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The World's Best-Read Air Cargo Publication

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AIRLINES

Cargo-only passenger flights on the wane

Airlines are reducing their use of cargo-only passenger flights as urgent demand eases, freight rates decline and fuel prices rise.

In a mid-June update, Cathay Pacific said that in the future it would consider reducing its cargo-only passenger flights.

The carrier mounted around 900 pairs of cargo-only passenger flights in May, primarily serving long-haul destinations in North America, Europe and Australia.

Meanwhile, Lufthansa Cargo told *Air Cargo News* that it had also been easing back on its use of aircraft for cargo-only flights as its passenger services get back underway.

"By the end of May, the demand for airfreight capacity was so strong that we deployed up to 10 converted passenger aircraft and four regular passenger aircraft for cargo-only transport," a spokesperson said.

"However, now that more passenger connections are being offered again and the demand for urgent additional airfreight capacity is slowly declining, the converted machines are being prepared for the transport of passengers again."

Statistics from Accenture's Seabury consulting also highlight the reduction of cargo-only passenger flights from China. The consultant said that flights of the type started to decline in mid-May and dropped 16% in the second week of June, a decrease of 3,800 tonnes when compared with the previous week.

Peter Stallion of derivatives broker Freight Investor Services said the development is expected.

"This isn't surprising considering the inefficiency of these aircraft in moving cargoes, and the time it takes to load thousands of boxes through cabin doors and onto seats."

The flights had been supported by sky-high airfreight rates but prices have tumbled in recent weeks.

TAC Index figures show that prices from Shanghai to North America dropped from a high of $12.27 per kg in mid-May to $4.74 per kg just five weeks later. To Europe there was a drop from a high of $11.18 per kg to $3.70 per kg in the same time frame.

Lufthansa has been reducing its use of cargo-only passenger flights

FINANCE

Air cargo revenues the bright spot

Air cargo is expected to be the "bright spot" for airlines in 2020 as revenues are forecast to hit near-record levels, according to the latest IATA market outlook.

The airline association predicted that cargo volumes will decline by 16.8% year on year in 2020 to 51m tonnes.

However, a severe shortage in cargo capacity due to the unavailability of belly cargo on (grounded) passenger aircraft is expected to push rates up by some 30% for the year.

As a result, IATA predicts that cargo revenues will reach a near-record $110.8bn in 2020, up from $102.4bn in 2019. As a proportion of industry revenues, cargo will contribute approximately 26%, up from 12% in 2019.

The overall picture for airlines remains bleak: they are expected to lose $84.3bn in 2020 for a net profit margin of -20.1%.

Revenues will fall 50% to $419bn, from $838bn in 2019. In 2021, losses are expected to be cut to $15.8bn as revenues rise to $598bn.

aircargo news

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CONTACT **Advertising:** g.murray@aircargonews.net **Editorial:** d.brett@aircargonews.net / r.harry@aircargonews.net

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Editor:
Damian Brett
d.brett@aircargonews.net
News Editor:
Rachelle Harry
r.harry@aircargonews.net
Associate Editor:
Roger Hailey
r.hailey@aircargonews.net
Commercial Director:
Gavin Murray
g.murray@aircargonews.net
Production:
Jo Betts
Isabel Burton
production@aircargonews.net
Digital:
Jamie May
j.may@aircargonews.net
Circulation Manager:
subs@aircargonews.net
Events:
Steve Cox
events@aircargonews.net
Publisher:
Mark Pilling
mark.pilling@flightglobal.com
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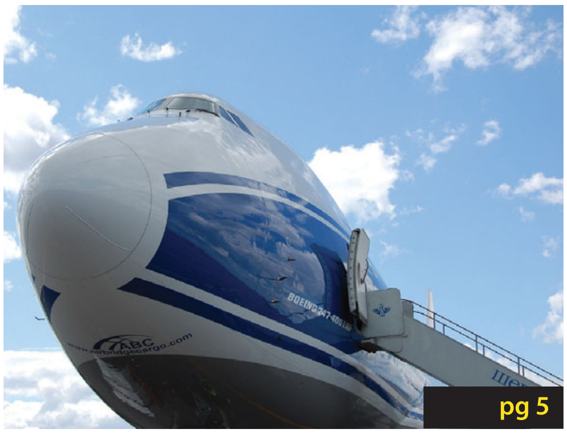
NEWS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CONTAINER SHIPPING

AIRLINES

Cargo the star for Cathay

Cathay Pacific Cargo B747-400F

Cathay Pacific said that cargo was the highlight of its May performance despite a near 30% year-on-year drop in volumes carried.

The Hong Kong-hubbed airline group, which at the time of writing was in talks to secure a HK$39bn government bailout, saw its cargo and mail revenue tonne kms fall by 29.1% year on year in May to 667m.

However, a 37.9% drop off in capacity helped push cargo load factors to 73% — a 9.1 percentage point improvement on last year.

Passenger numbers in May, meanwhile, were down by more than 99% compared with a year ago.

During the month, the airline ramped up its cargo-only passenger flights and the type of cargo carried changed as the month progressed.

Cathay Pacific Group chief customer and commercial officer Ronald Lam said: "Cargo performance remained strong and we carried approximately 17% more tonnage in May compared to April, though this still represented a significant year-on-year drop from the same month in 2019.

"Driven by strong demand for urgent shipments against a backdrop of reduced market capacity, load factor further improved to 73%, while cargo yields increased significantly.

"To ensure time-sensitive cargo, such as medical supplies, was shipped to where it was needed most, we continued to take steps to maximise our available cargo-carrying capacity.

"We improved the utilisation of our freighter aircraft, which have been flying around the clock, and chartered more flights from our all-cargo subsidiary, Air Hong Kong, to serve regional demand.

"Additionally, we mounted close to 900 pairs of cargo-only passenger flights in May, primarily serving long-haul destinations in North America, Europe and Australia.

"The latter half of May saw demand for medical supplies soften, while traditional industrial and consumer products began to show signs of picking up."

He added: "Exports from Southeast Asia and the Indian sub-continent also improved as local lockdown measures eased. We continue to adjust our capacity in accordance with demand."

PHARMA

UPS Healthcare expands its network

UPS Healthcare is expanding its network with a new facility in Shanghai and up to 1.5m sq ft of good manufacturing practice (GMP) standard distribution space for coronavirus-related shipments.

The firm is also opening good distribution practice (GDP) compliant pharma warehouses in central and eastern Europe, and implementing an additional cold chain warehouse near its UPS Worldport facility in Louisville, US. UPS Healthcare said that as part of its ongoing pharma facility enhancements, it has committed to building additional cooler space and freezer space at the new cold chain warehouse in Louisville.

The firm is also expanding its GDP facility in Hungary, as well as it GMP space in the UK. Additionally, a new GMP warehouse and transportation hub will be opened in the Midlands, UK, to facilitate clients' growth.

DHL TO OPEN MUNICH HUB
DHL Express Germany is planning to build a new cargo facility, covering more than 8,000 sq m, at Munich Airport. Construction of the €70m new facility is due to be completed by 2022.

COWS OF THE CARIBBEAN
Caribbean Airlines Cargo has safely transported 159 dairy cows from Miami to Barbados. The cows were carried in stalls on two charter flights utilising the airline's Boeing 767-300 freighter aircraft.

FUNDS SECURED
UK-based digital freight forwarding and supply chain finance company Beacon has secured $15m in its Series A fundraising round, from investors including Jeff Bezos, the founder and chief executive of Amazon, and US venture capital firm 8VC.

PHARMA GROWTH
Cargo handler Worldwide Flight Services has seen "significant increases" in time- and temperature-sensitive volumes in the first five months of 2020, following investment in 12 dedicated pharma facilities at airports in Europe, the US and Africa.

CRIME CREEPS UP
The Transported Asset Protection Association has warned of an expected spike in cargo thefts as coronavirus lockdowns are eased across Europe, the Middle East and Africa.

EDITOR'S COMMENT

Damian Brett

Air cargo innovates

It is said that necessity is the mother of invention, and if anything positive can be drawn out of the current airfreight market, it is that the industry has innovated to keep supply chains moving.

One particular development that caught my eye this month was Air France KLM Cargo's launch of KickCharter, a platform that allows the airline group to digitally sell a charter flight to multiple clients.

Once sufficient cargo is booked to a certain destination, the airline operates the charter.

In the road freight industry there are a host of existing platforms that auction off spare space in trucks to help make the industry more efficient, so offering a similar digital platform for the air charter sector seems like a good idea.

"This solution is unique in our industry and a new step in our digital transformation," the airline group said. "Our team has developed this solution in a relatively short space of time, in response to actual customer needs in these unprecedented times."

Of course we have also seen an array of innovative cargo-only passenger flights, with some airlines even going as far as stripping out seats.

Elsewhere, there has been a spate of developments on the digital front as the industry gears up towards people working remotely.

Air cargo management platform IBS Software has announced partnerships with two of the main air cargo booking portals — WebCargo and cargo.one.

These tie-ups mean that IBS airlines can easily plug their capacity into the booking portals.

IBS also announced a new partnership with payment system PayCargo, while All Nippon Airways is now offering its capacity on cargo.one.

Let's hope this is the start of an ongoing innovation push in air cargo.

FREIGHTERS

Volga-Dnepr fails in restraining order bid

A US district court has rejected Volga-Dnepr UK's attempt to gain a temporary restraining order to stop Boeing selling four freighters that the airline had previously ordered.

The dispute centres around the delivery of three B777Fs and a single B747-8F, some of which Boeing is in the process of selling to another party, and whether or not the orders had been repudiated.

Volga-Dnepr UK claimed in court documents that the order for the aircraft still stands and it had therefore asked for a temporary restraining order to stop Boeing from selling the aircraft. It also sought damages from the airframer.

In its response, Boeing claimed that the airline had repudiated on the order for the three B777Fs and that its attempt to revoke the repudiation of the B747-8F order was too late, as Volga-Dnepr had by then breached its contract on several grounds.

Boeing claimed that meetings had taken place and correspondence sent that demonstrated its claims.

On the restraining order, the judge sided with Boeing, saying that Volga-Dnepr UK had not demonstrated a likelihood of success on the merits of its breach of contract claim.

The judge said that even if Volga-Dnepr UK believed it had not repudiated the B777F contracts, correspondence sent from Boeing to the airline showed that the airframer believed the deals were no longer valid based on its understanding of the situation.

A Boeing 747F operated by Volga-Dnepr's AirBridgeCargo

A court filing read: "Even if [Volga-Dnepr UK] did not believe its January 22 'invitation' or 'warning' amounted to a repudiation, Boeing's response on January 28 resolved any ambiguity in how it read in [Volga-Dnepr UK's] January 22 letter."

