million in its information technology infrastructure and building the Lufthansa Cargo Center in Frankfurt.

Cincinnati/Northern Kentucky Airport (CVG) was among North America Airports receiving a certificate in the 400,000 – 999,999 tonne category.

"This is a great honor for CVG," says Candace McGraw, CVG, CEO. "We are pleased to receive this recognition and are grateful to host a DHL super hub at CVG."

CVG maintains four runways and 7,500 acres of property. On average, DHL flies 35-40 flights a night.

In 2013, Southern Air Cargo moved their headquarters to CVG. Also in 2013, DHL completed a US$105 million (7.5 million euro) expansion, which lead to an expanded workforce of 2,300 employees.

"Without our partnerships with DHL and with FedEx, this award would not be possible," adds Wm. T. (Bill) Robinson III, incoming chairman of the Kenton County Airport Board. ACW

Airports

	Performance	Value	Facilities	Operations	Overall	Award
Airports Europe — UP TO 399,999 tonnes						
Zurich, ZRH	125	115	122	122	121	Diamond
Frankfurt-Hahn, HHN	112	114	113	108	112	Certificate
Manchester, MAN	107	109	111	101	107	Certificate
Helsinki, HEL	101	103	106	118	107	Certificate
Munich, MUC	104	104	107	107	106	Certificate
Vienna, VIE	102	99	108	98	102	Certificate
Copenhagen, CPH	101	99	98	102	100	
Rome, FCO	89	94	92	91	92	
Athens, ATH	88	89	88	88	88	
Lyon St. Exupery, LYS	83	94	88	83	87	
Moscow-Domodedovo, DME	73	74	74	78	75	

	Performance	Value	Facilities	Operations	Overall	Award
Airports Latin America						
Santiago, SCL	119	116	115	110	115	Diamond
Campinas, VCP	110	111	111	113	111	Certificate
Lima, LIM	100	106	103	102	103	Certificate
San Juan, SJU	105	97	102	102	101	Certificate
Buenos Aires, EZE	93	94	99	95	95	
Sao Paolo, GRU	101	98	93	88	95	
Mexico City, MEX	90	97	84	94	91	
Bogota, BOG	87	87	90	93	89	
Quito, UIO	80	88	88	83	85	
Airports Asia — 1,000,000 or more tonnes						
Incheon, ICN	110	108	107	107	108	Diamond
Hong Kong, HKG	107	107	107	106	107	Certificate
Singapore, SIN	105	102	101	104	103	Certificate
Tokyo-Narita, NRT	98	99	99	99	99	

	Performance	Value	Facilities	Operations	Overall	Award
Airports Asia — 1,000,000 or more tonnes *(continued)*						
Beijing, PEK	93	100	96	101	97	
Taipei, TPE	92	94	91	92	92	
Shanghai-Pudong, PVG	92	92	96	86	91	
Bangkok, BKK	87	88	88	86	87	
Airports Asia — 400,000 to 999,999 tonnes						
Osaka-Kansai, KIX	116	114	118	118	116	Diamond
Tokyo-Haneda, HND	108	108	106	120	110	Certificate
Jakarta, CGK	99	108	111	110	107	Certificate
Chengdu, CTU	104	99	92	96	98	
Shanghai-Honqiao, SHA	95	90	106	86	94	
Shenzhen, SZX	88	98	90	91	92	
Kuala Lumpur, KUL	90	81	77	80	82	
Airports Asia — UP TO 399,999 tonnes						
Sydney, SYD	107	109	109	110	109	Diamond
Xiamen, XMN	109	104	105	100	104	Certificate
Airports Middle East/India/Africa						
Doha, DOH	123	122	128	134	127	Diamond
Dubai, DXB	114	109	115	112	113	Certificate
Abu Dhabi, AUH	102	109	109	109	107	Certificate
Johannesburg, JNB	107	106	107	109	107	Certificate
Bahrain, BAH	110	103	113	94	105	Certificate
Sharjah, SHJ	104	106	107	101	105	Certificate
New Delhi, DEL	96	98	96	96	97	
Mumbai, BOM	94	93	81	83	88	
Nairobi, NBO	83	85	80	85	83	
Madras, MAA	68	67	64	77	69	

Carriers

	Customer Service	Performance	Value	Information Technology	Overall	Award
Air Carrier — 800,000 or more tonnes						
Emirates Sky Cargo	113	116	112	116	114	Diamond
Lufthansa Cargo	112	114	98	118	111	Platinum
Korean Air	109	112	109	109	110	Gold
Cathay Pacific	108	108	107	112	109	Certificate
Singapore Airlines	110	111	103	109	108	Certificate
FedEx Express	105	106	100	112	106	Certificate
All Nippon Airways	103	105	107	104	105	Certificate
China Airlines	104	104	102	100	103	Certificate
Qatar Airways	99	94	109	97	100	
UPS Air Cargo	97	96	97	94	96	
Air France-KLM	92	97	91	101	95	
Asiana Airlines	94	98	93	94	94	
China Cargo Airlines	90	91	95	91	92	
IAG	95	84	104	83	92	
Air China	91	88	93	85	89	
China Southern Airlines	77	76	79	75	77	

	Customer Service	Performance	Value	Information Technology	Overall	Award
Air Carrier — 300,000 to 799,999 tonnes						
Japan Airlines	118	114	114	114	115	Diamond
Nippon Cargo Airlines	115	112	108	113	112	Platinum
EVA Air	110	107	106	108	108	Gold
Cargolux	110	112	101	106	107	Certificate
Thai Airways	107	102	103	105	104	Certificate
DHL Aviation	104	103	102	106	104	Certificate
Malaysia Airlines	99	103	104	103	102	Certificate
Turkish Airlines	105	100	105	99	102	Certificate
Qantas	107	105	94	101	102	Certificate
Etihad Airways	96	96	102	93	97	
LAN Cargo	97	96	89	97	95	
AirBridge Cargo	93	104	85	96	94	
American Airlines	88	90	95	104	94	
Polar Air Cargo	92	91	108	84	94	
Delta Air Lines	87	88	97	90	90	
United Airlines	91	89	91	90	90	
Saudi Arabian Airlines	80	90	97	91	89	
Air Carrier — Up to 299,999 tonnes						
Southwest Airlines	140	139	134	130	136	Diamond
Swiss WorldCargo	135	135	119	129	129	Platinum
Air Canada	120	120	116	124	120	Gold
Dragonair	116	114	109	123	116	Certificate
Alaska Airlines	123	120	99	116	114	Certificate
Air New Zealand	119	111	109	118	114	Certificate
Finnair	110	107	109	118	111	Certificate
Virgin Atlantic	106	106	112	112	109	Certificate
US Airways	107	103	108	102	105	Certificate
Gulf Air	111	102	106	97	104	Certificate
Amerijet International	103	105	96	97	100	
Air India	96	97	108	98	99	
South African Airways	111	98	90	97	99	
Hong Kong Airlines	100	98	92	101	97	
Royal Jordanian Airlines	95	91	103	99	97	
Martinair	84	99	101	101	96	
Kuwait Airways	93	93	91	90	92	
TNT Airways	91	89	90	96	91	
TAM Airlines	76	84	97	97	88	
Ethiopian Airlines	84	89	92	78	86	
Avianca Cargo	73	89	95	83	85	
Jet Airways	83	76	80	78	79	

