



## STRIKING A BALANCE:

**Andrés Bianchi**

LATAM Cargo is keeping its aircraft full in the face of a rapidly changing airfreight market

*Pages 12-14*



## CLOUDED OUTLOOK:

**Charter market**

The next 12 months are proving to be difficult to predict

*Pages 16-17*

### OUTLOOK

# IATA predicts air cargo's return to growth in 2020

Air cargo demand is expected to return to growth this year, but there are several downside risks and yields are expected to remain under pressure. In its outlook for 2020, IATA deputy chief economist Andrew Matters (pictured) predicted that air cargo volumes would increase by 2.2% in 2020 to reach 62.4m tonnes, following on from a 3.3% decline to 61.2m tonnes in 2019.

Matters said that a number of leading indicators, including business outlook and export orders, were beginning to show signs of picking up.

He added that broader economic indicators such as GDP and world trade growth were also starting to show early signs of improvement and that 2019 was the low point of the current economic cycle.

These improvements come as trade tensions between China and the US begin to show signs of improvement.

However, Matters warned that there would not be a sharp recovery — as the industry had experienced following a year of declines in the past

— and that the situation is fragile.

“The reason being is that the risks to the outlook both for the global economy, for world trade and, as a result of both of those, for the air cargo industry, are tilted to the downside. It is much easier to identify ways that things could go wrong than ways that they will be better than we expect.”

Matters pointed out that the number one risk remained trade wars.

Looking at yields, Matters said IATA was expecting performance to be flat or even decline as capacity continues to increase.

IATA warned that cargo yields will continue to slide with a 3% decline forecast for 2020, though this is still an improvement from a 5% decline in 2019. As a result, cargo revenues will slip for the third year in a row in 2020 with revenues expected to total \$101.2bn, down 1.1% from 2019.

“This suggests that 2020 is going to be another challenging year for the airfreight industry.”

→ continues on page 11



### AWARDS

## Vote for your favourite cargo airline

It's time to cast a vote for your favourite cargo airline as part of the *Air Cargo News* 2020 Awards.

The awards give freight forwarders and shippers the chance to recognise the best five regional carriers and the ultimate Cargo Airline of the Year.

Airline customers can choose their preferred carrier in Europe, the Americas, Asia, Africa, the Middle East, as well as their overall top carrier, the hotly contested Cargo Airline of the Year. Online voting opens on January 13 and runs until February 28.

Winning a prize at the *Air Cargo News* Awards, with a proud 36-year history, is the ultimate accolade in the air cargo sector.

Airline staff are not eligible to vote. Winners will be honoured by *Air Cargo News* and the wider air cargo industry at an exclusive awards ceremony to be held in the UK at the Runnymede on Thames Hotel on April 24, while attendees can network with their peers and colleagues.

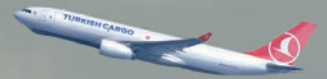
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**CLOUDY OUTLOOK:** Charter market set for 12 months of pain

**FEATURES:** IATA predicts air cargo's return to growth in 2020  
**EDITOR'S COMMENT:** Vote for your favourite cargo airline

**CHARTER TO REMEMBER:** 21: RHINO RELOCATION

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## AIRPORTS

# Hong Kong lowers charges

Hong Kong's air cargo community will offer discounts to exporters to improve the hub's competitiveness after a difficult 2019.

Hong Kong-hubbed Cathay Pacific announced that from April 1 exporters will enjoy a saving of HK\$0.3 per kg for both general and special cargo. When compared with the current charge levels, the reduction ranges from 18% to more than 20%.

The concession is part funded by Airport Authority Hong Kong, which will contribute 20% of the terminal charge discount offered by any airline taking part in the scheme.

The authority said that it would closely observe the market situation and review the scheme in a year's time.

The move comes as Hong Kong International Airport has seen its cargo volumes fade over recent months.

Ongoing protests in the region, together with trade weakness, put the airport under pressure in 2019. Over the first 10 months of the year cargo throughput fell 7% to 3.9m tonnes.

In addition to these issues, new



security requirements are set to drive costs up this year.

From January 1, in preparation for the implementation of the International Civil Aviation Organisation (ICAO)'s security regulation, 25% of all non-known consignee shipments will be screened.

From May the level will increase to 40%, from September to 70% and from March 2021 it will reach 100%.

Hong Kong's screening programme is part of the ICAO's push for 100% of

non-known consignee cargo to be screened by June 20, 2021.

The concession was welcomed by Hong Kong's freight forwarders, but they warned of further challenges ahead.

The Hong Kong Association of Freight Forwarding and Logistics urged both Cathay Pacific and the airport authority to maintain the concession beyond the end of this year to help mitigate the cost of complying with the ICAO regulations and other "unprecedented hurdles".

**TRADE DEAL APPROVED:**

The US House of Representatives has approved the United States-Mexico-Canada Agreement, which represents a renegotiation of the North American Free Trade Agreement. Major points of the document include new chapters covering digital trade, anticorruption, and good regulatory practices.

**LITHIUM INVESTMENT:**

Silk Way West Airlines has invested in Mantle fire containment covers, manufactured by AmSafe Bridport, to maximise safety during the transportation of "volatile cargo, such as lithium ion batteries and related products".

**GREEN CREDENTIALS:**

In co-operation with myclimate, a non-profit organisation, time-critical logistics firm time:matters has begun offsetting the carbon produced by its on-board courier shipments.

**SF EXPANDS AGAIN:**

SF Airlines' fleet reached 58 freighters with the re-delivery of a Boeing 757-200 conversion from Precision. The addition marks a year of growth for the airline, as it has expanded its fleet from 50 freighters since the start of 2019.

**TIME-CRITICAL ADDITIONS:**

UPS has expanded its time- and day-definite delivery services to new locations in 40 countries, including in five new countries, as demand for urgent shipping continues to increase.

## AIRLINES

# Qatar broadens South America operation

Qatar Airways Cargo has announced an expansion of its services to South America.

From January 16, freighter services, utilising Boeing 777F aircraft, will operate to: Campinas, Brazil; Santiago, Chile; Lima, Peru; and Bogotá, Colombia.

General cargo, pharmaceuticals and

perishables will form the majority of goods flown to and from the region. Other types of cargo are likely to include live animals and high-value items.

The twice-weekly flights to Bogotá from Doha will operate via Luxembourg and Miami, while the service from Bogotá to Doha will

operate via Liège.

Meanwhile, the twice-weekly flights to Campinas from Doha will operate via Luxembourg, with the service from Campinas to Doha operating via Santiago, Lima, Dallas and Luxembourg.

In November, the airline received a B777F – its 28th freighter.

## EDITOR'S COMMENT

*Damian Brett*



## Tackling counterfeit battery shipments

Lithium batteries hit the headlines again late last year when IATA announced the launch of a programme that allows airlines to share information about rogue battery shippers.

It may seem curious that such a system is not already in place, given the number of lithium battery-related incidents that there have been. However, many airlines were concerned that this kind of information sharing has the potential to land them in

trouble with competition authorities, as they feared it could seem shippers and forwarders were being blacklisted without the involvement of regulators.

Nevertheless, IATA is certain that its programme will allow airlines to take extra precautions without breaking any laws.

We can only hope it does, as the problem of shipments of counterfeit and poor quality – sometimes deadly – lithium batteries is only going to increase

along with the growing demand for battery-powered products.

So far, despite many calls from the airline industry, regulators and law makers at a national level are not taking enough action despite regular stories of close calls.

Last year, for instance, a cargo handler noticed a smoking pallet on board a freighter aircraft as it was being unloaded.

He moved quickly to offload the pallet and moments after it was off the aircraft it burst violently

into flames.

The head of the airline that operated the aircraft pointed out that if that had happened minutes earlier, the whole aircraft would have gone up in smoke.

Worse still, if it had happened when the freighter was in the air, the lives of the pilots and those living on the aircraft's flight path would have been at risk.

Airlines also want authorities to bring in standards for pallet fire containment covers. Carriers are investing in the covers, but they do so without knowing whether they will meet future standards.



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## AIRLINES

## Lufthansa beefs up its online portal

Lufthansa Cargo has added dynamic pricing and real-time booking to its online portal.

The airline said the system will help expedite and simplify the online booking process for customers.

It will initially be available to customers in: Thailand, Vietnam, north and northeast India, Beijing, the Middle East, Iran, Turkey, the US (California, Nevada, Arizona, Hawaii, New York, Connecticut, New Jersey, Massachusetts, Maine, New Hampshire, Vermont, Rhode Island, Washington, Oregon, Idaho, Alaska), Mexico, Spain, Portugal, Cologne and Stuttgart.

Lufthansa Cargo will gradually extend the system and deploy it worldwide by the end of 2020.

“With automated spot prices, we can make our customers offers. We are speeding up and simplifying our booking process and further expanding our digital sales channels,” said Dorothea von Boxberg, chief commercial officer at Lufthansa Cargo.

## LESSORS

## Bain and Titan join forces on \$1bn freighter project

Aircraft lessor Titan Aviation and Bain Capital Credit have announced plans to develop a joint venture freighter aircraft leasing portfolio with an anticipated value of approximately \$1bn.

Under the joint venture, Bain and Titan have committed to provide \$360m and \$40m of equity capital, respectively, which may be supplemented with additional commitments over time, to acquire aircraft over the next several years.

Atlas Air Worldwide-owned Titan will also provide aircraft- and lease-management services to the venture.

The long-term joint venture aims to capitalise on demand for cargo aircraft, underpinned by robust e-commerce and express market growth, the partners said.

Since its inception in 2009, Titan has grown to become the third largest freighter lessor globally by fleet value, with more than 30 aircraft and a book value of over \$1.5bn.

“We are delighted to team up with



Bain,” said Titan president and chief executive Michael Steen.

“Both Bain and Titan share the same vision and investment strategy. Together, we are extremely well-positioned for further opportunities in the growing freighter space.”

Matt Evans, a director at Bain Capital Credit, added: “We have long admired Atlas and Titan as a best-in-class industry leader and are excited to join forces for a constructive and lasting partnership.

