



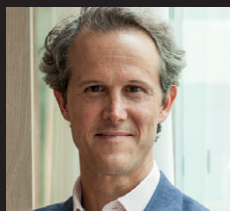
AIR CHARTER SERVICE

Air Cargo Charter Broker of the Year
Winner 2019

www.aircharterservice.com

The World's Best-Read Air Cargo Publication

September 2020 / No. 885

**CREATING EFFICIENCIES:****Fraser Robinson**

Beacon's chief executive sheds light on digitised freight forwarding and supply chain finance

Pages 12-13**CARRIERS RANKED:****Top 25 cargo airlines**

How airlines weathered a storm of trade setbacks last year

*Pages 17-20***AIRLINES**

Airlines see air cargo grow in importance

Air cargo continues to be the bright spot for carriers and it is becoming increasingly important financially as passenger operations continue to struggle.

Air Canada revealed in its second-quarter results that for the first time ever, its cargo revenues exceeded passenger revenues.

The carrier's total operating revenues in the second quarter of 2020 fell 89% year on year to C\$527m. Of that, 51% (C\$269m) came from air cargo operations and \$207m came from passenger services.

This result contrasts with the second quarter of 2019 when air cargo revenues (C\$177m) amounted to 3.7% of overall revenues.

From January to June, its cargo takings represented 9.8% of the overall revenues; last year they accounted for just 3.9% of overall revenues.

Former Air Canada Cargo vice president, Tim Strauss, who recently moved to Amerijet, commented: "All of us are incredibly grateful to our



Cargo revenues up at Air Canada

cargo customers for allowing us to serve them in ways we never anticipated in the midst of this global disaster.

"Equally, we are proud of the teamwork, creativity and focus of our

employees around the world who have given their very best every day and allowed us to grow a North America best 52% year over year."

A similar trend was seen at Air France-KLM; in the second quarter of this year, 47.9% of the company's total revenues came from its air cargo division (€566m) while in the same period last year, cargo revenues represented 7.6% of revenues overall.

In the first half of this year, the carrier's air cargo revenues (€1bn) accounted for 16.6% of overall revenues; last year they represented 8.3% of overall revenues.

At IAG Cargo, second-quarter revenues (€369m) were 49.8% of IAG Group's overall revenues (€741m), while last year, cargo revenues only amounted to 4.2% of the overall figure.

From January to June this year, IAG Cargo revenues (€615m) accounted for 11.5% of overall revenues; last year they represented 4.6% of overall revenues.

continues on page 8 →

HUBS

New pharma hubs at Lufthansa Cargo

Lufthansa Cargo has expanded its pharma operations with the opening of a new hub in Munich and another in Chicago.

The new Lufthansa Cargo Pharma Hub Munich at the city's airport offers space for up to 96 pallets and loose cargo at two different temperature ranges and a freezer on almost 1,000 sq m and on several levels.

The carrier hopes to have the facility CEIV-certified in the Autumn, which would be the first facility at Munich Airport to achieve the standard.

Harald Gloy, Lufthansa Cargo board member operations, said: "We have created a state-of-the-art infrastructure for temperature-sensitive freight that will guarantee our customers even higher transport quality for their pharma shipments in the future."

Additionally, in June, Lufthansa Cargo opened a pharma centre at Chicago at O'Hare Airport.

The 750 sq m facility provides space on several levels for up to 54 pallets and 102 cool containers at two different temperature ranges. Most of the pharmaceutical shipments carried by Lufthansa Cargo are handled at its Frankfurt pharma hub, which was extended by around two-thirds to 8,000 sq m in 2018.

aircargo
NEWS

Build visibility for your business



Covid-19 will end! In the months ahead you can keep your business visible and top of mind.

Air Cargo News offers various **inexpensive digital marketing opportunities**. Consider advertising on our website: www.aircargonews.net

Contact: Gavin Murray for more information:
g.murray@aircargonews.net or +44 (0) 7785 625 689



CHAPTER 1 THE 1 MILLION PROJECT

Because We Qare,
we are helping those in need

Qatar Airways is donating 1 million kilos of freight to selected customers around the world to give to the charities of their choice. This will allow the movement of medical equipment, humanitarian relief and essential products to where they are most needed, free of charge.

qrcargo.com

QATAR  | **CARGO**
AIRWAYS القطرية

aircargo NEWS
The World's Best Read Air Cargo Publication
September 2020/ No. 885

CREATING EFFICIENCIES: Fraser Robinson reports that operators seek light or digital freight forwarding and cargo consolidation.
CARRIERS BANNED: Top 25 cargo airlines have either withdrawn a route or made other changes.

NEWS: Airlines see air cargo grow in importance
ANALYSIS: New pharma hubs at Lufthansa Cargo

Build visibility for your business

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

Annual subscription:
£99 (UK); €150 (Europe and Scandinavia);
US\$200 (Rest of the world)

Material from this publication may not be copied or reproduced in any way without prior written authorisation from the publishers. © 2020 Air Cargo News, ISSN Number 1357-4051, is published monthly by DVV Media International Ltd, 1st Floor, Chancery House, St Nicholas Way, Sutton, SM1 1JB, United Kingdom. • Tel: +44 (0) 20 8722 8370 • Fax: +44 (0) 20 8652 5210. Airfreight and mailing in the USA by agent named Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA. Periodicals postage paid at Jamaica NY 11431. US Postmaster: Send address changes to Air Cargo News, Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA. Subscription records are maintained at Intermedia Brand Marketing Ltd, Unit 6 The Enterprise Centre, Kelvin Lane, Manor Royal, Crawley, West Sussex, RH10 9PE, United Kingdom. Worldnet is acting as our mailing agent. Website: www.aircargonews.net

NEWS



pg 6

- 4 NEWS** Low-cost carriers expand with preighters
- 4 EDITOR'S COMMENT**
- 4 NEWS** Mas Air targets Europe
- 6 NEWS** American's cargo push
- 6 PUTZGER PERSPECTIVE**
- 6 NEWS** Swissport scores a hat-trick with Qatar Cargo
- 8 NEWS** Rail freight grabs market share from air cargo
- 8 SHIPPER SPOTLIGHT**
- 10 NEWS** End of an era as B747 production to cease

INTERVIEW

- 12-13 FRASER ROBINSON** outlines how trade finance sets Beacon apart from other forwarding platforms



pgs 12-13

ANALYSIS

- 11 WEBINAR** Operators explain their response to the Covid-19 crisis



pg 11

FEATURES

- 14-15 ASIA-EUROPE** A new normal for the air cargo sector
- 17-20 TOP 25 AIRLINES** Trade turmoil takes its toll on carriers in 2019



pgs 14-15

DATA HUB

- 21-22 ANALYSIS** An exceptionally challenging market

CONTAINER SHIPPING

- 23 MARKET UPDATE** Transpac rates continue to rise

29 COUNTRIES WORLDWIDE

TAILORED CARGO OUTSOURCING

DIGITALIZATION & ANALYTICS

TRUCKING & HANDLING SOLUTIONS

THE INDEPENDENT GSSA PARTNER

www.flyus.aero

FUNDING SECURED:

Swissport has secured a €300m binding commitment from an ad hoc group of senior secured creditors which will deliver immediate liquidity for the handler to trade through the Covid-19 market crisis and its restructuring process.

FREIGHT FORWARD:

Dachser's US division has launched a weekly airfreight service between North America and Europe. The service, which commenced on July 26, operates on rotation between Chicago and Frankfurt.

E-COMMERCE FLIGHTS:

Air China Cargo and Alibaba-owned Cainiao have added a new freighter service to Europe; three flights will be operated each week from Hangzhou to Liege, with Madrid as a final destination.

SHANGHAI EXPANSION:

Saudia Cargo has expanded its freighter network with a new twice-weekly B777F service between Shanghai and Riyadh's King Khalid International Airport and Jeddah's King Abdulaziz International Airport on Saturdays and Tuesdays.

WILDLIFE PUSH:

Air Canada Cargo has become the latest airline to sign up to the United for Wildlife (UFW) Buckingham Palace Declaration that aims to combat the illegal trade of wildlife.

AIRLINES

LCCs focus on cargo flights

Low-cost carriers Scoot and SpiceJet both expanded their cargo operations in August as they look to offset the drop in passenger demand.

India-based airline SpiceJet announced its entry into long-haul all-cargo operations through the deployment of a Hi Fly-owned A340 freighter aircraft.

The first flight took place on August 31, from Schiphol to Mumbai, carrying around 13 tonnes of cargo. From India, the aircraft headed to Khartoum in Sudan with 40 tonnes on board.

"SpiceJet is the first and only Indian carrier to operate non-stop cargo services from Europe on a dedicated freighter," the airline said.

The flight to Sudan represented SpiceJet's first non-stop flight to Africa. It had previously flown to Sudan via Ras Al-Khaimah.

Portugal-based Hi Fly said its A340 freighters offer around 50 tons and 250 cu m of capacity.

Ajay Singh, chairman and manag-



Scoot's newly converted A320neo

ing director at SpiceJet said: "[This] is a proud moment and a huge milestone in SpiceJet's remarkable journey as India's leading cargo operator as we successfully operated our first wide-body long-haul flight from Europe."

SpiceJet's international cargo network now spans more than 42 international destinations and it operates five B737s, three Q400s and its A340 in an all-cargo configuration.

Meanwhile, Scoot has removed the passenger seats of one of its A320neo aircraft to double its cargo-carrying capability to almost 20 tonnes.

Modification on the aircraft, which took place over four days, included the removal of passenger seats, installation of placards to instruct where cargo can be placed and the installation of additional fire extinguishers.

On August 22, the aircraft was used to carry out a cargo charter flight from Fuzhou to Singapore carrying 13 tonnes of cargo in the bellyhold and modified cabin.

