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Editor’s Note

Every link in the chain matters

Have you seen the December issue of *Inspire* magazine? Let me save you the effort and urge you to avoid it altogether. Although the title sounds like something out of the Martha Stewart or Oprah Winfrey publishing empires, *Inspire* is actually the official magazine of Al Qaeda.

In Issue #13, released in December 2014, the English-language propaganda screed focused on attacks on U.S. airlines. One article included a “recipe” for building detection-proof explosives, calling them “another meal prepared in the kitchen” that anyone can make. The articles also discussed which seats would-be terrorists should purchase and where to place bombs strategically to inflict the most possible damage. Previous issues also provided tips on improvised bomb-making from common household objects, such as using modified pressure-cookers – the same technique used by the terrorists who struck at the 2013 Boston Marathon.

Five years after the infamous 2010 Yemen bombing attempt involving the cargo holds of two airliners, our industry is still absorbing the shock waves of that wake up call. As we see in our security feature article on page 36, not a lot has changed technologically in the airfreight industry since 2010, but the awareness of the threat has moved security to the top of everyone’s priority lists, from the shippers to the forwarders to the ground handlers and airlines. When it comes to preventing terrorism, we’re only as strong as the weakest link in the supply chain.

Connections that have developed in recent years between forwarders and carriers have brought other rapid changes to the airfreight industry, notably the gradual shift of logistics power away from Europe and North America and toward the Persian Gulf region. In our cover story (page 24), we look at how the “Big 3” Gulf carriers – Emirates, Qatar Airways and Etihad – have grown their market share to such a point that their business decisions are having ripple effects throughout the industry. The recent switch to “all-in” pricing and the removal of fuel surcharges, led by Emirates and Qatar, is just the latest example of their rising influence.

We also take a deeper look into the increasingly intertwined relationship between air carriers and trucking companies (page 26). As road feeder services become more technologically advanced, we discuss how transportation companies around the world have merged their logistics systems to accommodate the differences between surface and air modes – some more successfully than others.

As these articles demonstrate, we in the airfreight logistics business may play different roles, but we are all connected more closely than we may imagine. We at *Air Cargo World* want to maintain that connection with our readers as well. Please write in, let us know how we’re doing and share your stories with us.

Randy Woods,
Editor, *Air Cargo World*
rwoods@aircargoworld.com
Etihad Cargo, winner of 2014 Air Cargo Industry Customer Care Award, is proud to announce the launch of SkyStables, the brand new bespoke service for your equine shipments.

Right from booking to arrival, SkyStables will guarantee a safe, comfortable and convenient journey for your valuable horses, giving you the peace of mind you require.

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Visit etihadcargo.com for more information.
Love is a big business. To get flowers, sweets and gifts to consumers by February 14, Cupid needed help from global logistics networks. UPS said it shipped more than 110 million flowers, or 10 million pounds, to florists around the United States in the weeks leading up to this Valentine’s Day. Many of the flowers came from Latin American countries, with more than 90 percent of the imported flowers traveling through Miami. UPS arranged for 40 additional flights to make sure they came out smelling like a rose.

Some drones with your tea?

While Amazon’s Jeff Bezos continues to fight the FAA over his plan to launch an air force of delivery drones, his chief rivals in China began testing the concept last month with five quadcopter drones, fitted to deliver ginger tea packages to 450 selected customers of Taobao.com, an online retail site operated by e-commerce giant, Alibaba. For a charge of 49-renminbi (US$7.84), customers were allowed to order within a 6.2-mile radius of the three cities taking part: Beijing, Shanghai and Guangzhou. Could this be the future of “last mile” delivery?

Mangoes anyone?

This past December, LAN Cargo set a new monthly record for the transportation of mangoes from Peru to Europe, shipping 525 tons of the tropical fruit using two 767 freighters. The mangoes were flown from Lima to São Paulo, where operations teams at Guarulhos ensured that the cold chain was maintained before onward shipment to Europe. LAN is responsible for transporting approximately 35 percent of Peruvian mangoes to Europe. Expect tropical salads to be a big hit this year in Parisienne cafés.

Century mark for 777F

On January 15, China Southern Airlines took delivery of the ninth of twelve 777 freighters it has on order with Boeing – the 100th delivery of a 777F. Boeing delivered the first 777F to launch customer Air France in February 2009, and has since delivered 99 more to 11 carriers and five lessors. Boeing says it has 44 outstanding orders for 777Fs.

Lifting lions

Two rescued lionesses traveled from Belgium to their new home in South Africa by way of Heathrow on January 20. The big cats, named Maggie and Sonja, made history by becoming the first lions to travel by Eurostar rail, before boarding the inaugural Kenya Airways 787 Dreamliner flight to Johannesburg via Nairobi. After landing in Johannesburg Jan. 21, Maggie and Sonja were taken by road to their new home at the award-winning Shamwari Game Reserve in Port Elizabeth, South Africa.

DHL’s vision of the future

Glasses tend to make people look smarter. Logistics firm DHL wanted to find out if wearing high-tech “smart glasses” could make their staff work smarter as well. In a pilot test the company recently completed in the Netherlands, DHL asked 10 of its warehouse staff to use various forms of “augmented reality” gear, such as Google Glass and VuzixM100, to guide them through the warehouse and identify items to be pulled – a method called “vision picking.” The results? By the end of the three-week trial, the staff reduced errors and boosted efficiency by 25 percent.
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What was the main reason ASL Aviation Group purchased Farnair?

Farnair’s business is very similar to the core activities of the ASL Aviation Group, making it a perfect fit for us. We have now combined the reach, assets and strengths of ASL and Farnair as we work to position ourselves as a competitive leader in the industry.

With Farnair, ASL has gained greater access to cargo markets in South Asia. What is your strategy for Asia in general?

As Asian markets expand, so our customers also expand their services, and we build our capability to meet the requirements of the major integrators as they grow their Asian business. This includes providing a platform that is equipped with aircraft, [air operator certificates], traffic rights and bilateral agreements.

Most of the airlines under Farnair operate for other carriers. Do ASL’s carriers offer any scheduled or charter service of their own?

At the moment we operate both scheduled and charter and ACMI passenger flights in Europe, South Africa and on trans-Atlantic routes. We would look at opportunities to introduce scheduled cargo operations, but only if they complemented our operations and would not impinge on our core business.

Will the acquisition of Farnair have an impact on the operation of your existing carriers?

We are already seeing a very positive impact, with complementary capabilities providing an opportunity to develop synergies throughout the ASL Group’s operations, enabling us to build and focus on centers of excellence.

How do your cargo services and passenger businesses work together?

Our passenger business is an excellent match for our core business. We largely use the same type of aircraft – variants of the Boeing 737 – and we apply the capabilities in our centers of excellence that are common to the operations, such as flight operations, technical and maintenance.

As part of your fleet renewal strategy, you have said you plan to convert Europe Airpost’s six 737-300QCs into freighters. Why?

This is more of an aging aircraft program than anything else. We have converted two QCs into pure freighters, mainly because those particular aircraft were getting older. At the same time, we have brought 737-700 Next Generation aircraft into the fleet.

How has the drop in oil prices affected ASL’s operations?

Any drop in oil prices is good for the economy generally, for business and of course for the aviation industry. However, at this time we consider that the current price fall may only be a short- to medium-term occurrence.

Now that the Farnair acquisition is completed, what are the greatest challenges that ASL Group faces?

The significant challenges are those facing the aviation industry generally, including the status of the eurozone and the value of the euro against the United States dollar and other major international currencies. Heavy regulation is also an issue, particularly in Western Europe, where a more light-touch approach to regulation would increase stability and promote growth.

What is your economic outlook for the airfreight industry in 2015 and beyond?

I think the outlook is very different for different parts of the world. Europe, unfortunately, will probably be flat for a while, and that is why we are looking beyond the continent to other accessible regions that will see growth, such as Asia, Africa and the sub-continent.
The Alaska International Airport System (AIAS) is comprised of Ted Stevens International Airport (ANC) and Fairbanks International Airport (FAI).

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The Alaska International Airport System (AIAS) is comprised of Ted Stevens International Airport (ANC) and Fairbanks International Airport (FAI).
January 5 was a small watershed for EVA Air. It was also a day that could have meaningful implications on how forwarders schedule cargo in the region.

The 747-400 used for flight BR868, which landed in Taipei that day, subsequently exited EVA’s fleet, marking the demise of combi aircraft from the lineup. Its retirement leaves Asiana the lone operator of 747 combis in Asia.

The 747 is also on the wane in EVA’s freighter lineup – now down from ten to eight units – although the MD-11Fs are heading for the exit faster.

“We will gradually take some MD-11 freighters out of service over the course of this year but that won’t have a significant effect on our freighter network or schedule. We will accommodate our air cargo customers’ consistent space needs by making full use of bellyholds on our passenger aircraft,” said Glenn Chai, executive vice president, corporate planning division.

Clearly, maindeck capacity is going to play a lesser role in the Taiwanese carrier’s strategy. But the question many shippers and forwarders would like to ask is: Will this reduce the role of cargo in EVA’s overall strategy?

“The global cargo market landscape has evolved over the last five years due to a number of factors,” Chai said. “More goods are transported intermodally. Bellyhold capacities have grown. Electronic products have become smaller and smaller. And demand for the kind of capacity provided by full-cargo freighters has fallen. We accommodated these trends by adjusting our freighter fleet and long-term plans.”

Rather than chase volumes, the focus at EVA appears to be shifting to ramping up load factors and targeting premium traffic more than before.

Indeed, the carrier’s monthly statistics show cargo revenues of US$987.3 million for last year, comprising 26.7 percent of overall revenues. In 2013 cargo accounted for 28.9 percent of total revenues. Tonnage was down 4.1 percent from the year before, but load factors rose from 82.64 percent in 2013 to 85.07 percent and the yield was up 2.6 percent.

“Our cargo business improved significantly in 2014, thanks to falling oil prices and greater trade demand. Our profits increased in Q4 2014,” Chai remarked.

One target area is the e-commerce sector, which offers opportunities for express traffic solutions. EVA is beefing up its sales force to get a larger piece of this pie.

Temperature-controlled moves are another key focus. To that end, EVA is initiating a master lease agreement with Envirotainer, Chai revealed. “With this infrastructure in place, we will launch cold chain services to major cities worldwide, including Amsterdam, London and Paris in Europe, Los Angeles, San Francisco and Chicago in the USA, and Taipei, Singapore and Bangkok in Asia,” he said. “We expect to commence our cold-chain initiative around mid-2015.”

The mix of longhaul and intra-regional traffic is not likely to change this year, he indicated. The latter accounts for about 37 percent of EVA’s overall tonnage.

However, Chai is decidedly more bullish on the trans-Pacific market than the intra-Asian arena. “We expect cargo

“More goods are transported intermodally. Bellyhold capacities have grown. Electronic products have become smaller and smaller ... We accommodated these trends by adjusting our freighter fleet and long-term plans.”

— Glenn Chai, executive vice president, corporate planning, EVA Air
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The cargo people.
volume to and from the USA to remain strong but intra-Asia demand appears to have less momentum because China’s economy is not as robust as it was, and Japan has not regained strength,” he added.

EVA’s belly lift to the U.S. market is set to go up in June with the launch of 777-300ER service to Houston. On the sectors to Vancouver, Toronto and Seattle, the carrier said it intends to step up its frequencies this year. Next year, EVA plans to start passenger flights to Chicago.

For EVA management, the 777-300ER certainly is the type to embrace. So far it has brought 18 into its fleet, replacing most of the 747-400 contingent, which is now down to three aircraft in passenger configuration. EVA has four more 777s on order, and has also been talking with Boeing about the 777X, signaling further interest in the 777 series.