The structure and methodology of the ACE Survey can be found on the Air Cargo World *website at http://bit.ly/1j2eS90*

ACE SURVEY CRITERIA FOR CARRIERS

CUSTOMER SERVICE
Claims handled with expedience; problems solved in a prompt and courteous manner; professional and knowledgeable sales force

PERFORMANCE
Fulfills promises and contractual agreements; dependable; accomplishes scheduled transit times

VALUE
Competitive rates; rates commensurate with service level you require; value-added programs

INFORMATION TECHNOLOGY
Tracking and tracing of shipments; Internet; electronic commerce capabilities

Express market stabilizes and targets growth

By John W. McCurry and Adina Solomon

UPS is touting its Worldwide Express Freight service.

The express airfreight business is showing new life as of late as companies position themselves to take advantage of expanding markets while reducing costs. The early results in 2014 seem to show an upward trend. Air Cargo World recently spoke with several express carriers and forwarders to take the pulse of the sector.

FedEx declined an interview because it was the company's quiet period, which is mandated by the U.S. Securities and Exchange Commission.

DHL Express is in the midst of network expansion program, particularly in the Americas, as it moves to more fuel-efficient planes to serve growing Latin American markets. The latest move is the addition of five Boeing 737-400 aircraft. Three will be based in the U.S. and two in Venezuela.

Red Alexander, DHL's vice president, aviation for the Americas, says all five planes will be operational by Aug. 1. He says the addition is a continuation of an expansion that started around the middle of 2013 when DHL Express began its third around-the-world operation, a Hong Kong to Los Angeles to Leipzig to Hong Kong route on a Boeing 777 freighter operated by Southern Air.

DHL and Southern Air also announced an extension of their agreement to operate four 777 freighters.

"We decided to right size the fleet with what's right for the market," Alexander explains. "These are more fuel efficient, and they fit into DHL's overall carbon emission reduction program."

Alexander describes business conditions in the express market as stable with pockets of growth.

"You seem some growth in some areas around the world," he says. "Obviously, Asia continues to be a growing market. Each market is different."

In the Americas, traffic between the U.S. and Mexico and to other Latin American countries continues to be promising. Express is also seeing some growth in areas of Europe, he says.

Alexander believes some of the growth is being driven by e-commerce.

"You are seeing more and more B-to-C type traffic, whether it's Amazon or Google or wherever, it continues to expand," he says.

DHL has also invested US$160 million (115 million euros) to expand its overall express business in Mexico.

"That is also a part of our CO2 program, by doing an overall fleet rework, air and ground," Alexander says.

Panama is another major Latin America hub for DHL, which has expanded its facility there from 3,000 square meters (32,291 square feet) to 12,000 square meters (129,166 square feet).

UPS says it's getting good results from its UPS Worldwide Express Freight service, which was launched in early 2013. It targets time-sensitive and high-value international heavyweight shipments.

"We started this as a pilot with our key customers out of China to cut our teeth on it," says John Miltenis, UPS's vice president of international marketing. "It's exceeded our expectations. Our air network and ground operations groups have done stellar work."

One user of UPS' service is Mophie, a fast-growing Michigan-based company that sells battery packs for smartphones. The short product life cycles of its products require them to move materials quickly. Miltenis says

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UPS was able to coordinate Mophie's multiple suppliers in China, consolidate products and then ship by pallet from China to the U.S. in one day. UPS consolidated 10,000 individual packages into 10 pallets.

The process gave retailers the ability to have Mophie products on shelves a full day earlier than with the previous shipping method.

Miltenis says the service is showing strength out of Asia and also for customers moving products within Europe. High-tech electronics and "mission-critical" automotive parts are among products shipped this way.

TNT Express says the air cargo express market is steady – and possibly improving.

"It's fairly stable at the moment – has been for the last couple of years," Martin Sodergard, managing director network operations at TNT Express, says. "We're seeing some positive signs starting already in the fourth quarter last year and going into January. We're of course hoping that that's telling us that there's a turn in the longer-term demand, but I think we're kind of holding our breath until the end of the first quarter, and then we'll call it a trend or not."

Sodergard says international air express was growing even in the downturn periods for the Netherlands-based company, with the exception of late 2008 to early 2009.

"The shippers continue to take more interest in express services, whether it's air express or road express or a mixture of the two," he explains.

Martin Sodergard

BDP International is a freight forwarder in Philadelphia that deals in project logistics, oil and dangerous goods. Gary Phelps, director airfreight Americas at BDP International, says the company is seeing a small uptick in the air express market.

"The numbers are bearing out to show increase in year over year," Phelps says.

Graf Air Freight, Inc., a freight forwarder based in Chicago, is also seeing air cargo express business pick up after the recession.

"I think everyone in the industry kind of buckled up and did what they had to," Michael Fitzgerald, president of Graf Air Freight, says. "But now, there's a definite up-kick in the marketplace across the board. Seems like in all the industries that we deal with anyway, they all seem to be not only

DHL Express is in the midst of a network expansion, particularly in the Americas.

hiring people but they're busier."

Sodergard of TNT says a trend going on in the air express market is an increase in near-shoring – "manufacturing, assembly and distribution at shorter distances rather than the long supply chains that have developed in the previous decade," he explains – though he concedes that it's a little early to tell whether this is a continuing trend.