Scoot is planning for a second A320neo to undergo similar modification work.

In March, Scoot began operating bellyhold cargo charters using its Boeing 787-9 widebody passenger aircraft. In May, the carrier also started operating cargo charters with Airbus A320 narrowbody aircraft, which included bellyhold flights as well as cargo-in-the-cabin flights.

FREIGHTERS

Mas Air Cargo plans European operations

Mexican freighter operator Mas Air Cargo has revealed plans to expand operations to Europe.

The airline recently received its third-country operators certification from the European Aviation Safety Agency (EASA), which will allow the carrier to perform scheduled commercial operations into, within, or out of

the European Union, complying with operating and regulatory standards.

The move is part of the airline's ambitious expansion plans. It also recently took delivery of a second ATSG-owned B767-300 converted freighter as part of a five-year dry-lease deal.

Initially, the airline will offer ACMI

services to Europe, a company spokesperson said.

There is no confirmed start date for operations and the destinations of such operation would depend entirely on potential customer's needs.

However, the carrier has already seen strong interest in Frankfurt, Amsterdam Schiphol and Brussels.

EDITOR'S COMMENT

Damian Brett



The debate drones on

Without wanting to diminish the ongoing impact of the coronavirus, I felt that this month it was time to mix things up a bit, so I thought I would return to another favourite topic of mine: drones, or unmanned aerial vehicles.

There has been plenty of debate about how successful these devices will be: Will our skies be full of drones dropping off parcels to households in busy cities, while larger variants

fly cargo internationally?

Or, will safety concerns, regulatory hold ups and the cost of setup delay their development?

I have retained a healthy scepticism about how far-reaching drone/UAV projects will be, but a couple of projects we have reported on recently have helped open my eyes as to how these aircraft could at least get a foot in the door... and from there, who knows.

Recently, SF Express flew an unmanned bi-plane capable of carrying 1.5 tonnes of cargo between two remote locations in China.

Importantly, SF Express said its UAV flights would be cost-competitive with road transport, while they will also save time compared with an over-land operation.

Another, in Scotland, carried medical supplies from the mainland to an island medical centre. Previously this journey would have taken six hours one way as a van would have

needed to have boarded a ferry. The drone takes 15 minutes to do the journey.

There must be thousands of other projects like this around the world that can save time and money compared with existing setups and aren't in built-up busy areas where safety considerations hinder their development.

And once more and more of these projects are launched and prove successful, it surely only a matter of time until operations are expanded to less remote areas.

SBD INTERNATIONAL AIRPORT A Winning Strategy for Air Cargo and Supply-Chain Operators



Unmatched convenience, expansive infrastructure, and ample development opportunities fuel tremendous growth for airport and its partners

Building upon the legacy and location left by Norton Air Force Base following its closure in 1994, SBD International Airport is an aviation growth story, decades in the making. By forging long-term alliances, leveraging resources, and investing in the infrastructure needed to attract businesses to the region, the once fledgling public Airport has been transformed into a major player in U.S. air cargo. Today, SBD supports daily operations of UPS and FedEx.

SBD's advanced facilities and central location enable air cargo companies to fast-track deliveries while its attractive cost structure lowers the expenses associated with expanding operations in a highly competitive market. This has proved to be a winning strategy for both the Airport and its partners. Boosted by their rapid growth, SBD consistently ranks as one of the country's top airports for cargo growth—since 2017, landed weight at SBD has risen a staggering 1,651%.

The fast track to everywhere

Just 60 miles east of Los Angeles, SBD is situated in the heart of the Inland Empire, a diverse region that boasts a powerhouse economy in its own right and consistently outpaces average growth rates nationally. The booming metropolitan area ranks 13th in the country by population size, larger than Detroit, Seattle-Tacoma, and Minneapolis.

SBD provides access to the region's estimated 4.7 million consumers—many of whom live less than 30 minutes from the Airport—as well as to a vital goods movement corridor with global reach. Its strategic location is just minutes away from Interstates 10, 210 and 215, the

BNSF intermodal container facility, Roadway and Yellow Freight hubs, and modern warehousing facilities.

On-site U.S. Customs expedites clearance for international aircraft arriving at SBD, and the Airport's facilities include bonded storage and access to a foreign trade zone. Adjacent to the Airport is a thriving 2,000-acre commerce park which is home to a mix of leading companies including members of the Fortune 500.

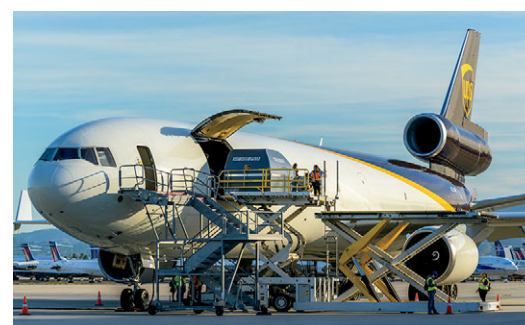
Expansive infrastructure

SBD's state-of-the-art infrastructure supports daily, large-scale air cargo operations and charter flights. Its Group VI runway easily accommodates the world's largest aircraft, while skilled staff and specialized equipment ensure quick cargo handling and efficient turn times. Should they be needed, a comprehensive range of aircraft services are available from the Airport's MRO partners.

Updated facilities include over 60 acres of concrete ramp, and specialized cargo equipment. A security-controlled access road provides greater efficiency for air cargo truck movements through a dedicated airport entrance along a major arterial roadway speeding time sensitive goods toward their final destination.

A strategic alternative

"The growth of SBD's cargo business is evidence of how well the Airport serves as a strategic alternative in Southern California," says Michael Burrows, the Airport's Executive Director. "In 2016, cargo activity totaled just 36 flights. In December of that year, UPS commenced one daily flight with operations in a 5,000-square-foot building. It now has



60,000 square feet, and up to twelve daily flights during peak fourth-quarter activity. FedEx has experienced a similar trajectory, growing from initial flights in October 2018 to adding a second new facility right across the street."

Unrivalled opportunity

Offering unmatched convenience and wide-open skies, SBD is truly the easiest way to enter Southern California, whether domestically or internationally.

For air cargo and supply chain management companies seeking to launch or expand in the region, SBD International Airport provides an ideal geographic location in which to base operations, improve operating expenses, and benefit from an executive team committed to long-term success.



sbdairport.com

+1.909.382.4100 | cargo@sbdairport.com

AIRLINES

AA Cargo to ramp up preighter operations



In March, American Airlines flew its first all-cargo service in 35 years

American Airlines will fly 1,000 cargo-only flights in September after only returning to all-cargo operations in the first quarter.

The airline re-launched cargo-only flights in March, with 20 strategic flights to two key destinations. The airline's last freighter flight took place in 1984.

"A plan that began as an experiment has now grown exponentially over the last six months," the airline said.

"Since being reintroduced, American's cargo-only flights — which hadn't been operated in more than 35 years — have moved more than 45m pounds of cargo around the world. But getting the first flight off the ground was nothing short of a symphony, played by team members from across the company."

"We didn't have a playbook. We'd never done this before," said Maulin Vakil, American's director of cargo revenue at the time.

"We began to explore how much cargo we could take if we couldn't transport passengers."

After exploring options, the group began planning a cargo-only flight from Dallas-Fort Worth (DFW) to Frankfurt (FRA) scheduled to take off on Friday, March 20.

"While figuring out the safety, logistics and economics of the flight was a challenge, team members were prepared for the test," American said. "Crews were briefed, safety procedures were established, and international rules were carefully followed."

"Four days after the team set their plan into motion, American operated a Boeing 777-300 from DFW to FRA as its first cargo-only flight of the 21st century."

American then expanded its cargo-only flights to Hong Kong (HKG), Shanghai (PVG), Beijing (PEK) and Seoul (ICN).

"We essentially started our own little airline," said Tom Howard, a manager at American's integrated operations centre.

"We had to build all of this out and coordinate how it flows with our scheduled passenger service because, well, we're a passenger airline."

This September, more than 1,000 scheduled cargo-only flights will be accompanied by more than 1,200 passenger flights also offering cargo services.

HANDLERS

Qatar Airways Cargo renews with Swissport

Qatar Airways Cargo has renewed its handling agreement with Swissport covering airport ground services and cargo handling at Amsterdam Schiphol Airport.

The contract — starting in September and valid until the end of 2025 — includes ramp handling and air cargo warehousing, as well as handling of general cargo, pharmaceuticals, dangerous goods and temperature-sensitive goods.

The two have also signed new five-year contracts for cargo handling at airports in Manchester and Birmingham in the UK.

The handler pointed out that through its Manchester and Birmingham warehouses, it can link Qatar Airways Cargo to regional UK airports using its road feeder services to Aberdeen, Belfast, Bristol, East Midlands, Glasgow and Newcastle, which are not served directly.

Qatar Airways Cargo also utilises Swissport's operations in Basel, Liège and London Stansted for ramp services and cargo handling related activities.

PUTZGER PERSPECTIVE

Ian Putzger



Taking cargo seriously

The second quarter of this year will go down in history as the time when air cargo outshone the passenger business in the aviation industry.

The incremental by-product did not just outshine passenger carriers' core business, it even outstripped it in terms of revenue in some cases.

Take Air Canada, where passenger revenues cratered, plummeting 89% to C\$207m. Cargo revenues surged 52% to C\$269m, despite the steep drop in belly capacity.

With demand for PPE on the wane, a repeat performance is unlikely, although it remains to be seen how the roll-out of Covid-19 vaccines will play out, so some airlines will undoubtedly revert to treating cargo as a

marginal side show.

Hopefully others will bother to re-evaluate the importance of cargo for their business and adopt a more supportive and proactive stance.