The 777s bring ample belly capacity into the fleet as its maindeck space continues to shrink. Last year the reductions in its all-cargo fleet led to the suspension of freighter service to Tokyo and New York.

A recent recall of automobile air bags, paired with the ongoing West Coast port crisis in the United States, has provided another boon to airfreight charter flights from Japan, much like what happened to eastbound traffic from Asia to North America during peak season.

Air bags made by Takata Corp., a major Tokyo-based auto part supplier, which were installed in automobiles from model year 2002 to 2008, could deploy explosively, and are being recalled in as many as 18 million vehicles.

The problem is getting new air bags to the U.S. from Japan. A nine-month labor dispute has left U.S. West Coast ports with weeks-long backlogs, and Japanese automakers now have limited options, so they have begun working with forwarders to ship the parts by air. Fuji Heavy Industries Ltd., which makes Subaru cars, said in February that it had moved to chartered cargo flights to avoid U.S. production from coming to a halt.

About 42 airfreight charters from Japan to the U.S. were booked in February due to the port congestion caused by the International Longshore and Warehouse Union (ILWU) labor dispute and the air bag recalls. Japan Airlines, Atlas Air, All Nippon Airways and Kalitta Air are all reaping the benefits.

“Business Insider Australia” reported that the chief labor negotiator for the terminal operators warned that the West Coast ports were days away from complete gridlock in the first week of February. Union officials, in turn, played down the potential for shutdowns, suggesting management was exaggerating the situation as a negotiation tactic.

But the airbags and other auto parts have got to move. Six people in the U.S. to date have been killed by exploding Takata air bags, and 10 different automakers have recalled vehicles with the Takata air bags that are on either the driver’s or passenger’s side of the vehicle. –Linda Ball

Cathay Pacific Cargo Terminal has busy first year

In its first full year handling cargo, Cathay Pacific Services Limited (CPSL) reported that the new Cathay Pacific Cargo Terminal (CPCT), at Hong Kong International Airport, handled 1.45 million tonnes of cargo.

On Nov. 8, 2014, the terminal set its highest daily tonnage record of 5,476 tonnes of cargo processed. CPCT’s traffic was 54 percent transshipment. The percentages of import and export cargo tonnes throughout were 15 percent and 31 percent, respectively.

“2014 was Cathay Pacific Cargo Terminal’s first full-year of operations. With concerted efforts by our dedicated team, we were able to achieve the highest level of service performance that we promised our customers from the beginning,” said CPSL chief executive officer Kelvin Ko.

At CPCT, consignees can collect inbound cargo after its arrival within three hours for passenger flights and five hours for freighters. In addition, airlines can make transshipment connections at CPCT, within five hours, or three hours with prior arrangement.

The HK$5.9 billion CPCT opened in February 2013 and was designed and constructed by CPSL, a subsidiary of Cathay Pacific Airways, which also operates the facility under a 20-year lease agreement with HKIA. The new terminal has an annual air cargo capacity of 2.6 million tonnes. CPSL started providing ramp-handling service for freighters since July 2014.

CPSL currently serves seven customer airlines, including AirAsia, Air Hong Kong, Cathay Pacific Airways, Dragonair (a Cathay subsidiary), EVA Airways, Royal Brunei Airlines and Thai Airways. CPSL employs more than 1,800 people to support the round-the-clock operations at the terminal. –Linda Ball
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EUROPE

Frankfurt top dog again? Well, maybe.

By Roger Turney

Europe’s top cargo airport? Well, surely that would be Frankfurt. Or maybe Paris?

It’s a good question, because through last year both gateways were trumpeting the fact that their cargo figures for 2013 clearly showed they were each the busiest cargo gateways in Europe.

On paper, at least, Frankfurt appeared to be the underdog with 2.1 million tonnes of cargo handled, while Paris, combining the figures of Charles de Gaulle and Orly airports, came in at 2.18 million tonnes.

Game over? Well, not quite. Both figures contained airmail traffic, which put the French in front. But in terms of pure cargo traffic, it was apparently Frankfurt that won the day. So, yes both were able to claim victory – of a kind.

Now, it seems, they are going to be sniping at one another again. Frankfurt, confident of gaining overall supremacy, has reported figures for 2014 of 2.2 million tonnes. But wait, those Frenchies are at it again. Curiously, posting its results a month later than its German rival, Paris says its 2014 total was 2,201,726 tonnes, thereby just shading its Teutonic neighbors … again.

No doubt, the caveat of who handled the more pure cargo will once again be played to Frankfurt’s benefit.

But it is the German cargo hub that appears to have regained its self-confidence and self-belief. That confidence took a serious knock three years ago when a night flight ban was imposed on the airport, literally almost overnight. Take-offs and landings were banned between the hours of 11 p.m. and 5 a.m. The ban affected 17 nighttime cargo flights, of which about 11 were operated by Lufthansa Cargo.

The German carrier argued, in vain, that the ban would cost it US $45 million a year. It threatened to move its operations to another German airport, or even (mein Gott) another Euro hub, outside of Germany.

Three years later and, remarkably, Lufthansa Cargo is still fully entrenched at Frankfurt and even committed to building a new cargo terminal. It appears to have accommodated the imposition of the night flight ban and even managed to provide for the dispersal of five new 777Fs into its constrained schedules.

As a reward for quieter nights around the neighborhood, Frankfurt did at least gain the concession of an extra runway, opening just a day after the nighttime ban came in. But the issue of nighttime operations continues to stalk the airport. Calls have been made for the ban to be extended to what are described as the “shoulder hours” – one hour on either side of the current curfew.

As far as cargo is concerned, Fraport has set itself the daunting task of hitting the 3 million tonne mark by the end of 2020. Given that last year’s 2.2 million tonnes represented an increment of only 1.7 percent; that is quite a challenge.

But Frankfurt is definitely, and perhaps defiantly, on the move. Much of the airport’s cargo handling operations have shifted to the south. It is here, on what was an area largely covered by the former U.S. Air Force base, that Frankfurt’s cargo future is being built.

That has manifested itself most recently with the decision by Fraport to finally move ahead with a major expansion of what is termed CargoCity South. A 27-hectare site has been cleared, and bids called in to develop the first phase, which will cover about half of the site area. Would-be bidders are expected to include a mix of airlines, handlers and express operators. The first tenants are projected to move in around mid-2017.

Off the airport and adjacent to the airport’s newest runway, Fraport has a further 110-hectare area for development at its disposal. Known as the Monchof Logistics Park, this project is already being implemented, with the aim of providing logistics companies and other airport-related businesses the opportunity to acquire plots of between 5,000 and 100,000 square meters.

So far, more than 400,000 square meters has been allocated, with the goal of full site occupation by 2019.

MARCH 2015

ACW
Three powerhouses of airfreight and airport services have joined together to improve their cool-chain handling abilities. Oliver Evans, Swiss World Cargo’s chief cargo officer; Marco Gredig, managing director of Cargologic; and Alex Hungate, president and CEO of SATS, signed a memorandum of understanding Jan. 13, outlining the collaboration.

The three said they will focus on value-added services and improving performance at their facilities. They have agreed to foster good distribution practices (GDP) at Cargologic’s certified cool-chain facilities and SATS’ facilities across Asia to promote pharmaceutical and other temperature-sensitive airfreight for Swiss World Cargo. Specialized handling solutions will be implemented to ensure improved care of valuable freight for Swiss.

With this new alliance, the trio will share knowledge and best practices and promote the gateway, while at the same time aiming to improve its working processes. Initially, 15 companies signed up for membership, among them Lufthansa Cargo.

Fraport has the advantage over its French rival of being at the heart of Europe’s manufacturing base. But it is a noted curiosity that while 90 percent of all French airfreight flies via the two Paris airports, Frankfurt only attracts around 48 percent of all German airfreight traffic.

For the time being then, Frankfurt and Paris will, presumably, continue to argue over the top-dog spot in Europe… It must be one of them.

Continued on page 16

Swiss WorldCargo, Cargologic, SATS form partnership

Lufthansa Cargo not only dealt with Frankfurt’s night ban, it added capacity with 777Fs and is looking to build a new cargo terminal at the airport.

Typically, DHL Express Germany and Expeditors International are among the early tenants.

Fraport, though, is also a major cargo operator in its own right. Fraport Cargo Services (FCS) is the largest independent cargo handler at the airport, responsible for moving over 450,000 tonnes a year through its terminals, reflecting a 22 percent market share.

Those figures will be given a significant boost with the recent news that the company has won over the contract from a rival operator to handle the cargo business of China Southern Cargo. Operating five weekly 777F flights between Frankfurt and Guangzhou, and six to Shanghai, plus additional passenger services to Guangzhou, the airline is expected to generate annual volumes of 70,000 tonnes moving through FCS facilities.

But Fraport is by no means going it alone in plotting Frankfurt’s long-term future as Europe’s leading air cargo hub. Early last year, a new association, Air Cargo Community Frankfurt, was created with the intent of providing representation for all the major cargo players on the airport to help develop and promote the gateway, while at the same time aiming to improve its working processes. Initially, 15 companies signed up for membership, among them Lufthansa Cargo.

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But Fraport is by no means going it alone in plotting Frankfurt’s long-term future as Europe’s leading air cargo hub. Early last year, a new association, Air Cargo Community Frankfurt, was created with the intent of providing representation for all the major cargo players on the airport to help develop and promote the gateway, while at the same time aiming to improve its working processes. Initially, 15 companies signed up for membership, among them Lufthansa Cargo.

Frankfurt has the advantage over its French rival of being at the heart of Europe’s manufacturing base. But it is a noted curiosity that while 90 percent of all French airfreight flies via the two Paris airports, Frankfurt only attracts around 48 percent of all German airfreight traffic.

For the time being then, Frankfurt and Paris will, presumably, continue to argue over the top-dog spot in Europe… It must be one of them.

Continued on page 16
Continued from page 15

in IT, facility development, joint training, staff/management enrichment and joint innovation workshops.

Cargologic is a specialist in airfreight handling and has been a contractor to airlines and forwarding companies for more than 50 years. It operates in Zurich, Basel, Bern and Lugano in Switzerland, with a presence in Amsterdam and Brussels through its sister company, Skylink.

In business for over 60 years, Singapore-based SATS provides gateway and food services in 42 airports and 12 countries in Asia and the Middle East.

Swiss World Cargo, the airfreight division of Swiss International Air Lines, with its headquarters in Zurich, offers logistics services to approximately 120 destinations in over 80 countries. Part of the Lufthansa Group, it is supplemented by daily truck connections between key business centers in Europe.

–Linda Ball

In its tenth year of doing business, AirBridgeCargo (ABC), the scheduled-service subsidiary of the Volga-Dnepr Group, carried a record 401,000 tonnes of cargo in 2014, which is a 17.6 percent increase over 2013.

Investing in improvements at its main hub in Moscow, and reacting quickly to market changes, ABC averaged a load factor of 72.6 percent, which is above the industry standard. By adding an additional 747-8 freighter, ABC’s fleet now stands at thirteen 747 freighters, which includes six -8Fs.

ABC also added new routes to Dallas/Ft. Worth, Leipzig, Munich, Basel and Malmo, while adding frequencies to Chicago, Milan, Amsterdam, Hong Kong, Shanghai, Tokyo and Seoul. ABC offers 218 scheduled freighter flights a week to 11 countries and more than 400 connections, with a delivery time within 48 hours on most of its origin-destination pairs via the Moscow hub.