“We look forward to supporting the company’s next phase of growth as it continues to leverage its deep relationships within the global airfreight community.”

The Titan fleet includes B777-200F, B767-300F, B757-200F, B737-800F and B737-300F aircraft.

Its customers include e-commerce giant Amazon and range from international flag carriers, express operators and e-commerce providers, low-cost airlines, and regional and domestic carriers.

Outgoing Atlas Air Worldwide chief executive William Flynn added: “We were impressed with Bain’s knowledge about our industry and its ability to join with us as we look to achieve our mutual goals. We appreciate Bain’s confidence in our long-term growth strategy, and we value its desire to partner with us.”

## PUTZGER PERSPECTIVE

Ian Putzger



### Riding the parcel rocket

A look back over 2019 in the air cargo industry yields strikingly different pictures, depending on whom you talk to. For the most part, operators that make their money hauling general cargo have had a miserable year, as growth sagged, sending rates and yields into a downward spiral.

A stark illustration are the travails of the Volga-Dnepr Group, which had to reverse its expansion path and cut back.

On the other hand, an outfit like Cargojet, which carries parcel traffic for the integrators and Canada Post, as well as Amazon, has enjoyed robust growth and continues to add freighters to its fleet.

The Pitney Bowes Parcel Shipping Index shows that global volume surged from

74bn parcels in 2017 to 87bn in 2018.

And the picture is unlikely to change in 2020.

Whereas forecasts for air cargo are tepid, there is broad anticipation of more rapid expansion in the e-commerce market.

Pitney Bowes predicts that global parcel volumes will more than double in the next six years.

Airlines are getting the message. Lufthansa, Emirates and Delta are three carriers that have launched e-commerce products this past year.

They appear to be gaining traction. According to one report, Lufthansa’s ‘heyday’ service was on course to handle more than 1m packages in 2019

— having only been launched officially in June.

Strategic Aviation Solutions International president and chief executive Stan Wright stresses that with their networks, scheduled passenger carriers can move international e-commerce much faster than the integrators. E-commerce gives them an opportunity to reposition themselves and grab a significant slice of the international market, he argues.

It is a tired truism that the race in air cargo is not won in the air, but on the ground, and the same applies to e-commerce — with a vengeance.

Not only has the ground handling got to be smooth and rapid, but the final mile element must be just as flawless.

An airline can use a rocket and install a super-fast parcel handling system, but this

counts for little if the final mile breaks down.

Moreover, it is getting more challenging as Amazon keeps pushing the envelope. And, unlike most cargo operators, the e-commerce giant does not have to make money in logis-

**‘An airline can use a rocket and install a super-fast parcel handling system, but this counts for little if the final mile breaks down’**

Ian Putzger

tics, or even e-commerce. It has used the huge gains from its cloud computing business to subsidise the parcel side.

This does not mean that airlines shouldn’t try, but it helps to know what you’re up against.



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## EXPRESS

## DHL Express to expand in Abu Dhabi

Abu Dhabi Airports Free Zone (ADAFZ) has signed a 27-year agreement with Middle East General Enterprises (MGE) to develop a facility in conjunction with logistics giant DHL Express.

The express firm will serve as a key client within ADAFZ's integrator cluster and, together with MGE, will invest up to AED365m in the new 30,000 sq m facility, which will open in the fourth quarter of 2021.

DHL Express Middle East and North Africa chief executive Nour Suliman said: "We are confident that the new facility will meet the increasing demand for a faster and more efficient operational process."

DHL's operations at Abu Dhabi International Airport have grown from a single facility at the airport's cargo village, prior to expanding to more than 4,300 sq m in the logistics park, and now to an expansive plot of land with both airside and landside access.

## FORWARDERS

## Digital services improving but more work is needed

Leading freight forwarders are making progress in improving their digital services, but more work needs to be done if the industry wants to leverage online opportunities.

The fourth annual Freightos Mystery Shopper Survey revealed that 11 of the top 20 freight forwarders now provide a dedicated request for quotation form online, up from just three in 2015.

As a result, only seven forwarders now expect their customers to use a general inquiry form, down from 11 in 2015.

At the other end of the scale, two forwarders still do not provide an online form — although one of these provided an email address — down from six in 2015.

Looking specifically at the air mode, Agility this year joined DHL Global Forwarding, Kuehne+Nagel and UPS in providing an instant online quote.

Freightos pointed out that



Kuehne+Nagel even breaks down its online airfreight offering into three different service levels: KN Express, KN Expert and KN Extend. Another — unnamed — forwarder was able to respond to a quote request within a day, while three more provided a manual quote taking between two hours and 19 days, with an average response time of 122 hours, and 12 did not issue a

response at all.

"Though response rates have improved, 60% of the time forwarders still fail to respond to a potential new customer, effectively passing up on a red-hot lead," Freightos said.

In air, there was a 134% spread between the highest and lowest quote, ranging from \$531 to \$1,245 for a shipment from China to the US.

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## E-COMMERCE

# Sun Country Airlines wins 10-aircraft Amazon deal

E-commerce giant Amazon has hired Sun Country Airlines to deliver its packages in Amazon Air-branded aircraft – a huge expansion for the Minnesota-based, ultra-low-cost carrier – in a deal that promises to represent up to 20% of the airline's business.

The six-year deal is the “first-of-its-kind for a scheduled service passenger airline”, Sun Country said, adding that the first flights will take off in the second quarter of 2020.

Under the agreement, Amazon will sublease ten Boeing 737-800 cargo aircraft to Sun Country, increasing its B737 fleet to 39. The airline will then operate the planes on behalf of Amazon under its FAA air carrier certificate.

At the Paris Airshow in June, aircraft lessor GECAS and Amazon announced a deal to lease 15 B737-800 cargo aircraft, in addition to the five B737-800s already leased from the company, but it was not clear at the time who would fly the aircraft on behalf of Amazon.

By 2021, the e-commerce compa-



ny's freighter fleet will consist of 70 aircraft.

To staff the aircraft, Sun Country will hire up to 20% more pilots in 2020, as well as additional maintenance and operations people.

“Our partnership with Amazon presents a unique opportunity to significantly grow our airline,” said Sun Country Airlines chief executive Jude Bricker.

Sarah Rhoads, vice president at Amazon Global Air, added: “As we continue to grow our air cargo fleet on behalf of our customers to ensure fast,

free delivery, we look forward to the ongoing partnership with Sun Country.”

The Amazon Air fleet is currently operated by lessors ATSG and Atlas Air. However, after expressing some concerns earlier this year about a protracted dispute between Atlas Air and its pilots, Amazon suggested it could move some aircraft to another operator.

Following this, in September, Amazon switched two freighters from Atlas to rival ATSG, although the operator said this was for network reasons.

## AIRPORTS

## Heathrow expansion pushed back

The UK's Civil Aviation Authority (CAA) has rejected Heathrow Airport Limited's (HAL) spending plans for its proposed new runway, delaying the project by at least 12 months.

A CAA consultation document expressed concern that Heathrow, in order to meet its aggressive schedule for infrastructure development, would run up large bills even before receiving a Development Consent Order (DCO).

HAL had hoped to increase its spending from £650m to £2.4bn ahead of receiving the DCO, but this was rejected by the CAA.

In response to the publication of the CAA's consultation work on these early costs, HAL confirmed that it had decided to delay its project timetable on expansion – notably, the third runway – for “at least 12 months”. It had planned to open the runway by 2026. This has now been pushed back to between 2028 and 2029.

## SHIPPER SPOTLIGHT

Zoe McLernon



# How new technology will boost cargo operations

Emerging technologies like drones, artificial intelligence, and robotics are already transforming airfreight operations. While these technologies may still feel ‘alien’, air cargo operators need to work faster and more efficiently around the clock to meet rising consumer demand worldwide for products.

Often operating at night in very tight timescales, air cargo forwarding is a high-pressure environment; speed is crucial and many businesses already use robotics to keep supply chains moving efficiently.

This technology can assist with unloading, packing and loading goods, as well as scanning for suspicious substances and items.

Augmented reality (AR) technology that enriches the

real world with digital information is also proving popular for warehouse optimisation. Via handsets or AR glasses, warehouse operatives can use pick-by-vision systems to guide operatives through warehouses and speed product selection, while barcode scanning allows for real-time stock updates.

Useful for international air cargo deliveries, AR can also provide real-time translation of documentation, and drones present air cargo businesses with opportunities to improve efficiency, reduce costs and increase speed.

In addition to being useful for airport and ground operations, such as perimeter monitoring and runway checks, drones also aid warehouse operations like

sorting and inventory checks.

IAG Cargo has successfully trialled drones in its Madrid warehouse facility with the aim of reducing the 6,500 hours currently spent each year recording the barcodes and location data of freight across its individual warehouses.

From robots to drones, privacy, security and safety must always be front of mind. New standards for drone use have now been approved, following years of international collaboration.

In my time at the European Parliament in 2015, I recall countless discussions about drones, particularly in terms of airports and security.

Air safety should be the vanguard of legislation,

alongside privacy and social responsibility. But despite these concerns, there is clearly a place for such technology.

Overall, the FTA is confident that these technological advances will increase productivity, efficiency and customer satisfaction across the sector.

In the FTA's view, the cargo facilities of the future will be safe and secure, green, automated, intelligent and well-connected.

And with consumer demand for global products increasing daily, these developments will ensure cargo facilities are fit for purpose, competitive and future-proof.

Zoe McLernon, multimodal policy manager, FTA

## AIRLINES

# IATA calls for consensus on 'hidden' lithium batteries

IATA is ramping up its efforts to combat incidents of rogue shipments of lithium batteries.

Speaking at the IATA cargo media day, David Brennan, IATA assistant director, cargo safety and standards, said the development of new products powered by lithium batteries was driving up demand.

This was resulting in companies unfamiliar with dangerous good regulations shipping the batteries and also an increase in unsafe and counterfeit products being transported.

He gave the example of e-bikes: "You have an industry that is used to selling bicycles — what does it know about dangerous goods regulations? Zero."

