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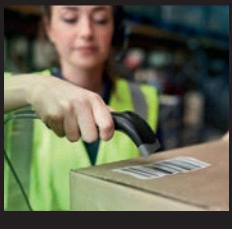
March 2020 / No. 880



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CORONAVIRUS

China cargo surge prompts increase in freighter capacity

Cargolux, Lufthansa and DSV Panalpina have increased freighter capacity to mainland China as they brace for a surge in cargo due to production lines resuming operations.

As *Air Cargo News* went to press, factories in China were gradually coming back online following the Chinese New Year holiday that was extended in an effort to prevent the spread of the coronavirus.

Meanwhile, bellyhold cargo capacity is limited as airlines have slashed passenger flights due to a collapse in demand.

DSV Panalpina said that there is an estimated 5,000 tons less capacity available each day on services to and from mainland China.

From February 25, it started operating a Boeing 747-8 freighter service three times per week between Huntsville, Alabama, in the US (HSV) and Shanghai (PVG) in China.

"The solution ensures that DSV will be fully in control of the capacity available on this charter solution," the forwarder said.

Lufthansa Cargo B777F

Lufthansa Cargo upped its China freighter frequencies to seven weekly rotations.

From Frankfurt, the carrier increased frequencies to Shanghai from three times per week to four times per week; it also doubled Beijing frequencies to two times per week and to Chengdu it is flying once per week.

Meanwhile, Cargolux said that it was continuously monitoring the situation in China and that it had adapted its flight schedule to adjust to the market situation.

"Service to China is expected to increase over the coming weeks to accommodate the resumption of factory production," the carrier said.

"These flights will be operated in accordance with recommendations from the World Health Organization and other regulatory bodies as well as Cargolux's own restrictions including no crew layovers in China."

AirBridgeCargo, normally a scheduled freighter airline, has switched some aircraft to charter operations in order to meet the demand.

This surge in demand for freighters...

➜ continues on page six

CONFERENCE

Speakers join *ACN* conference

Speakers continue to be added to the line-up for the *Air Cargo News* Conference, taking place in April.

Over the past few weeks, Worldwide Flight Services' (WFS) John Batten, executive vice president Europe, Middle East, Africa and Asia, has joined the panel discussion: The cargo airport of tomorrow.

Also joining the discussion is Amsterdam Airport Schiphol's head of aviation marketing, cargo and customer experience, Maaike van der Windt.

The panel will explore building opportunities at capacity constrained airports, how passengers and cargo can exist side by side, as well as improving environmental performance and solutions to truck queues.

Other topics being covered at the event are: the airline of the future, the customers' perspective, targeting growth and profitability, cargo fleet outlook and Brexit: What happens next?

The conference takes place alongside the *Air Cargo News* Awards at the Runnymede on Thames Hotel, close to Heathrow airport, in the UK on April 24. Visit ***aircargonewsevents.net*** for the full speaker line-up and to book your place.

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DATA HUB

CONTAINER SHIPPING

BOOKING DEADLINE: 25 March 2020

Animals by air feature in May issue of *Air Cargo News*

Carrying animals by air is a niche market that requires a specialist airline and agent with business skills and an understanding of pets, livestock, race horses and other types that make up this trade.

Airports and their specialised facilities also play a key role in the safe transportation of animals.

Advertise in this feature and get your message to 48,000 readers in the global air cargo market

Contact: Gavin Murray: g.murray@aircargonews.net
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AIRSTABLE DEBUT: InstoneAir and Luck Greayer Bloodstock Shipping have combined their expertise to support The Saudi Cup horse race. InstoneAir's new European Aviation Safety Agency-certified collapsible airstables were used for the first time when transporting horses to the event.

DHL'S B777F AIRCRAFT: In late February, DHL Express' fleet renewal and e-commerce-led Strategy 2025 continued with the delivery of the first of six Boeing 777F-200 production line freighters that will touch down in 2020. This aircraft will be operated by DHL Express' partner airline, Kalitta.

TEAMING UP: IATA and the International Post Corporation will step up their efforts to promote the development and expansion of safe, secure, accessible and high-quality airmail and air cargo services. The move comes as cross-border e-commerce continues to grow at a rapid rate.

CEIV APPROVED: Swissport has become the first globally operating air cargo handler to receive the CEIV Pharma certification for a facility in Africa. IATA awarded Swissport's warehouse operations at Nairobi's Jomo Kenyatta International Airport with the pharma certification.

FORWARDERS

Thousands of job losses as Panalpina joins DSV

Freight forwarder DSV has confirmed to *Air Cargo News* reports that thousands of jobs will be cut as a result of the integration of Panalpina.

A spokesperson confirmed that the forwarder's headcount would be reduced by between 3,000 to 4,000 during the integration of the two companies.

The news does not come as too much of a surprise given the ongoing integration process.

The spokesperson also pointed out that these figures had been previously communicated.

Most of the reduction is expected to come from the air and sea parts of the business, given that both companies had a strong presence in these markets.

The job losses are down to a duplication of roles and office locations, the company said.

When DSV completed its SFr5.4bn takeover of Panalpina in August last year — resulting in the creation of a top-three airfreight forwarder in terms of volumes — the two companies stated the combined entity would have a workforce of around 60,000 people, with a presence in 90 countries.

Based on these figures, the job losses account for as much as 6.6% of the workforce.

DSV expects to achieve annual cost synergies of around DKr2.3bn following the integration.

The cost synergies are expected to have a full-year effect by 2022 and will primarily be derived from the consolidation of operations, logistics facilities, administration and IT infrastructure.

In its full-year results for 2019, the combined DSV Panalpina Group saw total revenues increase 19.8% year on year to DKr94.7bn, earnings before interest and tax improved by 22.1% to Dkr6.6bn but profits slipped 7% to DKr3.7bn.

The company said the decline in net profits was the result of integration costs and higher net financial expenses.

The operating margin, when excluding the impact of new accounting standards, slipped from 6.9% to 6.6%.

Looking at the airfreight business, full-year volumes increased 55% on 2018 to 1.1m tons, revenues were up 43.6% to DKr27.1bn and gross profit improved by 42.5% to DKr6.6bn.

CARRIERS

CargoLogicAir suspends operations due to decrease in demand in Chinese market

UK freighter operator CargoLogicAir (CLA) has confirmed to *Air Cargo News* that it has suspended operations. In a short statement, the B747 operator — and the UK's only main-deck freighter operator — said that "due to the latest market development, specifically the drastic decrease of the market demand, CLA finds it extremely difficult to continue its commercial operations".

"Most importantly, CLA operations have been severely affected as it had placed a significant portion of its commercial activities in the Chinese market. As a result, a decision was made to suspend the flights," CLA said.

The carrier said that it would continue to fulfil its contractual, financial and regulatory obligations and added that it is in close communication with the UK Civil Aviation Authority (CAA) in order to ensure a safe transition period.

EDITOR'S COMMENT

Damian Brett

When the going gets tough...

It's been a tough old start to the year for the air cargo industry. Just when things looked like they were improving, along came the coronavirus to infect the industry's cautiously optimistic outlook.

However, one airline executive recently remarked that the air cargo sector thrives in chaos.

On this occasion, it might not be the whole of air cargo that thrives, but just those that have access to freighters, given that passenger airlines are cutting capacity.

This highlights the importance of all-cargo aircraft and shows that reports of their demise are greatly exaggerated.

Even in a calm market, freighters carry around 50% of cargo volumes each year because they fly to origins and destinations that simply do not have the passenger demand to support bellyhold operations, or they are carrying outsized items.

But it is in times of difficulty that freighters really come into their own, flying lifesaving medical supplies, helping to keep production lines running and shops shelves filled.

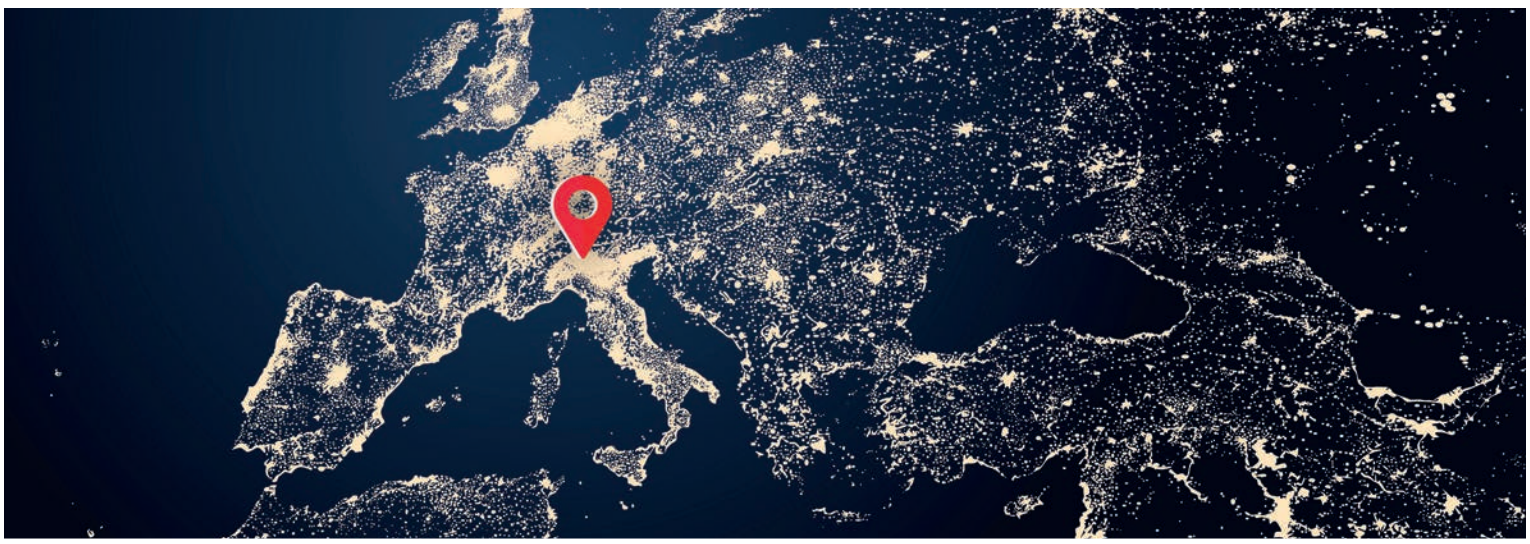
Given the current conditions, it did come as a bit of a surprise to read that CargoLogicAir had decided to suspend operations.

Without seeing the airline's finances it's hard to know exactly what is going on, but could a coronavirus-related spike in demand and rapidly rising charter rates have provided enough of a life line to keep its remaining two aircraft in the air until things pick up?

Perhaps the owners, also with interests elsewhere, decided that there was already enough capacity to cater for any coronavirus-related bump.

Given the cloudy outlook, attending events like the *Air Cargo News* Conference is extremely important as now is the time to hear from industry experts and catch up with contacts. Visit *aircargonewsevents.net* for more information.

Milan Bergamo Airport
New cargo area
Request for expression of interest



The strategic position in Italy

In 2019 Milan Bergamo Airport confirmed again its position as the third Italian airport both for passengers and for cargo traffic. That's why, for the next few years, we are planning a series of operations in order to increase traffic and our partners' opportunities.
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GSA

Dreamlifts ends GSA deal with Antonov

Dreamlifts will no longer act as worldwide GSA for Antonov Airlines after the companies were unable to reach an "acceptable agreement".

Dreamlifts said it had been proud to represent Antonov since 2016, but with great regret decided not to renew its agreement with Antonov.

Antonov Airlines said that it plans to develop its business using internal sources and its team in Kiev will lead the global sales and operation efforts of aircraft.

The airline added that it would expand its international presence with experienced experts from the outsize and heavy lift cargo industry.

The deal will come to an end on March 1. The decision affects the UK office based in Stansted, as well as the Dreamlifts' US office in Houston, "Antonov Airlines Inc".

Graham Witton, managing director of Dreamlifts, said: "This has been an extremely difficult decision. A number of our staff have been representing Antonov in the worldwide market since the establishment of the airline in 1989.

An-225

"Since setting up Dreamlifts in 2016, and subsequently the US office, Antonov Airlines Inc, we have helped strengthen the Antonov Airlines brand globally and have been very proud in doing so.

"So, this has been an extremely difficult decision to take.

"We would like to thank our customers for their support and trust placed in the Dreamlifts team for the last three years. We also thank Antonov for their partnership and wish them every success in the future."

Dreamlifts' management team continues to work on future projects, which will be announced in due course.

The Antonov and Dreamlifts relationship started at a tumultuous time for the Ukrainian airline as it broke up a long standing relationship with Russian operator Volga-Dnepr — Ruslan International.

The Ruslan relationship was created in 2006 as the two companies teamed up on the marketing of their combined fleet of An-124 aircraft.

Antonov currently operates a fleet of seven An-124s, including the An-124-100M-150 — which boasts a payload of 150 tonnes.

It also flies the world's biggest freighter, the An-225 Mriya and the world's largest turboprop, the An-22 Antei.

CORONAVIRUS

➜ continues from page one

…is expected to continue even when passenger flights are reinstated.

Atlas Air Worldwide's president and chief executive, John Dietrich, stated on the company's fourth quarter results call: "Even when the commercial belly capacity comes in to the marketplace, there is still going to be a tremendous amount of demand given the significant setback that manufacturing has experienced."

According to Grant Liddell, development director at freight forwarder Metro Shipping, transhipment methods — ocean and air combined — could serve as a solution.

He explained that using ocean transport to move the goods to a transhipment point, before flying to destination, could prove attractive for semi-urgent shipments that want to avoid any airfreight price surges or space shortages, but can't afford to wait for the box lines.

Meanwhile, Justin Lancaster, commercial director at Air Charter Service, highlighted that the impact of the virus has resulted in the charter sector being "very busy".

"Since the outbreak, our offices around the world have been arranging flights on local charter aircraft as the world deals with the travel disruption and overall cut to capacity to the region," he said.

PUTZGER PERSPECTIVE

Ian Putzger

Feast or famine economics

In recent weeks Chinese airports have been a striking contrast of activity and inertia. In response to the outbreak of the coronavirus passenger airlines scrapped thousands of flights to Chinese gateways.

Warehouses at those airports that would have bustled with activity loading exports after the Lunar New Year holiday were empty as the authorities extended the holiday, leaving factories idle.

While scheduled flight operations dropped faster than a rock, charter activity went into overdrive.

One charter executive said: "Since the outbreak our offices around the world have been arranging flights on local charter aircraft as the world deals with the travel disruption and overall cut to capacity to the region.

"We have flown everything from four passengers on a private jet, to hundreds on larger aircraft, to 100 tonnes of surgical masks — it has been all systems go since the epidemic was first reported."

Passenger airlines are not likely to rush back into China when the outbreak is under control. While they ramp up their schedules, the absence of so much belly capacity is set to make freighters a prized asset.

At the start of the year they looked a lot less buoyant. Notwithstanding the thaw in the China-US confrontation and a slower rate of decline than through most of 2019, the market still looked soft, showing little promise for all-cargo operations.

In response to difficult market conditions, Nippon Cargo Airlines parent NYK recorded an impairment loss of ¥15.7bn as it wrote down the value of the freighter fleet.

"Given that the air cargo market conditions remain difficult much more than expected, we have reviewed the future recoverability of the non-current asset including the airframes, spare engines and parts," NYK declared.

One year earlier, forwarders were still signing up freighter capacity to make sure they had enough lift for their traffic.

The bumpy ride will continue. The spike in demand caused by the rush to move Chinese exports to market will not last, so another downturn in the fortunes of freighters is on the horizon, likely prompting other industry executives to re-visit their calculations of the financial viability of having freighters.

> 'Passenger airlines are not likely to **rush back into China** when the outbreak is **under control**'
>
> Ian Putzger

In the passenger arena airlines have increasingly opted for aircraft leases rather than outright ownership.