“Thanks to this growing support, ABC has been able to grow consistently with a compound growth rate of 11 percent over the last five years,” said Denis Ilin, ABC’s executive president. He said the company aims to further increase its network with additional destinations to support smaller, niche or even short-term project business opportunities.

“The geographic location of our hub in Moscow positions us perfectly to introduce services to literally any point in Europe and beyond. The global market will remain challenging in 2015 but I look forward with confidence that we will keep pace with the demand and opportunities that exist for us,” Ilin added.

AirBridgeCargo also added Helsinki, Finland, to its international network, with twice-weekly 747F service. The flights will operate from Moscow’s Sheremetyevo Airport to Helsinki, returning to Moscow via Frankfurt. The new service offers 48-hour connection opportunities for ABC’s customers between Asia and Helsinki. In the past five years, ABC has been one of the world’s fastest growing international cargo, airlines with a compound growth rate of 11 percent. –Linda Ball
Nordic countries quickly reach e-AWB milestone

In just five months, Scandinavia’s air freight sector collectively hit IATA’s global 22 percent target for adoption of electronic air waybill (e-AWB) technology in their cargo operations. Alexander Kohnen, Lufthansa Cargo’s director for Nordic and Baltic countries, made the announcement during his opening remarks at the Nordic Air Cargo Symposium in Stockholm last month.

Nine IATA member airlines – SAS Cargo, Lufthansa Cargo, Air France/KLM, Finnair, Korean Air, Cathay pacific, Qatar Airways and Emirates – have taken the lead in the Nordic market to implement the e-AWB for their air freight shipment. IATA’s vision is to see its members go 100 percent paperless by the end of 2017.

At the close of 2014, global e-AWB adoption stood at 24.9 percent. Denmark scored 23 percent, Finland 25 percent, Sweden 15 percent and Norway at 7 percent, which exceeded those countries’ combined goal of 22 percent. The industry total was 23.4 percent for December 2014, which was 2.3 percent more, month over month.

Implementing electronic airway bills involves the World Customs Organization (WCO), ground handlers, freight forwarders and airlines. The implementation is performed locally in each country, and the nine lead airlines have agreed to a single process for the forwarders to deliver cargo to the cargo terminals and ground handlers. This process completely eliminates the need for paper. –Linda Ball

Qatar’s new Pharma Express

Qatar Airways Cargo is introducing a new service this month, dubbed the “Pharma Express,” that will expedite pharmaceutical cargo from Brussels and Basel to Qatar’s network via the carrier’s Doha hub.

The two European cities are established pharmaceutical manufacturing centers, with Brussels Airport becoming the world’s first to be certified by the Center of Excellence for Independent Validators (CEIV Pharma) last year. Brussels and the surrounding area is home to 146 life sciences and biotechnology companies.

Pharma Express will be serviced by A330Fs. In January 2014, Qatar Airways Cargo launched QR Pharma – an airfreight service for pharmaceutical and healthcare products. QR Pharma offers temperature-controlled containers, designed to maintain a constant temperature throughout the entire transportation chain, keeping the product within a defined temperature band at all stages of the journey.

–Linda Ball

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This year, we expect to see an increase in perishable exports into Europe and an increase in intra-African transit cargoes from our Nairobi hub.

—Sanjeev Gadhia, CEO, Astral Aviation
Airlink, a humanitarian response organization, and its partner airlines, have responded to a severe flooding crisis in Malawi, caused by above average rainfall in January. Airlink brings pre-qualified nonprofits together with airlines.

The situation is dire, with 1.15 million people affected by the flooding and 336,000 of them displaced. It’s been reported that 176 people have died and hundreds more are unaccounted for. Crops have been destroyed and poor sanitation systems have been washed away.

All Hands, a 501(c)3, has already deployed six relief workers into the country. Airlink is working with the International Red Cross to bring in latrines to reduce waterborne illness while sanitation systems are restored.

For more information, please visit airlink-info.org/severe-flooding-response.

–Linda Ball

Two Djibouti airports planned, with Chinese funding

The tiny African nation of Djibouti measures just 23,200 square kilometers and is home to only about 800,000 people, but within a few years – and a little help from the Chinese – it expects to have two brand-new airport hubs large enough to handle 100,000 tonnes of cargo and 2 million passengers annually.

Located in the Horn of Africa, where the Red Sea meets the Gulf of Aden, Djibouti is vying for a piece of the lucrative long-haul international air traffic that has been increasing across East Africa and the Middle East in the last decade. At a January dedication ceremony in the town of Ali-Sabieh, the nation’s President, Ismaïl Omar Guelleh, kicked off construction of the first of the two hubs, located about 25 kilometers south of the capital, Djibouti City.

The proposed airport, to be called Hassan Gouled Aptidon International Airport, after Djibouti’s first president, is expected to open in 2018. It will be capable of catering to 1.5 million passengers and will have runways long enough for the Airbus 380. The second airport, to be named Ahmed Dini Ahmed International Airport, after one of the nation’s former prime ministers, is expected to open in 2016, to the north of Djibouti and will have an annual capacity of roughly 767,000 passengers per year.

With the help of funding from China Civil Engineering Construction Corporation, the Djibouti government said the cost to build both airports is estimated to be nearly US$600 million, as part of a larger US$5 billion investment in industrial and seaport infrastructure.

Other projects in the master plan include a direct rail link to Addis Ababa in neighboring Ethiopia, a petroleum and liquefied-natural-gas terminal, to open later this year, plus four new ports that will quadruple seafreight capacity to nearly 80 million tonnes per year.

According to a recent forecast by the World Bank, Djibouti’s economy is expected to grow by 6.5 percent this year.

–Randy Woods

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The Iditarod Trail Sled Dog Race, called “The Last Great Race,” has been held every year in Alaska since 1973. The race is the re-enactment of the dogsled freight route from Anchorage to Nome, Alaska, covering a distance of 1,049 miles in harsh, cold winter conditions. Before the advent of aircraft, dog sled drivers, known as mushers, delivered goods to isolated villages, and the race follows their historic path.

Just like those early mushers, Northern Air Cargo (NAC), Alaska’s largest all-cargo airline, also delivers goods in support of the race that celebrates their arduous journey. This year the ceremonial start is March 7 in downtown Anchorage, as usual, but the actual race will start in Fairbanks for only the second time in the history of the race, due to lack of snow. NAC will be there in its 33rd year of ferrying about 75 tons of dog food, sleds, kennels, snow machines, chainsaws, camera equipment, plywood, heaters, propane tanks, perishables and general gear to support the mushers and their dogs.

Dave Squier, the chief operating officer of Northern Air Services, NAC’s parent company, said weather and timing are the two main logistical challenges in staging the Iditarod. The duration of the race, for example, is a big variable. Winners have arrived in Nome after eight days, but the last musher might not come in for a month after starting, so it can be difficult to know how long NAC will have to have an aircraft ready to fly in new supplies.

The carrier uses a 737-200 freighter and a 737-300 freighter for the race, operating one flight a day, three or four days a week, to drop supplies at three hub locations along the trail – the towns of McGrath, Unalakleet and Nome, where the race ends.

No stranger to flying in sub-zero conditions, NAC, founded in 1956, flies to 14 points in western and northern Alaska. One of NAC’s largest customers is the Red Dog Mine, a zinc-lead mine in Northwest Alaska near Kotzebue, which NAC has been servicing for 20 years. The oil companies that are active in Prudhoe Bay, at the origination of the Trans-Alaska Pipeline, are also frequent customers.

NAC also provides flights for the Alaska Bypass, a federal mail delivery system for small, isolated villages. By avoiding the U.S. Postal Service, the bypass allows residents of those towns to ship and receive goods for far less than commercial rates. Squier said bypass mail is more than just letters; it must be a minimum of a thousand pounds and is often supplies for grocery stores and restaurants.

But NAC is also tied to freight routes in much warmer – even tropical – climes. When Hawaii’s Aloha Airlines went bankrupt in 2008, Saltchuk Resources, which bought NAC in 2006, bought the airfreight portion, Aloha Air Cargo, based in Honolulu. Squier said it is predominantly inter-island service, with one weekly frequency between Los Angeles and Hawaii.

NAC also operates expedited on-demand charters, mostly carrying auto parts between the U.S. and Mexico. Approximately 68 percent of cargo on NAS carriers is freight and 32 percent is mail.

In recent years, NAC has experienced a growth spurt. The addition of Aloha and the L.A.-to-Honolulu route, ground handling services for Shell Oil’s passenger terminal and a four-year contract with the U.S. Postal Service to carry international mail are just a few of the new roles the company has taken on.

“Every piece of the company is growing,” Squier said. He said that MRO subsidiary Northern Air Maintenance Services (NAMS) has also taken on maintenance support for Conoco Phillips aircraft that service Anchorage, Fairbanks and Prudhoe Bay.

Squier is new in his role, having previously served as vice president of cargo services for NAC and, before that, as manager of ground operations in Anchorage for Alaska Airlines.

This month, however, all eyes will be on Alaska, which is the heart of the Northern Air Cargo operation. NAC is one of the earliest sponsors of the upcoming Iditarod, said Stan Hooley, CEO of the Iditarod Trail Committee. Each year, at the annual “musher’s banquet,” the carrier gives away a brand-new ATV to one of the mushers who completes the formidable journey. NAC also awards the musher who displays the best sportsmanship and spirit with the Herbie Nayopuk award, named after an Iditarod legend, in addition to $1,049 in one-dollar bills stuffed in the pockets of a Carhartt jacket.
DHL Global Forwarding finishes Chicago facility

DHL Global Forwarding, the forwarding arm of Deutsche Post DHL, completed construction of its US$35 million, 491,000-square-foot container freight station in Chicago, which will be the company’s largest cargo facility in the United States.

The three-story building, containing both office and warehouse space to hold 500 workers, is located in Chicago O’Hare International Airport’s cargo zone and took about a year to complete. Part of the building has been designated a Foreign Trade Zone, which is a secure area under the supervision of U.S. Customs and Border Protection and considered outside the customs territory of the U.S. for the purpose of duty-payment.

The DHL facility has also been validated by the Customs-Trade Partnership Against Terrorism and is certified by the U.S. Transportation Security Administration as a cargo screening facility. By the second quarter of 2015, the facility is expected to be designated by the Transported Asset Protection Association-Americas, as meeting federal security handling guidelines.

The new facility includes two temperature-controlled chambers, totaling 10,000 square feet, plus a 1,000-square-foot ambient-temperature receiving area. These areas are designed to handle pharmaceutical, biotech or medical products, and the new Chicago facility is one of eight certified Life Sciences Stations that DHL has completed in the U.S.

FedEx Trade Networks rolls into Latin America

FedEx Trade Networks, the freight forwarding and customs brokerage segment of FedEx Corp., is adding to its trade lanes with Mexico and South America.

There are two new routes originating in Frankfurt, Germany; one goes to Mexico City and Guadalajara and the other flies to São Paulo and Campinas, Brazil. Other new trade lanes are Hong Kong to Mexico City and Guadalajara; and Dallas to Mexico City, Guadalajara and Monterrey.

“Mexico and Brazil are two strong examples of key markets for the automotive, aircraft and electronic industries, and we are very focused on providing total end-to-end international freight forwarding solutions and greater market access in the area,” said John Gazitua, managing director for FedEx Trade Networks, Latin America-Caribbean region.

The Germany-to-Mexico forwarding program bridges European businesses to manufacturing and high-tech hubs in Mexico. The service consolidates and moves cargo from Frankfurt International Airport to Mexico City and Guadalajara.