In October, IATA launched a system that will allow real-time information about dangerous goods incidents to be reported and shared amongst airlines in order to identify and eradicate acts of deliberate or intentional concealment. So far 20



David Brennan, IATA

airlines have signed up.

Brennan said: "We have had some high-profile events where if other airlines had been made aware, then they could look at actions that they may see as appropriate in response – put in additional screening, more barriers, having closer focus on a particular shipper/freight forwarder, whatever it may be.

"At the moment, if a shipper is identified and an airline says 'no we aren't going to touch your cargo anymore', they just go across the road and give it to someone else. That doesn't improve safety."

Brennan also called for more involvement from consumer protection, customs and manufacturing standards agencies, pointing out that poor-quality batteries have in the past caught fire and caused deaths when being charged in homes so they are more than just an air cargo issue.

IATA is also continuing to push for standards for fire containment covers and is trying to raise awareness of the issue.

Brennan concluded: "Governments have to step up and take severe action against individuals — throw them in jail. Sometimes it's a mistake and they can fix the issue but there are others that know what they doing and keep doing it and those people should be put out of business and put in jail."

## OUTLOOK

→ Continues from page 1

On performance in 2019, Matters said that there were a number of reasons for the demand decline, the most notable being the on-going China-US trade war.

IATA global head of cargo Glyn Hughes pointed out that other factors had also taken their toll on air cargo in 2019.

However, he added that there were some positives to be drawn from the past 12 months.

"This has been a year of mixed fortunes — we have had 12 consecutive months of volume declines.

"However, on the positive side, the industry has really got to grips with a lot of the challenges with regard to the need for specialisation of supply chains, the need for digitalisation, the need for innovation and the need for modernisation."

He added that current trade tensions between Europe and the US, South Korea and Japan, difficulties faced when negotiating the North American Free Trade Agreement and a collapse in automotive sales had also affected performance in 2019.

IATA said that the demand decline experienced over the last year is the steepest drop since 2009 during the global financial crisis.

## HANDLERS

# New SFOC standard will cut audit burden

IATA has launched an initiative to reduce audit complexity and duplication for cargo handling facilities.

A new Smart Facility Operational Capacity Audit Certification (SFOC Audit Certification) programme aims to reduce redundant audit efforts across the industry by 50% through removing the need to validate generic cargo operation procedures.

The second part of the initiative is the Audit Reduction Commitment (ARC) – an industry pledge to reduce audits.

Airlines participating in the SFOC programme will undertake an analysis to determine which audit standards will not need to be assessed for SFOC certified facilities.

The revised audit scope is then defined through the ARC.

Individual airlines will provide clear visibility on the potential audit reduction for SFOC certified facilities, ensuring there is a solid mechanism to eliminate redundant audits.

IATA head of e-commerce and cargo operations Brendan Sullivan said the industry spends an estimated

\$160m each year on audits.

"When we analysed those audits, we found that many of them are either completely or partially redundant," he said.

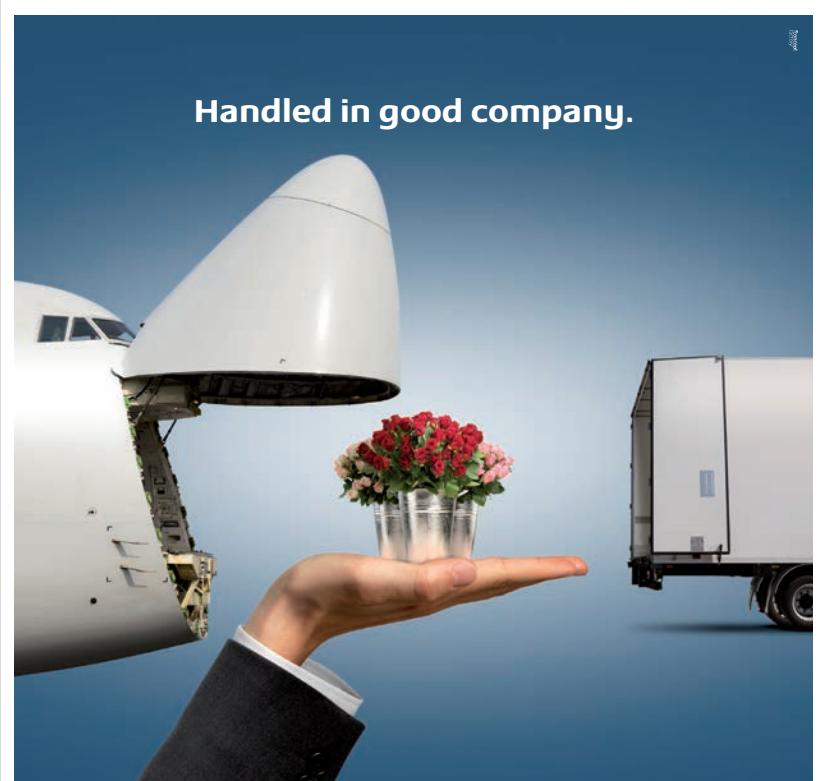
"In an audit cycle most airlines will try to get out to their handlers once every year, but in large networks that can be difficult to do.

"If we can remove any of that it would be a huge benefit for the industry."

Sullivan said that handler SATS and Singapore Airlines were the first to sign up.

Elsewhere, Sullivan said that IATA would unveil its One Source database of air cargo facilities in the first quarter of the year and it also plans to develop standards for the handling of lithium batteries and ID codes for returnable assets such as pharma packaging.

On lithium standards, Sullivan said: "We are looking at what the best practices could be, not just in the event of mishandling, but to make sure we have safe control for the hand-over processes."



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# Maintaining the balance

LATAM Cargo chief executive Andrés Bianchi says the rapidly changing airfreight market means there is never a dull day in the office. **Damian Brett** reports

**T**he challenge of ensuring aircraft are full of cargo is not an easy one to meet at the best of times, but when the market is in a downturn the task becomes even more difficult.

One person meeting this challenge head on is LATAM Cargo chief executive Andrés Bianchi, who was appointed to the top job just over two and a half years ago after stints in the finance, networks and commercial areas of the cargo business.

He outlines to *Air Cargo News* the steps the airline has taken to ensure its load factors are as high as possible on both northbound and southbound services.

## Widebody capacity

Firstly, he says, the cargo division works closely with the passenger side of the business when network plans are formulated to ensure widebody capacity is deployed in order to maximise cargo loads.

“For example, we fly widebodies from Santiago to São Paulo anything between two to four times per day, or from Lima to São Paulo,” he says.

“Those aircraft are basically devoted to those routes because of cargo requests. It allows us to feed our belly capacity out of São Paulo into Europe and the US with a much better cargo contribution.

“That is something we are consistently getting better at.”

Its fleet of 11 Boeing 767 freighters also help to feed cargo into its main hubs for onward transportation in the bellyhold of passenger aircraft.

Bianchi explains that rather than fly back and forth between two airports on a rotation, freighters will cover more than one origin and hub on a loop to pick up and drop off as much feeder cargo as possible without the need to fly low-demand backhaul routes.

“By combining, we can do a much better job at building the cargo out of the exporting countries of South



**‘Things change very quickly in cargo so there is not a dull day at the office: you are always having to look at the economic balance, trying to anticipate how demand is going to behave, what your competitors are going to do’**

**Andrés Bianchi, LATAM Cargo**

America without having to bring an extra plane back.”

Overall, Bianchi says the last 12 months have been a mixed bag in terms of demand, with perishable cargo heading northbound largely performing “fairly well”, while southbound imports have been “dismal”.

He says: “Salmon is okay, flowers are okay but asparagus, which used to be pretty significant, is not doing that well because there have been trials of surface transport, although the results of this are still a bit unclear.

“On the other hand the import markets are dismal when you look at data from sources like [analysts] WorldACD or Seabury.

“The decline in revenues on the import side is among the most dramatic in the world, especially on some specific lanes in which, because we are still a good export market, carriers are flying more and then lowering the rate in order to get more tonnage on the way down.

“That is generating an imbalance, it is generating a lot of issues within the region in terms of how you deploy capacity and how you leverage your network to carry as much northbound volumes as possible without having to incur the cost of bringing freighters down.”

## Divergent picture

Looking at how LATAM Cargo is performing in terms of volumes and revenues paints a divergent picture, as income has been hit much harder than cargo demand.

Over the first three quarters of last year, the latest figures available, the cargo business saw revenues decline by 10.3% year on year to \$784m, while cargo volumes were down by the lower amount of 3.5% to 660,000 tons.

Bianchi points out that the figures are complicated by the sale of its Mexican subsidiary Mas Air Cargo at the end of 2018.

“Having said that there is no denying that especially on the yield side there has been pressure,” he says.

“There haven’t been sizeable capacity adjustments into South America in the last year, despite the fact that demand has fallen by a double-digit amount and as a result yields have come under pressure.

“Add to that, the mix between inbound cargo and outbound cargo has shifted in favour of export cargo, which has lower yields [also affecting year-on-year comparisons].

“However, if you look at the revenue tonne km (RTK) count and how the market has shifted in terms of demand, what is hidden in those figures is that we have been making market share gains in several markets in the region because our RTKs have fallen by less than the fall of tonnage in the region.”

Another major development at the airline over recent years has been its decision to offload its B777Fs in favour of a dedicated fleet of B767Fs.

Until 2016, the airline operated

four B777F aircraft, but 24 months later they had all left the fleet.

Looking back, Bianchi says it was the right decision to make because demand on the inbound side had been falling consistently, which would make it hard to fill freighters with a capacity of around 100 tonnes.

Bianchi explains: “With the B767Fs we can better match supply and demand and that allows us to provide a more frequent service.

“We can double frequencies if we need to, or we can move them back quickly to do feeder operations.

“The decision to phase out the B777Fs in light of the current market situation has proved to be very beneficial.”

Efficiencies have also been gained by operating a single freighter type, he says.

Looking to the future of the LATAM Cargo fleet, Bianchi says it has just taken delivery of the last of a series of three conversions it had on order.

The latest aircraft will be operated by LATAM Cargo Colombia and will replace an aircraft the group had on lease through an ACMI deal.