The judge said that Boeing had then sent other correspondence confirming its position.

On the B747-8F the judge also ruled in favour of Boeing, stating that the airline had not met criteria that would have allowed it to revoke the repudiation.

At this stage it is not clear whether Volga-Dnepr UK will continue to seek damages from Boeing.

Meanwhile, local US press reports suggest that the customer in the process of buying the B747F mentioned in the court papers is UPS.

The report also stated that the express company is also interested in the other aircraft previously ordered by Volga-Dnepr.

Adding an extra twist to the case is the importance of Volga-Dnepr to Boeing's freighter programme.

Boeing's slowing B747-8F programme currently has 17 unfulfilled orders, four of which belong to Volga-Dnepr UK and 13 are for UPS.

Meanwhile, *FlightGlobal* reported that Boeing executives are undecided whether to continue B747 production.

FREIGHT FORWARDERS

CEVA Logistics expands in Africa

CEVA Logistics is expanding its operations in Africa after having acquired a controlling shareholding in third-party logistics provider AMI Worldwide, which has a presence in east and southern Africa.

The deal sees employees at AMI Worldwide offices in 12 African countries join the CEVA global network on July 1.

AMI Worldwide assets will offer CEVA customers a "seamless network to facilitate cargo movement within Africa", as well as "providing a platform for further investment and expansion throughout the continent".

CEVA Logistics is also integrating three African facilities — in Mali, Burkina Faso and Ivory Coast — of its parent company, French container shipping company CMA CGM.

Additionally, CEVA is expanding in Mauritania and in Ethiopia, where a new joint venture has been formed with MACFAA.

CEVA Logistics' Africa expansion will result in it having a presence in 41 countries in 79 offices; 1,300 members of staff; 19 warehouses with a collective total of 135,000 sq m of storage capacity; and a fleet of 1,500 trucks.

Mathieu Friedberg, chief executive of CEVA Logistics, commented: "Businesses across the African continent enjoys significant growth prospects and logistics solutions are crucial to materialising these opportunities, by ensuring supply chains work well and trade flows run smoothly.

"With our strategic, continental expansion plan, CEVA will play an integral part in supporting the continent's socio-economic emergence, offering our customers our full range of tailored, innovative solutions along with our recognised expertise and our operational excellence.

"In so doing, we aim to become a leading, continent-wide market player."

CEVA Logistics has also appointed a new head of airfreight and head of its European operation.

Peter Penseel will take over as the forwarder's head of airfreight, while Peder Winther will head its European business.

As *Air Cargo News* went to press, it was not yet clear when Penseel and Winther would take up their new positions.

AIRLINES

KickCharter goes live

Air France KLM Martinair Cargo (AFKLMP) has launched a collaborative online platform that can be used to book cargo capacity on its chartered freighter flights.

The KickCharter solution aims to ensure that charter freighter flights are full, or as close to full as possible, at departure.

It also enables cargo to be flown to destinations that are not in AFKLMP's scheduled network.

The carrier said that it developed the solution "in response to actual customer needs in these unprecedented times".

GertJan Roelands, senior vice president of AFKLMP, added: "KickCharter reflects our ambition to keep extending our service range based on customer needs, offering next-level technology in combination with the expertise and insight of our teams, who help us make the difference worldwide."

In June, AFKLMP increased its network "in sync with customer demand, data and intelligence", bringing the total number of destinations that its 375 weekly flights serve to 73.

New destinations on the schedule include Sao Paulo, Bogotá, Cayenne, Los Angeles, Toronto and Seoul.

E-COMMERCE

Amazon Air expands fleet

Amazon Air will expand its freighter fleet as it continues to meet customer requirements for the fast delivery of packages.

The e-commerce giant will lease 12 more Boeing 767-300 converted cargo aircraft from Wilmington-based aviation leasing firm Air Transport Services Group (ATSG).

When delivered, the aircraft will join Amazon's existing fleet of 70 jets, to bring its total number of freighters to 82.

Amazon said that one of the new aircraft started operations last month (May 29) and the remaining 11 will be delivered in 2021.

All 12 of the aircraft will be leased to Amazon for 10 years, with options for the e-commerce firm to extend the leases for three additional years.

Cargo Aircraft Management (CAM), ATSG's aircraft leasing subsidiary, currently leases 27 B767 aircraft to Amazon. That will increase to 42 by the end of 2021.

E-COMMERCE

DHL Express launches new weekly UK service

DHL Express has launched a new freighter service to the UK and will add hundreds of new jobs in the US as the e-commerce market continues to grow.

In June the express firm launched the new service from Hong Kong to the UK in response to increased demand for medical, industrial and consumer goods.

DHL said the weekly flight, which utilises a Boeing 747-8 freighter with a payload of up to 100 tonnes, is the only direct all-cargo route between Hong Kong and the UK's East Midlands Airport.

Ian Wilson, chief executive of DHL Express UK and Ireland, commented: "As lockdowns in many countries around the world begin to ease, we're seeing a sustained growth in demand for goods from Asia, covering all of the usual high-value or time-critical products like technology, medical and industrial goods.

"We have introduced this new direct route operating into East Midlands Airport as a direct response to this, and as part of our ongoing adaptations to the network to enable us to best serve our customers."

DHL has seen a spike in online shopping due to the Covid-19 outbreak

Meanwhile, in the US the company is looking to add around 400 new jobs due to a double-digit increase in volumes compared with last year.

The express company said volumes had "significantly increased" in recent months due to a spike in online shopping, as people were stuck at home as a result of the Covid-19 outbreak.

Urgent shipments such as masks, gloves and other personal protective equipment also contributed to "holiday-season-like volumes", which came without the usual pre-season preparation time for the peak.

At the DHL Express Americas Hub at Cincinnati/Northern Kentucky International Airport, the company is adding about 150 jobs to handle the 30% year-over-year volume increase.

At the company's gateway at the Miami International Airport, approximately 30 jobs are being added to account for a higher volume than last year, which is expected to increase another 22% with the implementation of a new Hong Kong — Los Angeles — Miami flight in late May.

CONVERSIONS

GECAS delivers first Big Twin to Israel Aerospace

GE Capital Aviation Services (GECAS) has delivered a Boeing 777-300ER aircraft to Israel Aerospace Industries (IAI) for the first ever prototype passenger-to-freighter conversion of the type.

The aircraft (MSN 32789) will become the first ever B777 converted into a freighter configuration and will mark the launch of the "Big Twin" programme announced by the two partners last October.

In June, the B777 was transported from Dubai to Tel Aviv where the work will be carried out.

IAI is adding a maindeck cargo door, freighter lining, window plugs, a modified crew compartment, a reinforced fuselage and a 9G rigid cargo barrier, amongst other features.

As launch customer and co-founder of the programme, GECAS has committed 15 firm orders and has 15 additional options for the type.

The Big Twin will be powered by GE90 engines giving the B777-300ERSF 21% lower fuel burn per tonne than the B747-400F.

PUTZGER PERSPECTIVE

Ian Putzger

It's time for airlines to get serious about cargo

A lot of airline folks feel like the tail is wagging the dog these days.

While their passenger operations are just beginning to creak back into action, cargo has been going full throttle, bringing in most of the money to alleviate their cash burn.

While airport terminals are eerily quiet, the cargo areas in Frankfurt and other airports are running at top speed.

IATA estimates that airlines will lose more than $84bn this year, with revenues down 50%, but cargo is on course to hit $110.8bn, up from $102.4bn last year, which will raise its share of total industry revenues from 12% in 2019 to 26%.

The present constellation is not going to last. Passenger aircraft flying cargo missions — in some cases with seats removed to boost payload capacity — are not expected to last for a long time.

Some airlines have strict mandates for these flights to produce black figures, and rates have begun to sink from their peak in the scramble for personal protective equipment.

Still, cargo will remain disproportionately important as passenger traffic is expected to make a slow comeback, keeping the reins on belly capacity growth tight.

The logical conclusion from this is that cargo should be taken more seriously in airline boardrooms and treated accordingly.

Air Astana seems to have come to this decision. It is converting three B767-300ERs, which are being retired from passenger service, into all-cargo configuration.

As carriers whittle down their fleets, plenty of planes are becoming available for conversion — all the way to B777s, which Delta, for one, is retiring from its aircraft contingent.

The coming months will provide plenty of feedstock — from narrowbodies to A330s, B757s and B767s as well as B777s, which will drive down residual aircraft values.

Presumably not a lot of airline boards will seriously consider freighters, but there are lots of other ways to show that they are more serious about cargo. To begin with, there are still plenty of cumbersome legacy systems in play.

If they are serious, they also have to reconsider their alignment with service providers that they need in order to offer efficient and competitive services.

> 'As carriers whittle down their fleets, **plenty of planes** are becoming available for **conversion**'
>
> Ian Putzger

Procurement is going to be a key indicator of carriers' attitude — will they continue to treat it as a tool to cut costs (especially in their current financial situation) or as a strategic investment?

FORWARDERS

Nippon Express expands in the pharma market

Japan-based logistics firm Nippon Express has completed the acquisition of US headquartered MD Logistics in a deal worth an estimated $51m (¥5.5bn).

Nippon Express said the acquisition is part of its plan (commencing 2019) to make the "pharmaceutical industry a priority industry in our business plan and corporate strategy".

MD Logistics, headquartered in Indiana, US, is an established logistics provider for the pharmaceutical industry in the country. It was established in 1996 and has approximately 207 employees.

Nippon Express explained in a statement: "With the acquisition, we will gain access to the pharmaceutical distribution network in the US, which is the world's largest pharmaceutical market.

"By connecting MD Logistics with our international transportation network, we can benefit from an integrated and consistent logistics quality control across the entire US and globally."

CHARTER BROKER

Chapman Freeborn buys time critical specialist

Charter broker Chapman Freeborn will acquire Arcus Air Logistics and Arcus Air OBC (on-board courier) from the Arcus Air Group as it targets the time-critical logistics sector.

Arcus offers air cargo charter and on-board courier services primarily to the automotive industry.

It operates two Dornier 228-212 aircraft, as well as "a variety of additional aircraft".

The two Dorniers will be owned by Chapman Freeborn, but will be operated by Arcus Air Group.

The company has offices in Germany, Spain and Slovakia and will trade under its current name, with Francisco Mühlens continuing to act as managing director.

Alejandro Tapia Haarman, Arcus Air Group managing director, is stepping down from his management activities in the logistics division.