Frankfurt to Brazil delivers goods to both Guarulhos and Viracopos Airports in São Paulo. The air consolidation service also helps customers avoid delays by having consignees and their brokers verify shipping documents before arrival.

The Hong Kong flights go into Mexico City and Guadalajara five days a week.

The U.S.-to-Mexico trade lane also includes moving cargo from FedEx Trade Networks in Dallas to Mexico City, Guadalajara and Monterrey airports by truck.

In addition to airport-to-airport service, FedEx trade networks provides airport-to-door, door-to-airport and door-to-door pricing options.

Commenting on the expansion of services to and from Latin America, FedEx Trade Networks said that trade between the Asia-Pacific region and Latin America has grown at an average annual rate of 20 percent for more than a decade, while trade between the European Union and Latin America has doubled to approximately US$280 billion in the past 10 years.

~Randy Woods

In addition, the DHL facility is in the process of obtaining a Leadership in Energy and Environmental Design (LEED) certification, a third-party verification program for energy-efficient buildings. Some of its “green” aspects include high-efficient light and water fixtures, use of drought-resistant plants in the landscaping, spaces for bicycle storage and fuel-efficient vehicles, and use of materials with low-emitting indoor-air contaminants, among others.

~Linda Ball
Airlines

Managing director of *Air France-KLM Cargo*, Erik Varwijk, has resigned, effective March 1, after 25 years with the carrier. One possibility to replace Varwijk is Marcel de Nooijer, managing director of Martinair and EVP KLM Cargo. “I am very grateful for the many wonderful years with KLM, the opportunities it has offered me and the excellent co-operation with such diverse and dedicated colleagues,” Varwijk said.

*United Cargo* has appointed Jacques Leijssenaa as vice president, cargo sales, Europe, Middle East, India and Africa. Leijssenaa will report to United Cargo president Jan Krems. Previously, Leijssenaa had 18 years’ experience at *Air France/KLM Cargo*, most recently as director, Italy and Switzerland. Jim Bellinder, will serve as vice president, cargo sales, Americas; Miro Renfer will be vice president of cargo sales, Asia Pacific; and Helen Kristensen will be managing director, cargo sales, strategic accounts. Additionally David O. King was appointed as managing director, cargo pricing, revenue management and sales strategy, and Rick Fall, a 45-year veteran of the airline industry, has retired.

Dave Squier is the new chief operating officer of Alaska-based *Northern Aviation Services (NAS)*. Previously, Squier was vice president of cargo services of NAS subsidiary airline *Northern Air Cargo (NAC)*. Sami Glascott, former sales director for NAC, was hired as chief operating officer of the company. Brian Heath has assumed the position of general manager of ground services firm and NAC subsidiary *Northern Air Maintenance Services (NAMS)*. Bob Reith, former director of ground operations for NAMS, has been named director of Deadhorse, Alaska, operations for NAMS. Lorrie Rogers, formerly from *PenAir*, has joined the NAC staff as manager of technical publications.

*Alaska Airlines* has hired Sangita Woerner as vice-president of marketing, overseeing the company’s strategic marketing, advertising and branding programs. Woerner will be responsible for brand strategy and identity, advertising, media planning, initiatives targeted to specific customer segments and credit card marketing and loyalty programs.

Anna Thompson will be the new director of flight operations for *Cathay Pacific Airways* effective April 10, with responsibility for all aspects of the airline’s flight operations. Thompson, formerly COO of all-cargo carrier Air Hong Kong, in which Cathay holds a majority stake, replaces Richard Hall, who is retiring from the airline after 27 years.

Mike Duggan has been named the director of sales for *Saudia Airlines Cargo*, based in Jeddah. Duggan has over 23 years of aviation experience, working mainly in London and Dubai, including business development, aircraft wet leasing and freighter management.

Steve Hughes will fill the newly-created post of vice president sales, trans-Atlantic, for *Virgin Atlantic Cargo*. Previously, Hughes was regional vice president, sales, for Europe, Middle East and Africa at Virgin. Neil Vernon is the new vice president of sales, international, for Virgin. Nick Jones, head of sales at Virgin Atlantic Cargo, said Marie Epstein, regional vice president, sales, Americas, will be leaving the airline due to the changes in sales structure.

Third Parties

Lilian Chan the executive director of Hactl, became the cargo handler’s “Global Ambassador” as of February 1. Previously, she was the commercial head of Hactl. Chan will now focus on maintaining and developing customer relationships on a global basis, representing Hactl at key industry conferences and events. Chan’s successor as Hactl’s executive director of commercial and business development will be Vivien Lau, former managing director of Hacis (Hactl’s added-value logistics subsidiary).

Peter Scholten, formerly of Saudia Cargo, has joined *Fast Logistics Solutions Group* as CEO. Based in Dubai, Fast Logistics was founded in January of this year, and is a holding company for Fast Forward Cargo, First Priority Cargo, Fast Forward Solutions and several other companies.

*CHAMP Cargosystems* appointed Arnaud Lambert as its chief executive in February, taking over the reins from John Johnston. Most recently Lambert was vice president for global solutions, delivery, and has been at CHAMP since it was founded in 2004.

Dirk Schmitt has been named the new CEO of *Swissport Cargo Services* in Germany and Austria, for Swissport International. His position will include running Swissport’s cargo operations at nine online airports as well as several subcontracted European stations. Schmitt took over the post from Peter Kohl, who is moving to Johannesburg, South Africa, to fill the position of managing director of Swissport’s ground and cargo handling organization.

Thomas Vansittart joined *AerSale* as director of airframe material sales for the company’s Europe and Middle East regions. Vansittart, previously with *Virgin Atlantic Airways* for 15 years, will be responsible for leading AerSale’s airframe materials team, based in the London and Dublin offices.

Associations

The British International Freight Association has awarded its winners of the 2014 Freight Service Awards. The winners (pictured left to right) include: *James Circus* of Estuary Logistics (Ocean Freight); Amanda Brennan of Samskip (Environment); John Fludder of Panalpina World Transport (Project Forwarding); Dan Smith-Cox of Freightex (European Logistics); Jenifer Taylor of Santova Logistics (Young Freight Forwarder); Helgi Ingolfsson of DB Schenker (Special Services); Michael Hansen of DSV Air & Sea (Air Freight); Phil Sugden of Allport Cargo Services (Supply Chain Management); and Charles Hogg of Unsworth Global Logistics (Staff Development).
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ARE THE BIG 3 GULF CARRIERS THE NEW HUB OF GLOBAL FREIGHT LOGISTICS?

By Randy Woods
For many months after the price of oil began its rapid descent last June, shippers and forwarders were clamoring for cargo carriers to drop the added fuel surcharges in their freight rates. With oil selling below US$50 a barrel, it became much harder to justify the surcharge as a hedge against price fluctuations.

On Dec. 31, 2014, one airline, Emirates SkyCargo, took action by announcing in a letter to customers that it was dropping its fuel and security surcharges and would go to an “all-in” rate as of February 1 for shipments in and out of Europe and for all global customers on March 1. About two weeks later, close rival Qatar Airways made its own all-in announcement that it, too, would abolish its fuel and security surcharges on its freight rates by spring.

Not long after Emirates and Qatar made their all-in announcements, a ripple of general approval swept through the freight forwarding industry. Organizations such as CLECAT, FIATA, the British and Canadian international freight forwarders’ associations, the European Shippers’ Council, TLF Overseas and others said, in effect, “it’s about time,” calling for other airlines to follow suit. Then in February, IAG Cargo announced that, “at the start of the summer season 2015,” it would be the next major carrier to join the all-in bandwagon, and the first based outside the Middle East. SAS Scandinavian airlines also announced that they were rolling their surcharge into their single rate.

Emirates and Qatar are separated by a mere 400 miles along the southern arc of the Persian Gulf. The all-in decision is only the latest move by these rapidly growing Gulf carriers that could have major ramifications for the airfreight industry. These two cargo giants – along with a third carrier, Etihad, located on the same arc – have been dominating the global cargo market for years. In its report of the November 2014 peak season figures, IATA found that 64 percent of the increase in global freight capacity that month, year over year, was attributable to just Middle Eastern carriers, as well as 38 percent of the increase in total freight tonne kilometers.

Over the last ten years, Emirates, Qatar and Etihad – the “Big 3,” as they are known – have ordered an almost unbelievable number of aircraft, including a record 450 widebody orders at the 2013 Dubai air show. Through their ever-expanding hubs in Doha, Abu Dhabi and Dubai, the Big 3 have capitalized on open skies agreements and relentlessly driven more freight through their vast supply of cargo holds – usually at the expense of the less-financially-stable European carriers.

“At the pace at which they are growing, they’re getting a new aircraft roughly every month,” said David Phillips, CEO of Dubai-based forwarder Freight Systems Co. Ltd. “If I was getting a new plane every month, I’d make sure that I had cargo going into the belly. And they have been filling bellies from Europe.”

Clearly, the fulcrum of global airfreight has slowly drifted eastward for years, away from Europe and toward the enormous Chinese market. Today, the center of gravity appears to be settling over the Gulf region and the Big 3. Has the triumvirate of Emirates, Qatar and Etihad reached a point where their decisions can change the course of world trade? After a decade of solid, double-digit annual growth, how long can the Big 3 maintain this influence? The fuel surcharge debate may indicate where the cargo center of gravity can be found in 2015 and beyond.

All in on all-in?

So far, the one-rate revolution hasn’t quite been a cascade. Etihad had not yet weighed in on the fuel surcharge

Cargo is like water – it always goes the easiest way. All-in makes it easier to do business, and when you do that you get more business.”

– Thomas Mack, senior vice president and head of global airfreight, DB Schenker

Continued on page 26
“We had a lot of frustrations with the surcharges. Shippers demand stability in pricing, and all-in gives you that,” Mack said. But, he added, despite their size, the Big 3 have been nimble enough to remain responsive in the long term, compared with the European carriers. “When you need extra capacity, they have enough flexibility in their network to make it available during times of high demand.”

“Long-term, change with the prior approach is needed,” said Vito Losurdo, vice president, global airfreight services, for UPS. “There needs to be logical linkage to the price of jet fuel that is more in sync with what’s going on in the market. We are in another period of transition.”

Losurdo, however, didn’t think Emirates, Qatar or SAS would gain much more business from forwarders from the rate change because the whole airline industry competes from a market-share perspective.

Possible pitfalls

While a drop in surcharges seems to make great sense right now, with oil prices expected to remain low at least into the second quarter, a few forwarders have expressed some misgivings if more dominoes begin to fall and all-in sweeps the industry too quickly.

“First of all, the method of how carriers administer the all-in rate will likely vary quite a bit by carrier,” Losurdo said. “That will be a challenge for forwarders and shippers. It’s going to take time for forwarders to implement the change. There will surely be discrepancies in how we change our traditional agreements with shippers.”

Some carriers, he added, will also likely “be adamant that they will continue with the current methodology” and hold onto their surcharges as long as possible. “For carriers, if the price of oil goes back up, they may try to raise the all-in rates, but in the past they could not pass on increases fast enough. I think the same might happen here again.”

One of the Big 3’s emerging competitors, Turkish Airlines (see sidebar), was ambivalent about changing the surcharge model. “Last week, I had a meeting with airline executives about...”

From Riches...to More Riches

The rise of the Big 3 in the Gulf is best appreciated by understanding just how little time the carriers have been in existence.

- **Emirates** – This is the granddaddy of the Big 3, at the ripe old age of nearly 30 years. When it was launched in October 1985, Emirates flew out of Dubai, United Arab Emirates, with just two aircraft – a leased 737 and an A300 (seen at right). Today, Emirates is the world’s largest international airline by capacity, with more than 220 widebody aircraft and nearly 300 more on order. Emirates SkyCargo operates dedicated cargo flights to 20 destinations.