"Where you may have seen manufacturing completely in Asia, in China or one of the other manufacturing economies, then coming back to Europe or North America to Mexico," Sodergard says. "So closer-to-market manufacturing that's driven by more automation in manufacturing, so less dependency on the labor costs and also I think shorter times to market."

TNT Express says the airfreight express market is stable and possibly improving.

This is happening across the air express industry partly because product cycle times are becoming shorter.

"Our customers then want to be able to react fast to the market, and that's difficult when you have very extended supply chains," he says.

Fitzgerald of Graf Air Freight says as the economy improves and companies grow busier, air cargo express benefits.

"When they get busy and they get backed up, they have to ship their materials by air," he explains. "It's starting to go again where everything has to go. Everything has to be there yesterday."

A few years ago, that wasn't the case.

"There weren't very many people who were busy, and they had all the time in the world to get the material to point A to point B, but now when they're busy, production lines are getting busy. Everyone's working all the time," Fitzgerald says. "Just as soon as it comes off, they've got to get it there."

Phelps of BDP International says time is of the essence when it comes to delivering express airfreight.

"People don't look at it as, 'Well, you almost got it there,'" he says. "It's either you got it there or you didn't get it there." ACW

American Airlines has moved a lot of perishables from Latin America to Asia, especially flowers, Carmen Taylor of AA Cargo says.

Cargo landscape shifts in Latin America

Asian carriers have Mexico in their sights. Cathay Pacific, which launched all-cargo flights to Guadalajara last September, added Mexico City to its freighter network in March. Korean Air also mounted freighter flights to Guadalajara. Like Cathay, it tagged the Mexican destination to an existing U.S. route.

The Korean carrier intends to ramp up its presence in South America, having started B747 freighter flights to Sao Paulo and Lima, Peru, in 2012.

"We are looking to develop our own product that will offer transportation service to South America from various gateways worldwide," a spokesman for KAL Cargo comments.

Extending another U.S. freighter route to the southern hemisphere would run counter to a strong trend for Asian exports to South America moving in the opposite direction. Poor loads and yields from Asia to Europe have prompted European and Middle Eastern airlines to pursue this traffic and move it over their hubs, reaching Latin America via the Atlantic.

Daniel Bleckmann, regional director for South America, the Caribbean and Florida at Lufthansa Cargo, reports that this traffic has been strong and expects this to continue.

Forwarders such as Kuehne + Nagel juggle various routings, depending on the requirements of individual customers in terms of transit times and cost. The push of Middle Eastern carriers into the market has added another option, remarks Diether Bohn, senior vice president, airfreight for South and Central America.

The migration of freighters to Latin America has largely ended for now, but belly capacity keeps coming into the market. Hence forwarders have no problem finding lift, even at peak times, Bohn reports.

For airlines, on the other hand, the overcapacity has exacerbated the effect of the slowdown of the Brazilian economy, which has been limping along for the past two years. One of the reasons for this was the strength of the currency, so its recent decline augurs well for exports, but it may dampen the appetite for imports, notes Cristian Ureta, CEO of LAN Cargo.

The recent weakening of import traffic is of particular concern, he comments, since southbound rates are usually double the price for outbound traffic.

Operators are expecting a surge in flows into Brazil in the run-up to the soccer World Cup this summer, thanks to the usual boost that such events give to demand for TV sets and other consumer electronics as well as

> "We have been able to move a lot of perishables to Asia, particularly to [Tokyo] Narita and also to Shanghai."
>
> — Carmen Taylor

the last-minute rush to complete the preparations for the mega-event. So far, there has been no sign that this is finally taking off. Bleckmann reckons that it will kick in about two months before the start of the World Cup.

The Brazilian authorities have struggled to get the nation's gateways ready to cope with the expected influx of passengers for the World Cup and for the summer Olympics in Rio de Janeiro two years down the road. As with some of the soccer venues themselves, big airports are struggling to complete their preparations in time. These include new passenger terminals at the key gateways of Viracopos and Guarulhos.

In the long run, cargo should benefit from these developments, but for now the focus is fully on the passenger side, and there have been concerns that work on these facilities might affect cargo flows. However, operators have not experienced any hiccups on that front so far.

"We have not seen any disruptions from infrastructure developments at airports," says Robert Villamizar, strategic capacity director for the Americas of DHL Global Forwarding. "From the information that we have, Brazil will be able to handle the additional flow of goods with its current capacity."

One positive effect of the scramble to get airports ready has been the move to privatize their management. Airline and forwarder executives report that they have found a greater responsiveness from the airports to their concerns.

"We met with some of the new management at Guarulhos," Villamizar says. "The clearing process is improving."

While exports of hard freight have been slow, perishables shipments from Brazil have filled the gap, and the weakening Brazilian real is improving their competitiveness in international markets.

"We have been able to move a lot of perishables to Asia, particularly to [Tokyo] Narita and also to Shanghai," reports Carmen Taylor, managing director of cargo sales for Latin America at American Airlines. "Flower ex-

porters and forwarders look to Asia more than before."

Besides Colombia and Ecuador, the chief flower producers in the region, Chile and Peru, have shown particularly strong growth in airborne exports. Chile has benefited from a strong berry and stone fruit season last year and from the resurgence of salmon exports, which have recovered from a disease a few years ago that wiped out most of the country's fish stocks and exports. Ureta says last year's salmon volumes out of Chile were back at the level before the setback.

Out of Peru, asparagus has been the chief airfreight commodity for export, followed by other perishables. However, hard freight has also been on the rise, Bleckmann says.

Lufthansa added Lima to its main deck network last year, with two weekly MD-11F frequencies, serving the Peruvian capital in tandem with Brazil and Ecuador. Initially one-third of the capacity on the flights was allocated to Peru, but this was soon raised, according to Bleckmann.

Since its merger with TAM, LAN Cargo has focused on filling belly capacity on planes, especially on the Brazilian carrier's international flights.

As elsewhere, shippers have been experimenting with alternatives to airfreight in order to rein in costs.

"There have been some mode shifts," Taylor says.

The latest push on this front is coming in the flower sector. Shipping giant Maersk has teamed up with Primaira, a Boston-based technology company, to develop a high ozone air cleaning system for refrigerated containers. By eliminating mold, fungi and bacteria, this should significantly extend the freshness of perishables and allow their shift from air to ocean transportation. The pair intend to complete tests and formally launch the new technology in the latter half of this year, and they have trained their sights chiefly on flowers.