Chapman Freeborn — part of the Avia Solutions Group (ASG) — said that Arcus Air Logistics "brings significant synergies in the emergency cargo logistics space" where Chapman Freeborn has "ambitious plans for future growth".

Gediminas Ziemelis, Avia Solutions

Chapman Freeborn chief executive Russi Batliwala said: "We are proud to welcome the highly experienced teams of Arcus Air Logistics to our growing family. This is an opportune time to join forces given the trends in the global cargo logistics space.

"I believe Arcus Air Logistics will further strengthen our group's business as we continue our strategy of growth through diversification in the niche aircraft charter industry."

Gediminas Ziemelis, chairman of the board of ASG, added: "While the aviation industry is living through a challenging time, identifying and acting on the right investment opportunities can be a real differentiating factor for businesses who will emerge from this crisis stronger than before.

"ASG is pleased to be able to support the growth of our family of companies; Chapman Freeborn's latest acquisition is a prime example of our successful co-operation."

Arcus Air Logistics has been established for more than 45 years and over the 2015-2019 period annual sales were €22m. Financial terms for the deal were not disclosed.

SHIPPER SPOTLIGHT

Zoe McLernon

New opportunities for airfreight

Ports, including seaports and airports, have always attracted travellers as spaces symbolising exploration, freedom and innovation.

There is something special about sitting in an airport, watching planes take off, destined for far-reaching countries, and often carrying a significant amount of cargo; as we know bellyhold cargo accounts for an average 60% of total UK airfreight volume.

The government's proposal to create 10 freeports after Britain leaves the European Union (EU) aims to bring more freedom to the transport and freight sector — fresh thinking for how to support the UK as we head towards the end of a transition period.

That being said, freeports are no miracle cure and it is going to take the industry time to adapt to new ways of working.

Critics point out rightly that freeports — areas where goods can be brought in customs free, stored or processed and then re-exported — are allowed within the EU.

Historically, the concept has been in play for a long time. The port of Trieste in Italy has had its freeport status since it was awarded by the Roman Emperor, Charles VI in 1719.

The government's proposal on freeports appears to mix these areas with "special economic zones" where companies are offered tax advantages and a more streamlined planning process.

In America, there are more than 200 freeports, allowing components to be brought in tariff free, and subsequently used to assemble products.

The concept of a freeport has long been associated with seaports, but at FTA, we are committed to representing the whole logistics sector, from trains to planes and ports to HGVs; there is no reason why a freeport could not exist at an airport.

As the UK enters the final six months of the transition period and draws up its aviation strategy for the next 30 years, the government has an opportunity to recognise the hugely important role played by regional airports as enablers of economic growth.

It should put in place policies which will further increase the economic benefits that they can offer.

Providing freeport opportunities for airports would support investment and growth, unlock new opportunities for regional airports and support their long-term survival as we enter the Covid-19 recovery.

It would also enable the creation of new passenger routes and freight routes.

While there are several challenges to consider, such as competition and fairness, planning freedoms, customs authorisations and multimodal connectivity, we hope that any allocation of freeports will unlock new opportunities for UK airfreight in the future.

Zoe McLernon, multimodal policy manager, FTA

FREIGHTERS

A B737 being converted into a freighter configuration by IAI

Conversion market boom

The coronavirus outbreak could result in airlines converting aircraft into freighters as they seek work for redundant metal, writes Damian Brett

The coronavirus outbreak has resulted in a renewed focus on the air cargo industry as the sector has seen revenues soar while the passenger side of the business has come under pressure.

This, combined with swathes of aircraft being put into storage, has led to some speculation that the conversion industry could experience a surge in business as airlines seek deployment for their redundant aircraft.

Rafi Matalon, executive vice president of marketing at IAI Aviation Group, tells *Air Cargo News* that there has already been an increase in demand for the conversion of a variety of platforms, not just one type, as airlines are looking to reduce the financial toll of the pandemic.

IAI is the only company to offer a Boeing 777 conversion programme and recently took delivery of the first aircraft that will undergo work.

This is part of a launch order from leasing giant GECAS for 15 firm conversions with 15 options. GECAS is also co-investor in the conversion programme.

Matalon says that the current situation could boost demand for its fledgling B777-300ERSF conversion programme.

"In terms of the B777, during routine times, after a few cycles of passenger flights, it usually makes economic sense to convert the B777 to a cargo plane instead of investing money into replacing the interior for passenger purposes," he says.

"Covid-19 may trigger a slightly faster time line for ending the passenger cycle of these aircraft, but not too dramatically."

Conversion payload

The B777-300ERSF's maximum structural payload of 101.6 tonnes and greater volume than the B777F mean it is optimised for the lower cargo densities of e-commerce and express operators, rather than the traditional general freight operators.

And e-commerce is one area that could potentially grow faster than expected as a result of the outbreak as people have become more accustomed to ordering online.

On the flip side of the coin, slower economic growth could have a negative impact on consumer spending.

"The e-commerce sector has been growing each year and along with it, airfreight," says Matalon.

"Even with the economic repercussions of Covid-19, I don't see the average consumer's behaviour changing — people will still prefer to order things online and they'll still demand next-day delivery, and the widebody [market] will be necessary for this."

On its B747-400 programme, IAI is the only company that has a conversion line for the famous jumbo jet and Matalon says there is still interest.

He believes that over the next five years IAI will convert two to four more B747s.

"But since the B777 is a much better candidate for conversions from a financial perspective, we believe we won't be seeing B747 conversions for too much longer and the B777 will lead the market," he adds.

On narrowbody conversions, Matalon says there is some uncertainty given the outbreak, but he believes there will be a surge of orders soon.

Independent aviation consultant IBA believes that older designs that were scheduled for retirement from passenger service and are now being accelerated include B747s, B757s, B767s, MD-80s, B737 classics, B737NGs, A330s, A340s, A380s and A320neos.

"While some may return as the market shows positive improvement, and others may find a new life as freighters, many will be scrapped," IBA says.

Matalon believes the B737NGs will prove particularly popular.

He says: "As of right now airlines are on the fence, unsure of what the post-Covid-19 future will hold. They're not quite ready to convert their passenger aircraft, but I believe that will change in the next few months when we have a better picture of what the future will look like.

"It is getting very complicated and expensive to maintain the [B737] classics. We can take an example from Amazon and DHL who chose to convert B737-800s instead of B737-300s or B737-400s

"I believe the B737-700 will find its niche as it will be more affordable to acquire and convert than the B737-800 and it is a good aircraft for general cargo.

"Most of the feedstock will be the B737-800s but companies are still using the B737-300s and B737-400s for smaller, lighter loads and shorter flights.

"India and China are the biggest markets for B737-700s and B737-800s. E-commerce really is the biggest growth market, but there is also the electronics supply chain, small parts, or Air Alaska for example transfers heavy cargo with fish and other seafood in B737-700s."

Quick off the mark at Qatar Airways

Qatar Airways chief officer cargo Guillaume Halleux outlines the airline's response to the coronavirus outbreak

How has the outbreak affected air cargo traffic at Qatar Cargo?
We have seen only a slight reduction in tonnages for two reasons: firstly, our passenger activity never stopped, therefore our belly capacity never totally disappeared even though it did reduce.

Secondly, we were very fast to deploy passenger freighters [cargo-only passenger aircraft] in addition to our 28 full freighters.

Therefore, with up to 180 freighter flights per day, our capacity remained strong — probably one of the largest in the market.

We have seen a high demand for medicines, personal protective equipment (PPE), food items, perishables and relief goods during the past few months and this is expected to continue.

To support demand, we introduced additional cargo capacity to several cities such as Shanghai, Guangzhou, Paris, Amsterdam, Muscat, Kuwait, Delhi, Beijing and Melbourne, among others.

Freight charters are also being operated to multiple countries including China, India, Iran, Kuwait, Lebanon, France, Spain, Italy, Belgium, Germany, Vietnam, Poland, the UK, the US and Australia.

We are working closely with governments and NGOs and have transported more than 200,000 tonnes of medical and aid supplies to impacted regions during the past months. This is equivalent to approximately 2,000 fully-loaded Boeing 777 freighters.

Qatar Airways' freighters have continued flying throughout the pandemic

How have you adjusted your cargo network to meet Covid-19 demand?
Due to the effects of the pandemic, we have had to make several changes to our schedule, as well as introduce extra capacity for the movement of medical items, relief goods and PPE — the demand for which has rapidly increased.

Once the demand stabilises or declines, I expect our freighter network will return to its normal operating schedule.

Our expectation is that passenger networks (from major carriers) will be restored by up to 30% in 2020, while some of the mid-sized carriers might struggle to restore their network or might delay operations further.

This situation will put freighter services under high demand in the coming months.

Other than medical and PPE shipments, have you been flying any other types of cargo?
Although we have seen a surge in medical/PPE shipments, all types of cargo are being transported throughout our network. Since January this year, we have flown more than 560,000 tonnes of cargo around the world.

The cargo carried comprises of general cargo, perishables, mail and courier, live animals, e-commerce shipments and valuables, in addition to medical shipments.

Have you adjusted your plans for the five A330 freighter aircraft that were due to leave the fleet this year?
We have postponed the release of most of our A330Fs and we are still working out the final swap plan with five new Boeing 777 freighters.

Are you looking to defer any of the five B777F freighters due to be delivered this year and next?
We are not planning to defer any deliveries, but it all depends on Boeing to deliver the existing orders in time. The passenger network is an important part of our business due to belly-hold cargo on the flights. We look forward to an early recovery of passenger services through which we will be able to support our customers with cost-effective cargo services.

How do you think the overall air cargo industry has responded to the outbreak?
I want to pay tribute to all our colleagues and professionals in our industry.

During this crisis, our industry was the lifeline of the world. We delivered essential and critical medical goods to the frontline people who fought the virus in extremely hard conditions.

Our industry brought protection for them and it also brought medication and equipment to save the lives of thousands of patients.

I am proud to be a part of the industry and I think we all, as an industry, should be proud of our contribution. acn

Rapid response

Nabil Sultan, divisional senior vice president of Emirates SkyCargo, tells Damian Brett how his company has reacted to the loss of bellyhold capacity in the wake of the coronavirus crisis

When the full extent of the impact of the coronavirus outbreak on aviation became clear, the air cargo divisions at many airlines were left with a huge problem: how to make up for the loss of the majority of belly-hold capacity and associated network.

Some of the reduced capacity was, of course, offset by a reduction in demand, but the decline in volumes was not enough to make up for the loss of the bellyhold market that makes up around 45-50% of total air cargo capacity.