- **Qatar Airways** – The flag carrier of Qatar began as a regional carrier in 1994, but was re-launched with four aircraft in 1997 by the country’s Emir Sheikh Hamad bin Khalifa Al Thani, who set it on its path of rapid growth. Today, the Doha-based airline has more than 150 aircraft in operation, plus nearly 250 more on order.

- **Etihad** – Etihad was launched via royal decree by Sheikh Khalifa bin Zayed Al Nahyan in 2004 as UAE’s flag carrier. From its Abu Dhabi base, Etihad Airways now flies to 111 passenger and cargo destinations, with a fleet of 110 Airbus and Boeing aircraft, and more than 200 aircraft on firm order. Etihad is also planning a new, 2.5 million-tonne-capacity cargo terminal at Abu Dhabi International Airport by 2025.

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the all-in topic,” said Halit Anlatan, vice president of sales and marketing for Turkish Cargo. “They said it would be ‘not easy’ if we did, especially if there’s a fluctuation in prices. Most of the experts say in 2016 we’re going to see oil rise back to US$80 to perhaps US$100 per barrel. But if the condition of the market generalizes, we are flexible for customizing if we need to.”

DB Schenker’s Mack, however, said this expected confusion could be a silver lining for carriers as large and as sophisticated as the Big 3. “As Emirates keeps adding capacity to their fleet, it will become eventually more and more difficult to maintain their flexibility,” Mack said. “But I do not see that happening for the next three or four years. They have always been able to manage their growth, and we are confident that they will continue to maintain their customer focus in the future.”

**If you can join ‘em, beat ‘em**

Beyond the surcharge issue, one of the more effective ways the Big 3 Gulf carriers have been able to beat the European and Asian carriers is to be strategic in the types of alliances and partnerships they develop and to take advantage of access to new markets.

Emirates, for instance, has chosen to go it alone and not join any of the major alliances. But in 2013, it partnered with Qantas Airlines and now flies 14 times a day from Australia to Dubai. From there, the Dubai carrier was able to secure more destinations in the South Pacific and Australian markets, while Qantas gained greater access in Europe, the Middle East and North Africa.

In 2012, Qatar Airways became the first of the major Gulf carriers to join an alliance – in this case oneworld – and immediately benefitted from a wider east-west network. Qatar Airways Cargo and its oneworld partner IAG Cargo later signed a block-space agreement with IAG’s British Airways on a five-times-weekly 777F Hong Kong-London service. This year, Qatar purchased a 10 percent stake in IAG, worth about US$1.7 billion. It is expected that Qatar will be able to gain a greater foothold in the coveted North and South American market through IAG Cargo later signed a block-space agreement with IAG’s British Airways on a five-times-weekly 777F Hong Kong-London service. This year, Qatar purchased a 10 percent stake in IAG, worth about US$1.7 billion. It is expected that Qatar will be able to gain a greater foothold in the coveted North and South American market through its oneworld partner, British Airways.

“I talked with one of the Gulf carriers recently,” said David Phillips of Dubai’s Freight Systems Co. Ltd. “I asked them, ‘Who’s your biggest carrier competitor?’ He said, ‘Turkish Airlines. They are our real competition.’”

Like the Big 3, Turkish has geography on its side. With one foot in Europe and the other in the Middle East, Turkish’s hub in Istanbul is also a major crossroads of the world. For instance, its Turkish Cargo division recently increased its freighter frequencies to Bulgaria and Hungary and is also setting up a truck feeder operation to Budapest.

“Our general strategy is to catch passenger flows passing through our country,” said Halit Anlatan, vice president of sales and marketing for Turkish Cargo. “About 60 percent of that flow is east-west.”

Turkish Cargo has a network of more than 260 destinations. By 2020, Anlatan said the carrier wants to reach 1.5 million tonnes of cargo handled and increase its freighter fleet from 9 to 15.

In the headlong fight for cargo market share, Turkish is ready to scrap for it. Last month, the carrier cleared a major hurdle by opening a new cargo terminal at its Istanbul hub. With an annual capacity of 1.2 million tonnes, the facility has 250 percent more operational space, measuring 45,000 square meters; Dubai World Central, Anlatan added, only has 35,000.

“Turkish has been very aggressive,” Phillips said. “They do a large amount of trade between the U.S. and India. Their operation in Istanbul is much better now. They’re going to be a really big player.”

In Turkey, government spending on airlines and aviation is about 3 percent of the nation’s US$800 billion total GDP. “But then look at Dubai, where aviation spending is about 28 percent of GDP. I don’t want to say that we can’t eventually reach that, but that’s tough to beat,” Anlatan said. “By the end of 2018/early 2019 we will be the world’s biggest airport.”

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IAG’s strength there. At the same time, IAG will also be able to go the other direction and penetrate deeper into South Asia and the Middle East.

Etihad, meanwhile, entered into an agreement with Colombia’s Avianca Cargo to provide twice-a-week 747-8F service from Malpensa in Milan, Italy, and Bogotá, Colombia. And by taking a 49 percent stake in Alitalia last year, Etihad is boosting the Italian carrier with new routes to North America and Asia while also funneling more Alitalia traffic through its Abu Dhabi hub.

For many North American and European carriers that have neither the funds nor the capacity to develop these partnerships, many of the old accusations about “Middle East subsidies” and the alleged unfair advantages they enjoy are resurfacing again. While the Big 3 carriers do enjoy huge natural advantages just by operating in the crossroads of the world and operate under oil-rich governments that build massive airports, they have always insisted that they operate as independent businesses – separate from their governments and each other – and purchase fuel the same way any other carrier does. As Emirates is keen to point out, virtually all big North American carriers have benefited by government bailouts via Chapter 11 – often more than once.

In recent months, the rhetoric has become even more heated. In December, Lufthansa and Air France-KLM jointly wrote the European Commission asking it to investigate allegations that Middle Eastern carriers are unfairly distorting the market with government subsidies. Meanwhile, in the U.S., Delta, American and United recently launched a campaign to revise long-standing open skies agreements, calling on the federal government to limit access to Middle East carriers’ access to U.S. destinations, cap the number of flights that can be operated and impose capacity restrictions, specifically on the Big 3 Gulf carriers.

Listen to the customer

After the sniping is done from across the Atlantic and Mediterranean, however, Freight Systems’ Phillips says that few people would deny that the Gulf carriers have provided exceptional service. “[Emirates has] made a wonderfully successful airline,” he said. “I’m a passenger of theirs almost every week. I can reach anywhere in the world without stopping. They have a very long-term vision, and put a lot of thought into connections to the subcontinent of India.”

That’s the key factor to remember, forwarders say. No matter how large the Big 3 gets, they can only remain influential in the cargo world if they continue to serve the customers who fill their belly space. And customer service will likely be the ultimate decider of how the all-in rates will play out.

“I’ve been hearing for a long time that if Middle East carriers get too dominant, they may get cocky,” Phillips said. “They have to remember that the forwarder is the customer. This is a business built on relationships, and they are playing on an open field. The customer knows what’s going on.”

European and North American carriers may gripe, but they won’t be driven out of business unless they ignore their customers, he added. “Emirates has come in with competitive pricing and dependable service. They’re certainly getting a piece of our pie.”

Price structures should not be decided entirely by the carriers, said Turkish’s Anlatan. “It’s up to the local markets. Some customers are talking about all-in, but not everyone. There will always be customized rates for different customers. We wouldn’t want it to be one general policy around the world.”

“My gut feeling? I think all-in is going to spread everywhere,” Phillips predicted. “Some airlines will take a longer time to adopt the new system. Some may say, we’re going to stick to the three-tiered structure because that’s what we know.”

“For a certain period of time, there will be an advantage to those that do go back to all-in,” said DB Schenker’s Mack. “But only up until most of the industry adopts it.” Most carriers, he predicted, will likely drop their fuel surcharges within the next six months.

“Cargo is like water – it always goes the easiest way,” he added. “All-in makes it easier to do business, and when you do that you get more business.”

– David Phillips, CEO, Freight Systems Co. Ltd.
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Last fall, Air New Zealand flight NZ057 was at the terminal on Fiji’s Nadi International Airport, preparing for a three-hour flight home to Auckland. For this leg of the flight, the cargo handler, Air Terminal Services (ATS), owned by the Fiji government, was tasked with loading 13 ULDs full of 27 tons of cargo into the belly of the 777 passenger wide-body, bound for destinations in New Zealand and Australia.

As the pushback time approached, however, the scales used by ATS broke down, making it impossible to take an accurate weight measurement for 11 of the 13 containers. ATS called NZ’s regional head of cargo operations, Pradip Singh, to ask what steps to take. Singh, who was playing a round of golf at the time, told ATS to go ahead with loading and rely on the accuracy of the air waybill. Even though the waybill had provided weights from an earlier measurement, this was a clear breach of protocol. Since 20 of the 27 tons on the waybill were labeled “perishable,” Singh later admitted that he didn’t know what he would do with the perishables and was concerned with upsetting the shipper, the forwarder and the airline. So, from the golf course, he gave the flight the green light to depart.

The weakest link

This time, Air New Zealand, ATS and the whole airfreight industry were lucky. NZ057 left Fiji on Oct. 11, 2014, and landed in Auckland without incident. Had the containers been overweight, they could have compromised the 777’s stability during takeoff. By skipping the pre-flight weigh-in, the handlers also could have missed one last chance to discover a potential bomb or other dangerous cargo that could have been sneaked on board.

Most incidents like these never see the light of day. The story of NZ057 was made public only because the internal Air New Zealand report was leaked to Australia’s Fairfax Media and reported on several New Zealand news outlets earlier this year. Although most international security agencies keep a tight lid on specific information regarding air security failures, lest terrorist organizations use the information to gain an advantage, the Fiji case is further evidence that weak links in the safety chain break occasionally.

During the ensuing internal investigation of the decision, Singh said that this was not the only time a load of cargo had left Nadi without being weighed, as ATS’s scales had malfunctioned before. (Singh was reprimanded for a safety violation but not fired, considering his 24 years of otherwise exemplary service.)

Cargo handlers must make tough choices every day as they load countless pallets and containers into bellyholds and freighters. While the only real method to ensure that all loads are 100 percent safe involves hand-checking every load, to do so would instantly drive the airfreight industry to a halt. Finding a balance has been the ultimate goal.

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Ever since Al-Qaeda terrorists in Yemen planted two bombs that were discovered in the cargo holds of two separate passenger planes on the ground, both bound for the United States in 2010, the industry has been rushing to add safety standards and beef up security at cargo handling operations.

TSA developed the Certified Cargo Screening Program (CCSP), requiring freight forwarders and shippers to be certified to pre-screen 100 percent of cargo entering the U.S. prior to arrival at the airport. In Europe, the similar ACC3 regulations require screening for any air cargo or mail carrier operating into the European Union from a “third country airport.”

This year will mark the fifth anniversary of the “wake-up call” of those two printer-cartridge bomb attempts. Are we any safer now than we were five years ago?

Building a better mousetrap

Jason Gash, director of technical sales with Smiths Detection, is quick to answer: “Yes, we’re safer now than we were five years ago,” mostly because the awareness raised by the Yemen incident has galvanized the industry.

Smiths Detection, a London-based manufacturer of screening equipment, is one of the leading suppliers of air cargo screening equipment for airlines, airports, shippers and forwarders. “With the rate of countries buying our equipment, this is definitely a safer environment today,” he added.