The deployment of passenger planes for cargo missions may be an early indicator.

Over the months the number of airlines that embraced the concept grew, but the focus and commitment has varied tremendously.

While some were content to operate charters to haul PPE

'Hopefully others will bother to re-evaluate the importance of cargo for their business'

Ian Putzger

'A multimillion-dollar business should not be a side show'

Ian Putzger

shipments at stratospheric rates, others have gone out full throttle and built up proper network operations.

It is the latter who have managed to grow their cargo revenues, despite their pared down scheduled capacity.

Ultimately those decisions come from the boardroom.

A head of a passenger airline's cargo business may be a genius, but too much hemmed in to tap into the opportunities in the market.

The cargo division needs the leeway to make decisions and pursue them, with adequate funding and support.

The top brass at Cathay Pacific

has had second thoughts along these lines, putting more focus back on cargo.

The carrier has reinstated the position of a dedicated director of cargo on the senior leadership team, having subsumed it three years ago under the broader role of director commercial and cargo.

This is a move in the right direction. Ideally, leading a cargo department should not be a stepping stone on the career ladder; it's a separate field that needs focus.

It is no coincidence that Air Canada and United — two carriers with impressive cargo gains — have people in charge of their freight business who are cargo professionals.

For them cargo is not an interlude on the way up. A multimillion-dollar business should not be a side show.



Europe. A thousand times Europe.

This fall, we're flying more than 1,000 widebody flights across the Atlantic.

Learn more at aacargo.com/keepmoving



PEOPLE

Cathay's cargo role U-turn

Cathay Pacific has re-instated the cargo director role as the division grows in importance due to the Covid-19 outbreak.

The airline has announced that Tom Owen will take up the position, which was axed as part of a management shake-up in mid-2017.

Owen has served on the Cathay Pacific leadership team as director of people for the past five years.

He has previously held a variety of senior posts at the airline, as well as at other Swire Group companies.

Ronald Lam, chief commercial and customer officer, explained the decision: "Cargo continues to be a vital part of our business; ever more so in this operating environment."

"We are therefore re-establishing a dedicated director cargo position on our senior leadership team as we aim



Cathay re-instates cargo director post

to become the most customer-centric air cargo service providers in the world."

The cargo director role was cut in June 2017 as part of a cull of 600 senior, middle management and non-managerial roles.

Part of the cull involved the restructuring of the cargo department, which was "streamlined" through the removal of the cargo director role and the creation of a director of commercial and cargo position.

The reorganisation of the airline had been expected after the carrier in 2016 reported its first annual loss in eight years as it came under pressure from low-cost rivals.

Meanwhile, as part of annual management rotations, Nelson Chin will leave the role of general manager cargo commercial to take up the position of regional general manager north east Asia, based in Tokyo.

George Edmunds will take up the role of general manager cargo commercial, joining from the passenger team where he is currently head of revenue management operations.

AIRLINES

→ Continues from page 1

Willie Walsh, IAG chief executive, said in a results update: "We operated 1,875 cargo-only flights using passenger aircraft in quarter two, which was an important cash contributor to the group."

Lufthansa's logistics division, which includes its air cargo operations, posted second quarter revenues of €766m — 40.4% of Lufthansa Group's overall revenues (€1.9bn). In the second quarter of 2019, Lufthansa's logistics revenues accounted for 6.5%

of overall revenues.

From January to June this year, Lufthansa's logistics revenues (€1.3bn) accounted for 15.8% of overall revenues; in the same period last year they represented 7.1% of overall revenues.

CHARTER BROKERS

Flying pigs

Intradco Global has successfully flown three plane-loads of breeding pigs from Europe to China.

The animals were transported on three Ilyushin Il-76TD-90VD aircraft chartered by Intradco Global and were moved using custom-built crates and watering systems.

The pigs flew from London's Stansted airport to Denmark for a full inspection and quarantine before continuing on to Jiangsu in China.



"The pigs arrived safely and in good condition, ready to begin the breeding programme," a spokesperson at Intradco Global said.

Breed types of the pigs included Duroc, Landrace and Yorkshire nucleus herds.

Intradco Global is part of charter broker Chapman Freeborn. It specialises in animal transportation and has experience in equine shipments, livestock and farming, and moving exotic species.

SHIPPER SPOTLIGHT

Zoe McLernon



Taking off in 2021

With less than 130 days until the end of the Brexit transition period, Logistics UK is encouraging its members to start preparing for a new customs arrangement with European Union (EU) countries as soon as possible.

In this month's column, I will provide an update on the latest Brexit negotiations and the work of Logistics UK to help support a smooth EU exit for air cargo businesses.

Logistics UK's multimodal team has been in regular contact with the Department for Transport's (DfT) aviation team regarding EU exit.

While third and fourth freedom rights — the freedoms to carry traffic from a home country to another country for

the purpose of commercial services; and to pick up traffic from another country and transport to a home country for the purpose of commercial services — have been agreed between the EU and the UK, further aviation negotiations remain tied up in securing a Free Trade Agreement (FTA); something that the government has yet to achieve.

Logistics UK is continuing to press the government to reach a FTA, however, if there is positive movement, then the DfT can move very quickly in progressing air agreements.

In the event of a FTA not being reached, there are several paths that can be followed. We will continue to talk to government regarding

the options available, particularly given that fifth, sixth and seventh freedom rights are important areas for air cargo operators.

Another aspect of EU exit beyond the transition period is customs facilitations.

UK customs has made £50m of funding available to enhance its Customs Grant Scheme.

Launched on July 29 this year, organisations can apply for funding to reimburse several costs associated with increasing their capacity and enhancing their ability to complete customs declarations, ahead of the new rules from January 2021.

Eligible organisations can apply for funding for recruitment, employee training and IT, in preparation for additional customs declarations; we advise all applicable businesses

to take advantage of this support.

For air cargo to continue to move between the UK and the EU's 27 member states post-transition period, it is imperative that an air services agreement is reached with the EU.

After all, the UK has the largest aviation industry in Europe, and the UK's geographical position in the network is key, with around 80% of all North Atlantic traffic passing through the UK or Irish controlled airspace.

For more information on steps businesses can take to get 'Brexit ready', please visit: www.gov.uk/transition or Logistics UK's Brexit hub: logistics.org.uk/fta-brexit-advice.

Zoe McLernon, policy manager of multimodal, Logistics UK

aircargo NEWS

Get Air Cargo News for **FREE** every month

Sign-up today to get a free digital edition of Air Cargo News delivered directly to your inbox each month.

Join a community of thousands of air freight industry professionals to:

- Access in-depth data, analysis, insight & reports
- Hear about industry events
- Receive breaking industry news
- Read monthly interviews with top executives
- Get access to both the Air Cargo News & Freighters World digital archive



Don't miss out on receiving the world's best-read Air Cargo publication!

SIGN-UP TODAY

www.aircargonews.net/digital-subscription

LOGISTICS

DB Schenker's record hub

DB Schenker has opened its most expensive facility to date: a €101m automated hub catering for the high-speed logistics sector.

The forwarder said that the Red Lion warehouse in Singapore is the single largest investment in any site globally in Schenker's corporate history.

The combined airfreight and contract logistics hub is located in the Airport Logistics Park of Singapore at Changi Airport.

The facility measures 51,400 sq m over five floors and has a warehouse management system with a synchronised IT platform.

The forwarder reckons this technology will increase productivity by up to 100% compared with manual processes, and reduce lead times for customers by 40% compared to non-integrated (separate contract logistics/airfreight) facilities.

Incoming freight is processed through a ball deck, which increases speed and eases handling. Pallet lifters then move freight to the automated warehouse with very narrow aisles to optimise capacity. The multi-shuttle and carton live storage systems are complemented by goods-to-person and pick-to-light technologies, conveyor systems, and automated guided vehicles.

AIRLINES

SIA lends a hand as WFP network faces shortfall

Singapore Airlines (SIA) Cargo has pledged to carry out freighter flights in support of the World Food Programme's (WFP) Covid-19 air cargo network, which is facing a funding shortfall.

The carrier said it would make ad-hoc charter flights and offer freight space in its scheduled services on a cost-recovery basis, with flight costs being covered by a contribution of up to \$6.5m.

However, the future of the WFP's Covid-19 logistics network is in doubt unless the United Nations organisation can secure more funding.

An estimated \$965m is required to sustain WFP's Common Services. To date only 21% of this sum has been received.

WFP said its passenger and cargo flights are likely to grind to a halt at the end of August if no additional support is received. The network has managed more than 800 humanitarian flights to 159 countries since May.

FREIGHTERS

Boeing announces the end of the iconic B747

Boeing has confirmed that its B747 programme will come to end in 2022, bringing to a close production of its popular freighter aircraft.

The airframer said that it would continue to manufacture the iconic aircraft at a rate of 0.5 per month until 2022, when the final aircraft will be built.

Boeing had been weighing the future of the B747 for several months with orders for the passenger model drying up as airlines moved to long-range twin-jet aircraft that are able to offer greater efficiencies.

Orders for the freighter version, however, had continued to roll in until 2018 when UPS (14) and Volga-Dnepr UK (4) became the last companies to sign commitments for the aircraft.

Total B747-8F deliveries stand at 90 aircraft. Of the current order backlog, 12 are for UPS and three are for Volga-Dnepr UK. UPS is also the largest -8F customer, with 28 orders in total.

Within the last two years, five B747-8F customers are understood to have penned a joint letter seeking for Boeing to clarify its position on the programme's future.

Despite being in the sunset phase of its life, the B747-8F offers unique cargo-carrying capabilities.