This suggests that freighter leasing firms will probably play a larger role going forward, especially when it comes to the price sticker of a factory built widebody plane.

Hong Kong International Airport invests big in cold chain transport

Backed by HKIA's world-class facilities, shippers can rest assured that their temperature-controlled goods will be handled seamlessly

HKIA is the world's first airport community to receive the IATA CEIV Fresh certification. Two cargo terminal operators at HKIA namely Hong Kong Air Cargo Terminals Limited and Cathay Pacific Services Limited and Cathay Pacific, the home-based carrier, have also achieved the certification.

The ability to send temperature-sensitive cargo speedily and safely has never been more in demand. From shipping perishable goods like fresh meat and vegetables, to delivering potentially life-saving medications for those in need, the air transport industry is increasingly under pressure to meet the evolving requirements of customers and regulators from all corners of the globe.

It should come as no surprise, then, that cold chain transport is one of the world's fastest-growing air cargo segments. Analysts expect the Asia-Pacific region to be a key driver for the segment's expansion, with mainland China's Greater Bay area likely to see some of the fastest growth. To leverage its geographic advantage, Hong Kong International Airport (HKIA) – the world's busiest air cargo hub since 2010 – is continuously boosting its capacity and capabilities to handle temperature-controlled goods and rapidly transforming into one of the world's top cold chain hubs.

Equipped to succeed

Airport Authority Hong Kong (AA) is committed to helping shippers avoid product damage and reduce wastage during transit while preserving shelf life. The AA has sought to achieve this by investing in 'end-to-end' cold chain handling, teaming with operators across the Hong Kong airport community to expertly manage temperature-sensitive goods from the time an aircraft lands to the point its cargo is released at the terminal.

One example of this is apron transport, a critical part of the cold chain because it can be a high-risk area for temperature fluctuation. To mitigate this risk, HKIA employs specialised cool dollies as a flexible, highly mobile means for transporting perishable and pharmaceutical shipments on the ramp, offering a consistent, temperature-controlled environment from the aircraft to the cool room. In addition to the cool dolly fleets of the airport's cargo terminal operators, the AA has an additional 21 cool dollies customised with built-in, real-time temperature and location tracking features that are available for airlines to rent.

The AA is also constructing apron shelters to protect temperature-controlled shipments from prolonged exposure to weather elements. These shelters also provide electricity supply to support cool dolly operations during staging.

Globally certified

HKIA has been recognised by the international air transport community for its wide-ranging efforts to achieve excellence in cold chain transport. The airport and its partners – including three Hong Kong cargo terminal operators, three ramp handling operators and one home base carrier – have achieved IATA Center of Excellence for Independent Validators (CEIV) in Pharmaceutical Logistics certification in 2017 in recognition of their world-class offerings in pharmaceutical product transport.

HKIA is also the first airport community in the world to receive CEIV Fresh certification for excellence in the transportation and handling of perishable cargo. The airport was recognised for offering efficient, dedicated facilities and services that provide stringent temperature-controlled processes at globally assured standards. In 2018, HKIA handled more than 380,000 tonnes of perishables, accounting for approximately 8% of the airport's total cargo volume and representing an increase of 12% over the previous year.

As economies and living standards keep rising, demand for high-end, premium temperature-controlled goods is expected to increase as well. The AA says it will continue to invest in HKIA's facilities and services to ensure that the airport remains one of the most comprehensively equipped in the world for the safe transport of pharmaceuticals and fresh products, and to help drive the growth of the global cold chain industry.

The AA continues to invest in infrastructure – recently purchased 21 cool dollies to protect temperature-controlled shipments from ambient weather elements.

HKIA has more than 5000m² of cold room storage in its three cargo terminals, offering a wide temperature range from -20°C to 25°C.

CONVERSIONS

Qantas takes steps into A321 freighter conversions

Qantas' plans to operate the first A321 as a freighter took a step closer to reality when Vallair launched an inaugural flight in Singapore as part of the certification process to reach conversion approval status.

The prototype A321P2F will add nearly 50% more capacity compared with Qantas' existing B737Fs and is due to be delivered in July 2020.

Vallair president and chief executive Gregoire Lebigot foresees a growing demand: "The A321P2F will be the first aircraft to introduce a containerised lower deck to the market segment of narrowbody freighters — a significant game-changer for any hub and spoke operation.

"We see a huge potential for this aircraft as a key tool for the cargo industry to achieve the projected growth rate of the airfreight market in general, particularly express services and e-commerce."

AIRLINES

Transatlantic venture

Air France-KLM Cargo, Delta Air Lines Cargo and Virgin Atlantic Cargo are hoping to capitalise on their new joint venture on the transatlantic.

Air France KLM Cargo and Delta Cargo had been working together since 2015, while Delta and Virgin Atlantic Cargo also have a relationship.

The new partnership, which represents 23% of total transatlantic cargo capacity or more than 600,000 tonnes annually, will enable the airlines to offer 110 nonstop routes with onward connections to 238 cities in North America, 98 in continental Europe and 16 in the UK.

The airlines said that the joint venture would allow them to work together on co-located facilities, joint trucking options as well as bookings and connected service recovery. Service centres will also be co-located.

The airlines already co-locate at warehouses in key US, UK and European airports, and will "review opportunities to co-locate further at more airports around the globe".

The four airlines said they would also "leverage their expertise in the transportation of specialised products", including end-to-end GDP and IATA CEIV quality compliance for pharmaceuticals, "supported by dedicated teams and facilities across the globe".

Thomas Cullen from consultancy Transport Intelligence said the move was a "step towards consolidation" for the air cargo sector.

"It appears that the 'new expanded joint venture' means that Virgin will merge its cargo operation with the other two airlines while the joint venture will expand into what is effectively one company for operational purposes," said Cullen.

Each of the member airlines' cargo hubs will be utilised to handle the other joint venture member's consignments with an integrated booking and tracking system.

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CARGO HANDLERS

Investors ready to pounce on HNA subsidiary Swissport

The heavily indebted China-based conglomerate HNA Group could be set to sell its ground handling subsidiary, Swissport, and also offload its airline businesses.

Over the last few weeks several reports have emerged, suggesting that the coronavirus outbreak has put the troubled group under extra pressure because of a collapse in air travel.

As a result, the government of Hainan, where the company is based, may step in and take control of HNA.

The government would then look to offload the majority of its airline assets, including China's three largest carriers: Air China, China Southern and China Eastern reports state.

HNA-backed Suparna Airlines is also likely to be unloaded to the Jiangsu provincial government, reports suggest.

In a research note, one analyst said that a decline in air travel as a result of the coronavirus had pushed HNA to "effective bankruptcy".

Separately, reports have also emerged suggesting that HNA is looking to sell ground handler Swissport at a discount as part of efforts to raise cash and cut debts.

HNA looks to offload more assets to stabilise the business

It is suggested that buyout firms Apollo Global Management and Cerberus, and asset management company Brookfield could all be interested in bidding for the company.

This is not the first time that reports have circulated that Swissport could be sold by the troubled HNA Group.

In late 2018 it was suggested that buyers were circling the company, with Brookfield named as a potential buyer in a deal worth around $3bn.

Cerberus, which purchased handler Worldwide Flight Services in 2018, was also reported to have considered buying the company in 2018.

This time round, Reuters suggests that HNA will sell for around $2.3bn. HNA bought Swissport in 2016 in a $2.8bn deal.

HNA also at one point considered listing Swissport on the SIX Swiss Exchange, but later cancelled those plans.

The HNA group has for the last few years been struggling with debts as a result of an ambitious acquisition strategy. It has been offloading a series of assets in order to stabilise the business.

AIRLINES

Etihad Cargo expands dnata partnership

Etihad Cargo has expanded its partnership with dnata until 2023.

As part of the new agreement, dnata will provide warehousing and will handle 180,000 tonnes of airfreight annually at 15 gateways in Etihad Cargo's network.

The Etihad Cargo and dnata alliance now reaches North America, thanks to dnata having opened a warehouse at Canada's Toronto Pearson Airport in early February.

The alliance will also extend to the Asia Pacific when dnata begins operations at Singapore's Changi Airport in March.

In addition, as part of the partnership, dnata will provide cargo handling operations at Dubai International and Dubai World Central airports, as well as Sydney, Melbourne and Brisbane in Australia, Karachi, Lahore and Islamabad in Pakistan and Zurich, Geneva, Manchester, Milan and Amsterdam in Europe.

Etihad Cargo also recently agreed hub infrastructure development plans with Abu Dhabi Airports Company.

SHIPPER SPOTLIGHT

Zoe McLernon

What can we learn from the coronavirus outbreak?

The coronavirus outbreak, which has infected tens of thousands of people, is disrupting trade and supply chains across the globe, forcing multinational businesses to make difficult decisions with limited information.

China, where the virus originated, is a major manufacturing and transport hub, shipping thousands of goods across the world daily.

During the SARS outbreak in 2003, China accounted for a relatively small part of the global economy, however, it is now responsible for almost a fifth of global gross domestic product and as such, disruptions from this latest outbreak are expected to be significant.

With planes grounded in mainland China, and airlines pulling out of services to the country, it is inevitable that the supply chain — particularly the air cargo sector — will feel the effects.

And while the true extent of the virus on global trade may not be evident for many more weeks or months, the industry should begin taking steps to monitor and prepare for the impact in advance.

FTA, the only business group that represents all of logistics, has been following the developments closely to assess what the industry can learn from this global outbreak.

FTA understands that disruption is inevitable in the logistics industry. However, the use of enhanced risk management processes and systems is vital to prepare for unforeseen circumstances.

While disruption will always have an uncontrollable nature, some level of uncertainty can be managed if the sector learns from outbreaks such as the coronavirus. The key effects of similar disruptions in the past have been decreased productivity and breaks in supply chains, including the production and movement of goods.

'Forwarders must **learn lessons** from this latest disruption and build **resilient supply chains**'
Zoe McLernon, FTA

Moving forward, the industry needs to develop a clear action plan that can be implemented immediately, should widescale disruption happen again.

For example, there may be alternative sources or routes that could be used to enable operations to continue.

It is also vital that the sector considers an assessment of cost, financial implications and customers who may be impacted. While express carriers simply cannot build 'stock', other businesses may wish to implement a stock buffer and look to diversify their supply chain.

As global supply chains continue to grow in complexity, companies, airlines, carriers and forwarders must learn lessons from this latest disruption and build resilient supply chains.

Zoe McLernon, multimodal policy manager, FTA

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Finding fresh focus

Freight forwarder Damco is looking to take advantage of a rising market this year with a new business focus targeting specific areas, as its global head of airfreight, Ferwin Wieringa, tells Damian Brett

The last few years have been a period of change for the airfreight market, but also for freight forwarder Damco.

In 2018, the AP Moller-Maersk Group split Damco's supply chain services business from the forwarding side of the company.

The supply chain division was combined with the shipping giant's container carrier subsidiary Maersk Line, while the forwarding side of the company continued to be run as a separate and independent business under the Damco brand.

By allowing Damco to focus fully on freight forwarding, AP Moller-Maersk said that it aims to sustain a "well-performing and global freight forwarding business that can grow and prosper".

The forwarder's global head of airfreight, Ferwin Wieringa, tells *Air Cargo News* that the move has helped to emphasise Damco's independent status.

"Damco is a company that has existed for more than 100 years so we have a long history, which we are very proud of," says Wieringa."But we are also proud to be part of AP Moller-Maersk as an independent brand within the group.

"This gives us a solid background and financial backing, but we are also an independent own-controlled freight forwarding organisation.

"It gives us a lot of benefits to operate in the market as an independent brand. We are not bonded, we are a neutral party."

Wieringa can count some of the biggest names in freight forwarding among his previous employers.

He first entered the industry in 1994 at Panalpina, holding a variety of roles as he continued to work for the freight forwarder for the next 15 years.

"I started in the Benelux region, but ultimately ended up in global positions, working in commercial roles, including at Panalpina's global head office in Basel."

'It gives us a lot of **benefits** to operate in the market as an **independent brand**. We are not bonded, we are a **neutral party**'

Ferwin Wieringa, Damco

After a decade and a half at Panalpina, Wieringa moved over to its Swiss rival CEVA in order to take a role that would allow him to manage a profit and loss (P&L) account.

Joining CEVA's freight and transport management business in the Benelux region "gave me a much broader perspective of the company and helped me to really understand how the business is being driven in a local area where the money has to be made", Wieringa says.

After six years at CEVA, Wieringa moved over to Damco to take up his current job as head of airfreight.

"[Airfreight] is my specialism," he says. "What I like about it is the speed, the complexity and the constantly changing environment that we work in."

Wieringa has certainly been able to enjoy a changing market over the last few years, from rapid expansion in 2017/2018 to a decline in demand more recently.

Looking ahead, he is hopeful the market will pick up in 2020, although this will probably happen in the second half of the year.

"I expect this year to be stronger than 2019, but it will not be much of an improvement and especially at the beginning it will be flat," he says.

"I am also expecting to see a peak period in October, November and maybe December."

Wieringa says his expectations for the year ahead are driven by the continuously growing e-commerce market, which demands airfreight capacity in order to meet consumers' delivery expectations, as well as the improving relations between China and the US.

When *Air Cargo News* spoke to Wieringa, the coronavirus had yet to make its presence felt and the US and China had just agreed phase one of a new trade deal.

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Fashion is one of Damco's largest sectors

China has pledged to increase US imports over 2017 levels by $200bn over the next two years, while it will also take action to combat counterfeiting and crack down on other trade practices opposed by Washington.

The deal also halts the addition of any new tariffs but leaves in place most of the levies placed by the US on $360bn worth of Chinese products. China will leave in place tariffs on $100bn worth of US goods.

FACT FILE

- Damco as we know it today was formed in 2005 when Damco Sea & Air was taken over by shipping giant AP Moller-Maersk and combined with its own Maersk Logistics business.
- Damco Sea & Air can trace its history back to 1905 when forwarding company Dam & Co was established in Rotterdam by CWH van Dam. The AP Moller-Maersk Group can trace its history back to 1904 in Svendborg.
- Today, Damco employs more than 10,000 people and has more than 300 offices in over 100 countries.

China's commitment to buy an extra $200bn worth of US goods includes $52.4bn of energy exports, $32bn of agricultural products, $77bn of manufactured goods and $37.9bn of services.

The deal also won't affect the US' December pledge to halve a 15% tariff on about $120bn worth of Chinese goods.

On e-commerce growth, Wieringa says: "E-commerce demand will continue to grow as consumer spending power increases in regions like India, China and Africa, buoyed by increasing access to internet-based devices and services.

"Despite the overall downturn in consumer demand in the US and Europe, the shift from high-street shopping to online will contribute to the increase in airfreight volumes in 2020."

He also expects the pharma and perishables sectors to continue to grow this year as the markets mature.

On the downside, Damco expects stagnation in the retail and fashion sectors, mainly because of the trade war, as well as slowing demand, and the fact that the supply chain in these verticals can still be managed in terms of ocean freight.

"In 2020, we will be taking advantage of these opportunities and challenges with a proactive strategy for airfreight, bringing a new business focus in targeted areas with new products and service offerings," says Wieringa.

"However, for there to be really positive growth in the airfreight market, there needs to be a definitive resolution to the US-China trade war."

So how has Damco adjusted its business in order to meet these changing conditions?

For one, the forwarder will take fewer space commitments with the airlines.

"Every year we evaluate our strategy in relation to our commitments," Wieringa explains. "It is very important to constantly do that. In a weaker market you take fewer commitments on a firm base, so we are adjusting our strategy towards that.

"On the other hand, if you take the China market, where we are a market leader, even if it goes down a little, it is still huge so you cannot just use the spot market because you will take on too much risk. Therefore, we are still involved in long-term commitments with our partners."

The company will also be looking to expand its commercial teams and add new offices, when such opportunities present themselves.

"We are developing our global footprint and enhancing our office footprint in certain countries," Wieringa says.