He says the carrier is currently evaluating whether or not it will convert more of LATAM’s “significant” fleet of B767-300ERs, which make good feedstock for conversion.

“They have the right specification for conversion so we can pull them as they become available — we get the option to use them for our operation and if not, they are sold.”

**Conservative plans**

On new cargo services, Bianchi says the carrier is being “conservative” in its plans for the coming year as it adjusts to market realities.

However, he adds that LATAM will grow its operations out of Bogota to Miami, while it will look at some other opportunities to add extra capacity on certain northbound routes.

In the southbound direction LATAM will only add extra capacity where it is critical.

“We can benefit from the fact that the B767 is pretty adaptable so if we see a pick-up in demand, we can probably, within two weeks, activate extra long-haul frequencies.”

LATAM Cargo recently added a new service between Miami and Lima, which replaced a previous B777F operation that had been dropped when the aircraft type exited the fleet.

The carrier had continued to cover the route in the northbound direction, but it was decided that now was the right time to also offer capacity heading south.

Elsewhere, the airline has been investing in its perishable and pharma operations. It has embarked on gaining IATA CEIV certification at facilities across its network while also expanding its cooler facility at Guarulhos.

More than 45% of LATAM Cargo’s volumes are perishable shipments and currently 14% of these shipments — more than 24,000 tons — transit through

Guarulhos. Salmon, fruit and asparagus are the most transported perishables.

The facility will include two areas: one storage cooler of 485 sq m set at 0-2 degrees Celsius and the second will measure 340 sq m offering temperatures of 2-12 degrees Celsius for storage and re-palletising purposes.

The larger facility will allow the carrier to increase the amount of transit cargo it can handle and process through São Paulo.

The cooler will be able to hold the capacity of eight widebody passenger aircraft, Bianchi says.

As with most airlines, LATAM Cargo is also investing in its digital capabilities. →



More than 45% of LATAM Cargo’s volumes are perishables

## Expanding your business all over Japan

Flight Number	Destination	Day	Departure	Arrival
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TG 627	SDJ - BKK	3, 5, 7	11.15	16.05

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“We have been working over the last year and a half on completely overhauling our systems infrastructure,” he says.

“We are going to cut over from more than 15 different systems that we currently have working together into a new system [Wipros’ Croamis].

“We should be cutting over to that system within the second half of 2020 and it will significantly augment our IT capabilities, allowing us to do more digital implementations with our customers, improve efficiency and also enable us to use data in a much more effective fashion.”

Another area of development for LATAM Cargo is the expansion of its alliance arrangements.

Towards the end of last year the LATAM Group signed new codeshare agreements with pending-equity owner Delta Air Lines.

News broke in September that Delta intends to acquire 20% of LATAM for \$1.9bn.

LATAM says its affiliates in Peru, Colombia and Ecuador have signed codeshare deals with Delta that will allow connections between those countries and the US, starting in the

first quarter of 2020.

The codeshares remain subject to regulatory approval, LATAM says.

**Codeshare agreement**

LATAM also intends to establish a codeshare agreement linking its subsidiaries in Chile and Brazil with Delta.

“Since cargo is important to LATAM we are always part of the conversations with our partners and cargo participates actively in the process,” Bianchi explains.

“The agreement that we recently announced with Delta, which is in the process of going through all the regu-

latory approvals includes a cargo chapter which should be interesting to both airlines — once approvals are in place — in terms of developing new routings together, improving efficiency and enhancing the products that we offer the customers.”

The airline is also waiting for approvals for a partnership with the IAG Group. Qatar Airways is a shareholder and it has partnerships with Air China and Cathay Pacific for the onward transportation of cargo flown on its Santiago-Chicago service.

To conclude, Bianchi says he enjoys the cargo side of the airline business.

“Things change very quickly in cargo so there is not a dull day at the office: you are always having to look at the economic balance, trying to anticipate how demand is going to behave, what your competitors are going to do.

“On the passenger side, and in other businesses, you have longer lead times so you can plan better.

“In this particular business you have to work every day to try to understand what is going to happen and then react and that makes it attractive.

“We face the challenges of modifying our fleet, making sure that this company is better prepared for the digital age with a new system, offering products that match what people want and that we can deliver. These have been very interesting experiences.

“The opportunity to see how we can integrate with other carriers to generate better products without having to deploy additional assets is one of the challenges for the future of the industry and we are going to be right in the middle of it with our alliances.” **acn**

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**FACT FILE**

- ◆ During the first three quarters of 2019 LATAM Cargo saw volumes decline by 3.5% to 660,000 tonnes following the sale of Mas Air Cargo.
- ◆ Later this year the carrier will deploy Wipros’ Croamis platform to replace 15 legacy cargo platform management systems.
- ◆ Perishables are big business for LATAM Cargo. For Mothers’ Day 2019, the airline transported more than 7,400 tons of flowers.

## LOGISTICS



DHL's new German hub (left) can handle 20,000 packages an hour while its Technology Campus (right) incorporates robotic arms and next-generation scanners

# DHL Group rolls out a strategy for excellence

Deutsche Post DHL Group is investing more than €2bn a year on digitalisation under its Strategy 2025 plan to boost earnings and profitability, and it has opened a cutting-edge logistics hub in Germany with zero net emissions to raise service levels, writes **Rachelle Harry**

**D**eutsche Post DHL Group is in the process of rolling out Strategy 2025, a new initiative that focuses on the company's digitalisation and sustainability efforts while also supporting its drive in the e-commerce market.

As part of the strategy, the company plans to increase the profits from each of its logistics divisions, as well as spending €2bn each year on digitalisation up until 2025.

"Deutsche Post DHL Group has never been in better shape," said Frank Appel, the group's chief executive, during the Strategy 2025 presentation in Frankfurt, Germany. "We are convinced that future growth will come from a consistent focus on our profitable core logistics businesses – and digitalisation will become the greatest lever."



Appel: pushing the digital agenda

Deutsche Post DHL Group has identified four trends that are impacting on the logistics industry: globalisation, e-commerce, digitalisation and sustainability. Strategy 2025 is the group's plan to make the most of these trends over the next five years and beyond.

"We are the only company that is able to offer single elements as well as the entire e-commerce supply chain on a global scale," Appel explained. "This is our key differentiator."

Deutsche Post DHL Group believes that e-commerce is a common denominator of – and key growth driver for – each of its divisions. It plans to use this driver to "enhance the customer and employee experience by improving operational excellence."

As a first step towards improving its services as part of the strategy, it will improve its IT systems and integrate new technologies to streamline its processes. In addition, the group will improve its efficiency by implementing automation and robotics into its warehouse spaces.

Data analytics and advanced algorithms will be used to carry out volume prediction and resource planning for shipments.

"Moving forward, we will bundle our technological capabilities as a group in our global Centers of

Excellence," Appel explained.

"Here, we will centrally develop key technologies, such as the internet of things, and then provide them to our divisions. This way, we can leverage the strength of our group to push our digitalisation forward."

## Strategy execution

On November 19, DHL Express became the first of the group's divisions to kickstart Strategy 2025 with the opening of its new logistics hub at Cologne-Bonn Airport in Germany.

The hub, which cost €123m and took two years to build, covers an area of 15,000 sq m and features environmentally-friendly technologies that allow it to operate without producing any net emissions.

"We're continuously improving on process efficiency," said John Pearson, chief executive of DHL Express. "Over the past 20 years, we've moved from mechanised facilities to not only automated facilities, but highly automated hub facilities."

DHL says the centre is equipped for the e-commerce market, with an automatic handling system that can sort up to 20,000 packages per hour, more than 2.5 km of cargo-transporting conveyer belts and an X-ray scanner that produces 3D images (for security purposes and to calculate which lifts

should be used for certain cargo).


Later in November, DHL Supply Chain commenced the strategy by hosting a press event at its Smart Warehouse on the Technology Campus in Beringe, the Netherlands.

During the event, Oscar de Bok, chief executive of DHL Supply Chain, explained: "As we [in this division] continue to grow alongside the market, our customer-focused approach enables us to transform innovative ideas into scalable and commercially viable products that we can roll out across the regions."

DHL Supply Chain said its Technology Campus ideally fits the strategy. It is Transported Asset Protection Association (TAPA) certified and features digitalised tools such as processing and sorting machines, robotic arms, indoor robotic transport and next-generation mobile scanners, the logistics giant said.

"The Smart Warehouse is a prime example of how we deploy smart solutions to create immediate value for the customer and for our employees," it stated.

Deutsche Post DHL Group aims to increase earnings before interest and tax by at least €5.3bn by 2022.

"We need not reinvent ourselves. We will digitalise ourselves," concluded Appel. 

# Keeping busy in tough times

A slowdown in the freight industry and the economy in general tends to be felt most strongly in the charter sector. **Damian Brett** looks at what's in store for 2020

**T**rying to second-guess how the air cargo market will perform in the future is difficult enough at the best of times, but when the outlook can change on the back of a tweet from the US president, the task is even harder.

Clouding the picture further are US elections in November and the UK's departure from the European Union.

As a result, it's far from clear what the next 12 months will hold for the charter market.

Cargolux director of charters Eric Erbacher says that the market follows the wider economy, but is generally at the extremities of the peaks and troughs.

"If the market is depressed in general, then normally the charter market is even worse," he says.

However, he adds that the market picked up around the peak season last year and Cargolux still had a lot of requests and contracted business, especially out of China.

Looking ahead, he hopes that the signs that trade tensions between China and the US are beginning to cool and an early Chinese New Year could help build some momentum.

## Fewer enquiries

Air Charter Service (ACS) global director cargo Dan Morgan-Evans says that there was a Far East peak towards the end of last year but the number of new enquiries was definitely down on the past two years.

He explains that the company had a good start to 2019, and it has contracts running until 2021 that have helped keep it busy.

However, he says that the market in general is suffering and the situation became even tougher around August.

He adds that the automotive market has been particularly weak over the past year: "The inventory to output ratio is quite high, which means stocks are high and so there isn't a need for emergency charters.