Bohn is sceptical.

"It is important for our customers to get their product to market quickly in a safe way, and that means by air," he says.

Villamizar shares his reservations. He adds that most flower production is located inland, so going by ocean carrier would require a long trucking leg to the ports. If the new technology were to prove successful, however, it could have far-reaching repercussions for airfreight in the whole region, he points out.

While Brazil is the chief magnet for freighters headed into South America, it cannot fill them on the return leg, which forces carriers to route their planes over other export markets, above all Colombia and Ecuador. Other products shipped by air from the region are nowhere near the volumes of flower exports, Villamizar remarks.

Already freighters are struggling with downward pressure on yields, as the rise in belly lift has been outpacing demand, leading to aggressive pricing.

"One of the concerns in this region is belly capacity that continues to drive margins down," Villamizar warns. "This downturn on margins is unsustainable."

LAN Cargo, the region's leading carrier, has reduced its freighter capacity over the past year. Moreover, the airline has shifted its business model. In the past, it did not have enough belly lift to cope with cargo volumes, which drove the expansion of the freighter fleet, but since the merger with TAM, the focus has shifted to filling belly capacity, especially on the Brazilian carrier's international flights. This has led to a restructure of the freighter network and the introduction of nightly freighter flights from the main gateways in Chile and Argentina to Brazil to feed TAM's departures to the U.S. and Europe.

As a result, transits in Sao Paulo and Rio have been a major focus for the carrier.

"We have to invest in our processes in Brazil to improve transit times," Ureta says. ACW

Airlines must comply with their own security plans

By Daniel W. Raab

A recent case of interest to the air cargo industry is Suburban Air Freight, Inc., Petitioner v. Transportation Security Administration, Respondent, 716 F.3d 679 (U.S. Court of Appeals for the District of Columbia 2013), which deals with the alleged failure of an airline to comply with its own security plan. It is an example of what could go wrong in an investigation with an alleged failure to comply with the law.

By way of background with regard to the applicable regulations, it should be noted that Congress endowed the Transportation Security Administration with authority to make regulations to promote transportation security. With respect to aviation security, the TSA has established different sets of rules for different kinds of aircraft operators. This case deals with "twelve-five" operations – that is, operations that (1) are not regulated under another the TSA program; (2) utilize an airplane weighing more than 12,500 pounds; (3) run scheduled or charter service and (4) carry passengers and/or cargo. The TSA requires twelve-five operators to ensure that cargo is screened and inspected for any unauthorized person, and any unauthorized explosive, incendiary and other destructive substance or item. This airline was required to file such a plan in order to comply with the regulations.

In this case, TSA inspectors when observing the loading of a Suburban Air Freight, Inc. aircraft made a determination that the carrier had failed to adequately implement the pilot identification ID check and failed to have an employee supervise the custody and control provision in violation of its own security plan that was filed with the TSA. This matter was then sent to an administrative law judge, who agreed and imposed an $18,000 fine, which the TSA upheld. The airline then petitioned to have this ruling reversed. The fine was then confirmed by the Appellate Court.

The airline's actions or inactions can be strictly construed by the TSA and the courts. For instance, in this case, the pilot turned his back while the cargo was being loaded, so it was held that nobody from Suburban was involved in the loading process, even though DHL employees who were obviously involved in the process were present. DHL is an indirect air carrier that presumably had experience in loading planes. The court found that the flight plan could hardly have been clearer – Suburban "employees and authorized representatives are the only individuals authorized to maintain custody and control of cargo" – and the pilot was the only such individual on hand while the DHL packages were loaded onto the plane. The court felt that even if DHL had properly supervised the loading of the plane, further observation by a representative of Suburban would be a good safeguard.

As to the pilot checking his own ID, this would be more of an obvious violation. You cannot verify your own identification. This provides no safeguard as to the legitimacy of the pilot. Suburban unsuccessfully argued that there was only one pilot and no other crew, so the pilot ID check was unnecessary.

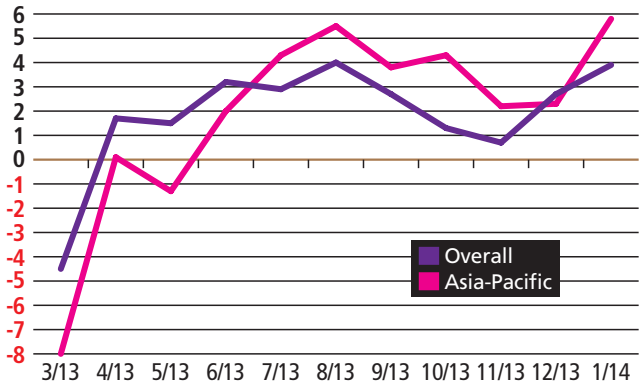
Suburban even tried to contend that it was not subject to the rules as it did not issue an air waybill, and therefore the plane was not moving cargo. As cargo was in fact being moved, this argument was also unsuccessful.

When an agency makes a determination, it is not necessarily easy to have it set aside on appeal. When you submit plans to the TSA, make sure that you are going to follow them and make sure that your crew and other involved employees are aware of the plan. This is better than going through the administrative process and the courts. ACW

(Editor's note: Daniel W. Raab is a Miami-based attorney specializing in transportation issues. He is the author of Transportation Terms and Conditions, Chapter 47 of the New Appleman Practice Law Guide*, Chapter 5 of the* Benedict on Admiralty Desk Reference Book*, and a contributing author to* Goods In Transit*.)*

Carrying Europe

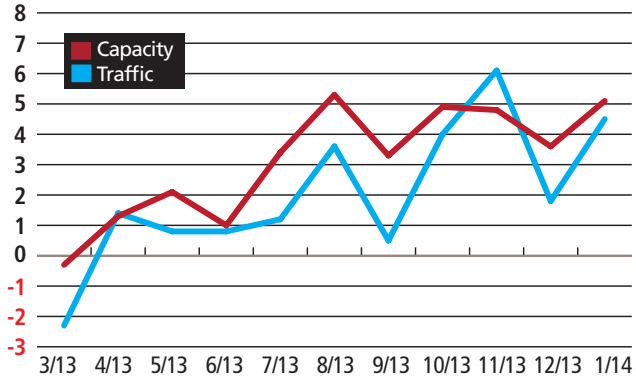
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines.