At 138 tonnes, the B747-8F has significantly greater payload than the next largest civil (newbuild) freighter — the B777F at 102 tonnes — and also offers the flexibility of nose-loading



Production of Boeing B747s will cease in 2022

for outside cargo.

Its demise will leave cargo carriers facing a crucial hole in the availability of new-build large capacity freighters.

The decision comes following the announcement of a second-quarter loss of \$2.4bn on revenues of \$11.8bn.

The company also pushed back the first delivery of its B777X to 2022 from 2021 and cut production rates for the B737 Max, B777 and B787.

Last year, Boeing celebrated the 50th anniversary of the iconic aircraft.

On February 9, 1969, the B747, dubbed the "Jumbo Jet" by the press, took to the skies for the first time.

The first jumbo was ordered by

now defunct US airline Pan Am as the company wanted an aircraft capable of handling twice as many passengers as the B707 to meet growing demand for air transport.

The original B747 could carry 400 passengers and was designed with a distinctive hump so it could also carry large items of freight loaded through its nose.

The aircraft introduced a number of technological firsts, including the first twin-aisle widebody design and the first commercial use of the high bypass turbofan engine.

The B747 fleet has flown more than 5.9bn people — the equivalent of 78% of the world's population.

FORWARDERS

Shippers shift to rail as air rates rise

Freight forwarder Davies Turner has seen an increase in the number of customers using rail as an alternative to air on China-Europe shipments.

The UK-headquartered company said that rising airfreight rates caused by a Covid-19-related capacity crunch has pushed shippers to look to alternative modes of transport.

As a result, bookings on its weekly fixed-day rail consolidation service from China to the UK continue to increase.

Tony Cole, head of supply chain services, told *Air Cargo News*: "Since we relaunched the service in March, there has been a growing realisation from importers that traditionally move freight by air that they only

need to factor in the slightly longer lead times for delivery by rail, to see what a massive cost saving they can benefit from by using our direct rail alternative.

"As capacity disappeared from the airfreight market the price differential has rocketed as airfreight rates reach record levels.

"Many of the consol shipments we see each week are being booked by our airfreight subsidiary, Davies Turner Air Cargo, which obviously has a broader database of existing and potential customers that move airfreight. Importers using airfreight that are able to remodel their supply chains to use the rail freight option may do so on a permanent basis."

To meet the extra demand the forwarder is adding new UK destinations that will be served by its rail option from China.

Davies Turner will offer a direct service to its regional freight hubs in Birmingham, Bristol and Manchester, in addition to the existing direct service to Dartford.

"We have identified many of the shipments are for distribution to other parts of the UK, so we are now working with our partners in China to refine the consolidation process at [the Hefei rail hub in China], and to ensure that shipments destined for the South West, Midlands or North West are consolidated in the same container," added Cole.

WEBINAR

Adapting air cargo to new opportunities

As a result of the capacity crunch, many carriers have turned to modifying their passenger aircraft into 'preighters', reports **Rachelle Harry** on the Freight Expectations webinar

In July, *Air Cargo News* sister title, *FlightGlobal*, hosted a webinar titled 'Freight Expectations: How air cargo can adapt to a new reality', which was produced in association with SmartKargo.

The webinar explored how the airfreight industry has evolved since being hit by the coronavirus pandemic and was moderated by Murdo Morrison, head of strategic finance at *FlightGlobal*.

On the panel were: Olivier Houri, executive vice president and chief revenue officer at SmartKargo; Abhi Shah, chief revenue officer at Azul Brazilian Airlines; Tim Strauss, [at the time] vice president of cargo at Air Canada; and Paul Stoddart, chairman and founder at European Aviation Group.

"Today, we are addressing the cargo market, and looking at the opportunities for airlines in a very different world to the one we found ourselves in at the start of the year," Morrison said in his introduction.

Focusing on one such 'opportunity' for the industry, Morrison noted that as a result of the capacity crunch, many carriers have turned to modifying their passenger aircraft into 'preighters' either by removing aircraft passenger seats, or by placing cargo on the passenger seats.

For example, European Aviation Group has a fleet of 19 Airbus A340-600s, which previously served the passenger market. After receiving a call from the UK's National Health Service, the company temporarily converted four of the aircraft into preighters and deployed them to transport vital medical equipment from Asia to Europe during the pandemic.

Stoddart said he believes preighters will continue to be an important tool for the industry.

"There is a market because we have quite a quantity of these aircraft and we've had enquiries from customers in other countries that wish to use them," he said.

"I see a halfway house where we don't put a full freight door in, but we



The aviation industry has adapted the way it works to meet new market realities

do have the PMCs [lightweight cargo pallets] inside the aircraft."

In addition, he said that the time frame for modifying aircraft into preighters is a key advantage.

"It takes time [to modify aircraft to preighters], but it's not anywhere near the time you're talking for... passenger-to-freight conversions, because [for that] you can be talking a couple of years," he added.

"There's a very strong demand, certainly in the short term, and I hope it will extend to the medium term."

A focus on express

Going forward, Stoddart believes there will be a greater reliance on express-style air cargo services: "Where I see the industry going over the next two years is, there will be a need for 'cargo quick response', [where] you can deliver globally very, very quickly."

Indeed, e-commerce wouldn't be possible without fast, reliable airfreight operations and while express deliveries are the norm in many countries, Brazil was late to the game.

Shah, Azul Brazilian Airlines, explained that for two years the carrier has been successfully tapping into the online retail market in a country "the size of the continental USA" by "partnering with e-commerce providers to create a network that goes from first mile to last mile".

Shah highlighted that prior to Azul's groundbreaking domestic airfreight operations "unless you were in Sao Paulo, there was no two-day delivery [for items ordered online]. It was seven or even 14 days".

Shah also noted Azul's success was "smart and lucky", as well as being dependent on a varied fleet that includes "the world's first Embraer 195 adapted for cargo where we removed the seats".

SmartKargo's Houri highlighted the opportunities that air cargo has brought to airlines, particularly since the pandemic started.

"Cargo can save an airline," he said. "Today, it is becoming an increased focus; it's becoming a true line of business. And I believe this focus is here to stay."

He added that e-commerce has

potential to be lucrative for airlines because "it is from a known source, it is easy to load, you can track it, and you don't even need to take the seats out of a plane".

In addition, he said the yield of e-commerce shipments can be "two or three times higher" than traditional airfreight.

With a typical weight of 1 to 5 kg, e-commerce is, said Houri, "the perfect commodity" for bellyhold capacity and many shipments can also be transported on passenger seats, saving carriers the cost and time of removing the seats.

Strauss, now chief executive of freighter operator Amerijet, predicted that the next six months will "continue to be strong for freight" with passenger volumes "not returning as fast as we hoped".

Reflecting on previous aviation crises, he recalled that the sector took around three years to recover from SARS and seven years to bounce back from the global financial crisis. He expects that the industry's recovery from the Covid-19 crisis will be "somewhere in between".

Creating efficiencies

Beacon chief executive Fraser Robinson's vision of a simple and reliable forwarding service packaged up into a single digital platform has attracted high-profile investment. **Rachelle Harry** reports

In June this year, UK-based digital freight forwarder Beacon made logistics headlines when it secured \$15m in its Series A fundraising round, from investors including, and most notably, Jeff Bezos, the founder and chief executive of Amazon.

Beacon's other high-profile investors included Uber founders Travis Kalanick and Garrett Camp, former Google chief executive Eric Schmidt, and venture firms including Neo, Red Sea Ventures, Manta Ray, FJ Labs and 8VC.

Startup Beacon, which was established in 2018, says it aims to become a leader in logistics by making trade "simpler, more transparent and more reliable" for businesses.

In addition to being a digital company, what sets it apart from traditional freight forwarders is that it also provides supply chain finance — more on that later.

Beacon was founded by chief executive Fraser Robinson and chief operating officer Dmitri Izmailov, who are both former Uber executives.

Chief technology officer Pierre Martin, who formerly worked at Amazon, also sits on the management team.

Robinson tells *Air Cargo News* that Beacon was set up after he identified the need to "create efficiencies and introduce technology" in the logistics sector.

Potential in this area is huge, as both freight forwarding and supply chain finance are worth an estimated \$1tn and \$12tn a year, respectively.

Reflecting on the Beacon journey, Robinson says that while leading Europe, Middle East and Africa (EMEA) operations at Uber, he launched US-based trucking marketplace Uber Freight, which fed his curiosity about other opportunities that the logistics sector could bring.

"As I researched the topic and learnt more about logistics and how goods



'My partners want to work with us because we are successful at winning more customers who have demand for the services that our partners provide'

Fraser Robinson, Beacon

move around the world, it felt like there were lots of 'blank pages' of opportunities to improve existing systems," he says.

He spent time inside logistics companies to find out more about how they operate, but says that "there was no eureka moment" for the planning and launch of Beacon: "These things take a long time."

Streamlined forwarding

Beacon provides a full range of services for airfreight, ocean freight and road freight, and makes them accessible via its single digital platform.

Robinson uses an analogy: "It's a little bit like being an online travel agent: it makes sense to offer flights, hotel, car hire, travel insurance in one place, rather than the customer having to go to a bunch of different places to do all of those things.

"Traditionally all of those things have been provided by different companies, but we found a lot of businesses prefer to deal with one provider, especially when those different services are so relevant to each other — they're very synergistic."

The company's freight-forwarding platform enables global cargo deliveries to be viewed in real time, while also providing a marketplace view of international shipping costs.

It is powered by machine learning that optimises routes and processes for efficient shipment costs and speeds.

Beacon's partners include airlines, ocean carriers and trucking companies. The company works with them to obtain the best rates for its customer base, which are predominantly e-commerce businesses and retailers.

"My partners want to work with us because we are successful at winning more customers who have demand for the services that our partners provide," Robinson says.