"I don't know if it was the General Motors strikes at the start of the year

that made the car manufacturers nervous and start stocking up, or the uncertainty with diesel cars, or that people don't know what to buy – petrol, hybrid, electric – that caused the weakness.

"No one knows how the car market will change over the next five years, so that is affecting consumers and affecting us as well."

Pierre van der Stichele, group cargo operations director at Chapman Freeborn, agrees that the automotive market has been under pressure, although he says its nightly flights covering Poland, the Czech Republic, Slovakia, Germany and the UK have protected it to some extent.

He says there are plans to launch several new electric cars next year and this could help boost automotive sales, although in the longer term electric cars could generate less traffic than petrol-powered vehicles because there are fewer engine components.

Despite the slower market, he adds that the company is still busy: "It is not as if there is no work going on and no flights. You can feel the pinch but we are quite busy on project cargo and many other kinds of cargo, whether it is oil and gas or humanitarian, so we are not missing work.

"I think [2020] is going to be very similar to [last] year, because there is still a lot of tension in the Middle East and everything is still very delicate



Dan Morgan-Evans: "The automotive market has been particularly weak"

in that region politically. If anything happens there, it could affect the price of fuel once again. And with the trade wars, I don't see all these things being sorted out anytime soon."

Air Partner director of freight Mike Hill agrees that the automotive sector is under pressure and that the market in general is quieter than recent years.

However, he adds that other sectors – such as humanitarian – perform differently from the general economy and business there continues to do well.

Overall, he is happy with how last year turned out for Air Partner.

"Throughout the whole industry it is quiet," he says. "Although it is ticking along and isn't too bad.

"Oil and gas has gone through

a tumultuous time because of the oil price, but it actually seems to be doing okay at the moment and we have quite a few jobs on.

"The Aircraft on the Ground (AOG) business and aerospace is a bit recession-proof as well, for the time being."

He adds: "This year anything can happen, so we have to be cautious: our automotive business may struggle but oil and gas could improve.

"When a sector completely falls out, we are propped up by other sectors – and we work with forwarders who are also in many sectors, so our customers are often in the same situation."

Erbacher adds that when the market enters a downturn, it is important to stay alert.

He says: "In periods where demand goes into reverse, our teams will stay very vigilant – first of all to make sure we keep the clients that we already have, and then to try to develop new clients and new segments.

"For example, we are not so strong in the relief goods sector or military goods sector, so there are still areas where we can do more."

## Fighting hard

Morgan-Evans adds: "In general it is quieter, there are fewer enquiries around and we have to fight hard for every flight – that is what you have to do when times are tough.

"Hopefully the steps we are taking now in the months where people are finding it tough will pay dividends."

Looking at the overall air cargo market, there has been a wave of new digital cargo services launched over the past couple of years – but this is less true for the charter market, given the complex nature of operations.

However, last year a digital charter booking platform, CharterSync, was launched in Europe.

The platform mainly targets the go-now market requiring smaller aircraft, but its systems were put to the test late last year when a freight forwarder wanted a 50-tonne



Cargolux is flying a large number of shipments from China



Chapman Freeborn is exploring possible business synergies, following its acquisition by Avia Solutions



shipment moved from Ostend to North Carolina at short notice.

An Antonov-124-100 freighter, owned and operated by Volga-Dnepr Group, was chartered to fly the 458 cu m machinery.

Meanwhile, incumbent players are also looking at developing digital services, although there is a general feeling that the complexity of the charter industry means that human input and a personal service will always be required.

Morgan-Evans says: "Technology can do its job, but it isn't about bums on seats in cargo – it is about dimensions, weight per sq ft, different runway capabilities and aircraft capabilities.

"There are too many variables involved in most enquiries. I'm not saying you can't say 'here is a Euro Pallet and it will fit on this aircraft' – you can do that, but there are a lot of variables in the charter market.

"When your packing list is three pages long, it isn't something that your customer is going to want to plug into a dashboard to try and get an aircraft that is suitable.

"They will just phone me up and have a chat about it and I will let them know what it will load into."

Despite this, he says ACS has been investing in its IT capabilities to improve broker efficiency, making them "quicker and better able to do their job".

"Although it isn't a client-based technology that gets to be seen, internally it has made our jobs much more efficient over the past few years and that development is still ongoing," he says.

Hill says that Air Partner had also considered developing a tool

for online charter bookings but in the end decided that it couldn't be done because of the complexity of shipments.

However, in 2012 it launched a tracking system, RedTrack, that keeps customers up to date with shipment location by email and SMS message.

The system also offers online contracting to reduce the need to print, sign and scan paperwork.

"We haven't changed it much since then because it is a good system and we don't want to over-complicate it," Hill says.

Looking ahead, the company plans to launch a new website.

Chapman Freeborn is also exploring how to develop its digital services and has set up a taskforce to examine different options.

But it is too early to provide any details on how the system could stack up, van der Stichele says.

Erbacher says Cargolux is also exploring how it can develop its charter IT systems in line with the wider company.



Mike Hill says the complexity of cargo makes it unsuitable for online booking

He says: "We are already looking at transforming more and more into a digital business because that is the general direction we are going in as a company, but on the charter side we have not taken the final decision on how we will set up our IT infrastructure."

In the first instance, the freighter operator will look to automate the way it communicates with its clients as well as the quotation process.

Last year the airline introduced a flight tracker tool that gives clients access to a personalised operational database with visibility on aircraft location.

Looking at non-IT investments, van der Stichele points out that Chapman Freeborn was recently acquired by Avia Solutions Group and the integration of the two businesses is ongoing.

"I think there will be some good things from working together and there will be some synergies between the two companies for sure.

"There are many areas where we can open doors for them and vice



Pierre van der Stichele says the launch of new electric cars could boost sales

versa. So it will be more along those lines – synergies first and then we will see where we need to perhaps have a new office or expand."

Elsewhere, Chapman Freeborn also recently announced a tie-up with Airbridge International Agencies (AIA) that will see it become the exclusive partner for all AIA Cargo's aircraft charter requirements to and from the Republic of Ireland and Northern Ireland.

### New locations


Last year Air Partner opened new offices in Houston, Singapore, Dubai and Los Angeles, although the latter two locations are more focused on the passenger business.

Hill says there are no plans for huge amounts of investment this year.

ACS has also been busy expanding and opening new offices over the past year. Morgan-Evans says much of this was in response to teams growing in these locations.

New offices in Shanghai and Atlanta were primarily for the cargo market, he says, and there are more earmarked for 2020 – although not necessarily for the freight business.

One other area where Morgan-Evans sees opportunities for the charter business over the coming year is in response to airlines reducing scheduled freighter services as a result of the tough market conditions.

He says: "As the cargo volumes for [scheduled operators] fall and it becomes more inefficient for them to maintain routes, that can open up opportunities for us and should pick up the charter market a little bit – if capacity dips a little and there is a peak in anything, that should help to move some charters around." 

# LCCs set their sights on e-commerce market

Low-cost carriers are increasingly targeting the e-commerce sector and can offer some distinct advantages over integrators and hub carriers, suggests **Ian Putzger**



Southwest Airlines has a package operation in place and can provide a same-day service for SMEs

**A**irAsia is flying high with e-commerce, but the Asian low-cost carrier (LCC) has much higher ambitions in this sector. Teleport, the airline's freight and logistics arm, is investing in EasyParcel, a web-based parcel consolidator and provider of e-commerce shipping solutions.

Together with venture capital firm Gobi Partners, Teleport is pouring \$10.6m into EasyParcel, which gives both investors a seat on the board of the e-commerce and parcel delivery firm.

"I've always believed AirAsia's logistics business has a huge opportunity to be part of the social and e-commerce ecosystem. Today we're unlocking that potential with the help of EasyParcel," commented AirAsia chief executive Tony Fernandes when

the deal was announced.

EasyParcel, which has delivered over 19m parcels since its inception in 2014 and boasts about 500,000 users, is headquartered in Malaysia but also operates in Singapore, Thailand and Indonesia.

AirAsia, which rebranded its cargo division last year, is looking to double its revenue from cargo within the next 12 months, and e-commerce is playing a key role in this.

Teleport portrays itself as being "on a mission to enable everyone – from single merchants to the largest companies – to move goods and e-commerce everywhere in Southeast Asia and beyond".

Over in Latin America, another LCC is also in hot pursuit of e-commerce. Brazilian carrier Azul sharpened its focus on cargo in December 2018 with the acquisition

of two Boeing 737 freighters to supplement its bellyhold capacity.

Following the arrival of the pair, Azul clocked up 44% growth in cargo for the first half of 2019.

## Driving growth

E-commerce has been the biggest growth engine, with revenues soaring 314% over the same period in 2018.

When the freighters joined Azul's line-up, the airline was poised for a large boost of its parcel volumes through a partnership with Correios, Brazil's postal operator.

On December 11, 2018, the nation's top regulatory authority approved the creation of an integrated logistics joint venture between Correios and Azul Cargo Express.

However, three months later the airline withdrew from the deal, declaring that it saw better opportunities for

growth elsewhere.

Last year, at the end of August, Azul Cargo Express signed a commercial agreement with Mercado Libre, Latin America's largest e-commerce firm.

This makes Azul the sole air shipping partner within Brazil for purchases from Mercado Libre's platform.

Until the alignment, Mercado Libre had accounted for about 10% of the carrier's cargo revenues.

For the e-commerce platform, the new partner offers unrivalled reach, serving over 100 domestic destinations, with no competition on 72% of its routes.

In the future, Azul might also tap into international e-commerce flows.

The airline has been having talks with United Airlines and Avianca about the possibility of forming an alliance for US-Latin America connections.

United holds an 8.2% stake in Azul. Alex Allen, group chief executive of AMI Worldwide and a former e-commerce and logistics consultant, finds LCCs well positioned to tackle the e-commerce market, pointing to their route networks with multiple frequencies to most larger cities, quick

**'Asian, US and Indian LCCs have probably done better in grabbing a share of the e-commerce markets than their European counterparts'**

Alex Allen, AMI



AirAsia rebranded its cargo division last year and wants to double its revenue from freight within the next 12 months – something e-commerce will be vital for

processing on the ground, and their ability to work well on low-density routes.