"Just as one example, we will very soon open a new UK warehouse at Heathrow, which will be much bigger than the one we currently have.

"And then in those countries where we see huge growth, such as Vietnam and India, we will invest in our office landscape as well as our people.

"We have hired a lot of new commercial colleagues around the world to drive our commercial agenda and really get growth in the company, not only in our traditional segments [retail, fashion and high-tech], but also in other target segments as well."

The Heathrow warehouse is expected to begin operations this month. It will have AEO status and will offer a bonded area that can help customers manage the impact of Brexit.

The growth Wieringa mentions in Vietnam and India is partly driven by companies shifting production away from China as US tariffs last year pushed up the cost of using that country as a manufacturing base.

He adds that he is not expecting all companies to move production back to China even when a full trade agreement is reached with the US.

Limited options

"For our customers, changing their production landscape, moving it from one place to the other, is not that easy. It costs a lot of money and a lot of resources are needed to do that," he says.

"So doing it one year in one country and the next year in another country is not really an option, unless in the new country the infrastructure and the political developments do not go in a direction that allows them to sustain those businesses in the long term."

While the tariffs are partly to blame for the shift in production, rising wages have also played a part.

The Chinese government has implemented a 'go-west strategy' to encourage companies to shift their production into the lower cost west of the country.

Tied into this are a series of transport and logistics infrastructure investments to help with the transport of goods to destination from the inland manufacturing centres.

This has led to the establishment of rail services transporting goods from China across Europe. Initially, these services were grabbing business from both ocean and air as they offered a middle ground – less expensive than air, but faster than ocean.

However, Wieringa says this modal shift has eased over recent years as a result of technical challenges and capacity constraints.

"[Rail transport] is still growing and it is still grabbing some market share, but it is not all coming from airfreight: it is also coming from ocean freight. We also see some challenges on the rail network, perhaps leading to customers coming back to airfreight – if there is a problem, they have to fly."

Elsewhere, Damco has been investing in its IT systems and it will continue to roll out developments in 2020.

Last year, the forwarder renewed its deal with supply chain software provider BluJay to include cloud services. The two companies had been working together since 2011 but have now changed from an 'on-premise' to a cloud-based setup.

Damco will also bring invoicing, vendor payments and master data into the Transportation Management for Forwarders service that BluJay provides. The move should help to improve file management, productivity and profitability.

"We invested quite heavily last year in system upgrades and this year we will continue to invest to make sure our software is up to speed with our customer needs," Wieringa says.

"We are launching some new products as well in the next few months, based on new software-related enhancements we are making for improved visibility, predictability and consistency," he adds. acn

The current UK warehouse will be eclipsed by a new facility at Heathrow

Forwarders hold back on BSAs due to uncertainty

Coronavirus has affected airfreight demand and global supply chains, leaving forwarders floundering in the dark, writes Ian Putzger

Forwarders are holding back on capacity agreements as their crystal balls — already clouded with signs of global weakness — are fogged with uncertainty over the impact of the coronavirus on airfreight demand and global supply chains.

"The virus has thrown multiple variations into the equation. It's very hard to tell what the impact is going to be," remarks Neel Jones Shah, executive vice-president airfreight at Flexport (pictured).

In the near term, forwarders expect a spike in traffic out of China when the country's exports ramp up again after the extended Lunar New Year break.

With international belly capacity down drastically, this augurs a scramble for freighter lift, which is expected to send pricing into the stratosphere.

Shah notes that belly capacity accounts for about 45% of the lift in the transpacific trade lane.

As exports stabilise and passenger carriers return to China, demand and rates will drop again, but how rapid and steep these drops will be is anybody's guess.

Looking further ahead, the epidemic may reinforce the shift of sourcing from China to other origin points," Shah says.

"Everyone understands that sourcing all in one location makes them open to global shocks," reflects Shah.

Meanwhile, many air cargo companies are also wondering how the China-US trade agreement will play out.

Patrick Cheah, executive director — global air, Kerry Logistics, points out that the deal only halves tariffs on $120bn worth of goods.

"Most of the higher duties, which affect another $260bn of Chinese goods and more than $100bn worth of US exports, still remain in place," he notes.

The easing of tensions between China and the US was one factor that caused IATA to see light at the end of the tunnel as the industry entered 2020.

It also cited global GDP growth predictions, which is expected to rise to 3.3% this year from last year's 0.9% increase.

IATA has predicted a 2% increase in FTKs this year.

Many operators entered the New Year with hopes of an improvement over 2019.

Vito Cerone, director of marketing and sales, Americas of Air Canada

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Cargo, says the customers were expressing cautious optimism for the year ahead.

"I found especially North American offices of forwarders were more optimistic than the rest of the world," he adds.

Still, the optimism was muted and the approach very cautious.

"We didn't see the mad rush for capacity. We saw more hold back," he reports.

Walter Hoffelner, managing director of Cargomind, does not see promising signs for 2020.

The global economy, above all the auto industry, is showing signs of weakness.

On top of this, coronavirus has paralysed China and it is unclear how Brexit is going to affect business, he says.

Jeff Cullen, chief executive of Rodair International, also points to ominous indicators.

"The global retail sector was already feeling some pain. Even the high fashion brands, which have always led the world in optimism, are showing some kinks in their armour," he observes.

Under these circumstances, forwarders have become more reluctant to sign up capacity.

Comments Cheah: "Kerry Logistics strategy on block space agreement is always based on a balancing act between fixed and floating space.

"We will usually look and have conversations with our clients to understand how their demand and forecast is. Trade lanes where we are already a market leader, we will not look into securing additional capacity at this moment."

Hoffelner remarks: "Fixed capacity arrangements have certainly been reduced as companies can't anticipate what actual airfreight volumes will be."

Flexport — like the other forwarders — is a little more risk averse this year and is reducing its BSAs slightly, says Shah.

His company pulled the plug on its dedicated Hong Kong — Los Angeles freighter, replacing it with several BSAs with a number of airlines. Shah says this is going well and he expects it to work for a long time.

The migration of production from China to neighbouring countries is having an effect there.

"We're sourcing a lot more from Southeast Asia. We have a lot of BSAs in place in the region," Shah says.

While forwarders have signed up for less block space than last year, the reactions from airlines have been ambiguous.

After a challenging 2019 airlines are trying to secure more fixed arrangements in an effort to reduce volatility, remarks Cheah.

On the other hand, he and Cullen observe that airlines have walked away from agreements recently.

"The virus has thrown all processes out of the window," comments Cullen.

Flexport recently ended its Hong Kong freighter service

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A fruitful business

Fruit and veg are no longer the poor relation of air cargo that they once were, but they remain a challenging and acutely cost-conscious segment of the market, as Chris Lewis reports

Perishables have historically been regarded somewhat dismissively by the airfreight industry. The perishables sector has generally been seen as a provider of 'fill-up' cargo, notably on routes out of developing countries where there was little or no prospect of any high-earning traffic to fill otherwise empty bellyholds of aircraft returning to Europe or North America.

It also became something of a green *bête noire*, with environmentalists complaining about the emissions created by flying a kilo of grapes thousands of miles – while ignoring the fact that filling the belly of a scheduled passenger flight with any produce available resulted in only negligible extra fuel consumption and emissions while helping to boost local economies and employment.

Thankfully, things have moved on somewhat. These days, perishables traffic is seen as an important business in its own right and the segment now has an IATA CEIV standard to prove it.

It is also no longer an exclusive north-to-south trade.

Airlines have found a ready market for commodities such as European-caught seafood on the dining tables of the Middle East and Asia.

That said, it remains a relatively low-margin business. There is heavy competition for whatever traffic is available – not only between airlines, but from other modes of transport. New refrigerated container technology has revolutionised the sea transport of perishable commodities, in particular.

Air carriers also need to pay close attention to the handling of perishables. Leaving them to fester on hot tarmac is no longer acceptable.

New data-sharing technology could greatly improve the airfreighting of perishables. However, tech costs money and this can be hard to justify in a segment where margins and profits are not the highest.

Important niche

The many difficulties in its handling notwithstanding, airfreight occupies an important niche in the global food supply chain. It may be only a tiny proportion of the global perishables market compared with refrigerated container and bulk sea transport but it is growing and occupies a specific niche for fast-moving products, says Cool Chain Association (CCA) board director, Vijan Chetty.

In fact, argues Chetty, research shows that for highly perishable products, the risk of deterioration in quality, food loss and wastage is lower using airfreight than ocean freight.

That said, the door-to-door service provided by ocean freight containers is a major advantage as the product is handled less; once the doors are closed, the next time the products are physically handled is when they are opened by the customers.

Fabrizio Iacobacci, CCA board member and head of pharma business development at BCUBE air cargo, says consumers are changing their expectations for perishables.

"People are increasingly ordering goods online, want products all-year round, want them delivered quickly and are increasingly conscious of the health benefits of various types of food and the impact their transportation has on the environment.

"We need to keep in mind also that the perishable industry continues to expand due to population growth, a growing middle class wanting more luxury produce, and people becoming more health conscious."

Ocean freight, however, is becoming ever more competitive, he agrees. Ships are getting faster and many ocean freight shipments are being delivered in as little as eight days.

Air cargo must raise its game if it wants to take advantage of the growing perishables market and avoid losing out to other modes.

In contrast to ocean transport, airfreighted goods are exposed every time they are loaded and unloaded onto trucks and aircraft.

While temperature-controlled ULDs are available, the low-margin nature of much of the perishables industry means these are too costly and more suited to pharmaceutical transport.

Costs could be reduced through innovation and technology, as well as solutions and collaboration in supply chains. The air cargo sector could, for instance, put all data centrally into a cloud system and share it on a platform with the food industry.

Sea freight is already working in this way, road freight is getting there and so airfreight should follow this path as well, Iacobacci argues.

BRUCargo in Brussels launched a pilot of its Perishable Management App on its BRUCloud platform in mid-October. It aims to simplify work for the forwarders and the Belgian Federal Agency for the Safety of the Food Chain (FASFC) by offering a central, digital platform for all communications and document exchanges related to inspection of perishables. It improves transparency and speeds handling by incorporating data from the central airport database and ground handling agents.

Real-time status tracking

The application is accessible on all devices and will also allow the FASFC and forwarders to track the inspection status of shipments in real time.

Some pioneering steps to improve data-sharing have already been made in a related sector: cut flowers.

In the Netherlands, a new data platform was developed through the Holland Flower Alliance Data Sharing Working Group.

Shipment data – such as the number of boxes, flower type and number of flowers and stems in each box – are linked to air waybill numbers and the resultant unique codes give all users access to all the data in one place.

Flower shipments on pilot flights from Nairobi to the Aalsmeer flower auction in the Netherlands have proven to be traceable individually and in real time throughout their journey.

The most important question is who will pay for the development of new data sharing platforms, ensuring that perishables are shipped at the right temperature and to set industry standards.

The logistics of perishable products make for a tricky market, Iacobacci adds. The issues, he says, include a huge variety of packaging, several and highly-concentrated shipping seasons (think of Beaujolais Nouveau), and short shelf-life products with a low added value, compared with other temperature-controlled commodities like pharmaceuticals.

"Primary and secondary packaging are fundamental to successful perishables logistics. Unfortunately, the low quality of packaging used →

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➜ by growers also creates problems in the supply chain," he says.

Many active and hybrid container producers are studying specific solutions for this slice of market and there is also the prospect of new packaging equipment tailored to the needs of perishable commodities

Improving the speed and quality of distribution would help cut waste and therefore offset the cost of improving supply chains. "There is a lot of money to recover in how we do it today," Iacobacci says. "We have 45% waste and if we can reduce it to 20%, we will gain a lot of money within that final price of the product."

Label issues

One of the main problems faced by the airlines when carrying perishables goods has always been incorrect labelling. The industry is now aiming to develop mandatory requirements around temperature and labelling, however, to help airlines ensure that products are handled properly. It has also voiced concerns over the lack of standardised procedures and best practices, and indeed this is the main purpose of IATA's new CEIV Fresh programme.

The CEIV Fresh certification is primarily based on the IATA Perishable Cargo Regulations (PCR) and should help to standardise the handling of perishables by air,

Iacobacci: the airfreight sector must reduce its current high levels of waste

Iacobacci suggests.

Historically, freight forwarders haven't often gotten involved in the perishables market, owing to the tight margins. It was one of the very few kinds of traffic where shippers tended to negotiate directly with carriers.

However, the forwarder shouldn't be dismissed as a mere middle-man – their expertise is vital to successful shipping.

Emirates' vice president – cargo commercial development, Dennis Lister, points out: "We work with all our partners, including our freight forwarders, in various markets to ensure that we understand and respond to the collective needs of the growers/shippers and customers of perishable shipments."

Happily, perishables have now become recognised as valuable traffic, rather than 'fill-up' cargo.

Juan Carlos Serna, CEVA Logistics' vice president of air product sales, says that the market for specialised products for perishable logistics "brings interesting opportunities" for logistics players.

"In an airfreight market currently affected by trade tensions and macroeconomic developments, perishables have outperformed and have been able to show a much more optimistic trend," he adds.

According to the latest market data, perishables have shown a slight growth over the year, outperforming other sectors such as machinery automotive and hi-tech.

Facing the challenges

However, the sector still has its challenges, Serna continues: "Despite recent consolidation of players in some key markets, there is still a lot of fragmentation across the supply chain.

"With multiple players involved, it brings challenges in terms of synchronised processes, cost efficiencies and, most importantly, visibility across the chain."

He says the focus now should be on better synchronisation across the different players in the supply chain. While this can only be achieved with proper visibility, he suggests, it will drive efficiency across the chain, reduce waste, cut costs and create happier customers.

E-commerce influence

Meanwhile, e-commerce is shaping tomorrow's cold chain market with the boom in online activity for perishable goods in markets such as China, new concepts such as Amazon Fresh and Walmart Grocery, as well as online subscription models for perishable goods. Again, visibility is essential to success.

It is, of course, the shopper – not the shipper – who is the ultimate end-user in this complex supply chain and expectations are ever higher in terms of being able to find the desired product, says Serna.

"Today, consumers want their product now, they want to make sure it is fresh and they want to know where it is coming from and when it will be delivered," he comments.

CEVA Logistics, now part of the CMA CGM shipping group, continues to invest in technology to strengthen its processes.

In Europe, it has just launched The Chill Hub, a state-of-the-art facility at DP World London Gateway. Capable of storing 10,000 pallets at different temperature ranges, it's "a great cold chain solution", Serna says. acn

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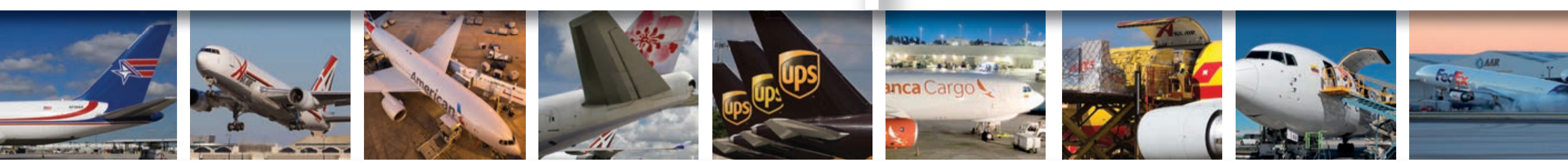

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FEDEX CONTINUES TO STRENGTHEN FLEET

FedEx has continued its European fleet modernisation programme with the deployment of its latest B767-300F on a service between Paris Charles de Gaulle (CDG) and Milan Malpensa. The aircraft operates six times a week and connects FedEx hubs in Milan Malpensa and Paris CDG – one of the major FedEx hubs in Europe alongside Cologne and Liège.

BBAM ORDERS THREE CONVERTED B737-800FS

San Francisco-based aircraft lease company BBAM has ordered three B737-800 Boeing converted freighters (BCF) to add to its fleet. The B737-800BCF, which has a payload of up to 23.9 tonnes, is built using the next-generation 737 platform "known for its reliability and efficiency", said Boeing in a statement. Boeing also revealed that since entering service in 2018, the B737-800BCF has won 130 orders and commitments.