For some airlines, their entire cargo network was dismantled almost overnight.

Nabil Sultan, divisional senior vice president of Emirates SkyCargo, tells *Air Cargo News* that the airline began to suspend its passenger operations at the beginning of March.

"We had to very quickly put together a plan to be able to at least sustain the logistics and supply chains for food and medicine across the globe," he says.

"We immediately embarked on a plan and by mid-March — even after just two weeks — we were able to put together a network of destinations that we could start with immediately using some of our [B777-300ER] passenger aircraft [for cargo-only flights].

"That was the beginning and we had to put this whole thing together fairly quickly. As you can imagine, the demand was quite strong and we needed to sustain the whole supply chain."

Emirates, like many other airlines, took the decision to use its passenger cabins to carry cargo, as well as in the hold, starting with bulkhead loading and then seat loading, to maximise freight capacity.

In its latest update before *Air Cargo News* went to press, the airline had expanded its weekly scheduled cargo network to cover 83 destinations across six continents.

In terms of routes, 79 are serviced by passenger aircraft, 26 are serviced by its 12 freighter aircraft — which continued to fly throughout the pandemic — and 22 routes are serviced by both aircraft types.

In total, the airline was operating 876 scheduled passenger-freighter flights and 76 scheduled freighter flights per week.

Over and above scheduled flight operations, Emirates SkyCargo also operated charter flights in response to customer demand.

"The objective was to ensure that we deploy substantial capacity in the key production markets, whether that be food or medicine," says Sultan.

"Once that tonnage was in Dubai, we were are able to disseminate and distribute it across the world using our passenger aircraft.

"It has been a very successful operation; we have managed to assure our regular customers that supply chains can be maintained with the same vigour, quality and on-time departures/arrivals, especially in regard to food, perishables and medicine."

Some of the largest projects that the cargo airline was involved in during the early stages of the outbreak were: carrying nearly 500,000 Covid-19 testing kits to São Paulo; carrying almost 200 tonnes of medical supplies, such as hand sanitisers and protective face masks, from Hong Kong to Sydney; transporting almost 100 tonnes of relief material, including hospital equipment, to Milan; and moving more than 55 tonnes of highly temperature-sensitive pharmaceuticals to New York from Mumbai.

However, Sultan says it is not just the network and aircraft where adjustments have been made; its cargo facilities have also had to adapt to new ways of working.

'I think the **trade war** was the **real trigger** for this shift in production, but there is no doubt that the **coronavirus is a huge lesson** for the world. Do we need to rely on a **single source or do we need to diversify**?'

Nabil Sultan, Emirates SkyCargo

Emirates SkyCargo installed sanitation tunnels at cargo hubs, while B777s were used for cargo-only flights

The airline set up thermal body temperature scanners at key locations at its hub in Dubai, as well as four sanitisation tunnels for employees and visitors to go through prior to entering the Emirates SkyCentral cargo terminal at Dubai International Airport (DXB).

The tunnels utilise non-toxic sanitisers to neutralise germs and viruses without causing any harm to the person passing through the tunnel.

In addition, Emirates SkyCargo is continuously disinfecting its cargo terminals, including the cargo handling and storage areas, customer reception areas and cargo drop-off and pick-up areas.

The carrier also disinfects its aircraft cargo holds and equipment, such as its ULDs, on a regular basis.

Changing chains

As the outbreak progressed, supply chains also began to change, Sultan says.

"The mix of commodity has changed completely during the Covid-19 period. All the fashion movements and the non-essential commodities have dropped significantly, while food, perishable, medical equipment and personal protective equipment (PPE) have taken centre stage," he explains.

"What we have also seen is that the production for some of these essential commodities is spreading out from China into other Asian countries like Vietnam, Bangladesh and India.

"We have started to see factories manufacture PPE even though this is not a main streamline for their production. The fact that they have their equipment means they are able to do all of that."

Looking ahead, Sultan says that how the market progresses is hard to predict, but he adds that the situation won't go back to normal quickly.

"We are looking into the medium- and long-term plan in terms of how the market will react, but I think looking at everything right now, there will probably be a gradual build-up of production as countries go back to some form of normality."

However, it is not just the demand side of the market that has been affected; the lack of bellyhold capacity is also having a huge impact on the cargo market and many believe it will continue to do so.

"The biggest factor, of course, is that passenger demand [and therefore bellyhold capacity] will not pick up as fast as one would perhaps think," says Sultan.

"It isn't just a question of putting back the entire fleet and getting the passengers. You have the psychological impact of whether or not people will want to go on holiday.

"It is something that needs to be well thought out. The passenger demand will grow very slowly over maybe six months to a year and during that period, cargo will be at the centre of movement in terms of making sure that supply continues to flow around the world."

Emirates president Tim Clarke recently told UK-based newspaper *Financial Times* that he expects it will take two years — until the summer of 2022 — for the carrier to deploy all of its aircraft once again, based on its outlook for recovery in air travel.

Other airlines are expecting an even longer recovery period for passenger demand, with the IAG group saying it could take three years for demand to return to pre-outbreak levels.

"We also shouldn't forget that the world economy is probably expected to go south," adds Sultan.

"That will probably have some impact on future production and will probably have an impact on airfreight transportation, so that is something that one needs to be mindful of.

"For the coming six months, I anticipate that the demand will continue to be fairly strong throughout this whole epidemic."

He adds that the outbreak may also accelerate the diversification of supply chains.

"I think the trade war was the real trigger for this shift in production, but there is no doubt that the coronavirus is a huge lesson for the world. Do we need to rely on a single source or do we need to diversify?

"The outcome is that you will probably see a shift in production, going back even to Europe and America. It is a big wake up call for everyone.

"I think you will start to see some production — especially for essential commodities that has moved away from some of these countries — start to come back again.

"The world will be different post-Covid-19. We will see a lot of changes in the landscape of production, commodity and business overall."

He adds: "It probably took 30 years to concentrate production, to reverse that process will take some time, but it has begun gradually."

Cost pressures

With the overall Emirates business coming under pressure due to the loss of passenger revenues, cost savings have had to be made.

In order to create operational and cost efficiencies, Emirates SkyCargo switched from its dual-hub strategy to using only DXB — previously freighter aircraft operated out of Dubai World Central and its passenger aircraft from DXB.

Sultan says that this move has the potential to create savings of as much as AED160m ($43m) per year.

"That gives us a huge saving in terms of efficiency, in being able to operate out of a single hub as opposed to a split operation," he says.

Overall, Sultan says that the coronavirus outbreak is the biggest challenge ever faced by the air cargo industry — more so than all the previous crises, such as the Icelandic volcano eruption, US container port strikes and global financial crisis, combined. And he expects the ripple effect of the outbreak to be felt for years to come.

"This crisis alone stands for everything and anything that we have ever faced in the past," he says.

"The way the economy is going to be impacted post-Covid-19 is of course something that remains to be seen, but it is going to be a difficult and challenging year ahead for a lot of businesses, whether small or large.

"And then you have to wonder what sort of impact it will have on consumer confidence and purchasing power — the ability to go out there, buy and go on holidays, and spend money. This will definitely have a much larger impact in the long term."

He says it may not be until 2023 that growth will really begin to pick up once again. The key, for airlines, Sultan says, is remaining agile.

"For us at Emirates, we have always been quite agile in terms of shifting capacity when the need arises for us to be able to cater for those sort of market demands," he says. "We did that very successfully during the trade war when we had to shift a lot of capacity to manage the demand."

He concludes: "Right now it seems like it will be drawn out for everyone. Governments are trying to support industries and that will hopefully shorten the impact, but it looks like it will have a long, drawn-out impact." acn

FACT FILE

- In its latest update before *Air Cargo News* went to press, the airline had expanded its weekly scheduled cargo network to cover 83 destinations across six continents.
- In its 2019/2020 annual report, Emirates SkyCargo saw cargo revenues decline by 14% year on year to $3.1bn, while volumes declined by 10% on a year earlier to 2.4m tonnes.
- The company said that performance was affected by a difficult market environment, due to the China-US trade war, and reduced operations during the planned DXB runway closure.

NEXT AIR CARGO NEWS INTERVIEW GEDIMINAS ZIEMELIS, AVIA SOLUTIONS GROUP

DHL tops the char

The emergence of the coronavirus dashed any hopes of 2020 being a recovery year, leaving forecasting up in the air, writes Damian Brett

In a year marked by an ongoing trade war between China and the US, DHL Global Forwarding extended its lead as the world's busiest airfreight forwarder in 2019, ahead of Kuehne+Nagel (K+N) and DB Schenker. Fast-growing DSV Panalpina pushed into the top four.

According to figures from consultant Armstrong & Associates, the air cargo volumes recorded by the top 25 airfreight players demonstrated how tough the year was, with demand declining by 7.8% year on year to 15.4m metric tonnes.

This is ahead of an estimated market decline of around 4%.

The top airfreight forwarder, DHL Global Forwarding, saw its volumes decline by 4.6% year on year to just over 2m metric tonnes.

This was a better result than K+N and DB Schenker, reversing the trend seen in recent years where the company has been outperformed by its nearest rivals in terms of percentage volume growth.

'**Airfreight volumes decreased** by [4.6%] in the reporting year, due mainly to **declining market volumes** on **key trade lanes**'

DHL Global Forwarding

Declining revenues

Second-placed K+N was down 5.7% on 2018 levels to 1.6m tonnes and DB Schenker slid by 9% to 1.2m metric tonnes.

On its airfreight division's performance last year, DHL Global Forwarding said in its annual report: "Airfreight volumes decreased by [4.6%] in the reporting year, due mainly to declining market volumes on key trade lanes.

"As a consequence, airfreight revenues also declined, posting a decrease of 3.1%. Despite the volume decline, gross profit from airfreight increased slightly by 0.7% thanks to better margins."

The forwarder added that the development of the global airfreight market had been weak since the second quarter of 2019.

As a general rule, freight forwarders tend to see margins improve in a declining market as the lower rates that they pay carriers take a while to wash through to their customers.

Of its performance last year, K+N said in its annual report: "In 2019, the challenging market environment and the resulting softening demand in some key industries led to a decline in [airfreight] turnover to SFr5.5bn and earnings before interest and tax (ebit) to SFr329m.

"Thanks to focusing on the expanded service portfolio and continuing the development of eTouch solutions, an optimised cost structure and the successful integration of Quick International Courier, K+N's airfreight business once again concluded a successful year."

It was a similar story at third-placed DB Schenker: "The international airfreight market reflected global trade development, with negative volume growth on almost all main trade routes.