In the last five years, no revolutionary imaging technologies have emerged commercially to detect explosives and other materials that could bring down an aircraft, but there are still very effective ones being used with conventional technology.

X-ray scanners are still the “crème-de-la-crème” of cargo inspection, Gash said. The two main Smiths machines used specifically in the airfreight world include the Hi-Scan 145180 2is, which can screen a full pallet of cargo, and the Hi-Scan 180180 2is PRO, which can screen an entire LD3 container.

Both screeners have a cycle time of about 15 seconds for each item.

Recently, Smiths made a small improvement to its Hi-Scan units by moving the X-ray generator from the top of the machine to a spot to the side, giving the operators a better horizontal view of each pallet or container that passes through, and producing a magnified image for the operator.

French manufacturer Morpho Detection also manufactures a popular palletized cargo X-ray screener, the HRX 1800, which can accommodate pallets measuring 180 x 180 cm, said Jennifer Haigh, Morpho’s strategic accounts manager for air cargo.

At Morpho, Haigh says one recent innovation is the integration of electronic trace detection (ETD), which searches for the presence of minute particles of explosive residue, into the company’s X-ray machines and into the cargo platform. Known as the Itemizer DX, the ETD unit uses a small wand that operators brush against the surface of a suspected item. The swab tip of this wand is then inserted into the unit, where it is heated until the particles are vaporized, ionized and categorized to determine whether they came from a known explosive compound.

Morpho says more than 3,000 Itemizer DXs have been deployed to airport baggage screening areas since 2010. Haigh says a new Itemizer 4DX model, designed for cargo detection operations, will be “coming very soon.”

Smiths also produces an ETD unit, called the Ionscan 500, which uses radioactive technology. However, Gash said the new Ionscan 600 units, developed last year, contain non-radioactive materials, so the 23-pound portable ETD analyzer is not subject to licensing issues with the various national nuclear regulatory agencies.

On the front lines

Scanning machines at nearly every level of the supply chain have become
just another part of the airfreight landscape, but perhaps nowhere is the idea of security more tangible than at the cargo-handling facilities themselves, where the pallets are actually loaded into aircraft and trucks.

“The industry has become much more aware of the risks,” said Kelvin Ko, CEO of Cathay Pacific Services Ltd. (CPSL), operator of the Cathay Pacific Cargo Terminal at Hong Kong International Airport. “We’ve created a system that balances commerce and security and makes sure it’s the safest possible environment.”

At just over a year old, the new Cathay Pacific Terminal has not experienced any security issues, but safety was built into it from the ground up, Ko said. More than 1,000 HD security cameras have been installed in the US$6 billion facility, designed to handle 2.6 million tonnes of cargo per year. The automated storage and handling systems ensure that very few people have to enter the building, “except for a limited number of engineers,” Ko said.

The few who are allowed in the facility must be permit holders, with a scan card and photo ID. Each worker’s card is checked against the main database for each entry, with photo analysis software used to confirm the person’s identity. There are also metal detector machines for anyone going into or out of the cargo area.

The scanning machines used at Cathay’s terminal have two X-ray generators, so they can view a pallet from two angles as it passes through, providing a more detailed picture of the contents. “To some extent, it is effective,” Ko said. “We don’t know better technology out there to scan pallets, combined with highly trained operators and intelligence reports.”

“A lot of what we do is transshipments,” Ko said. “Many of the airlines are in the Cathay Pacific Group and use a common protocol, so the risk level for air-to-air and air-to-land transfer is OK – at least it’s manageable.” But cargo coming from a truck has far more variables to consider, and is therefore considered a higher-risk, so it is subject to U.S.-style 100 percent screening.

“Our perspective as a cargo terminal is that we are the last gate before the shipment is put on board an aircraft,” Ko said. “We like to go over and above the minimum regulations. If everyone took security really seriously, the minimum legal requirements would be sufficient. But it’s only if everyone takes it seriously.”

**Getting to know you**

If anyone is going to get the industry to take security more seriously, it’s probably Harald Zielinski, head of security and environmental management at Lufthansa Cargo. At Frankfurt Airport in Germany, Zielinski also has...
a complex web of security fences, cameras, restricted areas and other measures in place at Lufthansa’s cargo facility to keep what is sometimes called the “Fortress Frankfurt” safe.

While he – along with most security experts contacted at other facilities – declined to share many details of Lufthansa Cargo’s operation, Zielinski said that most of the carrier’s efforts boil down to a combination of X-ray screening, hand searching suspicious loads and the use of bomb-sniffing dogs to detect trace amounts of explosives. “It depends of the commodity if we decide to use the dogs,” he said. “Some types of cargo can’t be X-rayed, so we also rely on hand searches and the free-running dogs.”

A former police officer from the streets of Frankfurt, Zielinski doesn’t mince words about the status of cargo security in the EU and the rest of the world. While a significant amount of progress has been made with the CCSP in the U.S. and ACC3 compliance in the EU, he says he’s not satisfied with the amount of activity on the part of consignors who work with carriers to become certified under the various screening regulations.

“Security measures have increased, yet still account consignors have lagged behind – it’s a shame,” he said. “Participation is not as good as I would wish.

“You have to stay in contact with big shippers,” Zielinski said. “We know their procedures, their customers’ procedures and the different screening devices they use. It’s important to know who our main customers are.”

Lothar Moehle, director of air security standardization, global air freight, at logistics firm DB Schenker, said his company often takes on the role of a consultant with customers to make sure they are in the most secure environment. Forwarders, he said, are just as concerned as airlines that an explosive device does not get into a forwarder’s warehouse. “Even when there are only local safety standards required, we always want to go by the highest possible level of security,” he said. “We want to make sure that we not only comply with security regulations, but that we are front-runners in the industry.”

Most of DB Schenker’s customers are known consignors that have worked with the company for many years, “so many of the security protocols are almost routine,” Moehle said. “But for new customers, there is an enormous screening process we go through to make sure they are all legal companies and well-known in the market. We also check to see if they are shipping any strange kinds of commodities.”

“[Security] is not just about hardware,” Ko said. “Most loads go through X-ray screening, but if an X-ray operator is not properly trained, it will do no good at all.” Ko said the question to ask is, “Who are your regular shippers? Are you doing a lot of profiling and risk management? Once you identify that, you can focus on the higher-risk shippers.”

The issue of knowing your shippers will only increase as e-commerce explodes around the world, and the number of new and unknown shippers rises dramatically. “For a lot of people on security staff, it’s a big challenge,” Ko said.

What’s around the corner?

Doug Brittin, chairman of the International Air Cargo Association, and formerly part of the TSA’s Air Cargo Office, has long urged a turn away from one-size-fits-all solutions to the cargo security question, and he thinks this is the way the industry is heading in the near future (see page 44).

“We need a move away from blanket prescriptive measures about security and towards a risk-based approach, on the part of the airlines, forwarders and handlers,” he said.

Over the next 10 years, “the emphasis on security will move closer and closer to the airport,” Zielinski predicted. “Rather than rely on someone else to screen the cargo from far away, it’s better to do it closer to the airport.” Air carriers and handlers, he said, will develop “a very close partnership with forwarders, based on the actual risk situation. We need very close cooperation.”

Lufthansa Cargo is currently building a billion-dollar new cargo logistics facility at Frankfurt as part of its “Lufthansa Cargo 2020 plan.” The facility, scheduled to open in 2018, will have “the best-secured warehouse, no doubt,” Zielinski said, plus the latest in screening equipment – which he, of course, couldn’t comment on. “No cargo will enter or leave the facility until it is 100 percent screened,” he finally offered.

On the technology side, Morpho’s Haigh said there are some promising imaging techniques that have not yet hit the cargo market, such as “CT X-ray” screening, using computed tomography imaging commonly used in health care. However, she realizes there is a limit to how many expensive machines can fit into crowded cargo facilities. “The more space you take up with equipment is just more space taken away from future cargo,” she added.

Zielinski offered a challenge to young, technology-oriented college students today to step up and contribute to the fight against terrorism. “Without a doubt, we would love to have more serious development of equipment,” he said. “There’s been nothing really new for many years, so we invite those with a serious new device to step forward.”

“We stay on high alert,” said Ko of CPSL. “While security is improved, the bad guys have also stepped up. You always have to examine risks and mitigate them proactively. The whole industry has the same mentality – it just takes the weakest link to break it.”

“There are always new ideas being developed by those who I like to call the ‘Dark Side,’” Zielinski agreed. “The Dark Side never sleeps.”

“We like to go over and above the minimum regulations. If everyone took security really seriously, the minimum legal requirements would be sufficient. But it’s only if everyone takes it seriously.”

– Kelvin Ko, CEO, Cathay Pacific Services Ltd. (CPSL)
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July 2014, U.S.-based Amerijet International launched what seemed to be a pretty good idea. The all-cargo carrier set up air hubs in Reno and Columbus with the idea that a road feeder service could serve the relatively short distances to and from four cities in the western United States out of Reno, and five cities to the east, out of Columbus. The idea, hatched by founder, president and CEO of Amerijet, Dave Bassett, was to provide less-than-five-day service by road at a price considerably lower than that of overnight air express.

Bassett discontinued the program a few months later.

“The way we proposed it didn’t fit with the market,” Bassett said. “We thought we approached it logically, but the market didn’t work like we wanted it to.”

He said trucking has its limitations. The benefit is that it’s inexpensive compared to air. Amerijet looked for customers who wanted the price of trucking, yet the speed of an airplane. Without elaborating, Bassett said he learned a lot of lessons, and he’s still reviewing what didn’t work, and perhaps he’ll give it another go.

Airfreight and trucking go together like peanut butter and jelly – sometimes it’s smooth, sometimes it’s a bit chunky. But trucks and planes need each other to arrive at the end result – a job well done, with a satisfied customer upon delivery of the cargo, on time and undamaged.

In the last 10 years, trucks and cargo aircraft have formed increasingly symbiotic relationships. As regional jet service grew more popular with airlines that relied on smaller aircraft, trucks became a more cost-effective mode of transporting bulk express cargo between cities and airports. Plus, forwarders preferred to avoid the increased hassle of airfreight security regulations in the wake of 9/11 and use road services whenever possible.

The trend shows no signs of slowing. According to a recent report by the U.S. Department of Transportation, there will be a 60 percent increase in truck traffic in the U.S. over the next 30 years, part of it fueled by the popularity of online shopping.
As Bassett found out, there are challenges to merging the two modes. But with new technology and improved communication between trucking companies and carriers, the system is more seamless than ever.

The great American road trip

One of the more successful examples of this marriage of trucks and airfreight can be found at Forward Air Solutions, a U.S.-based ground provider with 87 freight terminals located strategically near airports across North America. The central purpose of the company is to provide scheduled, less-than-truckload (LTL) surface transportation services to most places across the continent for forwarders and other third-party logistics providers.

Once an aircraft lands at a U.S. or Canadian airport, the cargo is either driven by truck to its destination that day or sent to the closest of Forward’s 11 regional hubs. At the regional facilities, the cargo is immediately unloaded, sorted, consolidated and reloaded onto delivery trucks ready to head to the destination, usually by the following morning.

“We transport air freight that must be delivered at a specific time, but is less time-sensitive than traditional integrated services,” the company said.

The company also has a “final mile” service, called Forward Air Complete, which includes the bundled linehaul, pickup, delivery and handling services for airport-to-airport customers, reaching more than 41,000 ZIP codes in North America, or about 92 percent coverage.