On high-density routes they face capacity constraints, however, he notes.

“LCCs and e-commerce go well together. E-commerce is perfect for belly cargo,” agrees Stan Wright, president and chief executive of Strategic Aviation Solutions International. Their point-to-point networks enable them to offer transit times no integrator or hub carrier can match, he explains.

Allen agrees, adding that the advantage is particularly pronounced on low-density routes.

The advance of LCCs in this arena has been uneven.

“Asian, US and Indian LCCs have probably done better in grabbing a share of the e-commerce markets than their European counterparts, where they have more competition from road transportation,” he remarks.

Wright sees promising potential for Southwest Airlines, noting that the US LCC already has a small package service in place.

“They can offer a same-day service that would allow SMEs to compete with Amazon,” he reflects.

**Data appeal**

For this clientele, working with a commercial airline has considerable appeal. “SMEs don’t have to give up their data to Alibaba or Amazon,” Wright says.

LCCs may be faster than their competitors, but they usually do not have any cargo infrastructure to speak of. According to Wright, this is not a problem.

“You don’t need infrastructure. You make a deal with a handling company,” he says. For this to work, the handler cannot be treated as a cost-cutting item. It is necessary to pay a rate that allows the handler to make the necessary investment in equipment and staff, he stresses.

For the operation to run smoothly, as much as possible should be done at origin – including elements like packaging and labelling – so packages can be dropped into a last-mile service when they land at the destination airport, he adds.



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# Open for business

**A**frica's airfreight market has huge potential and it is outperforming other regions, in spite of several impediments that are hindering its growth.

Sanjeev Gadhia, chief executive of Nairobi-based freighter operator Astral Aviation, sums up: "The airfreight market across Africa remained buoyant in 2019, with notable volumes on key trade lanes such as East Africa to Europe, China to Africa, southern Africa to East Africa and Europe to West Africa.

"While there is overcapacity on some of the routes, which has resulted in pressure on yields, there is positive growth overall to, from and within Africa."

Africa is bucking the worldwide trend for declining airfreight volumes, with the rise of special cargo just one of several factors contributing to growth, writes **Megan Ramsey**

September's data from WorldACD, which was published on October 31, offers a slightly different – although still positive – picture.

The report indicates that while worldwide volumes for the month shrank by 5.4% year on year, Africa experienced the smallest decline of all the regions, with its volumes falling by just 3.2% compared with September 2018.

Furthermore, during the first three

quarters of last year Africa was the only region that registered growth in airfreight volumes, albeit by only 1.1%, according to WorldACD.

Explaining that result, the market analyst says: "For years already, special cargo has outgrown general cargo, a trend propelled by an increased worldwide demand for special products, in particular perishables."

Special cargo was a significant

contributing factor to Kenya, Egypt and South Africa all being among the top 10 countries in terms of air cargo volume growth for the January-September period. Indeed, it accounts for more than 80% of Kenya's total airfreight.

Gadhia says that patterns of airfreight demand in Africa have been changing.

The emergence of e-commerce is generating new volumes into West, southern and East Africa; these are large quantities of small shipments, especially from China.

"By far the largest demand is for mobile phone imports into Africa, mainly from Hong Kong, to satisfy the internet appetite of Africa's middle-class population," he adds.

One carrier benefiting from demand on such routes is Ethiopian Airlines. Its export volumes dropped by 7.1% year on year in the third quarter of 2019, but imports were up, bringing the total uplift for July-September to 116,162 tons – an increase of 17.3% over the same period in 2018.

## Busiest routes

Fitsum Abadi, managing director at Ethiopian Cargo & Logistics Services, remarks: "Ethiopian's busiest cargo routes are from Asia/Middle East Gulf to Africa (for pharmaceuticals, textiles and electronics, etc), from Africa to Europe (for perishables – mainly flowers) and Europe to Asia



Pharmaceuticals, perishables, high-tech and consumer goods are the mainstay of Ethiopian Airlines' cargo volumes



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Industrial pump spare parts handled by Centrimex



Centrimex also ships building materials to Abidjan

(for high-tech and consumable goods) owing to the close trade relations between China and Africa, Africa and Europe, and Europe and China.”

In 2018, the airline formed a partnership with DHL Global Forwarding in Africa. The joint venture (JV) has three stations: one at Addis Ababa airport and the other two in the major manufacturing hubs of Hawassa Industrial Park and Bole Lemi Industrial Park.

According to Abadi: “More offices in Modjo dry port, Mekelle and Kombolcha are to be opened by March 2020.

“The JV is soon to extend its end-to-end logistics services targeting the top 10 importers by air and ocean, facilitating customs clearing

for shipments arriving via both modes of transport.”

Ethiopian Airlines launched weekly Boeing 777 freighter flights to Chongqing in June 2019, on a Shanghai-Chongqing-Delhi-Addis Ababa-Lagos-Sao Paulo-Quito-Miami rotation.

In October, it said it was planning to add freighter services to Lima and Santiago de Chile “in the near future”, Abadi reveals.

Meanwhile, Astral Aviation and its sister company, Network Airline Management (NAM), recently commenced a twice-weekly scheduled freighter service from Liege to Johannesburg, with onward connectivity into Nairobi. The flights are expected to continue in 2020.

Astral and NAM have also entered

into a long-term wet lease with Air Atlanta Icelandic that will add a B747-400F to their existing fleet of three MD11Fs.

Gadhia says: “The newly acquired B747-400F from Air Atlanta Icelandic will strengthen our position as a market leader in perishable exports from Kenya to the UK market.”

Besides perishables, the nose-loading aircraft will allow the group to attract oversized oil, gas and mining equipment for West and East Africa.

**Cautiously optimistic**

Gadhia adds: “While most foreign carriers are reducing their capacity to Africa, Astral Aviation remains cautiously optimistic about positive growth in perishable exports to Europe. A strong south-bound

demand from Europe to West and East Africa has been fuelled by the growth in consumer demand for e-commerce and oil and gas equipment, owing to the improved fuel prices.”

This year, Astral plans to resume the Nairobi to Dar es Salaam route and launch a scheduled service from Nairobi to the UAE via Djibouti.

In another development, United Airlines became the first-ever US carrier to offer non-stop services between New York/Newark and Cape Town when it launched the thrice-weekly B787 Dreamliner flights in December 2019.

Worldwide Flight Services (WFS) in Cape Town won a three-year contract to provide cargo handling services for the seasonal flights. →

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→ Malcolm Tonkin, general manager cargo for WFS in South Africa, says United is “a welcome addition to our growing business”, describing the direct cargo capacity to and from New York as “a great boost for the local cargo community”.

WFS, which handles more than 65,000 tonnes of cargo a year at its stations in Johannesburg and Cape Town, recently became the first air cargo handling company in South Africa to be awarded Good Distribution Practice (GDP) certifications for its temperature-controlled pharma facilities in both of those locations.

### Not enough capacity?

Views regarding capacity in the African sector are not entirely homogenous, however.

Freight forwarder Centrimex works with exports from Europe and all of West and Central Africa, as well as landlocked countries such as Mali and Burkina Faso.

“We also deal with a lot of flows out of China and India, on these same axes. Africa remains the destination to and from which we can be asked to transport anything and everything, from vehicles to building materials,” says Centrimex Roissy (France) airfreight manager Thierry Bongiovanni.

“African countries are industrialising and producing vegetables and fruit, and are starting to rear livestock, and this will create more and more frequent [intra-Africa] trade,” he adds. The difficulty, from this forwarder’s perspective, is that although the market is growing, capacity is not keeping up. In particular, Bongiovanni feels there are not enough freighter services to satisfy rising demand: the focus is essentially on passenger flights.

On the other hand, Abadi points out: “The belly capacity operators have added further cargo freighters, which result in overcapacity and pressure on yields.”

A further complication is a directional imbalance resulting from the high suitability of Africa’s exports for airfreight, while cheaper modes of transport are often appropriate for the goods it imports.

Abadi is also concerned that African carriers face stiff competition from airlines based elsewhere, which inevitably affects their share of the total volume. Indeed, African skies are more open to non-African carriers than the indigenous airlines, he believes.

### Economic integration

“Free movement of people and goods is essential for economic integration of the African continent,” he says.

“An effective air transport system is a major catalyst for sustainable economic growth and development.



United Airlines has launched flights between New York and Cape Town, where WFS provides cargo handling services



Centrimex cargoes include Tesla cars



Centrimex works with exports from Europe, all of West and Central Africa

In this regard the Single African Air Transport Market (SAATM) and Continental Free Trade Area (CFTA) initiatives have been developed by African countries so as to liberalise African trade and the continent’s aviation industry.”

The SAATM was launched in 2018, in an attempt to fully implement the Yamoussoukro Decision – a treaty allowing fifth freedom rights



Sanjeev Gadhia: “The secondary hubs need to invest in cargo infrastructure”

among most African countries that became binding in 2002, but whose implementation is yet to be fully realised. In light of the slow progress thus far, Abadi urged African governments to commit fully to both SAATM and CFTA.

Many African countries also suffer from poor airport infrastructure at certain gateways.

Gadhia explains: “In the primary hubs of Nairobi, Johannesburg, Lagos and Addis Ababa, there is sufficient cargo infrastructure to meet demand.

“However, the secondary hubs need to invest in cargo infrastructure; this need can be met by the private sector via concession agreements or public-private partnerships.”

This positive approach is characteristic of Gadhia’s outlook in general.

“We remain optimistic in 2020 that China will continue to dominate air traffic into Africa, while the demand for perishable exports from East

Africa to Europe will grow at a modest rate,” he says.

“The two biggest economies in Africa, South Africa and Nigeria, are expected to recover in 2020 with new signs of investment, while Mozambique will implement some of its oil and gas projects, which will drive growth.”

Back at Centrimex, Bongiovanni expects an improvement in the harmonisation of local taxes and duties across different African countries in the coming years.

He is also hopeful that customs procedures, which can often cause time to be wasted on arrival, will become “less cumbersome”.