Total Freight Carried

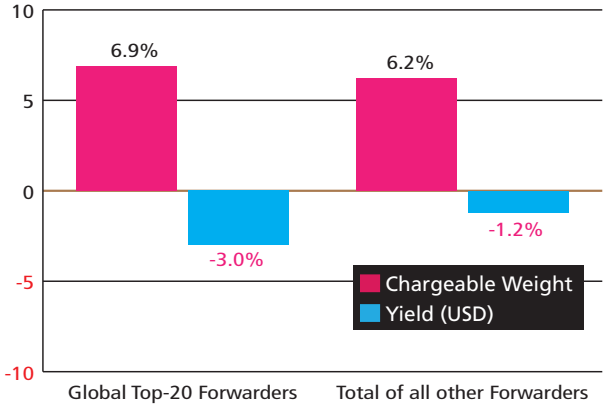
Monthly year-over-year percent change in total scheduled freight traffic and capacity worldwide in freight-tonne kilometers and available-tonne kilometers.



Source: IATA.

Sales Distribution

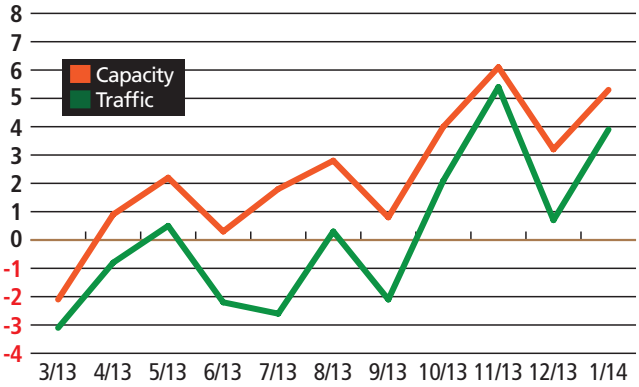
Air cargo worldwide change Year-over-Year (January 2014).



Source: WorldACD Market Data.

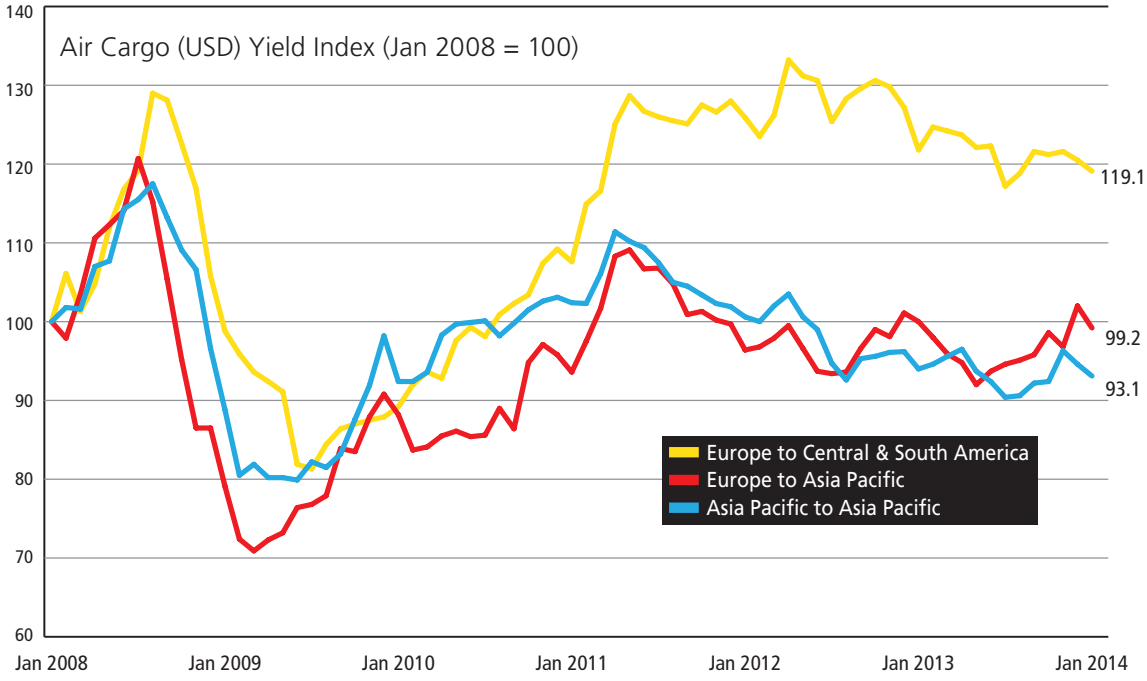
Carrying Asia

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



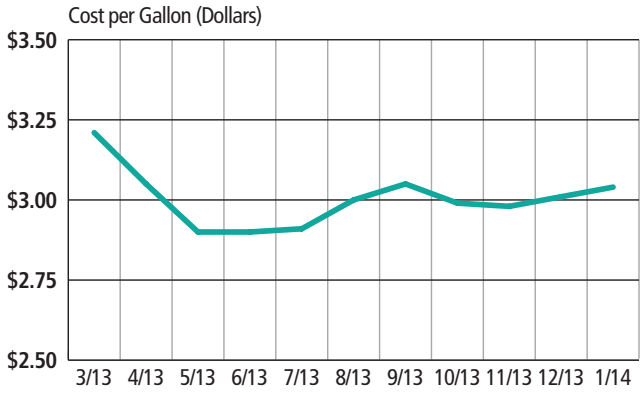
Source: Association of Asia Pacific Airlines.

Yield Index Regions



Source: WorldACD Market Data.

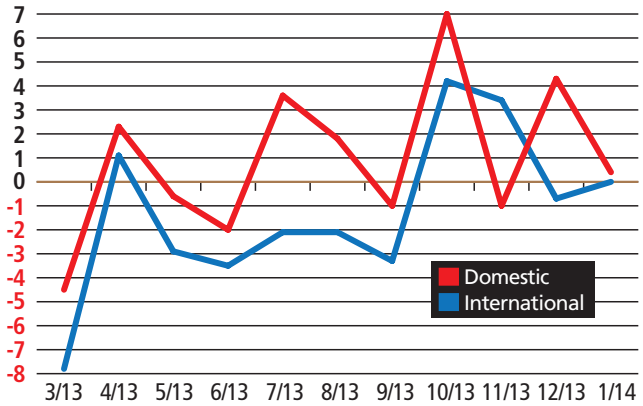
Fuel Cost For U.S. Carriers



Source: U.S. Bureau of Transportation Statistics.