"The excess capacity that resulted from this slump had a dampening effect in 2019 on freight rates. Ongoing trade restrictions at a political level and rather weak economic development in many regions represented additional obstacles.

"DB Schenker recorded a significant decrease in airfreight volume."

'We are **strongly confident** that logistics is an essential capability that is needed in any form and **shape of recovery** from the lock down situations'

Melanie Kreis, DP DHL

Logistics Trends & Insights (LTI) founder and president Cathy Roberson says it was not just the China-US trade war that put the brakes on air cargo volume growth last year.

"Increased risks in a global environment have certainly not helped, whether they were natural disasters, economic or political risks.

"While the China-US trade war took centre stage, there were other trade battles that occurred throughout the world, impacting commodities such as steel and airplanes.

"Brexit for example, has been a concern for many shippers, as well as North American Free Trade Agreement (NAFTA) revisions that have since culminated into US-Mexico-Canada Agreement (USMCA), which is expected to come into effect on July 1."

Roberson says that certain sectors were more affected than others. This would have put forwarders with a strong presence in those markets under extra pressure.

"Agriculture and manufacturing were impacted the most. The uncertain global economy and increased trade barriers were blamed by most freight forwarders for 2019 air volume declines," she says.

"The automotive industry downturn seemed to have impacted the major freight forwarders in varying ways but in particular K+N, which noted that its airfreight volumes were highly exposed to the automotive and high-tech industries."

Positive performers

On the positive side: "Certain verticals and services seemed to perform better for many forwarders including pharma/healthcare, food and beverage, and customs brokerage services," she adds.

Regionally, the Japanese forwarders also appeared to be hit extremely hard last year.

Of the five forwarders from the country included in the list, four reported a double-digit percentage drop off in demand in 2019.

Number 21 on the list, Japan-based NNR Global Logistics, was the hardest hit of any of the top players, as its volumes declined by 17.5% year on year in 2019 to 260,029 tonnes.

The company with the second largest drop off, Nippon Express, was

ts in a tough year

TOP 25 FORWARDERS						
Rank	+/-	Company	Air metric tons	YoY change	Revenues ($m)	Headquarters
1	0	DHL Supply Chain & Global Forwarding	2,051,000	-4.6	27,302	Germany
2	0	Kuehne + Nagel	1,643,000	-5.7	25,875	Switzerland
3	0	DB Schenker	1,186,000	-9.0	19,349	Germany
4	+5	DSV Panalpina	1,071,266	55.5	14,355	Denmark
5	+1	UPS Supply Chain Solutions	965,700	3.3	9,302	United States
6	-1	Expeditors	955,391	-5.6	8,175	United States
7	0	Nippon Express	752,942	-16.3	19,953	Japan
8	0	Bolloré Logistics	634,000	-8.1	5,180	France
9	+2	Hellmann Worldwide Logistics*	586,670	-1.5	2,974	Germany
10	0	Kintetsu World Express	566,814	-5.7	5,067	Japan
11	+4	Apex Logistics International	520,000	20.9	1,500	China
12	0	Sinotrans	502,000	-5.3	11,200	China
13	0	CEVA Logistics	416,000	-12.7	7,124	Switzerland
14	0	Agility*	422,364	-6.8	4,122	Kuwait
15	+1	Kerry Logistics	409,408	0.1	5,274	Hong Kong
16	+1	Yusen Logistics/NYK Logistics	335,000	-11.8	4,410	Japan
17	-2	DACHSER	330,000	-4.3	7,400	Germany
18	+2	Crane Worldwide Logistics	320,300	-5.0	916	United States
19	-1	GEODIS	308,173	-15.2	6,379	France
20	+3	FedEx Logistics	262,500	-5.0	2,310	United States
21	0	NNR Global Logistics	260,029	-17.5	1,053	Japan
22	0	Hitachi Transport System	260,000	-13.3	6,472	Japan
23	+1	Pilot Freight Services	240,000	4.3	829	United States
24	N/A	Dimerco Express Group	213,206	N/A	576	Taiwan
25	0	C.H. Robinson*	210,000	-6.7	2,328	United States
		Total	15,421,763	-7.8		

Revenues and metric tons are company reported or Armstrong & Associates, Inc (A&A) estimates
Revenues have been converted to US$ using the average annual exchange rate
Year-on-year volume growth rates calculated by Air Cargo News based on 2017 and 2018 A&A figures
* = restated by Air Cargo News based on research
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Notes: Agility results adjusted using previous year and % quoted in annual report
Hellmann YOY % change calculated using our adjusted 2018 figures. However actually volume figure supplied by A&A

also from Japan. It reported a 16.3% decline to 752,942 tonnes.

Trade disputes, natural disasters and an increase in Japan's sales tax all affected performance, the company said in its annual report.

"The Japanese economy experienced sluggishness, mainly during the second half of the fiscal year," the forwarder said.

"This weakness was generally due to slowing exports and manufacturing affected by the global economy, the impact of Typhoon No.19 and other large-scale disasters, and the negative effects of a consumption tax increase on personal consumption, which had been robust."

It added: "In the midst of these economic circumstances, slowing global trade and manufacturing drove demand lower for freight forwarding.

"Cargo movement was weak, particularly for automobile-related and steel, production-related cargo, and construction equipment-related cargo."

Japan is the world's third largest automotive manufacturer and a decline in this sector would have hit Japanese forwarders hard.

However, Nippon Express bounced back earlier this year, announcing the purchase of US pharma specialists MD Logistics and MD Express.

Of course, the biggest news on the acquisition front last year was DSV's $5.5bn purchase of Panalpina in August, resulting in the creation of DSV Panalpina.

The move saw DSV move up from being the ninth-placed airfreight forwarder in 2018 to number four on the list last year with volumes of 1.1m tonnes.

A giant emerges

If Panalpina's figures are stripped out from the results, DSV would have registered a 2% decline in airfreight demand.

"The global airfreight market saw a decline in transport volumes of 3-4% in 2019," DSV Panalpina said in its annual report.

"Exports out of China and Germany were among the weakest markets measured by volume.

"From an industry perspective, the slowdown in the automotive industry had a negative impact on air volumes, but several other sectors were also in decline.

"The weak airfreight market led to overcapacity and low airfreight rates on most trade lanes.

"DSV Air & Sea achieved growth in airfreight volumes of 55% for 2019, mainly driven by the addition of Panalpina.

"The legacy DSV air volumes saw a decline of approximately 2% for 2019 and were especially impacted by the weak market in the second half of the year."

DSV Panalpina said the second half of the year was intensely focussed on integrating the two businesses.

In addition to the physical integration, a comprehensive IT integration was initiated across the entire organisation, gradually migrating Panalpina users and customers onto DSV's IT infrastructure and merging back-office functions.

The deal also increased DSV's presence in the perishables market, which represented a significant part of Panalpina's airfreight volume.

"Both business areas will be subject to further assessment of profitability and return on investment in 2020," the company said.

Looking ahead, the Panalpina integration is expected to be completed next year.

"Our ability to take market share will be limited in the busiest integration period, but we will do our utmost to get back on the growth track as soon as possible," said chief executive Jens Bjorn Andersen when announcing its results for the year.

"We are well-positioned for further growth within all three divisions."

Roberson says DSV's takeover of Panalpina further widens the divide between big and small providers.

She says: "In our report on the global freight forwarding market, we note this increasing divide and a shift towards large forwarders evolving into lead logistics providers by not only overseeing/offering modular services such as forwarding, warehousing etc, but also serving as the nucleus for supply chain data analytics for customers."

Scaling up

Looking ahead, Roberson is not expecting more major transactions while the coronavirus pegs the market: "I think any major deals will be made post-pandemic and these will likely be within the mid-sized forwarding market as they look to scale up their business to compete against larger players.

"Larger players will make selective acquisitions to expand their reach.

'The **challenging market environment** and the resulting softening demand in some **key industries** led to a decline in [airfreight] turnover'

Kuehne+Nagel

> ‘From an industry perspective, the **slowdown in the automotive** industry had a **negative impact** on air volumes, but several other **sectors were also in decline**’
>
> DSV Panalpina

Sectors of particular interest will be road freight and technology providers.”

Investment bank Jefferies says that DSV Panalpina is expecting interesting acquisition opportunities to emerge from the current downturn, but adds that the company will need the rest of the year to digest Panalpina.

The other major deal involving a freight forwarder last year was French shipping line CMA CGM’s takeover of CEVA Logistics.

In terms of airfreight, 2019 was a tough year for the forwarder as it saw its volumes decline by 12.7% year on year to 416,000 tonnes.

“CMA-CGM’s acquisition of CEVA was certainly an important acquisition to note,” says Roberson.

“This acquisition was more or less [CMA CGM’s] answer to [shipping line] Maersk’s drive to extend its supply chain capabilities by incorporating freight forwarding capabilities.”

“Maersk, which already has freight forwarding capabilities via DAMCO and Twill, acquired customs broker Vandegrift to further extend its own capabilities.”

However, investment bank Jefferies says that CMA CGM is already looking for a minority investor to come in to help reduce debts at the company.

As well as acquisitions, last year was also characterised by continued investments in digitalisation and a drive to improve profitability.

“A big priority was helping customers manoeuvre through global uncertainties — customs changes, alternative trade lanes and alternative modes of transportation,” says Roberson.

“Forwarders also looked to improve margins during this period and were more willing to forgo volumes by shedding ‘unprofitable’ customers.

“There was a pickup in investments in digitalisation in 2019 and I believe such investments will accelerate this year, particularly as many forwarders look to differentiate and survive.”

IT project

Indeed, in May, DHL Global Forwarding announced a major new IT project as it launched a pilot of myDHLi, a fully-integrated online platform for its customers.

The new myDHLi platform, which is based on the CargoWise transport management system, enables customers to manage shipment transport modes (air and ocean), freight rates, carbon emissions and shipment data, as well as analyses and reports.

At the webinar launch of myDHLi, DHL Global Forwarding chief executive Tim Scharwath said he expected the coronavirus outbreak to push companies to develop more digital solutions.

“We strongly believe that digitalisation bears the potential to ease and improve the daily business of shippers and freight forwarders simultaneously.

“This is even truer during unpredictable and challenging times such as those we are currently facing with Covid-19, and which might now act as an accelerator for digitising the industry.

“That is what digitalisation means to us and why we made it a cornerstone of our Strategy 2025.”

The new platform follows the aborted launch of its New Forwarding Environment (NFE) in 2015 at the cost of €345m. NFE’s roll-out was judged to be too ambitious and was affecting business performance.