Forward Air was created after Forward Air Corporation acquired USA Carriers in 2007, so growth is definitely in the company’s DNA. In 2008, two additional acquisitions broadened Forward Air’s reach, when Pinch Group and Service Express were added to the operation. Those acquisitions brought them to Texas, Georgia and Virginia. Last year, the company also purchased Central States Trucking Co.

Forward Air’s expansion plans continue into 2015. At press time, Forward was in the process of acquiring Indiana-based Towne Air Freight, it’s largest competitor and the second largest player in the airport-to-airport market.

Because of the timing of the transaction, Forward’s President and CEO Bruce A. Campbell was unable to go on the record about the Towne transaction. However, the addition of Towne is expected to give Forward more coverage across the Midwest. Towne had expanded into the East Coast in 2007 by acquiring Complete Transport, based in Missouri. Then, in 2008, it acquired Synergy Cargo Logistics, based in the Southwest.

Forward Air’s acquisition of Towne is expected to close in the first quarter this year, which will give the company a coast-to-coast network.

Forwarders in the loop

Freight forwarder and logistics firm CEVA is also heavily involved in the truck-airfreight interface. Recently, CEVA opened a new 208,000-square-foot logistics center at one of the world’s busiest airports, Chicago O’Hare. The multi-use building has space for 30 dock doors and two van ramps.

At O’Hare, CEVA Chicago provides air and ground freight forwarding and consolidation, as well as customs brokerage, warehousing, residential delivery, and many other logistics tasks. Kay Hart, marketing and communications officer with CEVA, said expanding and enhancing CEVA’s global network is a continuous process.

“The most common concern within the forwarding industry is how fast cargo can be offloaded and broken down to tender to a broker or freight forwarder,” Hart said. “Responsiveness varies by air carrier and airport.

“We work closely with the airlines, their handling agents and their ground carriers who perform offloading and loading procedures to understand how best to work within their systems and processes.”

—Kay Hart, CEVA Logistics

We work closely with the airlines, their handling agents and their ground carriers who perform offloading and loading procedures to understand how best to work within their systems and processes.

Easing cross-border traffic

The marriage of trucking and airfreight is not exclusive to North America, of course. One of the more successful examples of this partnership can actually be found on the other side of the world at Hong Kong International Airport (HKG). Hong Kong Air Cargo Industry Services Limited (Hactl), the road feeder arm of HKG operator Hong Kong Air Cargo Terminals Limited (Hactl), currently reaches 60 Chinese communities with its SuperLink China Direct. On average, Hacis operates around 16 container trucks each day, but has the ability to add further vehicles to meet additional demand.

The system reduces time-to-market from locations within the heavily populated Pearl River Delta Region. Activity increased in 2014 for Hacis, fueled both by increased road-feeder activity and the continuing underlying development of Hong Kong as Asia’s preferred regional hub. All ramp-handling is carried out by Hactl using tugs and dollies, then the cargo is processed through a transit shed before being loaded onto Hacis road vehicles.

“SuperLink China Direct is designed to effectively extend the air service – shipments to be transported on one through master air waybill, to our IATA-coded, bonded warehouse at destinations in mainland China,” said Vivien Lau, the executive director of Hactl. “This means airlines do not have to become involved in the air-road transition or any aspect of the RFS operation. Hacis will take care of the shipments all the way from Hong Kong to China. Like all Hacis services, SuperLink China Direct is offered to any airline, irrespective of whether they are handled by Hactl.”

Making all of this possible is HEx, which stands for “Hacis E-logistics System.” HEx is an advanced management system that tracks all of SuperLink China Direct’s shipments, capturing all status data to include truck departure time, truck arrival time and final shipment collection time. The data

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is available to customers in real time through a user-friendly online platform that requires no software downloads, and is accessible from any device with Internet access – and it’s free to Super-Link China Direct customers.

“What we cannot avoid is the necessity for security and checking processes,” Lau said. “Once cargo has arrived at the terminal, it must go through checking procedures to make sure it is in good condition and acceptable for cross-border delivery.”

After this procedure, Hacis is able to work with short connection times – as little as six hours from an aircraft landing at HKG to departing in trucks. Cross-border documentation, and liaison with customs and the destination terminal are dealt with in advance, so when the cargo arrives the handlers can focus on the physical work of loading the truck. Transit times to the six Hacis inland cargo depots range from two and one-half hours to Shenzhen Airport, to the longest sector, Beijing, which is 55 hours from the Hong Kong base.

But there are other ways to speed up the cumbersome customs process, Lau said. For instance, with China Customs’ Quick Pass system, Hacis’ trucks can use a fast lane at customs border posts without stopping, saving up to three hours at peak times. The trucks are set up with a customs GPS “E-seal,” which enables the trucks to use the fast lane at the borders. The seal, which is approved by Hong Kong and China customs, is locked and unlocked only by customs at both ends, providing a tamper-proof seal and enabling customs to view and monitor shipments throughout the journey.

**Everyone at the same party**

While Hacis must deal with the customs issues as its trucks cross into the vast Chinese mainland from Hong Kong, road service firms in Europe have many more borders to cross as they deliver cargo throughout the continent. To make sure everyone is on the same page in multiple countries, high-tech communication is a necessity.

At Jan de Rijk Logistics, based in the Netherlands, the trucking and logistics firm has a fleet of approximately 550 trucks of its own, with access to many others via subcontractors. The company’s trucks can be seen on practically every street on the continent. Ever expanding its network, in January Jan de Rijk picked up the European trucking contract for IAG Cargo for its Iberian traffic.

Robert Kleppers, sales manager for the company, said Jan de Rijk does business with numerous airlines, providing transportation across the European continent. Kleppers emphasized that the key is transparency between all parties in the supply chain to keep things moving smoothly.

“For instance if we arrive and others in the supply chain aren’t ready, if you look at it from the Lean perspective, it can affect the customer,” Kleppers said, in this case, reducing wait time, which is waste. But he explained that with proper communication these become non-issues.

He said Jan de Rijk is in constant communication with ground handlers to make sure schedules are in sync so that cargo doesn’t sit on a tarmac. The company uses GPS to track its trucks, so if a driver expects to arrive at the destination within an hour, the handling company can be alerted as to the truck’s estimated time of arrival. “We need to operate transparently,” Kleppers said. “The ultimate goal is to give the customer insight. Their only care is when their cargo is going to arrive [or when it’s going to be picked up]. It’s about informing those in the supply chain.”

For one of Jan de Rijk’s partner carriers, Israel-based CAL Cargo Airlines, the attitude is the same. Rami Marom, CAL’s chief operating officer and vice-president of ground operations, said trucks are there to feed flights, so it’s crucial that trucks are on time. Obstacles that can get in the way are traffic and road construction. “So we have to be very, very accurate with timing,” he said.

For instance, when an aircraft arrives with perishable cargo, it must be on a truck within four hours – eight hours for non-perishables. Marom said the beauty of CAL’s operation at Liege is that their trucking fleet is parked right at the “waterline,” 10 to 30 meters from the warehouse, so nothing ever sits on the tarmac.

Marom said a 125-ton freighter will be checked in less than seven hours, meaning all the pallets have been dismantled, the cargo is checked and, if need be, put into cold storage.

**Ready for anything...**

With the mixture of trucks and air cargo in these hybrid operations, the watchword is flexibility. At CAL, which operates aircraft between Tel Aviv, Liege and New York’s JFK airport, the motto is “Challenge accepted.”

The carrier manages road-feeder services and trucking partners throughout the U.S. and Europe, handling pharmaceuticals, oversized or overweight freight, live animals, dangerous goods, equipment for oil fields and perishables, to name a few.

“We specialize in ugly cargo – stuff other airlines don’t deal with,” said Marom. One thing that helps in this regard is that, at its European hub in Liege, CAL fully owns Liege Air Cargo Handling Service (LACHS) facility – a temperature-controlled space with high security.

Amerijet’s Bassett has a similar attitude about unconventional loads. “Freight’s going to move – it’s just a matter of time and money,” he said.
The Reno-Columbus dual-hub plan is currently on hold, but Bassett said his Nations Express trucking arm, with more than 100 trucks in its fleet, continues to move a wide range of oversize and unusual shipments. Currently, Amerijet also has five 727 freighters and five 767 freighters in its air arsenal.

“We had the belly skin of a 767 at Boeing and needed it in South America yesterday,” he added. Bassett said Amerijet got it there in three days by truck and air, for far less cost than putting it on an overnight flight, by knowing they needed a 767 freighter to pull off that kind of a job. “The mast of a sailboat that has to go from San Diego to Maine is not going FedEx.”

Bassett said freight is naturally going to have to spend some time on the ground, even in the best of circumstances, due to export and import restrictions and flight schedules, but it still reaches the end user faster than it would have by truck alone.

“We moved Shamu the whale,” Bassett said. “If it’s legal and sits in an airplane, we’ve done it. We’re one of half-a-dozen carriers in the world approved to carry explosives.”

...just don’t call them integrators

At first glance, these various road-feeder and airport-to-airport trucking operations may seem similar to services provided by the major integrators, like DHL, FedEx or UPS.

However, Bassett said he has no interest in competing with the large integrators, because Amerijet is not in the business of getting a package to Aunt Betty overnight. His business is to carry big freight – dutiable freight.

Echoing Basset, Kleppers of Jan de Rijk said integrators are not competitors, because they have a different business model – one of controlling everything end to end. He said a supply chain with multiple parties can offer more flexibility because everyone is a specialist in their own field.

“With all the connectivity in the world, we can, in a very flexible way, create new solutions in the supply chain,” Kleppers said. “[With] good cooperation and sharing information we can optimize our processes in the supply chain, reduce cost and better serve the customer.”

Communication, transparency, technology and partnerships all lend themselves to this often-complicated relationship between airfreight and road transportation.

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Fueled by a strong peak season, the airfreight industry finished 2014 on a high note, with a 4.5 percent industry-wide growth in demand, compared to 2013. Most of the growth, however, came from the Asia-Pacific and Middle East regions, which contributed 46 percent and 29 percent, respectively, to the expansion in freight tonne kilometers (FTKs). Latin America was the lone weak spot, with a 4.5 percent drop in December FTKs, year-over-year, but the region managed to at least stay even in the year-to-date column.


In December 2014, air freight rates, as expected, fell 12.6 points from their November high (120.8 points) following peak season demand, bringing the East-West Air Freight Price Index to 108.2 points. The decrease marked the end of six consecutive months of rising pricing in which the index had gained 21.5 points. Simon Heaney, senior manager, supply chain research, at Drewry, said he expects air freight pricing “to fall further in the near term, as peak season recedes and lower jet fuel costs feed into fuel surcharges.”

Source: Drewry Sea & Air Shipper Insight, www.drewry.co.uk
Past Reflections, New Directions

The 2015 CNS Partnership Conference celebrates its Silver Anniversary with the theme of “Past Reflections–New Directions.”

Renowned for its endless networking and prospective client opportunities, CNS continues to provide excellent forums for addressing relevant issues faced in the Air Cargo industry. The CNS Partnership Conference will take a retrospective look at its history and the companies that brought us here today.

The CNS Partnership Conference will offer solutions, future directions and ideas for Air Cargo. Topics on the table include new technology products, forwarder’s issues, and small to medium freight forwarders growth problems, mode-shifts, perishable trends, air cargo security, optimization capabilities, and supply chain structures.

Over 550 air cargo decision-makers are expected to attend the 2015 CNS Partnership Conference. This event brings together the entire air cargo supply chain together and a chance to foster cooperation and build consensus. Today’s CNS members represent the best, creative and most innovative people in Air Cargo.