U.S. Airlines

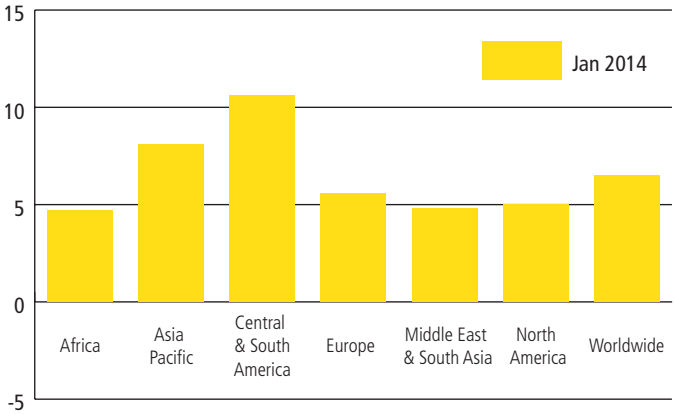
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Airlines for America.

Growth Per Region

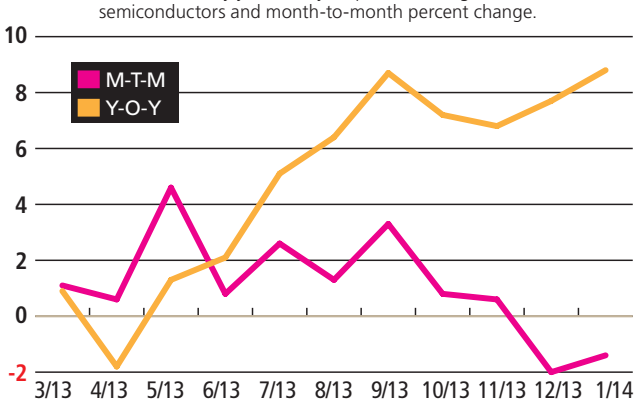
Air Cargo Chargeable Weight Change Year-Over-Year



Source: WorldACD Market Data.

Semiconductors

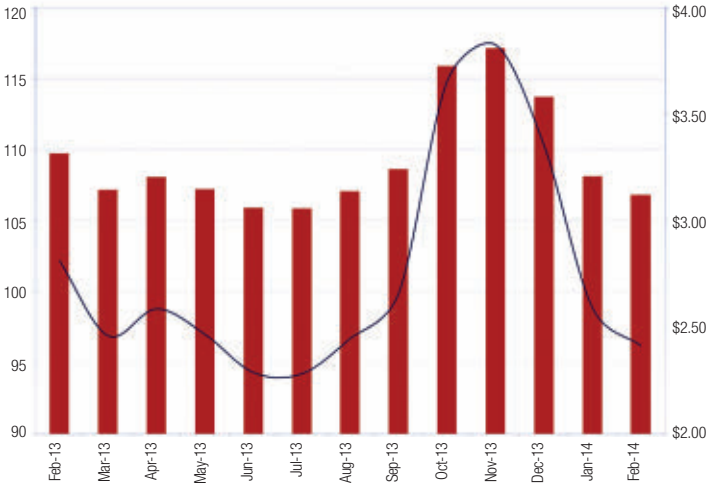
Worldwide monthly year-over-year percent change in sales of semiconductors and month-to-month percent change.



Source: Semiconductors for Industry Association.

The Drewry Report:

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



Source: Drewry Sea & Air Shipper Insight.

Cargo Chat: Alison Webster

Alison Webster recently became executive manager of Qantas Freight, which saw underlying EBIT down 50 percent for the second half of 2013 compared to the first half. Webster has held a range of senior commercial, sales, marketing and operational roles at Qantas and British Airways. She was most recently executive manager international customer experience. She told Air Cargo World *about her take on Australian air cargo and the airfreight industry in general.*

What is your outlook for the Australian airfreight industry's future?

Air transport plays an important role in Australia's express freight and courier market, and the industry has delivered consistent annual growth in recent years. While Australia is no different from other economies where cost pressures and improved infrastructure are supporting a modal shift to surface shipping, the role of airfreight continues to be recognized and valued. As Australia's leading airfreight services provider, and with more than 80 domestic and 50 international destinations in our network Qantas Freight has a wide range of industry sectors that rely on our services to fulfill their supply chain. You have to remember that Australia is the sixth largest country in the world, with predominantly coastal population centers. With such a disparate geography, airfreight is really the only viable mode of transport for same-day deliveries between many major cities. Australians are also proving to be adept online shoppers and with retailers promising quick delivery times, airfreight is proving to be a valuable supply chain partner, both domestically and internationally.

What sectors do you plan to focus on at Qantas Freight?

Qantas Freight provides a broad product offering, including our core range of general cargo, mail and retail products, as well as specialist lines in live animals, perishables and goods that require extra security or special handling. We're also looking at adding some new specialist products to our range in May this year…As well as being Australia's leading cargo carrier, Qantas Freight is also Australia's leading air cargo terminal operator with 21 terminals in 15 cities across Australia, plus a terminal in Los Angeles. This is another important part of our business, and as well as servicing the Qantas Group, we also provide ground handling for 25 other airlines.

How has your career experience prepared you for the air cargo industry?

I've come from a core airline background, which gives me a good appreciation for the interconnectedness of the belly space cargo business. My time leading the Qantas international customer experience team also gives me some good insights into how customer service and customer centric innovations can really drive customer preferences. I've observed in recent years the steps forward that Qantas Freight has taken with the acquisition of Australian air Express, introduction of iCargo, Express Check import collection process and smartphone apps, and I'm certainly keen to push further in these areas.

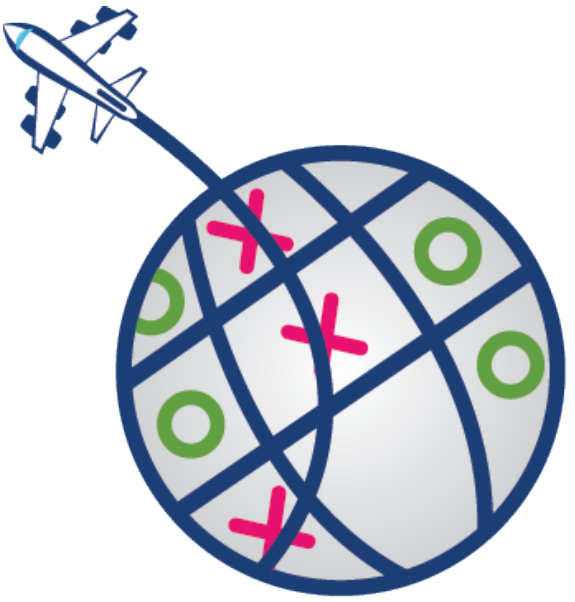
What aspects do you like about the airfreight industry so far? What aspects do you think need improvement?