ANA CUTS FREIGHTER OPERATIONS

In response to weaker market conditions, All Nippon Airways (ANA) has announced cuts to its freighter operations — including its recently-launched B777F transpacific service. The airline will reduce the number of weekly all-cargo flights by 51, although it will add a new twice-weekly service from Singapore to Narita.

YTO EXPRESS ADDS FREIGHTER FLIGHTS

Chinese express firm YTO has launched a three-times-per-week freighter service between Bishkek in Kyrgyzstan and Shijiazhuang. The first flight took place on January 16 using a 30-tonne capacity Boeing 757 freighter. The service is part of YTO's efforts to connect cities on the Belt and Road route. "The export goods of this route are mainly light industrial products such as clothing, and general e-commerce goods," YTO said.

Airbus' BelugaXL freighter takes off

Airbus' BelugaXL freighter has entered into service after making its first operational flight on January 9.

The aircraft can carry two A350 XWB wings compared with the BelugaST, which can only carry one. It has a maximum payload of 51 tonnes and a range of 4,000km.

At 63 m long and 8 m wide, the BelugaXL has the largest cargo bay cross-section of all existing cargo aircraft worldwide.

This is the first of six BelugaXL to begin work alongside the BelugaST predecessors, with the additional five aircraft being introduced between 2020 and 2023.

"The entry into service marks yet another milestone for the internal aircraft programme, which was awarded Type Certification by the European Aviation Safety Agency in November 2019, following an intensive flight test campaign that saw the BelugaXL complete more than 200 flight tests, clocking more than 700 flight hours," Airbus said in a statement.

The BelugaXL is based on an A330-200 freighter, enabling the re-use of existing components and equipment, and is powered by Rolls Royce Trent 700 engines.

The lowered cockpit, the cargo bay structure and the rear-end and tail were developed jointly with partners, giving the aircraft its distinctive look.

"While air transport remains the primary method for transporting large aircraft components, Airbus also uses road, rail and sea transport to move parts between its production sites," the airframer said.

"Like the BelugaST, the aircraft will operate from 11 destinations in Europe, continuing to strengthen industrial capabilities and enabling Airbus to deliver on its commitments."

EgyptAir Cargo expands its fleet with its third converted freighter

EgyptAir Cargo has added its third converted freighter, but said it will put plans for further expansion on hold for now.

The carrier's latest A330-200P2F started operations in early December after it was delivered to the airline by Germany-based passenger to freighter conversion specialist EFW.

The aircraft is the third and last conversion of the type ordered by the airline as it updates its freighter fleet from its previous A300-600P2F freighter set-up to upgrade and modernise its cargo capabilities using the A330-200P2F's enhanced range, volume and payload characteristics. Its fleet now consists entirely of three A330-200P2Fs.

Meanwhile, an airline spokesperson confirmed that a plan to launch freighter services to the US (Chicago) were on hold for now.

The carrier has recently launched passenger operations to Dulles offering extra belly capacity to the US, while the cargo market is in the midst of a downturn.

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BLUE SKIES OF AFRICA

Freighters World asks Astral Aviation founder and chief executive Sanjeev Gadhia about the challenges his company has faced and his plans for the future

Kenya-based Astral Aviation has been flying "in the blue skies of Africa" for more than 20 years. Headed by Sanjeev Gadhia, founder and chief executive, the cargo airline uses a combination of scheduled and charter flights within its intra-African and European network.

Astral operates a fleet of Fokker 27, McDonnell-Douglas DC9 and Boeing 727-200 freighters serving a range of African destinations.

In addition to its fleet of three wet-leased B747-400Fs for long-haul services, Astral has plans to expand into B757 freighters.

Gadhia, who is also vice chairman of TIACA, has built an innovative carrier that has interline agreements and partnerships with more than 25 global GSAs. *Freighters World* asked Gadhia how he got into airfreight, how the idea for Astral Aviation came about and what were the challenges and successes along the path to creating the present-day airline.

"In 1998 and 1999, I was in the procurement business where we supplied humanitarian cargoes to missions in Somalia, Sudan and Ethiopia. Much to my surprise, most of the freighters were being positioned from Dubai and South Africa, which led to the opportunity of setting up the first all-cargo airline in Kenya, which was established in 2000, to meet the charter requirements of the humanitarian sector within Africa.

"In the first six years after its inception, Astral performed relief flights within Africa and then expanded into project flights for the mining sector in western Tanzania, which continue to operate to date."

A NEW FOCUS

Astral evolved from being a charter airline to a scheduled carrier from 2007 and it operates a network serving eight airports within Africa and two in Europe: Liege and Doncaster Sheffield.

Gadhia continues: "During its 20-year journey, Astral has faced many challenges and successes. Among the challenges were a lack of liberalisation and also protectionism, which are both experienced in certain regions as governments are under pressure to protect their national carriers from the adverse effects of foreign ones.

"Lack of regulations and outdated Bilateral Aviation Safety Agreements (BASAs) continue to act as barriers, while the high cost of airport and cargo-related fees, including fuel, continue to be among the highest in the world. In some airports, there is a lack of infrastructure for efficient cargo handling."

Turning to the successes, Gadhia says that Astral has "done very well" in its quest to become a pan-African cargo airline.

In 2019 it uplifted in excess of 75,000 tons of cargo on 3,000 flights, which places it as the second-largest cargo airline in Africa.

Astral has performed flights into high-risk regions, notably Somalia and Yemen, and has an excellent safety record.

Its alliance with the Network Aviation Group gives Astral global representation via that partner's GSA division, Network Airline Services, in addition to interline agreements with over 20 airlines which feed into its Nairobi hub with traffic for Astral's services.

Network Airline Management is described by Gadhia as a strategic partner of Astral Aviation.

"The relationship goes back more than 15 years and involves a partnership on the B747-400F," he says. "Network continues to participate in Astral's fleet and network expansion."

Kenya is a major flower-exporting country with important markets in Europe, and Astral is at the forefront of using data to enable further expansion of the perishables supply chain for this key product.

"We are in the process of creating a blockchain for flowers in Kenya, which is based on a two-fold strategy involving the creation of a digital platform of all the flower farms in Kenya, right down to the details of the type of flowers that are being grown, which will be followed by a blockchain to offer visibility on the journey of the flower from the farm to the retailer," Gadhia explains.

Ever since its launch, Astral has been performing flights for various aid agencies and NGOs, which represent about 25% of its turnover.

This includes numerous humanitarian air logistics operations in Africa. In 2019, for instance, it operated flights into Mozambique

Our cargo drone has a payload capability of up to 2,000 kg, 1,200 km range and flight time of up to 26 hours on surveillance mode
Sanjeev Gadhia, Astral Aviation

when the country was hit by two cyclones, as well as flights to Democratic Republic of Congo carrying vaccines for the Ebola virus.

Astral has also been flying into Yemen with vaccines and medical shipments for the past three years, having operated in excess of 200 flights into Sanaa and Aden in support of the cholera epidemic.

The development of air transport services in Africa has suffered from non-physical barriers that have hampered the development of intra-African and international air services.

There have been several calls for the harmonisation of air transport policies.

The Single African Air Transport Market (SAATM) has been a slow-burning initiative that was finally adopted in 2018, with a remit to open up air arrangements to boost traffic, drive economies and create jobs.

SLOW LANE

An IATA survey suggests that if just 12 key African nations opened their markets and increased connectivity, an extra 155,000 jobs and $1.3bn in annual GDP would be created in those countries.

July this year (2020) will also see The African Union launch the operational phase of the Africa Continental Free Trade Area (AfCFTA) agreement, which will be the world's largest free trade area by number of countries.

The AfCFTA aims to integrate the entire region into a unified market with a combined GDP of $2.5tn and a population of more than 1bn, 60% of whom are below the age of 25.

Gadhia is a strong advocate of the SAATM, especially for its air cargo benefits.

"The SAATM seeks to create a single unified air transport market in Africa with an aim of enhancing the continent's economic integration agenda," he says.

"With the liberalisation of African skies for African carriers, the African airspace is poised for greater heights that would bring Africans closer to their common goal of an integrated and prosperous continent.

"The key challenges for African air cargo are high cost, regulation, connectivity, infrastructure and foreign carriers. SAATM will eliminate the need for separate BASAs between individual carriers.

"SAATM will be able to deliver on its promise if airlines actually co-operate with one another and maximise their opportunities. Aviation has the potential to make an important contribution to economic growth and development within Africa."

DRONES

In line with Gadhia's progressive approach and support for innovation, Astral has been in the vanguard of drone technology in Africa.

The website of its drone subsidiary, Astral Aerial Solutions, states: "Our cargo drone has a payload capability of up to 2,000 kg, 1,200 km range and flight time of up to 26 hours on surveillance mode.

"Our smaller drone is capable of eight hours of flight carrying up to 4 kg payload."

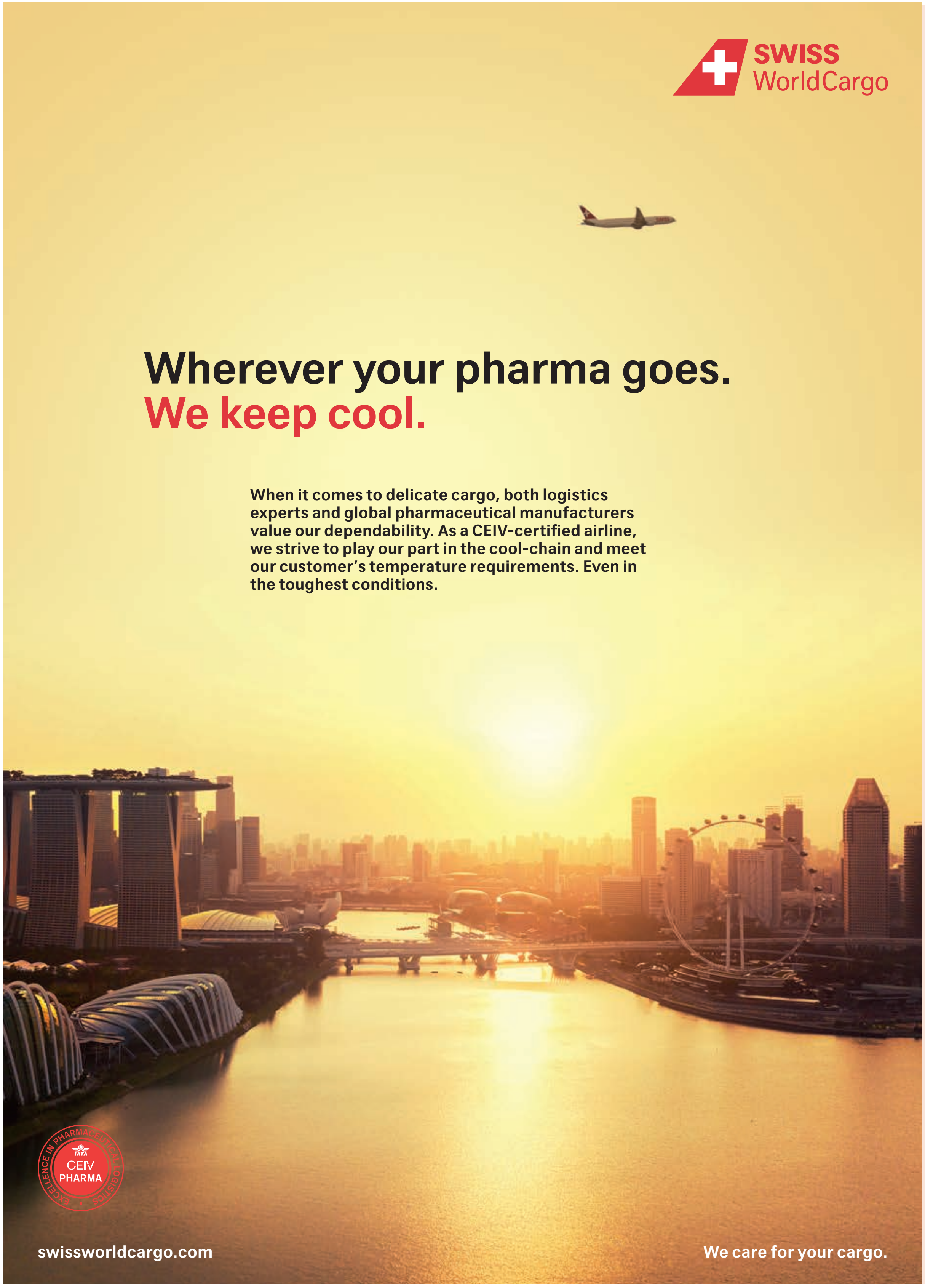
These drones are suitable for humanitarian cargo transport, medical deliveries, aerial mapping and imagery, aerial surveillance and security, agriculture, oil and gas services, connectivity, and emergency response.

Astral Aerial Solutions has collaborated with Japanese drone manufacturer Yamaha Motor Company to provide market entry support for the new Yamaha FAZER R G2 automated navigation drone, which was developed for the industrial sector and has a maximum payload of 35 kg, maximum altitude of 2,800 m, and cruising range of 90 km.

Says Gadhia: "The drone programme has been delayed due to the ratification of the new regulations in Kenya. However, Astral Aerial Solutions is geared up for a pilot project for the two-ton capacity FlyOx Cargo Drone that it will undertake by mid-2020, in addition to three major pilot projects for e-commerce, medical deliveries and tree-planting."

Of his TIACA role, Gadhia says: "Since my appointment as vice chairman of TIACA in Kenya, I am responsible for the modernisation initiative of TIACA, which is an exciting project that I am truly passionate about, because it entails the creation of a new membership category to attract tech start-ups into TIACA.

"With the support of our chairman, Steven Polmans from Brussels Airport, we are jointly redefining the value proposition of TIACA to ensure it remains relevant and sustainable for the changing times." ◆



B737 MAX GROUNDING HITS P2FS

Older B737 freighters back in demand on the conversion market, writes Roger Hailey

Boeing expects the cost of the B737 Max grounding to surpass $18bn after the US framemaker was forced to take the aircraft type out of service in March last year following two crashes that killed 346 people.

The return of the B737 Max is not expected before the summer of this year, but that is only the most recent date proposed after a number of delays.

While Boeing, airlines, regulators and the travelling public have focused on the tragic events and their economic effects on the aviation industry, the Max grounding has also hit the passenger-to-freighter conversion market.

With the arrival of the B737 Max passenger jet, a large B737-800 feedstock for future freighter conversions became available. But some of that potential fodder has been put on new short-term leases for passenger use as global airlines try to assess the future of the latest generation B737.

Robert Convey is senior vice president sales and marketing at Aeronautical Engineers Inc (AEI), a conversion specialist for B737-800 and B737-400 freighters, among other aircraft types. Convey told *Freighters World* that 2019 saw a drying up of feedstock, not just for the much older -400s but also for the -800s, the latter clearly in response to the Max incidents.

"In March or April last year, B737-800 orders or slots we had committed to essentially vaporised as airlines put the aircraft back out on passenger service," he says.