He dubs Beacon as a 'tech-enabled service provider' because it uses purpose-built technology — its digital platform — to benefit from its own internal operations.

He believes that by reducing overall operating costs (or "cost-to-serve") through digitised processes, the business becomes more valuable, as well as more attractive to investors.

Robinson notes that a benefit of being a digital business rather than a traditional freight forwarder is that "toing and froing" can be avoided, processes can be streamlined and operating costs can be slashed.

The money saved can then be invested into customer service, which according to Beacon is crucial, as fewer than 30% of shippers are satisfied with the level of service that they receive from their forwarders.

"An operations manager at Beacon can do the work of three or four people in a more traditional freight forwarding business, as well as in a

fraction of the time,” Robinson says.

“That’s where we see a huge amount of the value being created and if we can get to a point where Beacon’s cost-to-serve, over time, is below 50% of revenue then that’s a very valuable proposition for us as a business.”

Supply chain finance

In addition to streamlining freight forwarding processes on its digital platform and providing its customers with the “best rates”, Beacon also serves a gap in the market with its supply chain finance offering.

In his research phase, Robinson spoke to hundreds of potential customers and identified a key challenge that they typically faced: cash flow.

“I originally interviewed them to try to understand if there was a logistics problem that needed to be solved,” he says.

“I was universally met with comments around the problems that the supply chain creates with cash flow.

“When you hear that complaint enough, even if it is in passing, then you start to ask yourself: ‘What’s going on there? I want to understand it.’

“The more time I spent understanding the pressure created by the supply chain and the service being provided to solve it by the banks, the closer I got to the belief that ‘wouldn’t it be an incredible solution to not only

organise the movement of the containers themselves, but to finance the goods in the containers as well?”

He points out that he didn’t invent supply chain finance — which he says is “hundreds of years old as a concept” — but he has taken what he calls a holistic approach in applying it to freight forwarding.

He elaborates with another example: “Let’s say that you’re an importer and your products are being manufactured in the Far East.

“Often the payment terms are such that you have to pay deposits — sometimes 50% upfront when you order the goods to be made and perhaps another 50% when the goods are loaded onto the transport itself.

“So, for example, you’ve spent \$100 to have your tables manufactured, but you might not sell them until four or five months later, so you’ve got a cash flow gap that’s been created by the supply chain.

“Very simply, supply chain finance is a solution where we provide the capital to an importer to pay their supplier those deposits upfront. They then pay us back at a time of their choosing, usually closer to the time of the sale of the goods.

“We bridge that gap and allow our customers to hang on to their \$100. Yes, they might pay a bit extra to us later, but they’ve kept the \$100 and they can use it to reinvest in their business.”

Disruptive power

Robinson remains humble about the potential disruptive power of this startup, with its team of just 50.

“What Beacon is not trying to do is to build technology for Maersk, for example, or Etihad.

“Those are companies that are far bigger than we are and it would be arrogant of me to assume that we can change how they work.”

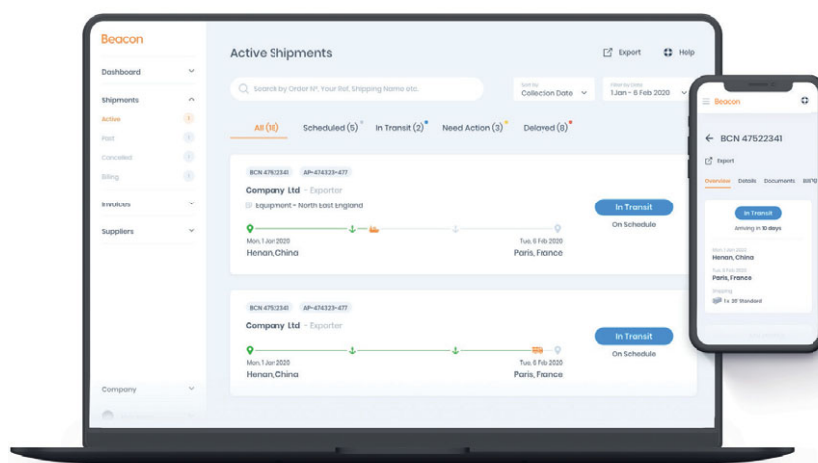
Yet he believes Beacon’s potential to be scaled up is what caught the attention — and financial backing — of established, tech-forward businesses, such as Amazon.

“Logistics has also come to the forefront in the past five years, particularly as the investment community has realised that businesses like Amazon and Alibaba are logistics companies at their heart.

“Amazon Prime same-day delivery is a fantastic customer-facing proposition, but it’s a logistical problem that Amazon had to solve to make it a reality.

“Logistics underpins so much of the movement of the world’s goods. E-commerce continues to rise as a channel for sales, and logistics ties very nicely into that.

“I think it is also an area that investors see as being one with lots of opportunity for improvement.



“Investors are always looking for that total addressable market. They ask, ‘how big can this be if it works?’”

In addition to Beacon’s growth potential, Robinson believes the quality and expertise of his team caught the eye of established investors too.

“We’ve been very fortunate to be able to bring some of the best operators — that I’ve certainly seen globally — into the business and investors have been impressed by that.”

Yet he is quick to point out that funding from well-known backers is no guarantee of prosperity.

“We try to remain balanced and not too starry-eyed about those things,” he says.

“In the end, it is money and it’s up to us to put that money to good use. There’s nothing Jeff Bezos can do to make Beacon a success; that’s up to us.”

Growing Beacon organically, says Robinson, will come with time and resilience.

“There’s no silver bullet; I think it’s just an acceptance of being less profitable at the outset.

“You have to budget to be okay with that and be prepared to pay the price for being sub-scale.

“Then you can try to get some scale as quickly as possible. Rates will start to come down, your gross profit margins start to go up and then you can start to see a path to a good economic story.”

With the evolution of Beacon mapped out, how does Robinson envision the logistics industry developing in years to come?

Firstly, and perhaps realistically, he acknowledges that transportation modes as we know them — planes, ships, trains and trucks — and their infrastructures will remain.

“Talk of 3D printing and so on, yes I completely get it, but we are years away from that,” he says.

Secondly, he hopes for the people organising the movement of goods, such as freight forwarders, to have a firmer grasp of the business of their customers.

“There’s nothing
Jeff Bezos can
do to make
Beacon a
success; that’s
up to us’
Fraser Robinson, Beacon

“That means having the insights into the supply chain itself and understanding which goods have been manufactured and when they’re going to be ready. That means really having a finger on that pulse.” Communication, therefore, is crucial.

Players in the supply chain should strive to prevent a domino effect across the entire network when, for example, communication breaks down.

He warns: “If a freight forwarder hasn’t been able to communicate with a manufacturer, who hasn’t been able to relay the message that the goods aren’t going to be ready for collection for another week, then this in turn means it’s possibly a different aircraft or ship that the goods need to be transported on, or consolidated differently, and so on.”

Ultimately, Robinson wishes for freight forwarders to have end-to-end visibility so that they can “predict customers’ needs before they do and have everything teed up and ready to go, even before they ask.”

One way to achieve this is by pushing questions to customers, rather than waiting for them to approach the forwarder. An example could be: “Will you accept the quote? Are you happy for us to proceed? Click yes or no.”

This in turn will enable importers and exporters to spend more time focusing on their day jobs, such as ordering furniture, rather than worrying about potential problems in the supply chain.



FACT FILE

- ◆ Beacon was founded in 2018 by chief executive Fraser Robinson and chief operating officer Dmitri Izmailov, who are both former Uber executives. The company has a team of 50 staff.
- ◆ Beacon is a start-up digital freight forwarder for air, sea and road, and it also offers supply chain finance solutions.
- ◆ Beacon recently secured \$15m in its Series A fundraising round, from investors including, and most notably, Jeff Bezos, the founder and chief executive of Amazon.

NEXT AIR CARGO NEWS INTERVIEW **JESSICA TYLER, AMERICAN AIRLINES CARGO**

The new normal is up in the air

The Covid-19 crisis profoundly changed airfreight between Asia and Europe and it is unrealistic to expect it to simply return to where things left off, writes **Chris Lewis**

Shortages of space and soaring rates led many shippers to reassess their supply chains and, for many, 'Made in China' will no longer be an automatic solution to the problem of procuring goods at affordable prices.

Following the trauma of personal protective equipment (PPE) shortages in Europe, many firms are rethinking their supply chains to make them less dependent on producers in distant Asian countries.

No one envies those in the industry who had to respond to the massive pressures of an unprecedented situation in which airlines virtually eliminated scheduled bellyhold capacity on passenger aircraft almost overnight. For many, the first concern was the wellbeing of the staff.

All change

Chief executive of DHL Global Forwarding Asia Pacific Kelvin Leung says that the company took all necessary precautions to ensure the health and safety of its employees.

Hactl chief executive Wilson Kwong says that the Hong Kong handler had to quickly operate in new ways, with temperature scanning, distancing, working from home and shift re-balancing. These precautions will be maintained until the threat of infection has subsided considerably.

Tracey Kwok, assistant general manager for South China at Tigers, warns that the medical emergency is not over yet. She says: "The big question is: will there be a second Covid-19 wave and, if there is, how will it affect us? There were four waves in the 1918-1919 Spanish flu, and although the world is far more sophisticated today, a similar situation is not inconceivable.

"What is certain is that recent events have changed the way we will likely operate in the future as companies focus on re-balancing supply chains and social distancing takes hold in all countries."



Lufthansa Cargo's Asia Pacific freighter service is almost back to its normal summer schedule

The effect on the Asia-Europe airfreight market can be likened to an earthquake and, like an earthquake, the aftershocks can have as great an effect as the initial event.