Overall, there is no doubt that Africa is opening up to the rest of the world more and more, although there is some variation. “Some countries might have gone a step ahead of others,” Bongiovanni observes, “probably due to local economy and wealth that are not the same from one country to another.”



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# DATA HUB

## AIRLINE DEMAND

# Stabilisation on the horizon after 'very tough year'

It was a slow start to the peak season, but key market drivers are showing signs of stabilising, IATA reported in its October airfreight market analysis report.

Despite peak season being dominated by consumer-led holidays that impact the airfreight market – such as Singles Day, Black Friday, Cyber Monday and Christmas – October 2019 saw industry-wide freight tonne kms (FTKs) slide.

“Air cargo’s peak season is off to a disappointing start, with demand down 3.5% in October,” said Alexandre de Juniac, director general and chief executive of IATA at the time. “Demand is set to decline in 2019 overall – the weakest annual outcome since the

global financial crisis. It has been a very tough year for the air cargo industry.”

IATA’s analysis added: “While not as bad as last month’s 4.4% decline, the global airfreight market remains weak; [October] is the twelfth consecutive month of falling annual volumes.”

Freight capacity, measured in available freight tonne kms (AFTKs), increased by 2.2% year on year in October, according to the figures.

“Capacity growth has now outstripped demand growth for the 18th consecutive month,” IATA reported.

“Airfreight volumes look set to record a year-on-year decline in 2019,” the association commented.

On a more positive note, however, IATA hinted that the worst could be over, although the market outlook remains uncertain. “There are some tentative indications of modest improvement or stabilisation amongst some of the key demand drivers. It remains to be seen whether these will be more than transitory developments,” it said.

Regions continue to display quite varying performances, affected by factors such as Brexit in Europe, the US-China trade war – which

is reflected in North America’s performance – and political unrest in Hong Kong, which has hit Asia Pacific.

African carriers experienced the highest regional growth as FTKs increased by 12.6%.

“This trend is underpinned, in part, by large-scale foreign investment, in particular from Asia, which creates new business and trade opportunities,” IATA explained.

For European airlines, FTKs declined by 1.5% year on year, which was an improvement on September’s 3.3% decrease. IATA attributed this performance to “better than expected economic activity in the third

quarter in several of the region’s large economies”.

Similarly, airlines in the North America region reported a 2.4% year-on-year fall in FTKs for October, which was a slight improvement from the 4.2% year-on-year decline in September.

“While annual growth remains in line with that observed in the past six months or so, seasonally adjusted (SA) volumes are currently trending sideways,” IATA explained. “SA traffic on the largest routes to/from the region is showing a modest upward trend over recent months.

“Combined with the recent positive signs on the trade

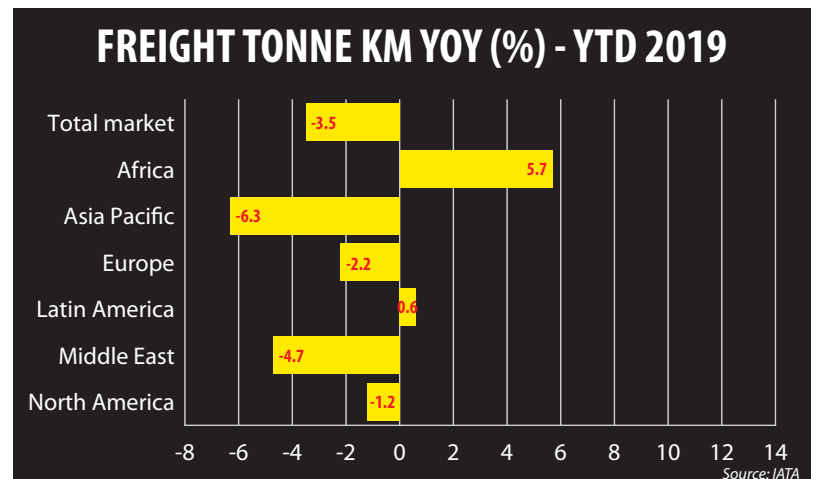
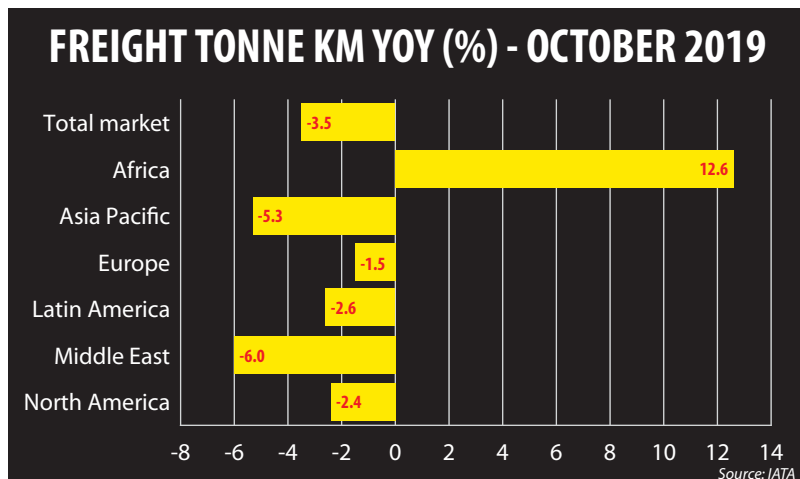
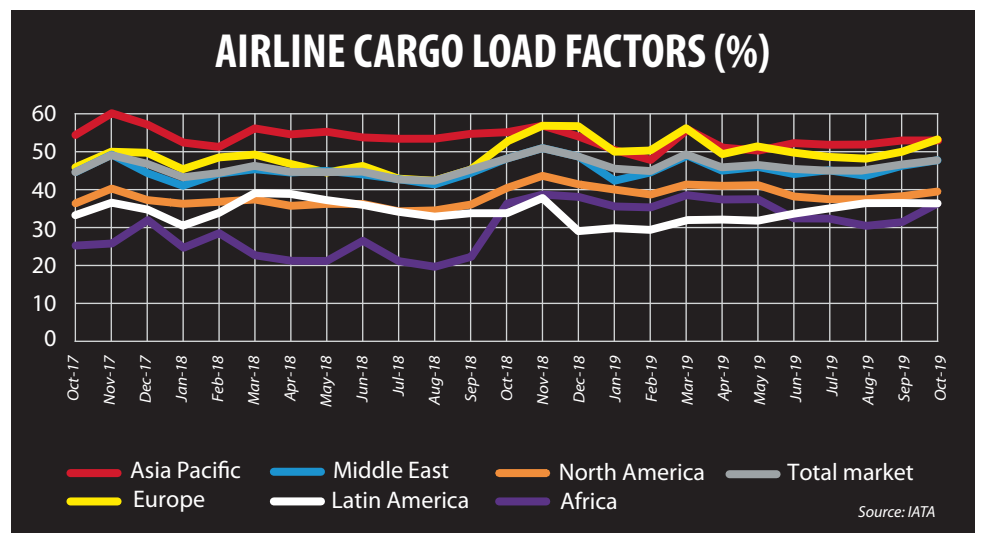
front, this may bode well for the performance in coming months,” it added.

In October, Latin American airlines reported a 2.6% year-on-year decline of FTKs. The Asia Pacific region’s airlines, meanwhile, posted a 5.3% year-on-year decrease in demand, which IATA puts down in part to disruption caused by ongoing protests in Hong Kong, a key hub for the region, and the trade war.

Middle East carriers experienced the largest annual fall in FTKs during October, at 6%. However, on a more positive note, IATA explained that: “SA volumes in the region appear to have resumed a modest uptrend.”

**‘Demand is set to decline in 2019 overall – the weakest annual outcome since the global financial crisis’**

Alexandre de Juniac, IATA





AIRFREIGHT RATES

# Christmas comes early for Europe

Airfreight rates on the Asia-Europe trade closed in on 2018 levels in November, but transpacific prices for the month still lag behind a year ago.

The latest figures from TAC Index show that in November rates on services from Hong Kong to Europe declined by 3.3% year on year to \$3.26 per kg, an improvement on the 8.7% decline drop in October.

Prices on the trade also increased rapidly from the \$2.82 per kg recorded in October, reflecting a pick-up in demand on the trade for the peak season.

Meanwhile, rates on the transpacific trade lane remain far behind a year ago as the US-China trade war continues to take its toll on demand.

TAC Index figures show that rates on Hong Kong-North America services were 28.5% down on a year ago at \$3.84 per kg — the biggest percentage decline recorded on the trade since May 2016.

There was a slight pick-up on the \$3.49 per kg registered in October, but this 0.35 cent increase lags on the level of improvement recorded between the two months in 2015, 2016, 2017 and 2018.

The transatlantic trade continued to struggle during the month: rates in November are 28.9% down on a year ago at \$1.75 per kg and are also behind the \$1.82 per kg recorded in October.

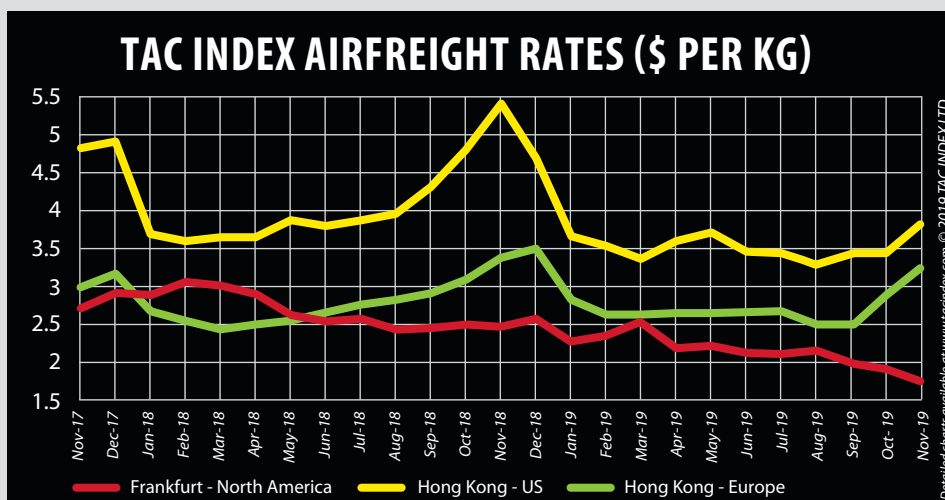
Commenting on rate performance at the end of November, air cargo derivatives broker Freight Investor

Services said: “The general consensus that Q4 2019 is a damp squib holds true for at least one major trade route — the impact of the trade war that has restrained transpacific airfreight and shipping

is poignantly demonstrated by the premature decline of Asia-US prices.