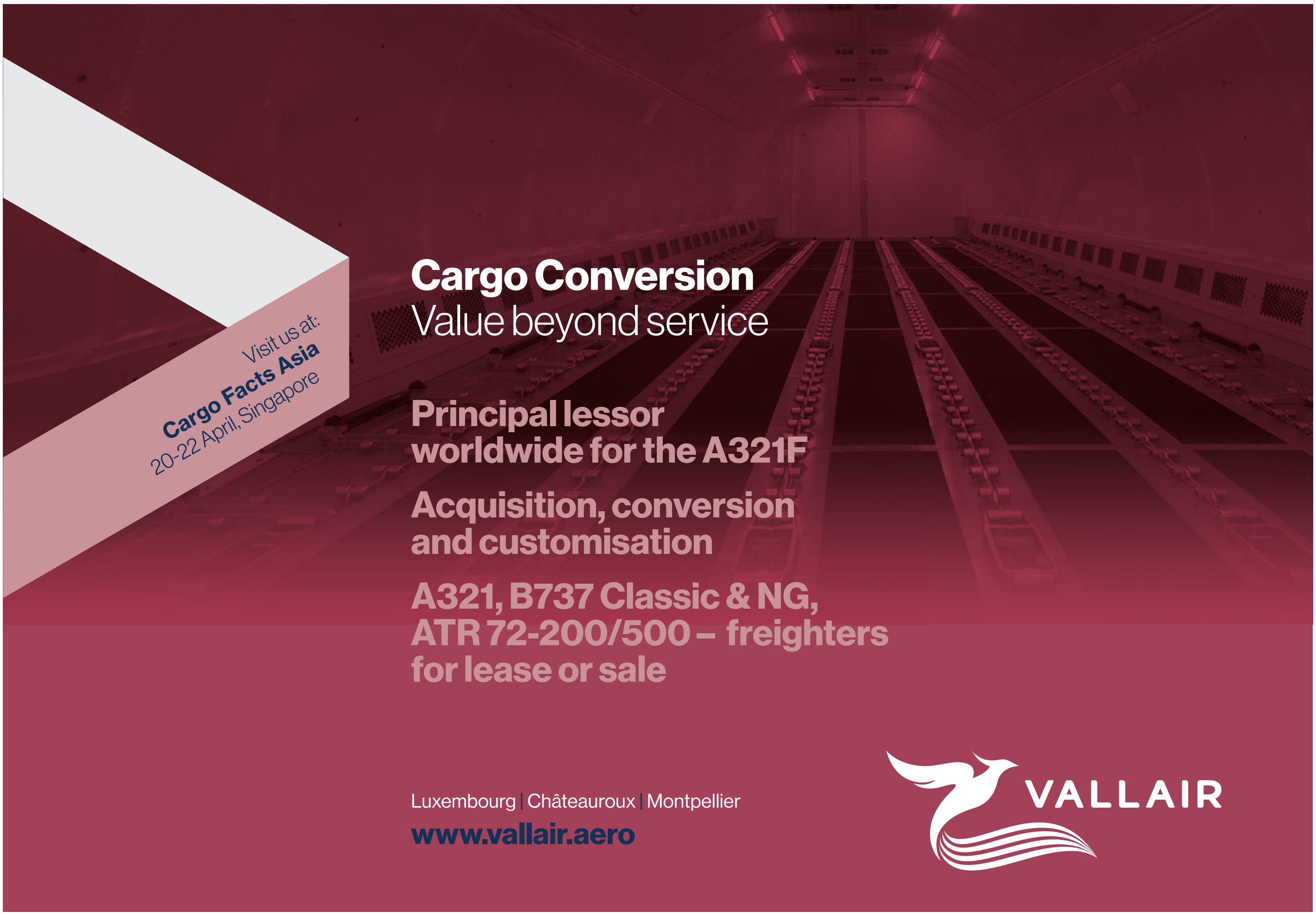
Airlines' doubts about the date of the Max's return to service have resulted in three- to five-year lease extensions for -800s, although Convey adds that those leases could be reduced if the Max does fly again in the summer.

"At the moment we are seeing people hedging their bets that the Max is not going to come back into service early, and they are betting with extended lease terms on the B737-800s — which is having a downward effect on the capacity to convert those planes."

Another knock-on effect of the Max crisis is that AEI has witnessed an increased interest and a "dramatic price escalation" in the -400 feedstock for freighter conversion.

"Various airlines around the world have realised that they are not going to get an -800 more easily or cheaply this year [2020]."

AEI has a backlog of between 10 and 12 -400



freighter conversions this year, whereas the original prediction was for no more than six.

The Max grounding and the consequent -800 passenger lease extension also means that a number of older -400s — coming off the production line in the early to mid-1990s — are back in play for conversion rather than tear-down for parts or scrapping.

"They are longer in the tooth in terms of conversion but because people cannot get hold of -800s, guess what, those aircraft are looking pretty good right now," Convey says.

As a result, he believes that 2020 will be a good year for -400 conversions and okay for -800s, while 2021 is harder to call and depends on the timeline for bringing the Max back into service.

"I believe that the Max recovery is a two-year process and I am looking at recovery of the market, back to something that is normal, over the next three to five years, although I think it could be 2023 to 2025 before we see the -800s return to something that looks like a retirement cycle," he says.

The -800 feedstock are not alone in this dilemma. The Max grounding will also affect Airbus A321 feedstock in terms of passenger lease extensions, although the Airbus is a larger aircraft and is more of a replacement for the B757 freighter.

Again, the knock-on effect of a much longer Max grounding could, in turn, hit the larger aircraft conversion feedstock and so the integrators.

Boeing 737 Max in production

Even when the Max does lift off again, the reaction of the travelling public will be crucial.

If airlines suspect that passenger load factors will remain low for a prolonged period after the Max returns, awaiting a build-up in public confidence in the aircraft, then they will keep a tight hold on the -800s.

All of which means that the conversion market could remain tight for some time to come. ◆

> **Various airlines around the world have realised that they are not going to get an -800 more easily or cheaply this year [2020]**
>
> ***Robert Convey***
> ***Aeronautical Engineers Inc***

MIXED FORTUNES FOR FREIGHTER HUBS

Freighter volumes are in rude health at some global hubs but not others. Mike Bryant finds out why

Hub air gateways around the world handle enormous volumes of cargo and much of it flies in the maindeck compartments of freighter aircraft.

The hubs may specialise in integrator-based express traffic, or they might act as focal points for cargo flying in and out in support of their local or national economies. They might even serve whole continents.

Florida's Miami International Airport (MIA), for instance, acts not only as a cargo gateway to that southeastern part of the US but to South America.

Moreover, at MIA, freighter operations are "the dominant cargo business", observes Chris Mangos, marketing director at airport operator Miami-Dade Aviation Department.

Currently, 82% of MIA's total cargo traffic is flown on freighters, compared with just 18% in the bellies of passenger aircraft.

The vast majority of this freight moves with all-cargo operators such as Atlas Air, UPS, FedEx, Amerijet, Skylease and Cargolux, all airlines that operate freighter aircraft exclusively.

"What is interesting is that most other airports are just the opposite, with perhaps 80% of cargo moved in bellies, and 20% of their volumes in freighter aircraft," he points out. So, why is Miami so different? "MIA has always been a freighter-friendly gateway," Mangos remarks. "Unlike many competing airports, we have always focused on cargo development and attracting freighter operators.

"MIA is also blessed by its geography, being the closest major gateway to Latin America, which gives us more connectivity and over 1,300 flights to the region."

For MIA, the business of handling maindeck cargo differs to that of lower deck freight. For instance, freighter aircraft must be used for dangerous goods and oversized shipments, and for unknown shipper commodities. But the high volumes of perishable cargo that MIA handles can go by freighter or in the bellies of passenger aircraft.

That role of gateway to Latin America, and its vital perishables traffic in the form of flowers, vegetables, and so on, is vital for MIA and guides much of its freighter operations.

Firstly, that role is reflected in the amount of cargo it handles each year: some 2m metric tonnes in 2018 – year-end figures for 2019 are not available as yet – with 77% of total export trade and 79% of import trade being with Latin America, excluding Mexico.

MIA also accounts for 63% of all perishables entering the US via air – Latin America's main export commodity type.

As to the future: "We have an air service development programme that focuses on cargo airlines, and we believe there are still opportunities for growth, in particular in China and India," Mangos reports.

"Both markets present challenges in areas such as regulatory environments, aircraft availability and fuel cost, but we feel that eventually we will have service to these regions of the world."

EUROPEAN HUB

Across the Atlantic, Germany's Frankfurt Airport is the busiest air cargo gateway in Europe, and much of its cargo is carried on freighters – either based there (primarily those of Lufthansa Cargo) or passing through.

Max Conrady, senior vice president of cargo development and management at airport operator Fraport, notes that after what was a "generally difficult market economic environment last year, there is [still] no upturn at our cargo business noticeable right now".

The trade conflict of recent months between China and the US has been one of the main reasons for the decrease in global trade and the downturn in the manufacturing industries this year, he notes, with both passenger aircraft belly cargo and full freighter loads down due to the "current difficult market environment".

The decline in belly freight has been slightly stronger than that seen in freighter volumes, however.

Today, approximately 60% of Frankfurt's airfreight is carried on freighter maindecks, with about 40% in bellies.

As well as Lufthansa Cargo, with its Boeing 777 and MD-11 freighters based at Frankfurt, many other all-cargo operators fly through the German hub. These include AirBridgeCargo, AeroLogic, Asiana Airlines, Air China, China Southern, Cathay Pacific, EAT Leipzig, Emirates, FedEx Express, Korean Air, Lufthansa, Turkish Airlines, Qatar Airways and Zimex.

Despite the recent falls in freighter loads, airfreight demand is "expected to be positive" in the medium and longer term, Conrady predicts.

E-commerce, and in particular cross-border e-commerce, will continue to be a strong driver of air cargo, he suggests.

Moreover, he says, Frankfurt is still seeing rising consumption in emerging markets, which is expected to lead to further growth in the perishables, pharmaceuticals and electronics sectors.

"We offer sufficient capacity for this growing market," Conrady states.

If Frankfurt has had a tough year, so have some of the airfreight hubs in what is the world's biggest air cargo market: Asia.

Hong Kong International Airport (HKIA) is the world's biggest international airfreight hub. But because of the global downturn in trade and ongoing political demonstrations at the gateway, freight traffic has taken a knock.

Alaina Shum, general manager, aviation logistics of operator Airport Authority Hong Kong (AA), confirms: "Cargo volumes at HKIA have declined amid continuous global trade uncertainties.

"For the first 11 months [of 2019], there was a decline of 6.7% due to weak global demand. However, a month-to-month increase in cargo volume was observed in October and November."

Nevertheless, Shum observes more positively: "We recorded a year-to-year increase in freighter movements in October and November.

"Although we anticipate challenges in the near future as the global economy continues to face uncertainties, we are confident that we can sustain our long-term competitiveness through our continuous efforts and new initiatives."

MAINDECK FLEXIBILITY

Of HKIA's total cargo volumes, about 60% are carried in passenger aircraft with 40% as maindeck freight, pretty much the reverse of the ratio at Frankfurt.

Still, maindeck aircraft that pass through HKIA offer unique potential for the gateway. Freighters generally offer more flexibility in accommodating various types and sizes of shipment, Shum observes.

The capacity offered by all-cargo services also provides the market with more lift, which is particularly useful during peak seasons, she says.

On the other hand, the frequency and schedule of belly capacity is useful for time-definite shipments.

"The two types of capacity complement one another and are both instrumental in the development of cargo business at an airport," Shum suggests.

Hong Kong acts as a cargo gateway to eastern China, she notes.

"The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) announced by the Central Government affirms HKIA's status as an international aviation hub in the GBA, which has a combined population of over 69m and a collective GDP of over $1.5trn," states Shum.

"By leveraging its geographic advantage and global air cargo leadership position, HKIA's role as the gateway to connect the GBA and the world will be further enhanced."

To meet long-term air traffic demand, HKIA is expanding to operate what it calls a Three-Runway System (3RS). When 3RS goes into operation by the end of 2024, the quantum leap in air traffic movements and ability to handle more cargo will allow airlines and logistics companies to significantly expand their operations, including maindeck business.

CHANGI LOOKS FORWARD

To the south, another big Asian airfreight gateway – Singapore's Changi Airport – has avoided suffering in the same way as HKIA. Currently the seventh-largest global air cargo hub in terms of international airfreight traffic, it handled just over 2m tonnes of cargo in the 12-month period ending October 2019 and it is home to 25 cargo airlines, which collectively operate more than 320 weekly scheduled freighter flights to 52 destinations from the island nation.

Freighters account for 82% of MIA's total cargo traffic, with only 18% carried in passenger aircraft


Cargo volumes at HKIA have fallen due to global trade uncertainties

Lim Ching Kiat, managing director, air hub development at operator Changi Airport Group, notes: "Notwithstanding the global trade and air cargo downturn this year, we continued to expand our air cargo connectivity and capacity with two new freighter airlines in 2019."

Etihad Cargo launched a weekly Abu Dhabi-Singapore-Ho Chi Minh-Abu Dhabi B777 freighter service at Changi Airport on May 9.

This new freighter service complemented Etihad's daily widebody passenger services between Singapore and Abu Dhabi.

And, in July, Qatar Airways Cargo introduced freighters to Singapore on the transpacific route.

The twice-weekly B777F service arrives at Singapore from Chicago. From Singapore, the freighter departs for Macau and onward to Los Angeles, Mexico City and Guadalajara in the Americas.

According to Lim, maindeck capacity has an important and specific role to play in supporting Singapore's manufacturing and trade.

Today, precision engineering and aerospace represent key manufacturing pillars for Singapore.

About a third of Changi's cargo throughput derives from freighter traffic.

And just as HKIA acts as a gateway to eastern China, so Singapore is a major air transhipment hub and a springboard for the wider region, Lim says.

"Changi is a major gateway to Southeast Asia in terms of international maindeck capacity for freighter services," Lim points out. "Our goal is to continue deepening and widening this."

The airport is in the process of increasing cargo capacity through the develpment of the Changi East Industrial Zone (CEIZ), which will serve airfreight, air express, and maintenance, repair and operations activities.

"Together with the remodelled Changi Airfreight Centre, Changi's handling capabilities will increase from 3m tonnes per annum today to 5.4m tonnes per annum when the project is completed. With CEIZ, we hope to better serve freighter operations with a sizable increase in freighter bays," says Lim.