Leung says: "I wish I had a crystal ball but it is very difficult to predict

Tigers' Kwok says that airfreight rates from Asia to Europe soared during the coronavirus crisis, from mid-March until May — with a main peak period between April 15 and May 5 — after which demand dropped and rates eased.

air for the first leg to Singapore or Hong Kong, and then by ocean freight to final destination.

According to Kwong, overall cargo throughput in Hong Kong was down 10.7% for the period January-May 2020, the year-on-year decline in May narrowed to 7%.

At the same time, there has been an overall fall in imports, partially offset by an increase in export traffic.

Like his DHL colleague, Kwong says it is hard to get a handle on how the market is behaving: "So much of the traffic we handled from February to the present has been PPE and other medical supplies, and at times there was no spare capacity for general cargo, so that means it's hard to clearly assess underlying cargo trends.

"There are still strong headwinds to be faced, both from economic woes and from trade disputes, and there will certainly be more fluctuations and anomalies over the next few months."

'The big question is: will there be a second Covid-19 wave and, if there is, how will it affect us?'

Tracey Kwok, Tigers

what might happen in the future.

"Fluctuations in trade and market data from week to week is to be expected in this current climate, but I would say that the second half hinges a lot on the demand side of the global economy, that is the progress of the recovery in consumer markets in Europe and the US."

She recalls: "At one stage we had five countries in lockdown and airfreight volumes increasing into several regions."

DHL used many creative solutions to keep customers' freight moving including an air-sea operation to get shipments from Europe to Australia and New Zealand, sending them by



Finnair credits its local knowledge of Asian markets as a positive

It's also business as usual for Lufthansa's partnerships with ANA Cargo and Cathay Pacific Cargo.

Both carriers have been granted support by their respective governments, and Lufthansa expects to continue the co-operation without major effects from the Covid crisis.

Thinking differently

The crisis forced forwarders and shippers to seek alternatives — other airlines or other modes of transport.

Mikko Tainio, managing director of Finnair Cargo, says that the carrier has been carrying substantial traffic for new customers changing from other modes of transport or switching from other carriers unable to fly.

Tainio states: "We have been able to operate very flexibly, for example taking into account the extended customs processes, and by adjusting flight bookings so we can ensure all booked deliveries get on board.

"This has been seen as very valuable by our customer base. Having operated for many of the Asian countries for decades, we also know very well the official and authority requirements."

Just because there is a crisis, it doesn't mean that the old problems of global logistics go away.

The biggest issue Tigers faced during the crisis, Kwok continues, were the frequent policy changes introduced by the Chinese authorities that required the forwarder's staff to take quick action and communicate with the different parties, like

customers, brokers, carriers and ground handling agents.

"Congestion in the airports has required staff to solve unusual problems to ensure procedures are met and shipments are loaded, and really dependant on industry knowledge and relationships," she says.

One question that will be uppermost in the carriers' minds is whether any permanent damage has been done to the airfreight market, either because firms switch to sourcing from countries where they have less need to use air — Turkey, for example — or, at least use overland transport from China to Europe.

Global forwarder Agility, said in mid-June that its China-Europe freight train service had operated at a record level. The number of China-Europe freight trains originating in Xi'an reached 1,000 in 2020 by May 6.

While much of the trains' volume has come from sea freight — also hit by cancelled sailings — the three-week journey time achievable by rail could abstract a certain amount of airfreight business permanently.

Tigers is also running a rail service into Europe along with regular container shipping services for non-time-critical movements.

Other forwarders switched to the roads. DSV, which recently took over rival Panalpina, said that its truck service from eastern China to western Europe had gained in popularity during the pandemic and was a viable alternative to air and other modes.

Several countries en route have joined the TIR customs bonding scheme, which greatly speeds up road journey times. Covid-19 has also given yet a further boost to digitalisation, automation and e-commerce.

As well as working on myDHLi, an integrated online platform for freight forwarding customers which has just launched globally, DHL operated a flexible work location policy for its own staff, something that it had started before the Covid-19 crisis.

In fact, says Leung: "The experience we learned during the lockdown has proven to us that more types of jobs can enjoy a flexible work arrangement than we'd initially thought."

One immediate effect of the crisis has been to switch cargo out of passenger bellies into freighters on all trade lanes, including Asia-Europe.

Until passenger services are fully restored, carriers will look for all-cargo alternatives and while outsize aircraft such as An-124, IL-76 and the Dreamlifter will be too expensive in normal circumstances, Hactl's research suggests that a number of carriers will acquire freighters, or convert some of their redundant passenger aircraft. But Kwong warns: "This is not a quick fix: conversions take months, and order books are filling up."

Lufthansa Cargo vice president Asia-Pacific, Florian Pfaff, says that with the decline in PPE shipments and the restarting of passenger services, supply and demand have been converging again since June.

However, how the new normal shapes up "remains to be seen".

Lufthansa Cargo's Asia Pacific freighter service is nearly back to the standard summer schedule, with up to nine flights a week to Seoul, seven to Hong Kong and Tokyo, as well as to Beijing, Shanghai, Chengdu, Kansai, Bangkok and Ho Chi Minh City. Belly capacity remains subject to Lufthansa ramping up its passenger network and is thus also dependent on passenger demand in line with the changing entry restrictions.

"However, we are confident most Asian gateways will see our belly capacity return over the next weeks,"

says Pfaff. As for freighters, Lufthansa's plan is to fully move over to Boeing 777Fs in 2021, finally dispensing with the older MD-11Fs.

"A single fleet offers many economic and ecological advantages and we look forward to receiving two more new freighters of this type in the remainder of this year," says Pfaff.

The MD-11Fs were kept busy during the Covid crisis. Pfaff recalls: "We reacted very quickly to the lost belly capacity. Of course, we have used all available freighters fully and flexibly in order to cover the demand as much as possible.

"The fact that our 'preighters' (passenger aircraft used for cargo-only) were able to take off so quickly was an outstanding collaboration with our customers, airports, ground handlers and authorities."

'We are confident most Asian gateways will see our belly capacity return over the next weeks'

Florian Pfaff, Lufthansa Cargo



Miami International Airport



Driving Excellence in Pharma Transport

- Largest CEIV Pharma Airport Community in the Western Hemisphere
- Most on-airport refrigerated facilities for temperature controlled products in the hemisphere
- Greatest access to Latin American and Caribbean Region markets
- Founding member of PharmaAero. Learn more at www.Pharma.Aero

Pharma gateway of the Western Hemisphere



freighters world

www.aircargonews.net

September 2020



INTERVIEW PAGE 8

UNITED FRONT

A team effort at Air Canada



PAGE 2
NEWS:
VDG's first B777F



PAGE 3
AIRPORTS:
Liege tackles Covid-19

PAGE 4
CONVERSIONS:
B737s in fashion

PAGE 6
SPECIAL REPORT:
Automotive stays upbeat

ORDER UP

Lessor GECAS is to take up to 20 more Boeing 737-800 converted freighters, having firmed up orders for 11 of the cargo jets. GECAS's top-up agreement — its third, and one that includes nine additional options — takes its overall orders for the type to 60 with 14 options. Conversion of the 20 737-800BCF aircraft will take place over 2022-24, said the lessor.

CONVERSION HUB

Aeronautical Engineers, Inc. (AEI) has selected Taikoo (Xiamen) Aircraft Engineering Company Limited, also known as HAECO Xiamen, to act as one of its authorised AEI Conversion Centers. The company's first conversion, a B737-800SF, is scheduled to commence in January next year.

PLANE PURCHASE

AviaAM Leasing, part of the Avia Solutions Group (ASG), has purchased a Boeing 747-400F nose-loader freighter. The aircraft will be flown by ASG-owned Magma Aviation and accomplished its first commercial cargo flight on August 4. Tom Helyar, general manager at Magma Aviation, commented: "We are very excited to add this new B747-400F to our fleet, bringing the total number of aircraft to four."

END OF AN ERA

Boeing has confirmed that its B747 programme will come to a close, bringing to an end the popular freighter model. The airframer said that it would continue to manufacture the iconic aircraft until 2022.



Volga-Dnepr enters the B777 freighter market

The Volga-Dnepr Group has entered the B777 freighter market following the delivery of its first of the type.

The aircraft was ordered by Volga-Dnepr as part of a sale-leaseback deal with lessor Dubai Aerospace Enterprise (DAE) and adds to subsidiary AirBridgeCargo's fleet of B747 freighters.

"Volga-Dnepr is dedicated to the development and optimal composition of the fleet, and believes that the B777F will allow it to take the next step in providing a more sustainable and efficient service to its customers," the group said in a statement.

The Russian firm signaled its intent to enter into the B777F market at the 2018 Farnborough Air Show with a commitment for 29 of the aircraft.

It later firmed up its entry in the B777F sector with a lease deal for three of the aircraft from DAE Capital, with delivery of the first of the aircraft scheduled for this year.

"Volga-Dnepr is grateful to DAE for the support and the results of the efforts of the teams, which, in the conditions of an extremely difficult year for the entire world of aviation

(both airlines and leasing companies), allowed it to find solutions for the purchase and delivery of aircraft to its fleet," Volga-Dnepr said.

The status of the Volga-Dnepr's B777F order book was called into question earlier in the year when a dispute broke out between Volga-Dnepr UK and Boeing over the delivery of three B777Fs and a single B747-8F and whether or not the orders have been repudiated.

At the time, the Volga-Dnepr Group said that weak market conditions in 2019 resulted in it having to cut back its fleet, but added that it would continue in its efforts to "ensure opportunities for new aircraft delivery".

According to the Boeing website, Volga-Dnepr UK has a total of six B777Fs on order. This aircraft is presumably the first of those to be delivered.