It's a down-to-earth and friendly industry. People have been quick to welcome me to my role, and there is a congenial spirit across the industry. I do find it interesting to consider that airfreight is the premium end of the supply chain but lags behind other modes of shipping in terms of technology and the routine use of service metrics. Like many other players, we at Qantas Freight are making investments to start measuring and reporting various service metrics. This has to be an area where the industry moves to a new, timely information norm, and I think this means it is an exciting time to join the industry as we make inroads into improving this paradox.

Finally, I think logistics is one of the great hidden industries for any country, but especially so for an island nation with a disperse population like Australia. As well as discovering a fascinating industry, I'm also enjoying a new appreciation for my regular grocery shopping and musing on how my goods have traveled and how many pairs of hands and modes of transport have linked along the chain.

What is something unexpected that you discovered in the course of your new position?

I recently met some of our customers in Shanghai and was telling them about Qantas Freight. Several were surprised to learn that Qantas only started providing domestic Australian airfreight services last year following our acquisition of the other 50 percent shareholding in Australian air Express. I think many assumed that as Australia's national carrier, Qantas Freight had a long history in the domestic market, which was good reinforcement to me that the domestic acquisition is an excellent strategic fit for our business. ACW



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Air cargo powers Sochi Olympics
Cargo delivered on charters arranged by Air Partner was later trucked to Olympic

AIRLINES

Tony Randgaard, who has worked in the airline business for 31 years, has left **United Cargo** for an extended period of travel. He served as manager cargo marketing. Randgaard worked for United for eight years and was previously at Northwest Airlines Cargo for seven years. The sabbatical will enable him to spend more time at his home in Minneapolis. Helen Kristensen has become director, cargo sales strategic accounts. Kristensen joined United in 1995 and has held management positions in fields such as passenger sales and airport operations. She has served as a United Cargo sales strategic partner manager since 2007. Kristensen is fluent in five languages, with speaking and understanding competence in five additional languages.

Carsten Spohr was appointed CEO and chairman of **Lufthansa**'s executive board. Spohr, who has overseen Lufthansa Passenger Airlines since 2011, will assume his new role on May 1. Spohr has a commercial airline pilot's license and a captain's license, both from the Lufthansa Flight Training School. He spent a short time at Deutsche Aerospace AG in Munich before returning to Lufthansa in October 1994. In October 2004, Spohr was appointed to the management board of Lufthansa Passenger Airlines. In 2007, he was appointed chairman of the executive board of Lufthansa Cargo.


SPOHR

Delta Air Lines named **Wayne Gilbert "Gil" West** as executive vice president and COO. West will succeed Stephen E. Gorman, who will retire after leading Delta's operations divisions since 2007. West joined Delta in 2008 as senior vice president, airport customer service. In 2012, he led the airline's internal maintenance operations at Delta TechOps as well as its maintenance, repair and overhaul provider business. In the role as COO, West will have oversight over areas including Delta TechOps and supply chain management. Before joining Delta, West worked at Laidlaw Transit Services, TIMCO Aviation Services, Northwest Airlines, United Airlines and Boeing. Delta named Luciano Macagno as director for Brazil. Luciano joins Delta from LATAM Airlines where, until recently, he served as head of international sales and marketing for Brazil. Before joining the airline industry in 2009, Luciano held several positions at DANONE and Ambev in Argentina.

MAINTENANCE & MANUFACTURERS

Airbus promoted **Rafael Alonso** to the newly created position of president, Airbus Latin America and Caribbean region. With more than 30 years in the aviation industry, Alonso has spent most of his career in Latin America, having led Airbus' presence there since the late 1980s. Alonso began his career in 1981 as an engineer with Boeing in Seattle. In 1983, he joined Construcciones Aeronauticas S.A. in Madrid. In 1984, he was seconded to Airbus in Toulouse, France, as regional sales manager for the Latin America region, and he held various positions in the company. Alonso most recently was executive vice president of Latin America and the Caribbean customer affairs, a position he has held since 2011.


ALONSO

THIRD PARTIES

Carsten Hernig is the new managing director of **Jettainer GmbH**, a service partner for outsourced ULD management. Until the end of March, Hernig led the company in collaboration with Alexander Plümacher, who led Jettainer for six years and left the company at his own request on April 1. Hernig has worked at the Lufthansa group of companies for 15 years. Most recently, he was regional director for South Asia, the Middle East and Pakistan, based in New Delhi, where he was responsible for station operation, sales and marketing in 19 countries.


HERNIG

Mike Parra was appointed CEO of **DHL Express** in the U.S. Parra most recently served as senior vice president of network operations for the DHL Express Americas region. He replaces Ian Clough, who served as DHL Express U.S. CEO since 2009.

Parra started his career with DHL Express in 1997 as service center manager in South Florida and held a variety of senior management roles in U.S. operations. Since 2011, Parra has been responsible for all aspects of the Americas region network operations. Prior to DHL, he worked for 10 years with TNT Express Worldwide.


PARRA

UPS named **John Menna** vice president of global strategy for health care logistics. Bill Hook, a 20-year health care logistics industry expert, is retiring after joining UPS in 2000 with the acquisition of Livingston Healthcare Services, Inc. Menna, a 28-year UPS veteran, was previously vice president of planning and revenue management. He also served as director of customer technology, vice president of marketing in Latin America and the Caribbean for UPS. Hook will take a senior advisory role at the company to ensure a seamless transition over the coming months.