"All strategic facilities (for example, airfreight terminals and integrator facilities) would have direct access to freighter bays." ◆

	10t-30t	31t-60t	61t-150t
21 Air (21-air.com)		2 x B767-200SF 1 x B767-300ERF	
ACE Belgium Freighters (aceaviationservices.com)			1 x B747-400F
ACT Airlines (actairlines.com)			2 x B747-400F
Aerologic (aerologic.aero)			14 x B777F
AeroUnion (aerounion.com.mx)		5 x A300 B4F-203 2 X B767-200	
Air Atlanta Icelandic (airatlanta.com)			6 x B747-400F
AirBridgeCargo Airlines (airbridgecargo.com)			2 x B747-400F 12 x B747-8F 4 x B747-400ERF
Airbus Transport International (airbus.com)		5 x A300-600ST 1 X A330-743L	
Air Cargo Global (acg-air.com)			3 x B747-400SF
Air China Cargo (airchinacargo.com/en/)		4 x B757-200SF	3 x B747-400F 8 x B777F
Air France KLM Cargo (af-klm.com/cargo)			1 x B747-400BCF 3 x B747-400ERF 2 x B777F
Air Hong Kong (airhongkong.com.hk)		10 x A300-600F	
Air Incheon (air-incheon.com)	1 x B737-400F		
Airwork (airwork.co.nz/)	3 x B737-300F 8 X B737-400F		
Alaska Airlines (alaskaair.com)	3 x B737-700F		
Allied Air Cargo (alliedairng.com)	3 x B737-400F		
All Nippon Airways Cargo (ana.co.jp/cargo)		11 x B767-300F/BCF	2 x B777F
Aloha Air Cargo (alohaaircargo.com)	3 x B737-300F 3 X B737-400F	1 x B767-300F	
Amazon Air (amazon.com)	5x B737-800F	35 x B767-300F 12 x B767-200F	
Amerijet International (amerijet.com)		1 x B767-200F 7 x B767-300F	
Antonov Airlines (antonov.com)	1 x An26	1 x An22	7 x An-124 1 x An-225
Asiana Airlines (asianacargo.com)		1 x B767-300ERF	11 x B747-400F
Asia Pacific Airlines (flyapa.com)	1 x B727-200F	3 x B757-200F	
ASL Aviation (aslaviationgroup.com) (owned only)	10 x ATR-72-200F 2 x ATR-72-500F 2 x B737-300F 2 x B737-300QC 13x B737-400F	1 x B757-200F	
Astral Aviation (astral-aviation.com)	1 x DC9-34F 1 x B727-200F 1 x F27-500F		2 x B747-400F
Atlas Air WW (atlasairworldwide.com)	5 x B737-400F 5 x B737-800F 1 x B737-300F	35 x B767-200/300F 1 x B757-200F	10 x B747-8F 35 x B747-400F 14 x B777-200LRF 4 x B747LCF
Atran Airlines (atran.ru)	3x B737-400SF 2 x B737-800BCF		
ATSG (atsginc.com)	1 x B737-400F	33 x B767-200F 36 x B767-300F 4 x B757-200F 4 x B757-200C	
Aviacon Zitotrans (aviacon.ru)		5 x IL-76	
Avianca Holdings (aviancaholdings.com)		5 x A300FS 2 x B767-300F	6 x A330-200F
Aviastar - TU (aviastartu.ru/en)	4 x TU-204C	3 x B757-200F	
Bidair Cargo (bidaircargo.com)	4 x B737-400F		
Bluebird Cargo (bluebirdcargo.com)	5 x B737-400F		
Blue Dart Aviation (bluedartaviation.com)		6 x B757-200F	

	10t-30t	31t-60t	61t-150t
Cairo Aviation (cairoaviation.com)	1 x TU-204-120		
CAL Cargo Air Lines (cal-cargo.com)			2 x B747-400ERF 1 x B747-400F
Cardig Air (cardigair.com/site)	2 x B737-300F		
Cargo Air (cargoair.bg)	3 x B737-300F 6 x B737-400F		
Cargojet (cargojet.com)		12 x B767-300F 8 x B757-200F 2 x B767-200F	
CargoLogicAir (cargologicair.com)			3 x B747-400F 1 x B747-8F
CargoLogicGermany (clg.aero)	3 x B737-400F		
Cargolux (cargolux.com)			12 x B747-400F 14 x B747-8F
Cargolux Italia (cargolux-italia.com)			4 x B747-400F
Cathay Pacific (cathaypacificcargo.com)			6 x B747-400ERF 14 x B747-8F
Cavok Air (cavok.aero)	7 x An-12		
Cebu Pacific (cebupacificaircorporate.com)	2 x ATR-72CF		
China Airlines (cargo.china-airlines.com)			18 x B747-400F
China Air Cargo	1 x MA-600F	2 x B757-200F	
China Cargo Airlines (ckair.com)			3 x B747-400F 6 x B777-200F
China Postal Airlines (cnpostair.com)	6 x B737-400F 10 x B737-300F 2 x B737-800BCF	7 x B757-200F	
China Southern Airlines (flychinasouthern.com)			12 x B777-200F 2 x B747-400F
Connect Cargo (connect-cargo.com)	2 x B737-400F		
Cubana (cubana.cu)	1 x Tu-204-100C		
Cygnus Air (cygnusair.com)		4 x B757-200PCF	
DHL Air UK (dhl.co.uk)		23 x B757-200F 3 x B767-300F	
DHL Aero Expreso (aviationcargo.dhl.com)	2 x B737-400F	4 x B757-200F 1 x B767-300F	
DHL International ME (aviationcargo.dhl.com)		6 x B767-200F	
DOT LT (dot.lt/en)	1 x ATR-42F 1 x ATR-42QC		
Egyptair Cargo (egyptair-cargo.com/cargo)			3 x A330-200P2F
Emirates SkyCargo (skycargo.com)			11 x B777-200F 1 x B747-400F
Empire Airlines (empireairlines.com)	11 x ATR-42F 7 x ATR-72F 37 x C-208		
Estafeta Carga Aerea (estafeta.com)	2 x B737-300F 2 x B737-400F 2 x CRJ-100F		
Ethiopian Airlines (cargo.ethiopianairlines.com)		2 x B757-200F	10 x B777LRF
Etihad Cargo (etihadcargo.com)			6 x B777-200F
European Air Transport Leipzig (aviationcargo.dhl.com)	4 x B737-400F	21 x A300-600F 11 x B757-200F	4 x A330-200F
EVA Air Cargo (brcargo.com)			5 x B777F
Express Air Cargo (express-aircargo.com)	2 x B737-300F		
FedEx (fedex.com)	25 x ATR-42C 21 x ATR-72C 236 x C-208B	77 x B767F 119 x B757-200F 10 x A310-300F 68 x A300-600F	57 x MD-11F 42 x B777F 13 x MD-10-30F 18 x MD-10-10F
Global Africa Aviation (globalaa.net)			2 x MD-11F

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	10t-30t	31t-60t	61t-150t
Global Aviation and Service Group		1 x A300B4	
(global-aviationgroup.com)		1 x IL-76D	
Hong Kong Air Cargo (hkairlinescargo.com)			5 x A330-200F
Icelandair Cargo (icelandaircargo.net)		2 x B757-200F	
Kalitta Air (kalittaair.com)		9 x B767-300F	24 x B747-400F
			1 x B777F
Kalitta Charters (kalittacharters.com)	1 x DC9-30F		
	2 x DC9-10F		
	5 x B727-200F		
	2 x B737-300F		
	4 x B737-400F		
Kenya Airways (kqcargo.com)	2 x B737-300F		
K-MILE (k-mile.com	3 x B737-400F		
Korean Air (cargo.koreanair.com)			4 x B747-400F
			7 x B747-8F
			12 x B777F
LATAM Cargo (latamcargo.com)		11 x B767-300F	
Longhao Airlines (longhao-air.com)	5 x B737-300F		
	1 x B737-400F		
Lufthansa Cargo (lufthansa-cargo.com)			7 x B777F
			8 x MD-11F
Magma Aviation (magma-aviation.com)			2 x B747-400F
MASkargo (maskargo.com)			3 x A330-200F
Maximus Air Cargo (maximus.aero)		1 x Il-76F	1 x An-124-100F
MNG Airlines (mngairlines.com)		5 x A300-600F	1 x A330-200F
Modern Logistics (modern.com.br)	2 x B737-400F		
	2 x B737-300F		
Morningstar Air Express (maei.ca)	8 x C-208	8 x B757-200F	
	1 x ATR-72		
My Indo Airlines (myindoair.com)	1 x B737-200F		
	2 x B737-300F		
	1 x B737-400F		
National Airlines (nationalaircargo.com)			2 x B747-400F
Nauru Airlines (nauruairlines.com.au)	1 x B737-300F		
Nippon Cargo Airlines (nca.aero)			8 x B747-8F
Nolinor Aviation (nolinor.com)	2 x B737-200F		
	2 x CV-440		
Northern Air Cargo (nac.aero)	3 x B737-200F	2 x B767-300F	
	2 x B737-300F		
Pacific Air Cargo (pacificaircargo.com)			1 x B747-400F
Pacific Air Express (pacificairexpress.com.au)		1 x B757-200PCF	
Poste Air Cargo (poste.it/posteaircargo.html)	3 x ATR-72-200C		
	3 x B737-400F		
Qantas Freight (qantas.com.au/qfreight)	4 x B737-300SF	1 x B767-300SF	2 x B747-8F
	1 x B737-400SF		
	4 x BaE 146		
Qatar Airways Cargo (qrcargo.com)			21 x B777F
			5 x A330F
			2 x B747-8F
Raya Airways (rayaairways.com)	1 x B737-400F	1 x B757-200F	
		1 x B767-200F	
Royal Air Maroc (royalairmaroc.com)		1 x B767-300F	
Royal Jordanian (rj-cargo.com)		1 x A310F	
RUS Aviation (rusaviation.com)		1 x A300B4F	
		1 x IL-76TD	
Safair (safairoperations.com)	4 x L100-30H		
	1 x B737-400C		
	1 x B737-400F		
Saudia Cargo (saudiacargo.com)			4 x B747-400F
			2 x B747-8F
			4 x B777F

	10t-30t	31t-60t	61t-150t
SF Airlines (sf-airlines.com)	14 x B737-300F	8 x B767-300BCF	2 x B747-400ERF
	3 x B737-400F	31 x B757-200F	
Sichuan Airlines Cargo (cargo.sichuanair.com)			3 x A330-200F
Sideral Air Cargo	3 x B737-300F		
(sideralinhasaereas.com.br/en)	7 x B737-400F		
Sigma Airlines (https://airsigma.pro)		1 x IL-76TD	
		1 x IL-76TD-90	
Silk Way Airlines (silkway-airlines.com)		7 x IL-76	
Silk Way West Airlines (silkwaywest.com)			5 x B747-400F
			5 x B747-8F
Singapore Airlines Cargo (siacargo.com)			7 x B747-400F
Sky Taxi (skytaxi.aero)		1 x B767-200SF	
Solinair (solinair.si)		2 x A300-600F	
South African Airways Cargo (flysaa.com)	2 x B737-300F		
SpiceXpress (spicexpress.com)	3 x B737-700F		
	2 x B737-800F		
Star Air (starair.dk)		11 x B767-200SF	
		1 x B767-300BCF	
		2 x B767-300F	
Suparna Airlines (yzr.com.cn)	9 x B737-300F		4 x B747-400F
	1 x B737-400F		
Swiftair (swiftair.com)	6 x ATR-42-300F		
	10 x ATR-72		
	10 x EM-120F		
	1 x B737-300F		
	6 x B737-400F		
Tasman Cargo Airlines (tasmancargo.com)		1 x B767-300F	
Tianjin Air Cargo (hnagroup.com)	1 x B737-300F		
	2 x B737-400F		
	1 x B737-800BCF		
Titan Airways (titan-airways.com)	2 x B737-400F		
Total Linhas Aereas (total.com.br)	3 x B727-200F		
TransAfrik (transafrik.com)	2 x L100		
TransAviaExport (transaviaexport.com)		6 x IL76 TDD	1 x B747-300F
Transportes Aereos Bolivianos (tab-bolivia.com)			1 x MD-10-30F
Turkish Cargo (turkishcargo.com.tr)		3 x A310-300F	10 x A330-200F
		1 x A300-600F	6 x B777F
			4 x B747-400F
Turkmenistan Airlines (turkmenairlines.com)		3 x IL-76TD	
Ukraine Air Alliance (uaa-avia.com.tr)	6 x An-12		
ULS Airlines Cargo (ulsairlines.com)		3 x A310-300F	
UPS Airlines (ups.com/aircargo)	296 x smaller aircraft	75 x B757-200F	37 x MD-11F
	(leased)	2 x B767-200F	11 x B747-400F
		66 x B767-300F	2 x B747-400BCF
		3 x B767-300BCF	15 x B747-8F
		2 x B767-300BDSF	
		52 x A300-600F	
Uzbekistan Airways (uzairways.com)		2 x B767-300F	
Volga-Dnepr Airlines (volga-dnepr.com)		5 x IL-76TD-90-VD	12 x An-124-100F
West Atlantic Group (westatlantic.eu)	17 x Bae ATP-F	1 x B767-200SF	
	6 x B737-300SF		
	13 x B737-400SF		
	4 x B737-800F		
	2 x CRJ-200PF		
YTO Cargo Airlines (yto.net.cn)	7 x B737-300F	5 x B757-200F	

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freighters world

A BUD IN BLOOM

BUD Cargo City looks set to transform freight operations at Liszt Ferenc International Airport. Roger Hailey finds out how

Budapest Airport has the keys to its new €50m BUD Cargo City, a facility that can expand the site's role as a logistics hub for central and eastern Europe.

Hungary's Liszt Ferenc International Airport, better known as BUD, is already home to four integrators and a number of freighter aircraft operators. In 2019, it handled 136,000 tonnes of air cargo. The 21,200 sq m warehouse and office facility at BUD Cargo City, plus an 11,650 sq m forwarder building, increase the airport's total annual cargo capacity from 150,000 tonnes to 250,000 tonnes.

The development, with Çelebi Aviation and Menzies Aviation as freight handlers, also boasts a 32,000 sq m cargo apron – a large enough space to accommodate two Boeing 747-8 freighters side by side.

Rene Droese, chief property and cargo officer at the airport, says that the preparations required to get BUD Cargo City ready for its opening in January this year made for a "crazy but fun" period after the year of building work, which itself followed contract negotiations with tenants and constructors.

The original 16,000 sq m cargo area, opened in 2017 for DHL Express and TNT Express on the opposite side of the airport, will still serve the integrators – DHL, UPS, FedEx and TNT – which operate daytime freighters to their main European hubs at Liege, Cologne, Leipzig, Brussels and Paris.

MOVING IN

FedEx is moving all but its off-airport road feeder operation to the integrator area, alongside TNT, which the US parcels giant now owns. Non-integrator carriers with scheduled services into Budapest, such as Cargolux, Qatar Airways Cargo, AirBridgeCargo and Turkish Cargo, will see their freighters handled at the new BUD Cargo City facility, next door to the warehouse and only 500 m from the passenger bellyhold cargo operation.

Says Droese: "The location of BUD Cargo City will minimise any unnecessary cargo movements [on the ground] at our airport so that freight handling is really fast and efficient."

The airport wants to gain a larger share of the 1.5m tonnes of annual air cargo that is trucked from central and eastern Europe within an eight- to ten-hour journey radius to other airports. Budapest currently handles 40,000 tonnes of trucked freight.

The key target road feeder markets are in Poland, Slovakia, Czech Republic, Romania, Serbia, Croatia, Ukraine and Austria.

"We are doing everything we can to increase our market share in that 1.5m tonnes catchment area," says Droese. "Cargo City is the first big step, but we have other actions planned in a competitive market because we believe in our potential to attract more of that road feeder freight."

Beyond Europe, Budapest has already established memoranda of understanding and had regular face-to-face contact with senior managers at a number of airports in China, including Beijing, Ningbo, Zhengzhou and Xi'an, as well as Chinese freighter operators.

"We want to position Budapest as an e-commerce gateway in our region for goods coming from China, very similar to what Liege, for example, is doing in western Europe," Droese says.

Talks have taken place with Chinese e-commerce giants and the plan is to attract their freighters into Budapest, building on the Hungarian government's reciprocal bilateral flights agreement with China that has scope for five Chinese airlines to fly into Hungary.

"We have traffic rights and the slots available, [whereas] some European airports have slot constraints and air traffic movement limits," Droese points out.

"We have an attractive package that we are promoting by going to China and talking to the airports and carriers. Also, the Hungarian government is very active in its relations with China and we have benefitted a lot from this during the past two years."

BUD, seeing the success of Luxembourg and Brussels as host airports for global freight, has joined the Hungarian freight forwarder association to establish an aviation working group, with both international and local freight forwarders as members.

The group works on such topics as digitisation and a cloud-based cargo platform, and there are also discussions about IATA's CEIV Pharma certification and special facilities.

BUD Cargo City has extensive temperature-controlled storage and there is the possibility that cool dollies could be purchased for ramp transfer of pharma shipments between aircraft and the cargo terminal.

FINDING FOCUS

Hungary has significant agricultural and fresh meat exports, so perishables freight is another top topic. But Droese says that digitisation, pharma and live animals transport are currently the three focus areas for the airport community.

"The working group will partner with Hungarian stakeholders and the pharmaceuticals sector to talk about CEIV and Good Distribution Practice (GDP).

"As an airport, we would prefer a community approach with certification for the Hungarian market, but the decision depends on the stakeholders and the market. If there is consent, we can help them with the implementation."

Given swift agreement by stakeholders, Droese says BUD could have pharma certification in place "in the second half of 2020". ◆

Opened in January, BUD Cargo City will increase the total annual capacity at the airport to 250,000 tonnes

Performance enhancers

After 14 consecutive months of demand decline, GSSAs' role in boosting sales remains crucial, writes Rachelle Harry

Last year undeniably rocked the airfreight industry: demand declined for 14 consecutive months (from October 2018 to December 2019) and airlines were forced to shuffle their resources as factors such as Brexit, protests in Hong Kong and the US-China trade war had a negative impact.