The Group operates both charter and scheduled freighter flights using its fleet of An-124-100/150, Il-76TD-90VD, Boeing B747-8F, B747-400ERF, B737-800BCF and B737-400SF aircraft.

Revenues on the up at Atlas Air

Atlas Air Worldwide Holdings saw its operating revenues and income increase during the second quarter of the year as forwarders and shippers looked to secure freighter capacity through charter deals with the firm.

The lessor reported second quarter operating revenues of \$825.2m — up 24.3% on a year earlier — while operating income improved by more than 1000% to \$120.6m.

The company said it benefited from higher demand for its services because of the grounding of bellyhold operations. Atlas has re-activated three B747Fs that it had put into storage and has won new contracts with forwarders and shippers.

Net income was down by 9.2% to \$78.9m as the company recorded higher heavy maintenance expense, including additional engine overhauls and other maintenance performed to take advantage of slot availability and opportunities for vendor pricing discounts.

It also registered higher pilot costs related to a 10% increase in pay rates resulting from the recent interim agreement with pilots and premium pay for pilots operating in certain areas outside of the US significantly impacted by Covid-19.

Its ACMI revenues for the period decreased by 5% year on year as it re-allocated B747 aircraft to its charter business to take advantage of market demand. Its charter business saw revenues grow by 57.6% to \$497.5m. Its dry leasing business recorded a revenue decrease of 6% to \$40.9m as a B777F was sent over to charter.



Russian carrier S7 Airlines will enter the freighter market through a deal with lessor GECAS, which will provide two Boeing 737-800 converted freighters that will operate on short- and medium-haul routes.

S7's airfreight programme currently utilises belly capacity on passenger planes. GECAS said the freighters will be delivered in November 2020 and January 2021.

S7 Cargo chief executive Ilya Yaroslavtsev said: "The delivery of our first freighters is a significant milestone in S7 Airlines' cargo operations.

"The additional capacity will be used on routes with strong demand and limited capacity of baggage compartments of passenger aircraft. Thanks to the new freighters, we expect to increase total volume of carried payload and mail by 30%."

The B737-800BCF carries up to 23.9 tonnes and has a range of 3,750 km.

Editor:
Damian Brett
d.brett@aircargonews.net
Tel: +44 (0) 20 8722 8372
News Editor:
Rachelle Harry
r.harry@aircargonews.net
Tel: +44 (0) 20 8722 8373
Associate Editor:
Roger Hailey
r.hailey@aircargonews.net

Digital:
Jamie May
j.may@aircargonews.net
Tel: +44 (0) 20 8722 8375
Production:
Joanne Betts
production@aircargonews.net
Tel: +44 (0) 20 8652 5205
Publisher:
Mark Pilling
mark.pilling@flightglobal.com

Commercial Director:
Gavin Murray
g.murray@aircargonews.net
Tel: +44 (0) 20 8722 8381
Events Manager:
Steve Cox
events@aircargonews.net
Tel: +44 (0) 20 8912 2144

Freighters World, ISSN Number 2040-5944, is published quarterly by DVV Media International Ltd, 1st Floor, Chancery House, St Nicholas Way, Sutton Surrey SM1 1JB, United Kingdom. Airfreight and mailing in the USA by agent named Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA. Periodicals postage paid at Jamaica, NY 11431. US Postmaster: Send address changes to Air Cargo News, Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA

Subscriptions Enquiries:
aircargonews@subscriptionhelp.pline.co.uk
Tel: +44 (0) 1293 312093

Subscription records are maintained at Air Cargo News subscriptions c/o Intermedia Brand Marketing Ltd, Unit 6 The Enterprise Centre, Kelvin Lane, Manor Royal, Crawley, West Sussex RH10 9PE, United Kingdom.

Worldnet is acting as our mailing agent.

Material from this publication may not be copied or reproduced in any way without prior written authorisation from the publishers.

© 2020

Website: www.aircargonews.net

COPING WITH THE UNEXPECTED

Liege Airport lifts the lid on how it is navigating the pandemic. Roger Hailey reports

Covid-19 was the ultimate disrupter for the air cargo industry, grounding 50% of the world's airfreight capacity as passenger airline bellyholds were grounded and airports became empty shells.

No airport had a Plan B to cope with a pandemic, but Liege airport had a freighter-focused business model and experience of providing aid flights for another killer virus.

Liege operates a handful of passenger flights and is instead a freighter hub located in the logistics cluster of Europe. The airport played a key transportation role for humanitarian cargo when the Ebola virus struck Africa in 2014.

It has also won a similar hub role for the World Food Programme response related to Covid-19.

In recognition of this role and the airport's contribution to the fight against Covid-19, the king of Belgium paid a visit recently.

Steven Verhasselt, commercial vice president at Liege Airport, explains the hub's response to the surge in demand which saw a 30% rise in tonnages on Europe-China routes during February and March, which then reversed, with a 30% increase from China to Europe in the second quarter.

Says Verhasselt: "Process-wise, we had a playbook that we put together during the Ebola crisis in Africa which went ahead with more than 100 charters. We put in special processes for crew safety and for aircraft handling, making sure that when the aircraft came back to Liege they were not spreading contamination.

"So, we used the Ebola playbook during the Covid-19 crisis for eastbound flights bringing medical devices and masks from Europe to China in February and March."

For the first six months of this year, Liege saw an 11% rise in volumes compared with like period 2019, itself a record year.

"We were really well prepared on the one hand and coping with it well on the other hand, but then we entered March and the Coronavirus started spreading in Europe, which saw the charter demand go into reverse with flights from China into Europe."



Liege Airport has seen demand increase since the start of the Covid-19 crisis

Liege was faced with another problem: Belgium then had a large number of people infected with Covid-19, so the safety and hygiene issue was not just about returning flight crew but also about the local population and the airport's own workforce.

"We had to be very, very careful about contamination, so we asked everybody who felt sick one way or another to stay at home, to make sure they were not spreading the virus. That brought constraints, especially in ground handling, where up to 25% of the workforce were absentees."

QUICK THINKING

The airport launched a campaign for Liege's cargo community, making sure that front line staff had the necessary personal protective equipment to do their job safely.

"We started bringing in a lot of temporary staff, including handlers from other airports which are more passenger-centric and so had plenty of staff in temporary unemployment," Verhasselt says.

To help with processing the demand, Liege worked with ground handler WFS, installing a 'pop-up facility' that took residence for six weeks in a building earmarked for Russian freighter carrier AirBridgeCargo whose staff had been delayed by Covid-19 restrictions in Germany.

"We created an extra space for one or two widebodied aircraft per day, which can be handled both in and out at the airport."

In terms of outlook, Verhasselt says: "I believe that the recovery in belly cargo will take time, especially on the long-haul routes, so the freighters will be kept busy for the rest of this year."

Verhasselt believes that the production of face masks will remain concentrated in Asia, but because PPE stocks are now located closer to

where the final demand is, then the normal rules of supply chain logistics will apply.

"Airfreight will not especially benefit from this, and that is simply because face masks are a commodity that is not high-value, takes a lot of space, is not heavy and has a shelf life of two to three years.

"It had to go on freighters because there were no face masks in the places they need to be. It is the same with gloves, they should be on a ship or a train, and a train journey can from Asia to Europe takes about 20 days, which is fine."

Liege is also preparing for a possible vaccine airlift, hopefully in the first quarter of 2021: "I don't know if these vaccines will need a cold room, but we have an IATA CEIV recognised supply chain with airlines and handlers."

Liege is also ready for a post-Covid surge in e-commerce if high street shops remain closed. A purpose-built facility for Alibaba and its logistics arm Cainiao will be operational from mid-2021.

Underpinning Liege's investment is the requirement for more efficient airfreight operations, and that means digitisation, an issue where the airfreight industry is often criticised for lagging behind.

Says Verhasselt: "Digitisation is part of airport infrastructure as much as the runways and the warehouses. The cloud solution is also part of the infrastructure and should allow all the players on board to look into it and to work with it.

"For Liege, it is not so much of a turning point but more a proof of concept, meaning that we have already been investing in this and made the decision that it is going to be part of our airport system.

"Air cargo digitisation is maybe like a 3,000 m steeplechase and not a 400 m dash. Digitisation does not happen overnight." ♦

GROWING MARKET

B737 aircraft continue to prove their worth as feedstock for freighter conversions, writes Roger Hailey

While the world's fleet of Boeing 737-Max aircraft are still grounded, the narrow-body type's older versions are still proving attractive for freighter conversions.

One of the more eye-catching announcements was from the Aircraft Finance Germany (AFG) trading house, which signed up for a pair of B737-800 Boeing converted freighters (BCF).

It was the company's first request for a passenger-to-freighter (P2F) conversion with Boeing.

Even during a global pandemic, AFG still sees an opportunity to invest in a conversion market

that is enjoying a bounce, not just for the B737 series but for all aircraft types.

"We are always looking for the best way to invest and deploy aircraft that support our customers," said Peter Koster, AFG's head of freighter trading, adding: "The B737-800BCF gives us the opportunity to serve a growing market with a workhorse that can reliably and efficiently fit into most operators' fleets."

Earlier versions of the B737 are also in demand, with the Federal Aviation Administration (FAA) granting programme approval for PEMCO's versatile B737-700 Passenger-to-Flex-Combi conversion.

The Supplemental Type Certification (STC) from the FAA is for two different maindeck freight and passenger configurations and a full-freighter option provided by PEMCO, which is a subsidiary of US freighter lessor, Air Transport Services Group.

PEMCO's launch customer for the B737-700 programme is Bahrain-based Chisholm Enterprises, whose Texel Air cargo airline subsidiary will operate the aircraft from its Middle East base.

Now cleared for take-off with FAA programme approval, PEMCO has confirmed that it will seek similar STCs from the European and Chinese aviation regulators.