As 2019 drew to a close, optimism was returning to the airfreight forwarding market; after a tough year marked by a spate of trade disputes it appeared that relations between the US and China were beginning to thaw and that demand would slowly begin to pick up.

However, the emergence of the coronavirus dashed any hopes of 2020 being a recovery year.

“It’s going to be a bumpy ride for forwarders this year in terms of volumes and profits,” predicts Roberson.

“Value-added services will lead the way for forwarders — transportation alternatives to traditional air and ocean services, customs brokerage and consulting and management of commodities that are highly regulated and require special handling such as pharma/healthcare.

“I believe the divide between the larger forwarders and smaller ones will also widen and I expect a number of fall-outs within the small-to-medium size forwarding space.”

Deutsche Post (DP) DHL says the outlook for the year ahead is cloudy, with its forwarding division facing a capacity shortage as passenger airlines have axed services.

“The [forwarding] division is confronted with a severe shortage of available market capacity due to the pandemic, owing for example to the cancellation of passenger flights,” the company recently said in a market update.

“With declining volumes, the capacity shortage led to a positive gross-margin development in airfreight.”

Pandemic impact

DP DHL chief financial officer, Melanie Kreis, added: “In the first quarter our business was less impacted by the pandemic than many others.

“It is nonetheless extremely difficult to predict the effects of the pandemic on the world economy or on our business operations over the coming months. That is why we withdrew our earnings guidance for 2020 on April 7.

“It is still too early to issue a reliable forecast for the rest of the year. As soon as a more reliable assessment is possible, we will communicate a new forecast.”

In its first-quarter results, the company added: “Lockdown measures are now being reduced carefully at different levels and speeds across individual countries.

“This should also lead to a stabilisation and progressive resumption of economic activity and hence trade flows. We are strongly confident that logistics is an essential capability that is needed in any form and shape of recovery from the lock down situations.

“However, while these are encouraging perspectives, the shape and timeline of any economic recovery — and actually the further development of the virus itself — remain too uncertain to provide any reliable full-year forecasts today.”

The company says that its forwarding business in China showed signs of picking up in March, but Europe and North America saw downturns at the end of the first-quarter reporting period.

Looking ahead, job losses are sure to be implemented by many of the major forwarders as a result of the virus-related downturn.

DSV Panalpina has already announced that around 3,000 jobs would go.

Andersen said in its first-quarter report: “When this year started, we were really looking forward to demonstrating the strength of the DSV Panalpina combination.

“The Covid-19 crisis has obviously changed the agenda for everybody and hit our markets in a severe way, but we have been able to continue the integration as planned.

“All things considered, we delivered satisfactory results in first-quarter 2020 and our asset light business model has shown its strength.

“The crisis will have a significant impact on activity levels in the coming months and we are taking the necessary steps to adapt while supporting the supply chains of our customers and ensuring the safety and health of our employees.”

Such “necessary steps” include participating in government wage and fixed-cost compensation programmes.

However, the company warned that “redundancies cannot be avoided in certain parts of the organisation”.

The company went on to explain: “We target annual cost savings in the level of DKK1.4bn. The initiatives are expected to trigger restructuring costs of approximately DKK1bn in 2020”.

“Despite the current situation with regards to Covid-19, we expect the ongoing integration of Panalpina to continue as planned,” it added.

K+N has indicated that it would avoid making cuts in the short term and would instead utilise the furlough schemes put in place by governments so that it will be ready for any rebound.

However, if the crisis continues for more than three to six months the situation will be different, the company said. acn


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Energy logistics f hopeful for the lo

The energy industry has suffered a double hit this year; the Covid-19 pandemic and a significantly lower oil price, as petro-politics saw the cost per barrel dive and with it the incentive to invest.

What has been the effect of the lower oil price on the heavylift air cargo sector? Have investments in new oil equipment projects been cancelled or deferred? Is that building up a potential surge for airfreight-related projects in the future?

Jake Swanson, global sector head engineering, procurement, construction at DHL Industrial Projects, says: "The immediate effect of the lower oil price, as well as the conditions created by Covid-19, is that we have seen oil and gas projects delayed by 12 months in most cases — sometimes by a bit more, sometimes by a bit less.

"The result is that engineering, procurement, construction (EPC) contractors and service providers, including freight forwarders and carriers, have seen their 2020 projected pipelines greatly impacted, resulting frequently in lay-offs and furloughs for project teams that anticipated those projects moving forward to execution this year."

He adds that there was an initial surge in airfreight as current energy projects and petrochemical facility owners rushed to move critical equipment or material to the job-site prior to shut-downs.

Despite petrol politics driving down the cost per barrel and the Covid-19 crisis, Roger Hailey reports that the oil and gas sector is in a surprisingly healthy condition

Health and safety

Russian specialist heavylift airline Volga-Dnepr, with its fleet of Antonov An-124 freighters, saw an apparent deferral of transportation while factories/projects reduced operational activity for health and safety reasons.

An airline spokesperson says: "However, due to delays in both manufacturing and sea/road transit times, we have already seen great interest from the market for future heavylift support by air.

"Customers are evidently contingency planning to reduce further delays to project schedules.

"Once a new-normal has resumed, the indication is that the second half of this year may see an uptick of transportation for the oil and gas/energy industry as they push to get back on schedule."

In addition to the Covid-19 induced global economic slowdown, the oil production war between Russia and Saudi Arabia led to the oil price hitting $25 per barrel, the lowest it has been for over two decades, says Pavel Kuznetsov, head of air chartering at deugro, a highly-specialised expert in international turnkey project logistics.

Kuznetsov says: "We hear from multiple clients in the oil and gas industry that many large projects are being delayed, cancelled, or put on hold. At the same time, for ongoing oil and gas projects, we see increasing demand for air cargo as an expedited solution to close the gap caused by Covid-19 disruptions that affected production schedules and traditional transport routes.

"We might see similar dynamics when some of the projects that have been delayed or put on hold return to active stages — they will need more airfreight to catch up.

"However, it is too early to say how quickly that could happen."

It appears that all the energy sectors, including oil, gas, electric power generation, renewables (wind) and mining are suffering to the same degree, while different geographies have been hit at different times.

Says Volga-Dnepr: "Every sector and every company is unique, but the effect has been quite similar in terms of a pause in transportation activity.

"The exceptions have been where the spread of the pandemic has reached at any given time, meaning that while the Far East region was heavily affected earlier this year, we still had activity in the Middle East and North America.

"Now, as the Far East seems to have emerged out of lockdown, we see a reversal of circumstances.

"The major differentiations between sectors have been where they are situated geographically, and at which speed the individual regions have been able to mitigate the circumstances of the pandemic.

"While the demand from the oil and gas/energy industry is perhaps lower than usual, there are still some exceptions of where supply chains are still moving freely — but not all, and this will perhaps continue to be dynamic and change over time."

Swanson at DHL says that the global forwarder is not seeing the same types of delays as in other sectors: "Power gen, renewable and mining continue to move forward with their projects.

"Of course, there was some impact due to the Covid-19 work from home dynamic and some project sites were temporarily closed down as a precaution or due to government imposed precautions.

"Generally, we are still seeing projects in these sectors continue to move forward with minimal delays in

irms stay ng term

their projected plans."

For deugro, while the oil and gas industries are experiencing the heaviest impact, power, renewables and mining are also affected by Covid-19 disruptions.

Says Kuznetsov: "Lockdowns imposed in countries of operation, limitations on international travel and the overall high level of uncertainty has taken its toll on day-to-day operations as well as on short- and mid-term planning in these industries.

"Nevertheless, these industries will look to continue to grow in the post-Covid-19 world.

"Mining is enjoying positive momentum with gold prices rising. Overall, the industry is in a healthy condition and ready for growth."

Balanced energy portfolio

The global environmental focus means that governments and developers continue to look at how to de-carbonise and provide a balanced energy portfolio, believes deugro.

"With a focus on renewable energy, we see increasing activities in the Far East and the Americas, especially in the offshore industry," Kuznetsov says.

"The power industry today is a very mature market for freight forwarders to operate in. However, there are still areas where added value can be provided."

The collapse in bellyhold capacity has seen increased freighter demand for medical equipment such as personal protective equipment (PPE), with freight rates soaring.

The lack of bellyhold capacity has also seen forwarders promote other modes of transport, but Volga-Dnepr says it hasn't been too affected by this, given its access to large capacity freighters.

Says Volga-Dnepr: "Due to the lack of bellyhold solutions, the extra capacity that our heavylift aircraft can provide means that customers have avoided current airfreight bottlenecks.

"While we have flown thousands of tons of PPE on Volga-Dnepr aircraft, we have actually been transporting project cargo for the health industry too, ranging from mobile hospitals to sanitisation trucks.

"The demand for our services has therefore been very high over the past few months, which of course will have an impact on rates.

"The short-term support that our heavylift aircraft have provided for lower deck sized medical equipment may continue for a little longer, but bellyhold airfreight congestion should soon start to ease."

Commercial cargo aircraft operated by the wider Volga-Dnepr Group will perhaps see charter demand continue for the long term.

Once there is a wider easing of restrictions for project operations globally, the Russian carrier then expects "a shift of customers from ocean to heavylift airfreight as the oil and gas/energy industry tries to get back on project schedule".

Every transport mode has been affected and is experiencing disruptions, says deugro.

These include longer transit times, higher rates, some routes being completely unavailable due to ports and border closures, and a regional imbalance of equipment.

Says Kuznetsov: "Despite this very challenging situation, the airfreight market remains critically important to support the urgent movement of cargo, while many regular supply chains are disrupted.

"While the overall availability of heavy freighters is limited, early engagement with our clients and close monitoring of aircraft availability have allowed us to avoid situations where there is simply no aircraft available to do the job in the required time frame."

The influx of capacity from passenger aircraft for cargo-only flights, as well increased activity in converting passenger jets to freighters, has produced signs of improvement, says deugro: "The next months are currently looking a lot better in terms of freighter availability."

There have also been other operational effects on the air cargo market.

There was no coherent global aviation regulatory response on crew changes, airspace and airport closures when the pandemic broke.

Says Volga-Dnepr: "The biggest effects of the pandemic have been limitations on crew, freedom of their movement and the possibility of quarantine upon arrival, which affects all in the logistics industry.

"First and foremost, we have had to implement our own operational changes to ensure the safety of our flight and technical crew.

"As a charter operator, we encounter similar issues on a daily basis, so we have been able accordingly to adjust swiftly.

"External to the airline, the greatest operational challenge has been to overcome the congestion at Chinese airports while keeping as close to planned schedules as possible."