For now, it is unclear whether or not the worst is over; time will tell.

Reports at the end of 2019 from sources such as IATA hinted at easing pressures but the coronavirus has clouded the outlook.

In November, Alexandre de Juniac, director general and chief executive of IATA, stated: "Looking forward, signs of thawing in US-China trade tensions are good news, but trading conditions at present remain very challenging."

But what do GSSAs think about how 2020 will pan out?

John Ward, director of UK and Ireland at HAE Group, has a somewhat cautious outlook, based on the challenges that some GSSAs faced in 2019.

"Year-on-year volume reductions were reported and that put a lot of downward pressure on the yields, so GSSAs and airlines had to work a lot harder and smarter to make improvements on that," he explains.

"I don't think this year will be better than the last, based on what industry experts are saying. They're forecasting that 2020 is going to fall short of 2019," he adds.

"If that's the case, GSSAs will be put under a lot of pressure because many are already operating at a baseline level of resource and they've got contractual commitments to the airlines they represent."

Yield hope

Ingo Zimmer, chief executive of ATC Aviation, is a little more hopeful.

"In 2019 we sold 250,000 tonnes of cargo, which is a high level — almost on a level with 2018.

"We processed 300,000 air waybills and had a turnover of $450m. However, yields were low," he explains.

"We now hope that yields will recover," he adds. "I'm optimistic for 2020, but I don't think it will improve until the second half."

Adrien Thominet, chief executive of ECS Group, is also positive, but points out that now is not the time for GSSAs to relax, despite expected improvements in the industry's performance.

"With a market that is expected to be flat, we will once again be faced with major challenges," Thominet says. ➜

'Year-on-year volume reductions were reported and that put a lot of **downward pressure on the yields**, so GSSAs and airlines had to work a lot **harder and smarter** to make improvements on that'

John Ward, HAE Group

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Alitalia has recently expanded its contract with ATC to include Germany

➜ "As a result, we won't be slackening our efforts; we will continue to develop our digital tools."

GSSAs are versatile service providers. As a result, they are in demand "during good times, as well as difficult times", says Zimmer.

As GSSAs explained in the June 2019 issue of *Air Cargo News*, they were kept extremely busy during last year's market decline because they saved airlines the cost of investing in internal cargo sales resources as well as other services.

Yet in a more fruitful climate, how and why does the GSSA role remain crucial?

Zimmer highlights the importance of GSSAs to all airlines — and particularly small ones — due to their cost-saving capabilities.

"GSSAs offer many additional benefits," he says.

"A small or medium-sized airline might find it difficult to have a network of 10 offices because they probably wouldn't be able to entertain that cost.

"We've got 10 offices in the US, so if an airline wanted a contact for there, then we've got locations where we could do the sales."

Team advantage

ECS Group's Thominet agrees. "Airlines need the power of our sales network to develop new opportunities and increase their revenue.

"At ECS Group we have a presence in 50 countries at 150 offices. We are connected to all global markets and are able to deploy our selling ability on behalf of our clients all over the world."

GSSAs can also provide specialised expertise from members of their team at a lower cost than airlines employing someone with such niche skills full-time.

"This is one of our strengths," says Zimmer. "Our biggest advantage is our team.

"Obviously IT is important and we've spent a lot of money on it, but at ATC Aviation, we've got specialists

from more than 20 airlines on our team.

"For example, the former Air France-KLM pharma manager for Europe has been working at ATC for a couple of months now. We've also got specialists for live animals and express cargo.

"From a small or medium-sized airline's point of view, hiring these specialists could be too costly.

"Overall, by choosing us, they end up benefitting from our expertise and investments."

Ward from HAE Group believes that in most cases — even when an aircraft's cargo capacity is almost full — there is room for improvement when it comes to yields.

"GSSAs have to strive to grow the revenue for their airline partners, however that can be achieved," he says. "They might have a 95% load factor and be realising £110,000 per month, but changing the mix of customers or the blend of density could turn that into £120,000."

GSSAs also help airlines to control how they are perceived in the market, as Ward explains.

"We have an important role to play in enhancing an airline's service quality," he says.

"The reality is that a poor GSSA could make a great airline look bad. Enhancing their service quality, maximising their brand penetration and being a sales partner that an airline can be confident of and proud to have representing them — these are factors that are all within a GSSA's control."

With GSSAs being such a valuable commodity for airlines, how can each of them ensure they stand out among their competitors?

ATC Aviation's Zimmer highlights the level of dedication that his team is able to offer.

"We have a certain standard everywhere in the world," he explains. "My crew have a concept that they call 'single point of contact', which means that even though we are a huge team globally, airlines only deal with the same, single point of contact within my team.

"I believe this dedication makes us different to other GSSAs where everyone in the company could be selling everything."

Zimmer also believes that his company's existing network and track record help it to shine against competitors.

"When we booked Alitalia for Germany, previously we had booked them in Johannesburg and they were so satisfied with our performance that they gave us more contracts, including Switzerland and now Germany," he comments.

ECS Group, meanwhile, relies on its global network of "more than 1,110 employees located around the world who have perfect knowledge of their markets" Thominet says. ➜

Is the sun rising on cargo demand?

'This **dedication makes us different** to other GSSAs where everyone in the company could be **selling everything**'

Ingo Zimmer, ATC Aviation

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‘Our carbon footprint is a concern for us and this year we’re going to launch a large-scale project that will allow us to assess our impact and go further in terms of reducing and offsetting it’

Adrien Thominet, ECS Group

In addition, its digital tools such as Apollo, which provides real-time data analysis and visualisations of the market; track-and-trace system Pathfinder; and a messaging system that enables communication with customs officers and freight forwarders, all give it a competitive edge.

HAE Group also has faith in its digital tools.

Its advanced back office quote management system (QMS) helps it to reduce the need for human labour in tasks such as invoicing, uploading to CASS and extra reporting, thereby freeing up resources to bring in the sales.

Time is both precious and crucial, Ward explains, when it comes to securing bookings against other GSSAs.

“Of the quotes we win, 60% involved us responding to the customer within 15 minutes,” he says. “There’s a sharp fall-off if we don’t respond to a quote until an hour later. We can measure that; our system allows us to do that.”

Data pool

The industry’s — and GSSAs’ — increasing digitisation is particularly useful in decision making.

Zimmer at ATC Aviation, for example, says his business relies on its data pool, which contains information collected from the market.

“Having data available really gives us an advantage over other companies,” he says. “We’re able to make fast decisions based on it, such as deciding new locations or simply checking the market.”

Zimmer reports “organic growth” in Latin America after having opened offices in Panama and Ecuador.

“We already have offices in Argentina, Bolivia, Chile, Peru and Columbia in that region,” he notes.

In addition, ATC Aviation has expanded into Canada, Czech Republic, Hungary and Poland, and it

CASS CONUNDRUM

In November 2019, IATA was reported to German financial authority Bafin by a GSSA concerned about its CASS payment system.

Glenn Shires, secretary general of the Federation of Airline General Sales Agents (fedagsa), shared insights into what GSSAs may be feeling about the system and why.

Shires told *Air Cargo News*: “Fedagsa, based in Geneva, has been a strong supporter of IATA CASS for nearly two decades. Indeed, we have been instrumental in getting a number of country CASS started.

“However, nothing is perfect and some recent changes have caused real problems. In short, the CASS settlement systems switched from paying out to carriers/GSSAs on funds collected to paying out on funds reported.

“IATA also switched its control from Geneva to Madrid and lost a hell of a lot of expertise. IATA CASS is not under the control of IATA Cargo, believe it or not.

“The above gave rise to IATA advancing monies that had not been actually collected and the GSSA received the money not knowing it hadn’t really been collected.

“The Madrid move for various reasons meant that the GSSA was has appointed a regional director for business development in Hong Kong to "take care of mainland China" operations.

ECS Group also has its sights set on Latin America expansion, after having acquired BCS Air in Brazil, which brought the group new opportunities in the region.

"We recently expanded our network in Columbia, Peru and Chile, where we have started representing Qatar Airways in addition to TUI," says Thominet.

ECS entered the Asia Pacific market too, with the acquisition of Australia and New Zealand-based Wexco (not to be confused with Wexco Cargo GSSA).

"This year, we'll continue our strategic plan for acquisitions around the world and we're focusing on Asia in particular," Thominet adds.

HAE Group meanwhile, which already has offices in Johannesburg, opened an office in Nairobi in Kenya last year.

"We've been very focused on Africa throughout our history because one of the trade lanes that we utilised was between the UK and Nigeria," Ward explains.

Next, HAE Group, which already has a strong presence in North America, is looking to Latin America. "We're in the process of a couple of acquisitions," Ward says.

Sustainable practices

The climate change movement has highlighted the negative impact that transportation and logistics — particularly aviation — has on the environment.

As they continue their global expansions, GSSAs — although not direct operators of aircraft — are taking responsibility for their role in protecting the environment by making operational changes and cutbacks where possible.

"With the advent of our QMS in 2016, we no longer had a reliance on internal paper job files, which created a significant saving," Ward says. "We're now using 90% less paper than we were in 2015."

Zimmer says that ATC Aviation also keeps an eye on its paper use, as well as limiting staff travel where possible.

"We arrange to see our clients at the big exhibitions we attend, rather than travelling on separate trips to meet them," he says.

"We use video calls internally for management meetings, as well as externally to talk to clients; habits like these are helping us to reduce our carbon footprint."

ECS Group, meanwhile, has outlined its support for sustainable practices, as well as its company core values, in its charter document.

Going forward, Thominet says: "Our carbon footprint is a concern for us and this year we're going to launch a large-scale project that will allow us to assess our impact and go further in terms of reducing and offsetting it."

HAE Group hopes to develop a tool for its 'solutions' clients, rather than airlines, that can calculate "an environmental score or carbon score for shipments sent".

"We want to provide an environmental or carbon score to our customers for each quote," Ward explains.

"If they get two quotes from us, they can make a decision on which method they want to use, with that in mind."

"It will be difficult, because there's not even a standard for airlines to produce an accurate way of doing it. But our idea is better than nothing.

"If we can come up with something like that, then it could, in theory, motivate freight agents to buy the option that burns less carbon," he believes. acn

denied the visibility it previously had on who hadn't paid. The result? Disguised bad debts made bigger by IATA's credit actions.

"These actions have been strongly questioned. To be fair, IATA has already corrected at least the visibility part going forward. Our members who lost because of these things were rightly angry and complained .

"Never forget though, that if we didn't have IATA we would have to invent it and if we didn't have CASS, then someone would invent it again. Therefore, it's far better to keep on improving CASS than to trash it merely because it was badly managed recently.

"Again, to be fair, IATA is working hard now to fix these things but in reality should be run by the IATA cargo experts or they should have at least oversight."

A spokesperson for IATA told *Air Cargo News*: "IATA strives to conform with applicable financial regulations in each of these markets. It consistently monitors financial regulatory developments as part of its global compliance programme to ensure ongoing compliance on a per market basis. We are confident that CASS is fully compliant under applicable EU law."

NORDIC AIR CARGO SYMPOSIUM 2020
April 20-21 Radisson Blu Scandinavia | Copenhagen | Denmark

Nordic Air Cargo Symposium has been established as the premium air cargo event where shippers and major industry players meet to learn and network. Our program highlights this year will be • Moving air freight supply chain to the next level • Pharma – Challenges for air freight logistics • Innovation/Disruption • The external environment • Air cargo communities and collaboration

Confirmed speakers

Henrik Ambak, Chairman, Cargo IQ
Benny Engelbrecht, Minister of Transport, Denmark
Timo Glade, Partner, McKinsey
Patrick Halford, VP Key Digital Technologies, Spinverse
Markus Kückelhaus, VP Innovation & Trend Research, DHL Customer Solutions & Innovation
Wilson Kwong, Chief Executive, HACTL
Steven Polmans, Director Cargo & Logistics, Brussels Airport
Leif Rasmussen, CEO & President, SAS Cargo
Josh Renzema, Transport Solutions Manager, Tetra Pak
Mikko Tainio, Managing Director, Finnair Cargo
Joachim von Winning, Executive Director, Air Cargo Community FRA
Fredrik Wildtgrube, Global Head of Sales, Finnair Cargo
Thomas Woldbye, CEO, Copenhagen Airports

Information and registration online: www.nordicaircargosymposium.com

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DATA HUB

AIRLINE DEMAND

Unknown impact of coronavirus on global economy

Recent airfreight trends have been maintained, IATA's latest market analysis detailing full-year results for 2019, has reported.

Meanwhile, the impact of the coronavirus on the aviation sector continues to cause uncertainty for the future.

The industry-wide freight tonne kms (FTK) for 2019 declined by 3.3% year on year, while available freight tonne kms (AFTK) increased by 2.1%, pushing load factors down by 2.6 percentage points to 46.7%.

Analyst WorldACD said that the results for the full year 2019 were not impressive, adding: "Worldwide revenue, measured in US dollars, fell by 11.7% compared with the top year 2018. The main reason was a year-on-year yield drop of 7.6%, as total weight fell by 4.4%."

> 'Trade tensions are at the **root of the worst year for air cargo** since the end of the **global financial crisis in 2009**'
>
> Alexandre de Juniac, IATA

Alexandre de Juniac, IATA's director general and chief executive, explained: "Trade tensions are at the root of the worst year for air cargo since the end of the global financial crisis in 2009.

"While these are easing, there is little relief in that good news as we are in unknown territory with respect to the eventual impact of the coronavirus on the global economy.

"For sure, 2020 will be another challenging year for the air cargo business," he said

In December 2019, freight volumes ended the year on a "weak note".

Industry-wide FTKs for the month declined by 2.7% year on year, while capacity rose 2.8%. Load factor lessened by 2.7 percentage points in December, compared with 2018, to 46.7%.

Although IATA believes demand will eventually pick up in 2020, it said: "It is too early to say what long-term effects will be seen from the impact of restrictions associated with combatting the coronavirus outbreak".

Looking at regional performances, volumes of Africa-based airlines in December increased by 10.3% year on year and for 2019 improved by 7.4%.

Capacity in December also grew by 10% and for the entire year of 2019, increased by 13.3%.

During the past year, investment from Asia in Africa helped to bumped up the region's growth.

For airlines based in the Middle East, volumes in December decreased 3.4% year on year and capacity increased by 1.9%.

Overall in 2019, the region experienced a 4.8% decline in demand and capacity dipped 0.7%.

IATA suggested that "disruption to global supply chains and weak global trade, together with airline restructuring in the region", affected the region's outcome.

Asia Pacific-based airlines experienced a 3.5% decrease in demand in December, compared with the same month a year earlier.

Capacity increased by 2.8%. Overall in 2019, volumes at the region's carriers slid 5.7%, while capacity increased by 1.1%.

Trade wars and tensions are believed to have negatively impacted the Asia Pacific region's performance.

Europe-based airlines' volumes declined by 1.1% year on year in December and capacity rose by 4.9%. For the year there was a 1.8% drop off in demand.

North America-based airlines saw volumes fall by 3.4% in December, while capacity grew by 2.1%.