Sean Kelly became **Purolator International**'s vice president, field sales and services. Kelly was previously Western U.S. district manager. He will be responsible for the company's five U.S. districts – Central, Eastern, Great Lakes, Southern and Western. Kelly began his career as an auditor before joining Purolator International as director of finance and administration in 2004. He was previously based in Los Angeles, but in his new position, the Long Island, N.Y., native returns to New York. ACW


KELLY

events

APRIL 7-8

Stockholm: Shippers and major industry players can meet at the Nordic Air Cargo Symposium. It is the only regional event focusing on the North European air cargo market. For more information, visit *www.euroavia.com/nordic.*

APRIL 23-24

Istanbul: The International Air Cargo Association is holding its 2014 Executive Summit and Annual General Meeting. Attendees will discuss what lies ahead for air cargo in the face of numerous security, technological and environmental challenges. For more information, visit *www.tiaca.org.*

MAY 1

Atlanta: There will be a Georgia Institute of Technology executive forum on how to manage risk in a supply chain. For more information, visit *www.atlantacscmp.org/pages/events/GTSupplyChainExecutiveForum.asp.*

MAY 4-6

San Antonio, Texas: The 24th Annual CNS Partnership Conference brings together more than 500 air cargo professionals. The event will focus on adapting to change and embracing technology to remain competitive. For more information, visit *www.cnsc.net/events/Pages/cns-partnership-conference.aspx.*

MAY 11-13

Dubai: The 14th Airport Show is a platform for the multimillion-dollar airport developments in the Middle East, North Africa and Indian subcontinent region. It is the largest gathering of airport decision makers, experts and suppliers in the region. For more information, visit *www.theairportshow.com.*

MAY 19-23

Hanover, Germany: CeMAT 2014 will feature more than 1,100 exhibiting firms. The keynote theme of the intralogistics fair is "Smart – Integrated – Efficient," referring to the management of integrated logistics chains along the entire supply chain. For more information, visit *www.cemat.de/home.*

JUNE 17-19

Shanghai: Air Cargo China attracts more than 15,300 attendees from 73 countries. The conference is a meeting place for the transport, logistics and air cargo industries in Asia. For more information, visit *www.aircargochina.com/en/home/home.html.*

JUNE 22-24

Victoria Falls, Zimbabwe: Last year's Routes Africa hosted more than 300 delegates for more than 30 airlines, 50 airports and 15 tourism authorities. For more information, visit *www.routesonline.com/events/168/routes-africa-2014/.*

SEPTEMBER 20-23

Chicago: 2014 will see World Routes return to the U.S. for the second year in a row after the Las Vegas event in 2013. For more information, visit *www.routesonline.com/events/170/world-routes-2014/.*

OCTOBER 7-9

Seoul: The 27th International Air Cargo Forum and Exposition will attract people from the airfreight industry in one of the world's fastest-growing air cargo hubs. For more information, visit *www.tiaca.org/tiaca/ACF.asp.*

ADVERTISER INDEX

Taking a lesson from supermarkets

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

My grandparents used to tell me about an earlier time when preparing for a meal involved visits to several shops to assemble the necessary ingredients. While the dairy delivered milk and butter to one's door, meats were purchased at a butcher shop and produce was sold at a stand where the owner knew your name.

The second half of the last century saw the rise of the supermarket, where all of the necessary food items for dinner were found under one roof. In fact, a whole week's worth of groceries and other products including aspirin were available without ever having to shop anywhere else. While many of the more successful chains have sought to bring back some of the old feel of visiting specialty stores, it is clear that Americans have no intention of ever giving up the enormous convenience of single-source, one-stop grocery shopping.

But as supermarkets have expedited the process of food shopping in the U.S., our process of exporting and importing goods continues to be laborious. While technology has enabled faster grocery checkout (can you imagine putting up with a supermarket that rings up groceries the old fashioned way?), businesses trying to move goods across our borders are forced to rely on a crude paper-based system of submitting data to multiple agencies through lengthy forms and various channels. Given the days it can take to do the paperwork on a single shipment, it's no wonder that the U.S. is often considered a less desirable trading partner.

Recently, as President Obama flew across the country aboard Air Force One, he signed an executive order on streamlining the export and import process for America's business. The order will reduce processing and approval times from days to minutes for businesses that export American-made goods and services by establishing December 2016 as the deadline for completing the International Trade Data System (ITDS). ITDS will allow businesses to electronically transmit, through a "single window," the data required by the U.S. government to import or export cargo. This new electronic system promises to speed up the shipment of American-made goods to overseas destinations by eliminating often duplicative and burdensome paperwork.

Once fully implemented, the ITDS will dramatically reduce the time and expense for business to move the more than 50 million containers and US$3.8 trillion (2.7 trillion euros) worth of goods that cross American borders each year, according to the White House.

The most positive aspect of the executive order is that it establishes a deadline for completion, requiring relevant agencies to transition from paper-based to electronic data collection by a certain time. And unlike other government-funded portals (think HealthCare.gov), the development of ITDS calls for enhanced transparency by requiring public posting of its implementation plans and schedules. It also requires the government to seek advice and counsel from non-government stakeholders to determine the most efficient business processes in determining border management improvement. The Airforwarders Association participates on the Commercial Operations Advisory Committee, a primary stakeholder group in consultation to Customs and Border Protection (CBP) that has made numerous recommendations concerning this program.

The ITDS project was originally documented in 1993 and its backbone, the Automated Commercial Environment (ACE) portal has been under development for almost 14 years and has faced many development hurdles, delays and funding challenges. ACE would replace the old Automated Commercial System with its limited functionality and high maintenance costs. While the web-based ACE portal has seen significant development progress, some of its uses have been limited because software for retrieving data has not yet been perfected, or in some cases it has capacity limitations or is simply not useful to participating agencies.

Despite government funding challenges, CBP is pushing forward with plans for the full development of core trade processing capabilities in ACE. The agency has set October 2016 as the start date for the use of ACE and the departure from the present system. But with 48 federal agencies participating in ITDS, each varies in states of readiness with some fully prepared and others not. Clearly there is work to be done for these agencies to meet the presidential mandate.

The 2006 SAFE Port Act obliges that ITDS data requirements be compatible with the commitments of the U.S. as a member of the World Customs Organization and the World Trade Organization for the entry and movement of cargo. Aside from reducing costs for traders and leveraging advanced trade data, perhaps the biggest benefit is that ITDS can use international messaging standards to enhance security by stopping risky shipments from reaching our shores, effectively extending the security perimeter of U.S. border enforcement. Shared data with other countries helps Obama employ technology to not only expedite trade but to carry out the most crucial congressional mandate to keep our nation safe. ACW