Crystal balls are in short supply when forecasting, but the energy logistics sector has previous experience with crises such as 9-11, SARS and the 2008 financial crash.

Volga-Dnepr expects a gradual recovery: "Our charter services enable our customers to ramp up their production schedules as fast as possible. With the effects of the current global pandemic, we see a greater demand on our aircraft by oil and gas/energy projects which are often located remotely, and do not have the easiest supply chain connections."

The global oil majors have announced initial investment reductions of between 20% and 30% for 2020.

Says deugro: "As we saw following the 2014/2015 oil price crash, other cost-reduction initiatives could also include a headcount reduction, early termination of contracts, a halt in exploration activities, and renegotiating cost reductions with vendors.

"But, as experienced during previous global crises, there were opportunities for smaller and lower risk projects with independent developers to secure positive investment decisions.

"It was when these projects moved forward that it provided the project cargo industry with opportunities, while also assisting to raise confidence in the market at the same time.

"Although the speed and size of recovery are still unclear, we also need to consider how this will not only affect investors and project owners, but also how this will impact the supply chain with regards to the liquidity and future viability of ocean carriers, airlines and onshore asset owners."

Airfreight will need to re-define itself in the post-Covid-19 world, but it could present some opportunities.

Volga-Dnepr says: "In the past, chartering our aircraft for faster and closer accessibility to project locations would of course be the underlying factors for choosing the premium logistics mode that we provide."

These same reasons for chartering are only made more important in a post-pandemic world, especially in consideration of the risk to delays and exposure that other modes of transport may face when crossing borders.

Rate of change

For deugro, while the rates that were pushed up by capacity shortage and booming demand for PPE transportation seem to have reached a plateau, it expects the return to pre-Covid-19 price levels to be "slow and gradual" as countries slowly ease their lockdown measures.

"Medical supply flows will likewise stabilise and passenger flights will slowly be brought back.

"However, the level of economic activity in the post-Covid-19 world will likely grow at an even slower pace.

"So, we do not expect it to be an easy year for freight forwarders."

The short-term expectation for Volga-Dnepr is "pockets of geographical activity and hopefully wider growth" as individual nations begin to control their respective outbreaks.

For deugro, it is still too early to understand the full impact of how this will influence the project logistics industry.

Says Kuznetsov: "It is important for us to address the issues we face today and to plan ahead, so that we are well informed and able to adapt to change as required." acn

'It is **important** for us to address the issues we face today and to **plan ahead,** so that we are well informed and **able to adapt** to change as required'

Pavel Kuznetsov, deugro

DATA HUB

AIRLINE DEMAND

Load factors on the up despite demand drop

Air cargo recorded its steepest ever decline in airfreight volumes in April, but a greater reduction in capacity resulted in load factors jumping by the highest amount on record.

The latest figures from IATA highlight the volatility experienced in the air cargo market in recent months, with demand in cargo tonne km (CTK) terms dropping by 27.7% year on year in April, while capacity was down by 42% in terms of available CTK (ACTK).

As a result, airlines saw their cargo load factor improve by 11.5 percentage points to 58%.

"The magnitude of the rise suggests that there is significant demand for air cargo which cannot be met owing to the cessation of most passenger flights," IATA said.

IATA said that the capacity decline was largely the result of a 75% reduction in belly capacity during the month, while freighter capacity increased by 15%.

IATA director general and chief executive Alexandre de Juniac reiterated past calls for governments to reduce the amount of red tape around cargo.

"There is a severe capacity crunch in air cargo," he said. "The result is damaging global supply chains with longer shipping times and higher costs.

"Airlines are deploying as much capacity as possible, including special charter operations and the temporary use of passenger cabins for cargo.

"Governments need to continue to ensure that vital supply lines remain open and efficient."

He added: "While many have responded with speed and clarity to facilitate the movement of cargo, government red tape — particularly in Africa and Latin America — is preventing the industry from flexibly deploying aircraft to meet the demands of the pandemic and the global economy."

Delays in getting operational permits issued, blockages at the border and inadequate ground infrastructure to/from and within airport environments continue to hamper air cargo in countries in Africa and Latin America, IATA said.

Looking at regional performance, IATA said that airlines based in Asia Pacific saw demand for international air cargo fall by 31% in April 2020, compared with the same period a year earlier.

However, the large Asia-North America market recorded a lower 7.3% decline due to the rise in movement of personal protective equipment (PPE).

North America based carriers reported a fall in demand of 11.5% year on year in April, which was the smallest contraction of all regions.

"While still a significant drop, it remains less than the decline seen at the height of the global financial crisis in April 2009 (-32.3%)," IATA said.

Airlines based in Europe reported a 33.7% drop in cargo volumes in April, much sharper than the outcome for March (-18.8%).

"However, the large Europe-Asia market recorded less of a decline due to the rise in movement of PPE," IATA said.

In the Middle East, carriers reported a decline of 36.3% year on year in April, significantly worse than 14.4% fall in March.

IATA said that despite a number of carriers in the region maintaining some cargo capacity, traffic on all key routes was low.

Latin America based airlines posted the sharpest fall — a 43.7% year-on-year decline.

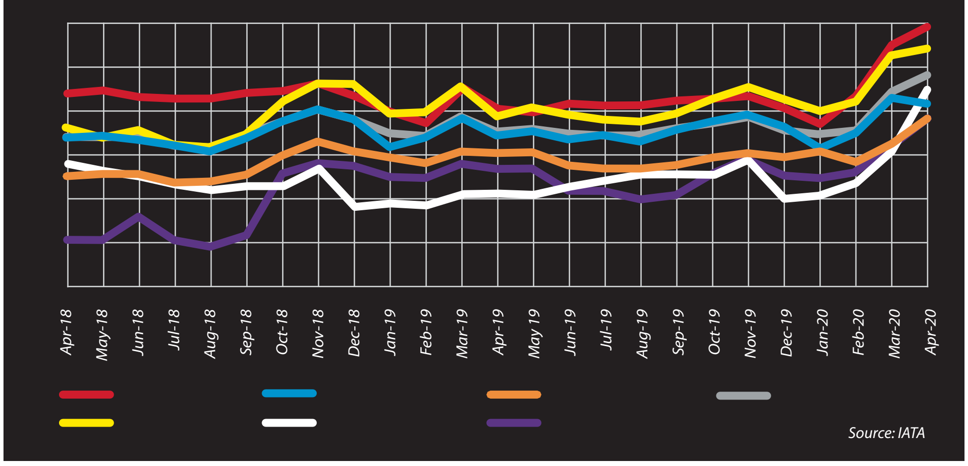
According to IATA the Covid-19 crisis is "particularly challenging for airlines based in Latin America owing to strict containment measures and a lack of support from governments to keep cargo moving".

Finally, Africa based airlines saw year-on-year demand fall by 21.7%. "The small Africa-Asia market was the most resilient route in April, down only 1%."

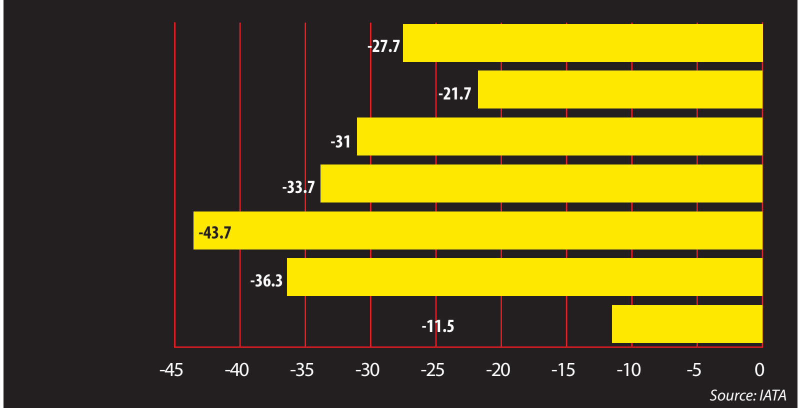
'Governments need to continue to ensure that vital **supply lines remain open and efficient'**

Alexandre de Juniac, IATA

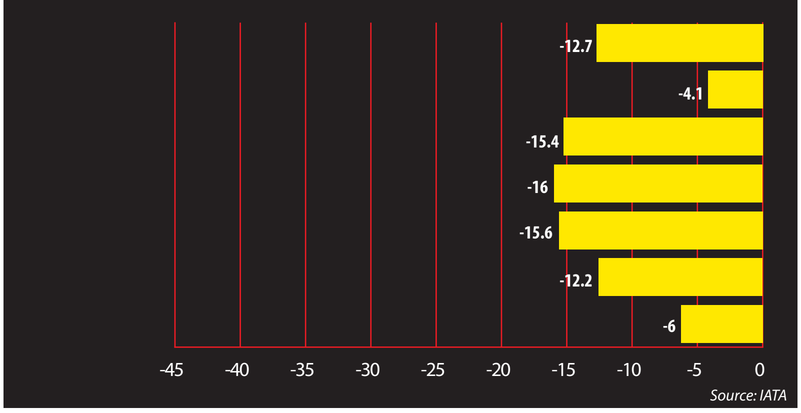
AIRLINE CARGO LOAD FACTORS (%)



FREIGHT TONNE KM YOY (%) - APRIL 2020



FREIGHT TONNE KM YOY (%) - YTD 2020



AIRFREIGHT RATES

Major trade lane prices double

Airfreight rates out of Hong Kong continued to rocket in May, with prices on services to Europe and North America more than doubling compared with a year ago.

Data provided by TAC Index shows that average airfreight rates on services flying from Hong Kong to North America in May increased by 108% year on year to $7.73 per kg.

It was a similar story for rates from Hong Kong to Europe, which increased by 122% in May to $5.88 per kg.

It almost goes without saying that the price increase is driven by a lack of airfreight capacity as a result of passenger airlines axing services and removing a large amount of bellyhold space from the market.

Figures from Accenture's Seabury Consulting show that at the end of May cargo capacity was down by around 26% on a year earlier.

Meanwhile, CLIVE Data Services' dynamic load factor had reached 69%.

Looking at the weekly rate figures, it does appear that prices stabilised on the two trades as the month progressed, with Hong Kong-Europe ending the month more or less where it started. While, to the US, prices fluctuated from week to week.