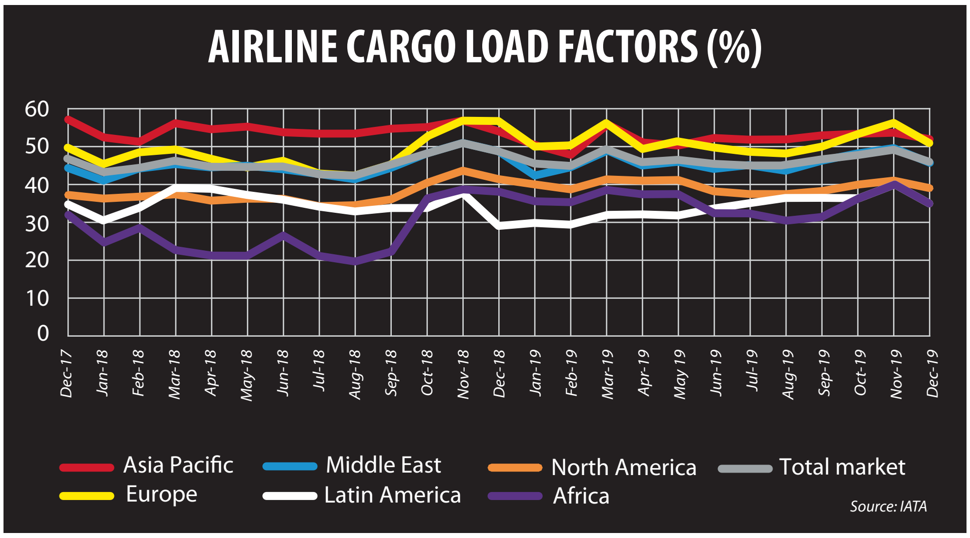
For 2019 in total, the region's airlines saw cargo volumes decline by 1.5%.

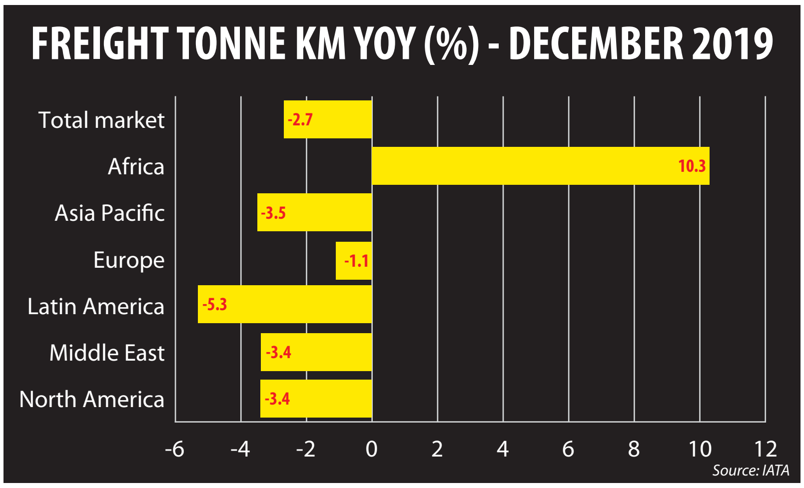
"Trade tensions and cooling US economic activity in the latter part of the year have been factors in the decline," IATA reported.

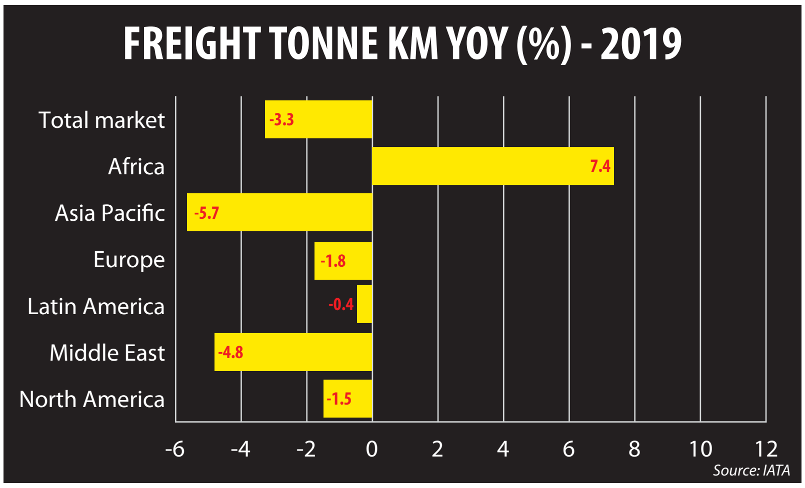
Latin America-based airlines suffered the sharpest fall in decline in December, of 5.3%.

The region was also the only one to see a reduction in capacity — down by 3.1%.

For the year, there was a 0.4% decline in demand.







AIRFREIGHT RATES

Signs of improvement in sight

Airfreight rates showed signs of improvement in January, but the outlook is clouded by the timing of the Chinese New Year and the impact of the coronavirus.

The latest data from TAC Index shows that in January average prices on services from Hong Kong to Europe were level with a year ago at \$2.83 per kg.

This is the first time that rates on the trade lane have achieved parity with a year earlier since June 2019.

There was also an improvement on rates between Hong Kong and North America, where prices were 14.2% down year on year at \$3.14 per kg.

This is the narrowest year-on-year decline recorded on the trade since July 2019.

However, the picture on both routes is clouded by the Chinese New Year, which sees a rush of cargo — and therefore rate hikes — ahead of factory closures for the national holiday.

This year the holiday started on January 25 whereas in 2019 it began on February 5. The outlook is also clouded by the impact of the coronavirus.

Chinese exports and cargo capacity are both down as a result of the outbreak but there is expected to eventually be a rush of demand when production returns to full capacity.

With cargo capacity reduced, this is likely to cause a spike in air cargo rates.

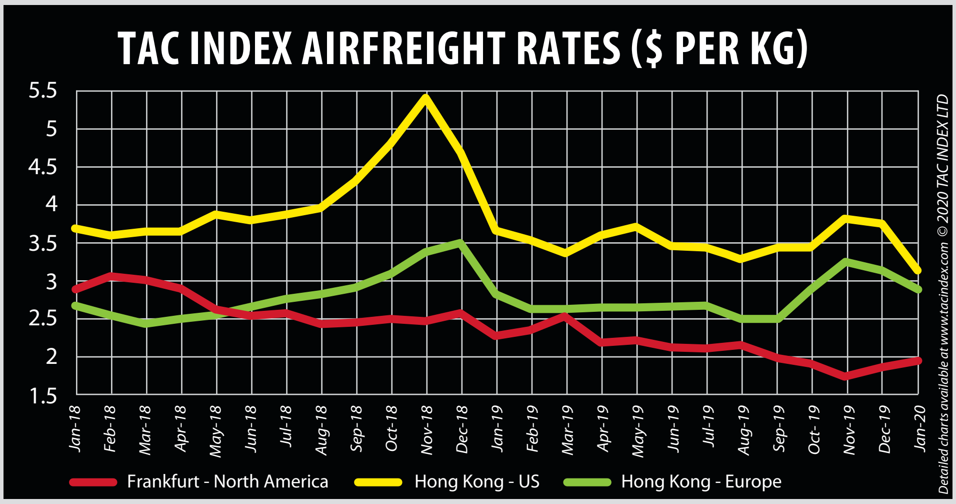
Yet, at the time of writing, there was no indication of an increase in rates. Early February figures were largely in line with expectations.

Derivatives broker Freight Investor Services (FIS) warned that rate data for the start of February was volatile due to the low volumes being moved.

One trend noted by FIS is a shift in demand to Shanghai for European traffic and Hong Kong for US destined volumes.

"All eyes will be on how quickly air and sea carriers can muster capacity to provide suitable uplift for any freight volume spike, and how substantial and quantifiable this volume spike might be," FIS said.

Rates on services from Frankfurt to North America remained down on 2019 levels in January.



AIRPORT THROUGHPUT

Freight downturn bottoms out

European airports saw cargo traffic improve in December after more than a year of declines.

Figures from Airports Council International (ACI) Europe show that cargo demand in December increased by 0.5% year on year at European airports, which is the first positive month since October 2018.

"These results point to the freight downturn finally bottoming out and possibly moving towards a recovery as trade tensions are finally easing and the global economy is expected to pick up in 2020 — subject to the coronavirus being effectively contained," ACI Europe said.

Overall, European airports saw cargo demand decline by 1.9% for the year. Out of the top 10 European airports for freight traffic, only Liège (3.5%) and Madrid (7.7%) posted increases in 2019.

Apart from these, the highest increases came from Lisbon (14.1%), Zaragoza (9.5%) and Helsinki (8.4%).

European Union (EU) airports dragged the performance down in 2019 with a 3.2% decrease — and were still negative in December at 0.7% — while non-EU airports remained mostly positive at 1.9% last year, increasing to 7.6% in December.

Frankfurt Airport, the busiest for cargo in Europe, registered a 3.9% decline in demand to just over 2m tonnes.

Over in Asia, the world's largest cargo hub, Hong Kong International Airport, ended 2019 with another decline, although the rate of drop off has slowed from earlier in the year.

For December, the airport saw cargo volumes decline by 1% year on year to 443,000 tonnes, while for 2019 as a whole there was a 6.1% drop off compared with 2018 to 4.8m tonnes.

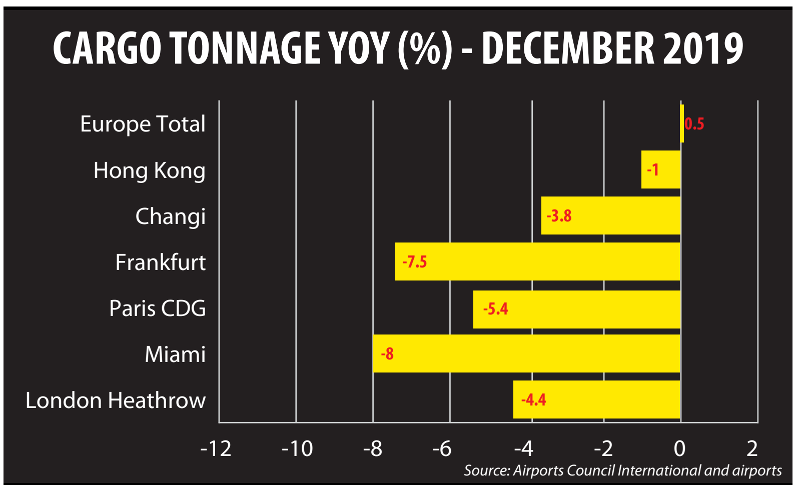
Exports saw a 3% year-on-year increase in December 2019 while imports and transhipments both remained weak. Amongst key trading regions, cargo exported to Europe, India and Japan contributed the most growth.

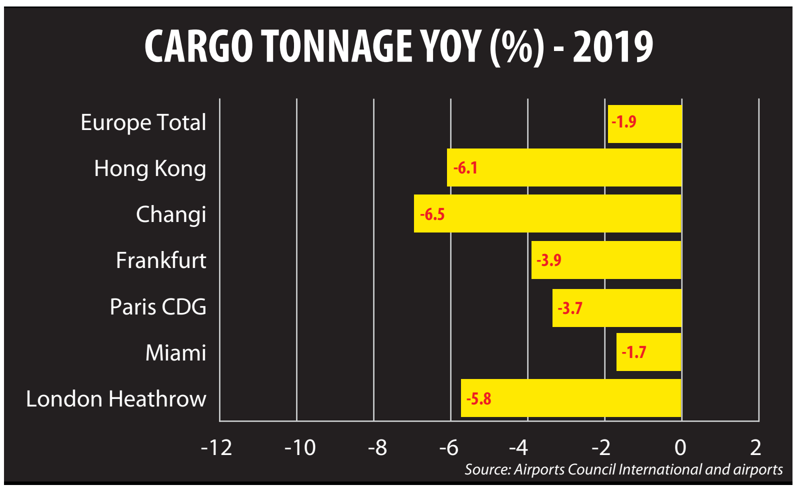
Singapore's Changi Airport recorded a 3.8% decline in demand in December to 170,000 tonnes.

For the year, cargo demand was down by 6.5% on 2018 levels to just over 2m tonnes.

Miami International Airport continued to see its traffic figures decline as the year progressed and in December reported an 8% year-on-year decline in cargo to 191,133 tonnes.

For the year as a whole, demand was 1.7% down on 2018 levels to 2.3m tonnes.





CONTAINER SHIPPING

Coronavirus infects box trade

Container shipping is bracing itself for lower than expected demand as a result of the coronavirus.

Shipping consultant Drewry warned that Chinese factories may not resume full production — following the extended closure for the Chinese New Year holiday — until March.

Drewry added that it was likely that there would be inventory run-down issues in importing countries, empty container shortages in Europe and North America and the ocean carriers and ports dependent on the Chinese box trade would have incurred heavy "under-utilisation" and losses in February.

In response to longer Chinese New Year closures, carriers have increased the number of cancelled sailings that they have implemented.

On the Asia-North Europe route, there will be 19 cancelled sailings this February, up from 12 last February, according to the Drewry Container Forecaster.

However, Drewry added: "Expect the ocean carriers to run 'extra sailings' to cope with the upwards swings in volumes, once the pipelines reopen."

The consultant said that the outbreak could also have an impact on contract negotiations between shipping lines and their customers for the coming year.

"US shippers have just launched their tenders and we know that some providers' tender quotation staff in China are unable to respond to requests for some tenders in time due to the health crisis.

"Will face-to-face negotiation meetings even be possible in March, if the virus continues and new travel restrictions from China are introduced?"

Meanwhile, analyst Alphaliner said that ship calls at the main Chinese ports were around 20% down at the start of February from late January levels.

Overall, it is expecting the extended factory closures in China to reduce global container volumes by around 0.7% over the year as a whole, or by about 6m containers.

Alphaliner warned that the increased number of cancelled sailings could make it harder to quickly ramp up capacity once the worst of the outbreak is over.

"Since these extended void sailing programmes on long-haul services are slated to continue until mid-March, any cargo volume recovery could be negatively affected, even after the end of the holidays," Alphaliner said.

The lower demand is already having an impact on prices. Rates have dropped quickly over recent weeks but carriers are trying to re-coup this in the backhaul direction.

Said Lars Jensen of consultant Sea Intel: "Multiple carriers are introducing $1,000 plus surcharges on reefer imports to China due to no availability of reefer plugs, as the cargo in Chinese ports is not being picked up.

"They may even invoke the clause in the Bill of Lading allowing them to discharge the cargo at an entirely different port.

"There will be clear ripple effects from the raft of additional blank sailings as this will inevitably curb the backhaul capacity down the line — not to mention the impact from disruption in the carriers' ability to effectively manage their empty repositioning.

"Assuming the virus outbreak gets under control, Chinese factories [will] resume full production in March-April, and may even run at higher output initially to make up for lost production.

"This will happen at the same time as the amount of vessels returning to Asia with empty boxes is at a very low level due to the current blank sailings potentially triggering equipment shortages — and associated rate hikes — for Asian exports."

PEOPLE

Expanded role for Elieson

Rick Elieson

American Airlines has expanded the role of Rick Elieson from president of cargo, to president cargo and vice president international operations.

Elieson will continue to lead both the cargo division and also the carrier's international airport operations in 60 countries, taking over from Jim Butler, who was recently named senior vice president – airport operations and cargo.

SEKO adds growth role

Brian Bourke

SEKO Logistics has promoted Brian Bourke to the new post of chief growth officer as the company looks to accelerate its organic expansion.

Bourke will drive SEKO's demand generation, revenue management and corporate marketing and communications initiatives.

CSafe's new CEO

Patrick Schafer

Pharma container solutions company CSafe Global has announced its new chief executive: Patrick Schafer.

Schafer joined CSafe Global in 2012 as chief financial officer and he took up the role of interim chief executive in September last year.

Ward jumps aboard Carousel

Nigel Ward

Logistics firm Carousel has appointed a new chief financial and corporate development officer.

Nigel Ward joins the organisation from business services provider, Kindertons.

He takes on the responsibility of Carousel's financial reporting and strategic investment relationships across Europe. As an executive board member, Ward will also take a lead role in expanding the company, and its European proposition.

QUOTE OF THE ISSUE

"Fixed capacity arrangements have certainly been reduced as companies can't anticipate what actual airfreight volumes will be"

Walter Hoffelner, Cargomind

Upcoming features

China *May 2020 issue*
Advertising bookings required by 25 March

Animals *May 2020 issue*
Advertising bookings required by 25 March

Cargo Airline of the Year *June 2020 issue*
Advertising bookings required by 22 April 2020

Cargo handling facilities *June 2020 issue*
Advertising bookings required by 22 April 2020

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