“However, it appears trade into Europe from China has found another gear, possibly linked to a combination of an

open trade window, abundance of competing freight carriers, the urgency and chaos provided by Brexit, and inventory stocking thanks to good old-fashioned European Christmas consumerism.”



AIRPORT THROUGHPUT

# Cargo volumes continue to decline

Cargo volumes at Europe’s airports have been declining for 12 months in a row after a tough October for the continent’s leading hubs.

The latest figures from Airports Council International (ACI) Europe showed that freight volumes declined by 2.6% year on year in October.

However, the momentum of the decline has eased, from 4.4% in September.

As in preceding months, the downturn in freight traffic in October remained focused on European Union (EU) air-

ports, which declined by 3.4% compared with a year ago, while non-EU airports improved by 1.4%.

Over the first 10 months of the year, cargo traffic at Europe’s airports was 2.3% behind the same period in 2018.

Out of the top 10 European airports for freight, only two saw their traffic increase in October: Liège was ahead by 2.2% and Luxembourg increased by 1.9%.

Looking at individual airport performance, Europe’s

largest cargo hub, Frankfurt, reported a 8.2% year-on-year decline for October to 168,414 tonnes, there was a 6.9% drop at Paris CDG to 166,000 tonnes, Schiphol noted a 6.2% fall to 143,594 tonnes and London Heathrow was down by 8.2% to 137,784 tonnes.

Elsewhere, Asian airports also struggled during the month. Hong Kong, the world’s largest cargo hub, saw demand fall by 5.5% year on year in October to 428,000 tonnes.

Cargo exports saw improved

momentum, recording just a 2.6% decline year on year.

Among key trading regions, cargo exported to Japan and Europe outperformed other regions.

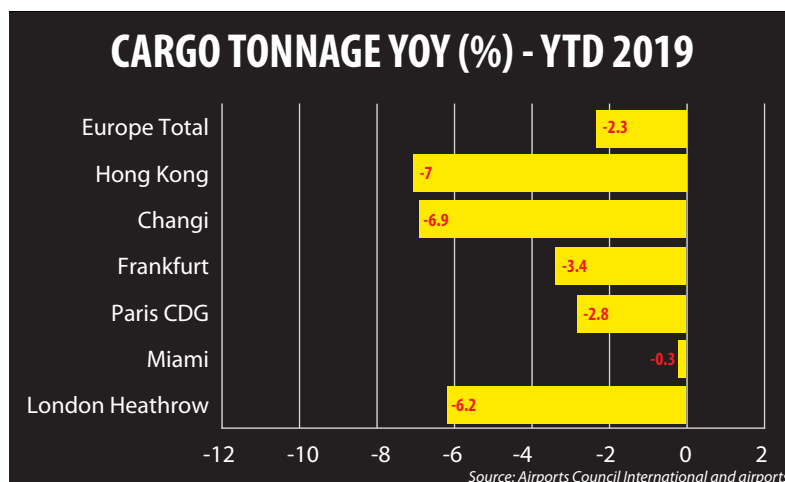
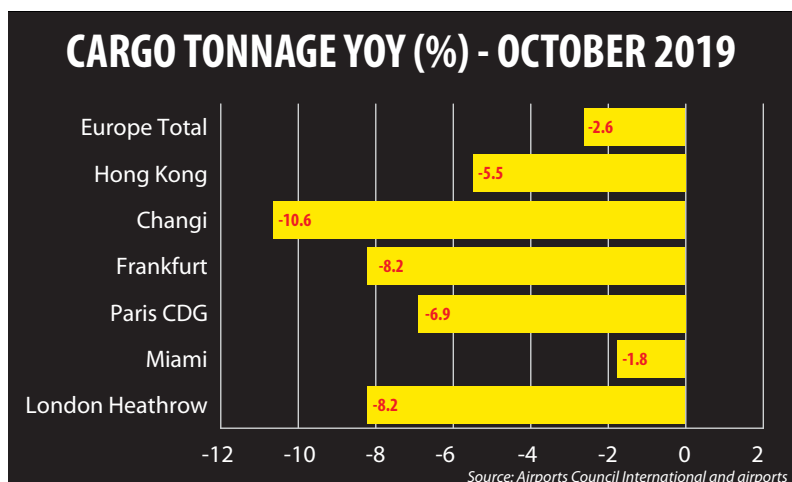
Over the first 10 months of the year cargo processed through the hub has dropped by 7% against the same period last year to 3.9m tonnes as the airport has faced issues related to the ongoing political protests in Hong Kong and a downturn in trade.

At Changi Airport in Singapore airfreight traffic for

the month declined by 10.6% year on year to 170,000 tonnes. Over the first 10 months, volumes are down 6.9% on a year ago at 1.7m tonnes.

Meanwhile, in the US, Miami International Airport has seen cargo demand continue to weaken after a decent start to the year.

In October, mail and cargo volumes were 1.8% down on a year ago at 111,102 tons, dragging its performance for the first 10 months of the year down to 1.9m tons, a 0.3% decline compared with a year earlier.



# CONTAINER SHIPPING

## Space allocation battle

New regulations requiring the use of cleaner fuel in container shipping were helping carriers to boost prices towards the end of last year.

From January 1, International Maritime Organization (IMO) rules will require shipping lines to use fuel with a sulphur limit of 0.5%.

Carriers can meet this regulation by either buying more expensive, low-sulphur fuel or by fitting their ships with scrubber devices that reduce harmful emissions.

According to consultant Drewry, container carriers have been introducing fuel surcharges in order to meet the cost of the new regulation.

"Most carriers have implemented so-called 'IMO 2020 transition charges' from December 1, leading to higher spot rates, although some forwarders are starting to pay them only from January 1," Drewry said.

Spot rate data from the World

Container Index assessed by Drewry confirms that rates on from Shanghai to Los Angeles increased by 14% in the first week of December and this was followed by an increase of 17% in rates from Shanghai to Rotterdam in the second week.

However, Drewry said it would be hard to know whether the price increases would stick.

"The IMO charges enable carriers to increase their previously low rates," the consultant explained.

"Despite [cancelled] sailings, rates on the Asia-Europe trade have been low owing to weak demand."

According to the Drewry Container Freight Rate Insight, spot rates in the third quarter of 2019 were approximately \$150 lower per 40ft container than in the same period in 2018.

"Carriers are using IMO surcharges to lift spot rates, especially as annual contract negotiations are now approaching.

"Few shipping lines like Hapag-Lloyd and CMA CGM have announced these charges — explicitly at \$135 and \$120 per 20ft container (teu), respectively — whereas market leader Maersk chose to include it in its [general] rates.

"While tracking spot rates in December, we have witnessed a wide variation in IMO surcharges depending on different carriers, different forwarders and different trade lanes."

Meanwhile, analyst Alphaliner reported that those carriers aiming to have scrubbers fitted to their ships were facing long waits.

Its figures show that on average it takes 59 days for ships to be fitted with the scrubbers, while for around 17% of vessels it has taken more than 80 days.

In total, around 10% of the world's containership fleet is expected to be fitted with scrubbers.

These vessels will be able to continue using heavy fuel oil which

should see its price drop as other lines turn to low-sulphur fuel.

Elsewhere, freight forwarder Flexport said that rates on Asia-North America services were down on a year ago in early December and there is plenty of spare capacity.

On services from Asia to Europe Flexport said that rates are steady, but space is tight and the situation is expected to continue into the Chinese New Year.

The forwarder said that shippers should look to place bookings 21 days in advance of departure.

This view was echoed by another forwarder, Westbound Shipping, which said vessels were showing as full going into January.

"We expect rates to at least remain at higher levels moving into January, due to pre-Chinese New Year vessels already showing as full.

"Consequently we are bracing ourselves for a space allocation battle," Westbound said.

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### PEOPLE

#### Air France KLM reveals head of cargo

**Adriaan den Heijer**  
Air France KLM has revealed who will take over from current head of cargo Marcel de Nooijer following his exit from the company at the end of last year. From January 1, Adriaan den Heijer will take the twin roles of executive vice president of Air France-KLM Cargo and managing director of Martinair. De Nooijer will move on to the chief executive role at Transavia.



#### Celebi Frankfurt announces COO

**Christopher Licht**  
Christopher Licht has been named as the new chief operating officer at the Frankfurt Airport branch of Turkish company Celebi. Prior to joining Celebi, Licht's most recent role was regional gateway handling manager, Europe, at Kuehne + Nagel.



#### FIATA elects new president

**Basil LS Pietersen**  
At FIATA's annual general meeting, which took place in Cape Town, South Africa, Basil LS Pietersen was elected as the global body's new president.

Pietersen, who succeeds Babar Badat, was formerly chairman and director of the South African Association of Freight Forwarders.



#### B&H Worldwide adds new Americas manager role

**Michael Pearson**  
B&H Worldwide has appointed Michael Pearson to the newly-created position of general manager — Americas.

Based at the company's Los Angeles office, he is tasked with developing the Americas market for B&H Worldwide and driving its growth plans in the US.



### QUOTE OF THE ISSUE

'Things change very quickly in cargo so there is never a dull day in the office'

Andrés Bianchi, LATAM Cargo



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## Upcoming features

- Perishables** March 2020 issue  
Advertising bookings required by 29 January
- GSSAs** March 2020 issue  
Advertising bookings required by 29 January
- PHARMA** April 2020 issue  
Advertising bookings required by 26 February
- Canada** April 2020 issue  
Advertising bookings required by 26 February



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