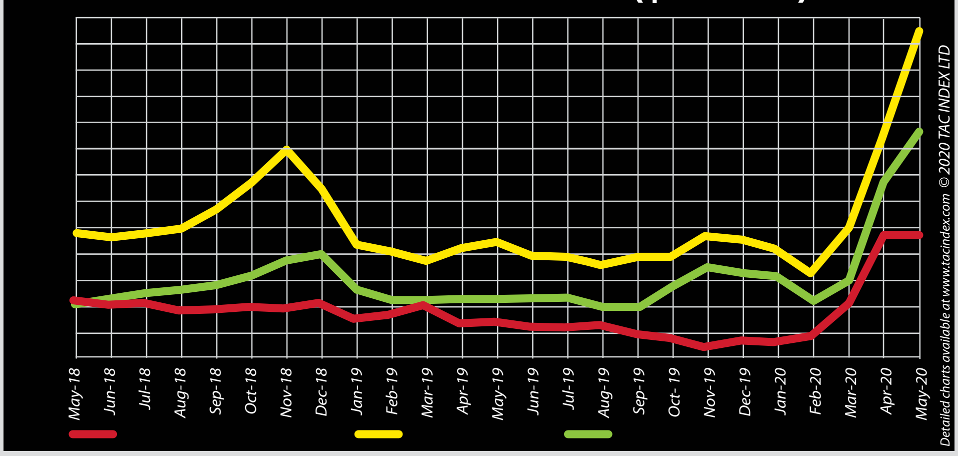
While this monthly data column tends to focus on rates out of Hong Kong, the real story this year has been the cost of exporting from Shanghai where capacity shortages have been compounded by urgent demand and log jams at the airport.

Prices from Shanghai to North America ended the month 222% up on 2019 levels at $10.83 per kg and from Shanghai to Europe prices were up 294% year on year to $9.81 per kg.

However, airfreight rates from Shanghai were on a downward trajectory as May came to a close, as congestion at the airport eased and capacity was added.

It was not just on services from Asia that the capacity shortage had an impact on rates. Average rates from Frankfurt to North America in May increased 67.9% year on year to $3.71 per kg.

TAC INDEX AIRFREIGHT RATES ($ PER KG)



AIRPORT THROUGHPUT

Airports record another tough month

It shouldn't come as too much of a shock to learn that April was another tough month for airports across the globe in terms of their cargo performance.

The world's largest air cargo hub, Hong Kong International Airport (HKIA), saw its volumes decline by 14.2% year on year in April to 338,000 tonnes.

Over the first four months of the year, cargo volumes are down by 11.7% to 1.3m tonnes.

However, HKIA said that cargo exports to some markets actually recorded year-on-year increases, with North America being the strongest market.

The overall decline in cargo handled was mainly attributed to a 51% decline in transhipments, while exports increased by 4% compared to the same month last year.

Traffic to/from key trading regions in Southeast Asia and India decreased most significantly in the month, the airport said.

On a more positive note, freighter movements at HKIA saw a 24.3% year-on-year increase in April.

Cissy Chan, the executive director for commercial at Airport Authority Hong Kong, said: "It is a challenging time for air cargo as airlines have suspended most of their passenger flights, leading to a significant reduction in belly capacity for cargo.

"However, the demand for air cargo has remained relatively strong, especially for commodities related to Covid-19 prevention, including face masks and other medical supplies, as well as consumer electronics."

It added: "HKIA has maintained a relatively stable cargo throughput, attributable to the airport's extensive freighter network and agility in facilitation of chartered cargo flights, in addition to airlines using passenger aircraft for all cargo operations."

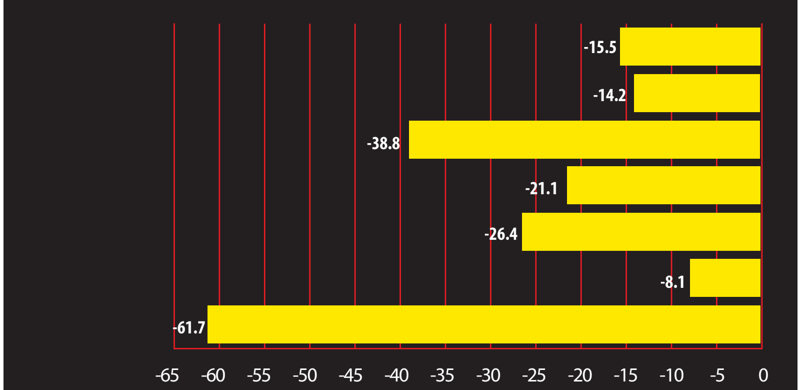
Meanwhile, Europe's largest cargo hub, Frankfurt Airport, saw cargo volumes, comprising airfreight and airmail, contract by 21.1% year on year in April to 141,337 metric tons.

"These reductions were mainly driven by a decline in available belly freight capacity on passenger flights. By comparison, there were significantly more cargo-only flights this April," the airport reported.

Elsewhere in Europe, Amsterdam Schiphol saw cargo volumes for the month drop by 26.4% to 93,255 tonnes but freighter flight numbers increased by 713 on a year earlier, largely connecting with the US and Asia.

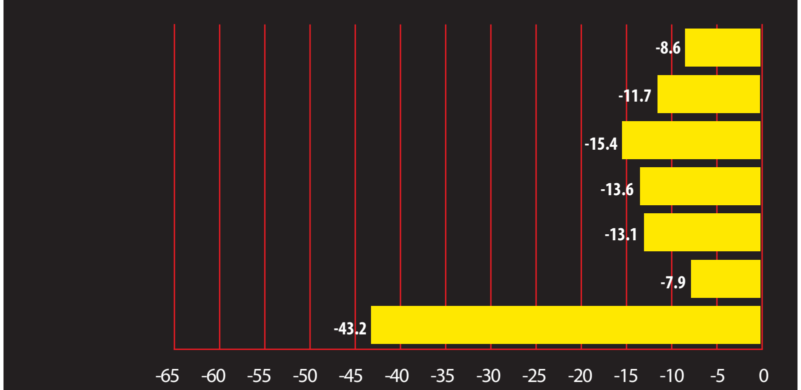
In North America, Miami International saw its cargo volumes decline by 15.5% year on year to 172,066 tonnes in April. For the year, demand is down 8.6% to 713,148 tonnes.

CARGO TONNAGE YOY (%) - MARCH 2020



Source: Airports

CARGO TONNAGE YOY (%) - YTD 2020



Source: Airports

Box rates jump in June

Container shipping prices were on the rise in June as a result of an unexpected surge in demand.

On June 10, freight platform Freightos said that rates from China to the US west coast had climbed 17% on the previous week to $2,155 per feu due to tight capacity and an unexpected bump in demand.

To the east coast there was an 8% increase in prices to $2,875 per feu. Prices to Europe were also increasing.

"Rates are at their highest level for over one year, dating back to January 2019," the company said.

Freight forwarder Westbound Shipping said: "Following the recent rise in ocean freight demand from Asia, rates have inevitably been continuing to rise over the past week or two and may be set to continue in the short term."

However, the increase was not enough for carriers to start making major changes to plans to reduce capacity by cancelling services and as a result, rollovers continued.

Westbound added: "Many UK and European importers are currently witnessing some short shipments and rollovers."

Freightos said: "Celebrating may be premature — demand is still expected to lag through September, with ocean carriers announcing another rash of cancellations.

"Summer import projections are better than they were a month ago, but ocean volumes to the US are still expected to be down significantly through September.

"And ocean carriers agree, announcing 75 more cancellations, with more expected in the coming days."

According to data from analyst SeaIntel, 10-15% of sailings from Asia to Europe have been cancelled for the third quarter, while 5-10% have been blanked from Asia to the US.

Blanked sailings for May and June on the two trade lanes stood at around 20%, SeaIntel said.

The analyst also pointed out that the Ocean Alliance, which includes CMA CGM, Cosco and Evergreen, has yet to make any announcements about its plans for third quarter cancellations.

"The bump in demand has also resulted in some rolled shipments out of China, with some shippers reporting delays of up to two weeks to get on overbooked ships," Freightos said.

And it appears that the improvement in demand will continue, with the US National Retail Federation (NRF) saying that consumers were starting to spend again.

"The numbers we are seeing are still below last year, but are better than what we expected a month ago," NRF vice president for supply chain and customs policy Jonathan Gold said.

"It may still be too soon to say but we'll take that as a sign that the situation could be slowly starting to improve. Consumers want to get back to shopping and as more people get back to work, retailers want to be sure their shelves are stocked."

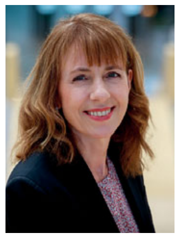
Elsewhere, figures from Hackett Associates show that US container ports saw container volumes tumble by 7.8% year on year in April. An improvement on the 17% drop recorded in March.

Hackett Associates founder Ben Hackett took a more pessimistic view than the NRF: "[US] imports are erratic, with one month up and the next down," he said.

"Getting 40m people back to work will take time, especially with many fearful of catching the virus and staying home. That makes a rapid return to an economic boom unlikely."

PEOPLE

Reddington heads to Europe for FedEx Express



Karen Reddington

FedEx Express has appointed Karen Reddington as regional president, FedEx Express Europe and chief executive of TNT.

Reddington most recently served as regional president of its Asia Pacific region.

In her new role, she will lead more than 50,000 team members in nearly 50 countries to "drive the regional strategy, including the company's expansion into e-commerce and continued investment in its road and air networks".

Reddington joined FedEx Express in 1997 as an operations research adviser in Hong Kong. She then rose through the ranks in Asia Pacific before being appointed regional president in 2015.

Dnata names new Dutch MD

Jan van Anrooy

Dnata has appointed Jan van Anrooy as managing director of its Dutch branch, effective from July 1.

Van Anrooy is an aviation professional who has has more than 30 years of experience in commercial and operational positions at KLM Cargo and Swissport Cargo Services.

PML creates charter role in response to uncertain market

Gustavo Mundel

Perishables logistics firm PML has appointed Gustavo Mundel into the newly-created role of charter freight manager in response to market uncertainties caused by Brexit and Covid-19.

Most recently, Mundel worked as regional business development manager for Volga-Dnepr.

Expeditors International announces SVP global air

Kelly Blacker

Expeditors International has appointed Kelly Blacker to the role of senior vice president, global air.

Blacker has held several leadership positions over her 25-year career at Expeditors and she is a licensed US customs broker and IATA/FIATA certified.

Currently based in Atlanta, she will relocate to the Seattle corporate office.

Blacker's promotion follows the announcement that Jose Ubeda will become senior vice president, digital solutions.

QUOTE OF THE ISSUE

'There was a **pickup in investments in digitalisation** in 2019 and I believe such **investments will accelerate** this year, particularly as many forwarders look to **differentiate and survive**'

Cathy Roberson