Join us at the Rosen Shingle Creek in Orlando, Florida for one of the top must-attend events in the industry.

Visit www.cnsc.net for further details.
Air cargo security: Moving from prescriptive to risk-based programs

by Doug Brittin

Air Cargo Security will remain in the forefront of our lives for a long time. While we must face the realities of the world in which we live, and do our utmost to ensure the safety and security of our employees, passengers, assets and brands, we still must seek to accomplish this without overly burden-some regulatory processes.

Historically, cargo security regulations have been written in a prescriptive manner. They require the appropriate parties to do specific things, in a specific way, and often at specific time in the overall process. In order to do these things (and in a way that can be easily inspected and verified), the regulated parties are also given specific requirements for training their employees. After all this is done, there are even more specific requirements for the responsible party to maintain records, which are readily accessible, and for a set period of time. As a result, some security programs are literally several inches thick, and it can be extremely challenging (and time consuming) to sift through the multiple cross-references within them, to ensure that the procedures are carried out properly. While they may accomplish the overall goal, they put a significant cost burden on industry.

In the United States, for example, there are separate security programs that refer to cargo. These include: passenger airlines, all-cargo airlines, regional cargo airlines (such as feeders), freight forwarders, airports and even, in some cases, the shippers themselves. While many elements of the programs are the same (or similar), there are also necessary differences. When one of the programs changes or is updated, it may result in different procedures being used in different regulated sectors, until the other programs can be brought into balance. And, if the changes impact other regulated parties in the supply chain, it is up to the party where the change is mandated to inform other companies with whom they work of any new processes. Other parties, such as ground handlers, agents, cartage companies and many others, are impacted as well. But since they are not regulated, they must get the changes from the regulated parties. This can lead to confusion, and even more cost.

A single, overarching security program for all of the truly common procedures and protocols should be developed. Having such a program would enable all parties to fully understand what any new procedures may be...

In a risk-based (and outcome-driven) approach, regulators would establish "security objectives" and allow industry members (or groups) to design measures by which those objectives may be accomplished in a more cost-effective, operational and security-effective means. Airports are a perfect example, as no two are exactly alike. The objective is to secure access (in this case, to cargo operations), which can be attained by physical methods (fencing, gates) and procedures (badging, ID). Various technologies currently exist, and continue to emerge, which can help tie all of these together. A regulatory document for these would be an ongoing process, and would thus never be current.

Identifying the goal, and allowing the regulated party to establish, manage and ensure it is in compliance, would better suit the situation. Similar cases can be made for forwarders and carriers. A risk-based approach will also enable a much more targeted, and therefore reduced-risk, approach to cargo screening.

We are seeing some new steps in this direction for cargo screening (Advance Data initiatives such as ACAS, PRECISE, PACT). These programs, still in pilot phases, will require regulated parties to submit certain shipment data elements to the destination country's regulatory authorities electronically, in advance of departure or loading. Once a risk analysis is made, the party may then be instructed to conduct additional screening measures. When we look at the volume of cargo moving, this approach can work as a key layer in cargo security. Looking at how security programs still are written, even these new initiatives will not be ideal if the operations and compliance requirements offset the desired benefit.

But we need to continue in this direction and collaborate closely with the appropriate regulators to get to the proper outcome. It will take all of us together, in industry and in government, to understand the challenge. We’re moving down the right path – if only slowly – but I am confident we will get there.
MARCH 10-12
IATA’s 9th Annual World Cargo Symposium – Shanghai, China: Located at one of China’s largest airfreight hubs, WCS is expected to draw 1,000 delegates from the entire value chain to discuss the latest airfreight trends. Check out Air Cargo World’s daily updates on conference happenings during the three-day event, plus the winners of the “Air Cargo Excellence Awards,” sponsored by ACW. For more information, visit www.iata.org/events/wcs/Pages/index.aspx and aceawards.aircargoworld.com

MARCH 11-12
The Future of Borders GDRFA International Conference – Dubai, U.A.E.: A stellar line-up of 24 experts and top officials from 12 countries who will be sharing their vision about the future of international travel and border control. Angela Gittens, director general of Airports Council International (ACI), will utilize the knowledge sharing platform to share her insights into the changing face of travellers’ facilitation and the challenges of border control in an increasingly mobile world. For more information, visit www.futureofborders.ae

MARCH 31-APRIL 1
The Georgia Logistics Summit – Atlanta, U.S.: This event was host to 2,200 attendees from 39 U.S. states and 11 countries in 2014. For more information, visit www.georgialogistics.com/logistics-summit

APRIL 1-2
The Middle East Cargo & Logistics Exhibition & Conference – Manama, Bahrain: This gathering will attract more than 30 exhibitors and 1,500 trade visitors to highlight the latest trends in multimodal logistics platforms connecting Middle Eastern cargo air, sea and land transport. For more information, visit www.cargomiddleeast.com

APRIL 7-9
Intermodal South America – São Paulo, Brazil: This three-day conference will include presentations from the main suppliers in all transport modes. The event promotes businesses and partnerships, and works as a platform for launchings, brand reinforcement, joint-ventures, sales and networking. For more information, visit www.intermodal.com.br/en

APRIL 14-16
Logipharma Europe 2015 – Montreux, Switzerland: Now in its 14th year, Logipharma brings together personnel from the leading pharmaceutical companies responsible for logistics, supply chain management, distribution, sourcing/procurement, planning, transportation, supplier relations and demand management. For more information, visit www.evaint.com/conference/logipharma-2015/294

APRIL 19-21, 2015
The CNS Partnership Conference – Orlando, U.S.: More than 500 air cargo professionals from the U.S. and around the world are expected to attend this year’s CNS show, including executives from airlines, freight forwarders and shippers. Check out daily news updates at the conference, sponsored by Air Cargo World. For more information, visit www.cnsc.net/events/Pages/cns-partnership-conference.aspx

APRIL 21-22, 2015
Cargo Facts Asia – Hong Kong, China: Produced by Air Cargo World’s sister publication, Cargo Facts, and the Air Cargo Management Group, Cargo Facts Asia has become the center of airfreight opportunity, bringing together the world’s aviation community for meaningful networking and strategy discussions centered on Asia. For more information, visit www.carofactsasia.com

APRIL 28-30, 2015
Multimodal – Birmingham, U.K.: The U.K. and Ireland’s premier freight transport, logistics and supply chain management event. For more information, visit: www.multimodal.org.uk

APRIL 26-29, 2015
28th Annual IGHC Ground Handling Conference – Istanbul, Turkey: IATA’s Ground Handling Conference, hosted by Turkish Airlines, will include sessions on such topics as global industry standards, ramp innovations and business growth, based on the key theme, “Value at the crossroads of service and costs.” For more information, visit www.iata.org/events/ighc/Pages/index.aspx

MAY 5-8, 2015
Air Cargo Europe – Messe Munchen, Germany: This 7th annual exhibition and conference usually attracts more than 50,000 visitors from 110 countries. For more information, visit www.aircargoeurope.com

MAY 11-13, 2015
The 9th Annual WCA Projects Conference – Prague, Czech Republic: Each year, the WCA Projects Conference gives fellow forwarders around the world a chance to mingle, network over the latest large-scale freight projects and discuss how to meet their clients’ needs at a time when integrators are gaining market share. For more information, visit www.conference.wcaeworld.com/wcaprojects2015/info/eng/about.php

SEPTEMBER 1-3, 2015
Air Cargo Handling Conference – Bangkok, Thailand: The seventh annual ACH conference will be held at the Shangri-La Hotel, the first time this event has been held outside of Europe. Panel discussions, workshops and focused presentations covering the most up-to-date developments in airport and cargo operations. For more information, visit evaint.com/our-events/air-cargo-handling-conference
Ten years: The long and the short of it
by Brandon Fried

If you want to know how a decade can pass within the blink of an eye, just remember these things: it has been only ten years since Mark Zuckerberg launched Facebook, since YouTube first came online, since the world wept over the movie “The Notebook” and the final “Rugrats” episode aired. It has also been ten years since Janet Jackson’s infamous “wardrobe malfunction” during the Super Bowl.

I was thinking about this because I am coming up on my tenth anniversary as executive director of the Airforwarders Association, and the time does seem to have flown by quickly. But, when I reflect on this, a lot has happened in our industry over the last decade.

For example, ten years ago this publication would probably have never considered featuring a story on the theme of air cargo-related trucking, as Air Cargo World is doing this month (see page 36). But with the passage of time, the U.S. air cargo industry now realizes that ground transportation is a vital component of the end-to-end process of handling freight and, in some respects, it may be more important than it ever has been. To forwarders, understanding what transpires at the U.S. Federal Motor Carrier Safety Administration is often just as important to their businesses as what happens at Federal Aviation Administration.

The trucking industry has changed through the emergence of carriers offering service between major airports for forwarders needing to ship large bulk cargo. As they came on line, these new services deployed improved driver communication and tracking capabilities to provide faster transit that sometimes exceeded cargo services offered by the airlines. Airlines now also depend on their own trucking networks to feed gateways for their international flights.

“The U.S. air cargo industry now realizes that ground transportation is a vital component of the end-to-end process of handling freight...”

As a result of this mode shift, the Airforwarders Association keeps a watchful eye on trucking-related activity in Congress and the regulatory agencies, including the flawed CSA 2010 driver rating system, a proposed coercion rule that could adversely impact forwarders, driver hours of service legislation and more. These rules and high costs have resulted in a troubling driver shortage that makes trucks hard for us to find and threatens our customer supply chains.

Despite a shift to trucking for some volume, forwarders remain concerned about a number of regulatory issues pertaining directly to air cargo. Upcoming advanced data regimes, including the Air Cargo Advanced Screening program, should increase security, but many questions relating to connectivity and compliance remain unanswered. New export rules and a U.S. Customs and Border Protection move to electronic manifesting make digital data transmission and LATA’s e-freight initiative more important than ever. But even after ten years, worries about who pays the investment cost persist despite the need for change.

A decade ago, few of us understood the issues we now face with the shipment of lithium batteries, as well as their growing use in all sorts of electronic devices our members ship globally. (Remember, ten years ago the iPhone was just a glint in Steve Jobs’ eye.) Yet today, recent suspicious air disasters are prompting some to take these essential components off passenger flights, and customers are looking to forwarders for transport alternatives. Once again, the need for speed is challenged by our most important goal of keeping air cargo safe.

We also endorse two significant trade agreements that would cut trade barriers for U.S. businesses in Asia and the European Union. If these pacts succeed, a well maintained and vastly improved road system will be needed to accommodate the increased cargo volume headed to our airports and ports.

For this reason, forwarders and their shippers are concerned about how the U.S. will fund its highway infrastructure in the next five years. The Airforwarders Association agrees with an unlikely alliance, comprised of the U.S. Chamber of Commerce and organized labor, in asking the administration to endorse an increase in the gas tax, not raised since 1993, as probably the most palatable way to raise revenues for road construction and repair, particularly given today’s low gas prices.

Maritime port labor issues have always been a concern and the recent labor slowdown on the West Coast has our members dealing with unsurpassed congestion and delivery delays. We have joined several efforts in advocating for a quick resolution through federal mediation and hopefully the issue will be resolved soon. Maritime shipping is important to forwarders since most international tonnage is transported on the ocean.

Updating the nation’s air traffic control system is another way to keep our air system efficient, and so we continue to endorse the FAA NextGen modernization program. The new system will allow more direct, safe, GPS-guided flight routing that enables our airline partners to increase frequency and haul more cargo.

A decade may pass quickly, but there are enough issues to keep me busy for the next ten years as the forwarding industry and its people continue building on its success.
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