Mike Andrews, director of conversion programmes at PEMCO, said: "We are pleased with the performance of our Tampa cargo conversion team and continue to develop innovative prod-

Volga 30 YEARS Dnepr

30 years of experience in the air cargo industry.

Volga Dnepr **AIRBRIDGECARGO** **ATRAN**

www.volga-dnepr.com



DHL Express has signed a five-year B737 deal with Mesa Air Group

ucts to meet increased customer demand for 737 conversions.”

The PEMCO aircraft combi versions will have space for either 24 seats and 14 tonnes in six pallet positions or 12 passengers and 16 tonnes in seven pallet positions. The full-freighter conversions will carry 20 tonnes with nine pallets.

And if that were not enough, the B737-400 is still winning conversion orders.

Aeronautical Engineers, Inc is providing Bulgaria-based CargoAir with a B737-400SF conversion.

The 23-year-old aircraft (MSN 28882) is scheduled to commence modification in mid-September this year.

Another interesting deal was the announcement that DHL Express has signed a five-year deal with Arizona-based Mesa Air Group for two B737-400 freighters.

Mesa will operate the aircraft from DHL Express’ hub at Cincinnati airport, leasing them from the parcel delivery giant, with the first scheduled to be in service this October.

While not conversions, the deal indicates the appetite for what is still seen as a popular aircraft type that first came off the Boeing production line in the late 1980s.

Another example, in May this year, AEI signed a deal to provide Colombian-based Aer-Caribe with a 30-year-old B737-400SF freighter conversion.

In its July aircraft market update, analyst IBA stated: “The B737-400 value performance has flattened across vintages, with younger aircraft losing some of their recent premium.

“The type remains a candidate for freighter conversion, but as feedstock becomes more limited in number, the market is looking increas-

ingly to younger generation aircraft which are becoming available at lower cost.”

In the widebody conversion market, DHL has demonstrated its considerable appetite for the e-commerce workhorse B767 freighter with a double package of firm orders for seven aircraft in total.

Israel Aerospace Industries (IAI) will convert three B767-300 passenger aircraft to freighters for DHL International, with the potential for a fourth aircraft.

IAI general manager of aviation group Yossi Melamed said: “The constant increase in the e-commerce market and the effects of the Covid-19 pandemic have emphasised the importance of cargo aircraft. We thank DHL International for their acknowledgment of IAI’s performance and again trusting us to convert additional aircraft for their cargo aircraft fleet.”

Meanwhile, DHL Express will add four B767-300 BCFs as part of its efforts to continue modernising its expanding fleet.

“With a burgeoning e-commerce sector and the continued lack of belly space in passenger aircraft, there could not be a more opportune time to add these freighters to the DHL Express air network,” said Sean Wall, executive vice president, network operations and aviation, DHL Express Asia Pacific.

The B767-300BCF has virtually the same cargo capability as the B767-300F production freighter. Boeing has received 51 orders and commitments for the B767-300BCF to date. ♦

Cargo Conversion Value beyond service

Leading lessor
worldwide for the A321F

Acquisition, conversion
and customisation

A321, B737 Classic & NG,
ATR 72-200/500 – freighters
for lease or sale

Vallair’s launch customer Qantas will be the first airline in the world to operate the A321 as a freighter aircraft. It will be operated by Qantas Freight on behalf of its customer – Australia Post. The A321P2F will add 60 per cent more capacity – or an additional nine tonnes – compared to the existing narrow body freighter fleet.

Luxembourg | Châteauroux | Montpellier
www.vallair.aero



KEEPING THE WHEELS MOVING

The automotive sector is very slowly coming back to life following the Covid-19 outbreak, writes **Mike Bryant**, and the air cargo industry is ready for its return

While the airfreight industry is not usually front and centre for the global automotive industry when it comes to transporting finished product, it plays an absolutely vital ongoing role in supporting the sector.

That role has been maintained in large part during the Covid-19 pandemic, though production levels have of course fallen away as factories cut back on manufacturing in the teeth of the crisis.

Given the importance of Germany to the European and global automotive industry, Lufthansa Cargo unsurprisingly handles large volumes of automotive-related freight.

But volumes can go down as well as up, even in the good times — let alone during the current pandemic — observes Franziska Stache, its global industry manager automotive.

“Our automotive business is naturally linked to developments and challenges in the automotive industry,” she says. “This makes it as volatile as our cargo business in general.”

Its automotive cargo consists of everything from shock absorbers and car engines, to finished vehicles for industry fairs, market launch events or testing and trials purposes.

On top of that, car parts and finished cars are occasionally required to be transported at the last minute, meaning the airline has to be ready to respond quickly to ensure timely delivery through non-scheduled movements.

Lufthansa Cargo carries car parts and production material mostly in the bellyholds of its large fleet of passenger aircraft, but also within the more expansive maindeck capacity of its

Frankfurt Airport-based Boeing 777 and MD-11 freighter fleet.

Finished vehicles are transported in freighter maindecks, typically on scheduled services, although the carrier has also on occasion operated full car charters to various locations around the world for more urgent deliveries.

Most of its regular automotive-related cargo flies out of gateways such as Stuttgart, Hanover, Munich and its primary hub at Frankfurt.

It flies cars and automotive parts to locations right around the globe, Stache informs, including but by no means limited to airports across the US, the UK, Sweden, eastern Europe, India, China and Japan — even north and south Africa, she adds.

CARRIER REPRESENTATION

Another vital link in the airfreight automotive supply chain is made up of the general sales and services agents (GSSAs) that market and sell the cargo capacity of their carrier client.

Andreas Möbius, regional director Germany, Austria & Eastern Europe at ATC Aviation Services — a Frankfurt Airport-headquartered GSSA — is amongst those who are no strangers to supporting the region’s automotive business.

“The automotive sector in general is the number one industry sector in Germany,” he says.

“When it comes to overseas trade moving by airfreight, the automotive business is definitely one of its main pillars.”

And, for ATC, the sector is amongst its own four most important commodity types in terms of overall airfreight export business out of Germany.

ATC has a long list of airline customers, and

it markets those carriers’ various maindeck and bellyhold capacities.

Pretty much all the airlines within its portfolio are moving automotive freight, with each of their own individual automotive-related volumes depending on the destinations served within each airline’s network and the size of the aircraft operating on those routes.

Those carriers’ automotive cargo incorporates a wide range of different products, from car spare parts and parts for car factories (ie, machinery) right up to fully manufactured cars.

As for Lufthansa Cargo, bigger projects are also shipped on dedicated charter services, Möbius points out, including test vehicles and new car models being introduced into different country markets, as well as racing cars for motor sport events.

And as with Lufthansa Cargo, some of this automotive cargo moves on a regular scheduled basis, but some of it is ‘one-off’ loads.

THE PANDEMIC’S IMPACT

Of course, the Covid-19 pandemic has had as serious an effect on the automotive business as it has had on so many other industries, and consequently on those aspects of the airfreight industry supporting it.

At Lufthansa Cargo: “Automotive was one of the sectors seeing a temporary ‘shut down’ at the same time as our freighter fleet was [fully occupied] in transporting mainly pharmaceutical equipment [that was] needed during those times,” says Stache.

Conversations with customers continued during the crisis, as the carrier sought to keep open lines of communication and help its customers wherever it could, mainly relating to status checks and predictions of when any given facility might restart manufacturing and where any resulting automotive cargo might need to be flown too.

In Germany: “Production has slowly started again, but with limitations,” Stache told *Freighters World* in July.

“It remains to be seen how the demand for airfreight will develop in this sector. But what-



With the beginning of May and continuing into June, demand dropped drastically as so many German factories were closed due to Covid-19 health protection requirements

Andreas Möbius, ATC



Lufthansa Cargo handles large volumes of automotive shipments through its German hubs

ever might happen, we will be prepared.

“And with our two new B777 freighters arriving this year, we will have more flexibility to load even bigger vehicles.”

Other cargo carriers — perhaps especially the majority that don’t operate full freighters — have also seen their automotive business impacted this year.

In the US, for example, United Cargo confirms that it is not currently focusing on full-automotive transport due to the changing Covid-19 environment.

However, it adds, it continues to support this particular supply chain by transporting automotive parts through its specialty product suite.

For ATC, the pandemic has brought both challenges and opportunities in regard to its extensive automotive business.

On the one hand, available capacity fell drastically, especially in terms of belly space on passenger aircraft, large numbers of which were grounded by airlines as demand for passenger services collapsed.

Meanwhile, “Almost all freighter aircraft were occupied flying mainly to China to pick up PPE [personal protective equipment] and medical product shipments in order to support different countries’ fight against Covid-19, a big part of these shipments flying into Europe,” thus also affecting available full-cargo space availability.

But this had some positive effects, too. Prices and yields rose quickly due to capacity shortages, Möbius observes.

“With the beginning of May and continu-

ing into June, demand dropped drastically as so many German factories were closed due to Covid-19 health protection requirements.

“As a result, many car producers went on short-time working and many factories were partially or completely closed.”

Moving into July there was a small recovery, he observes, as some car producers re-opened their factories, but Möbius is of the opinion that significant volume increases in automotive air-freight traffic can be expected only after Europe’s summer holiday season ends.

Moreover, on the other side of the supply/demand coin, airfreight volumes are also being affected by specific import restrictions due to Covid-19 in individual destination countries abroad, he adds.

But, supporting the cause for longer term positivity in relation to the airfreight industry’s contribution to the automotive industry, the air cargo sector’s role had been growing in importance consistently year on year pre-pandemic, Möbius insists.

He has seen a big change in the industry over recent years, as electric and hybrid cars have grown in popularity, compared with their traditional combustion engine-powered peers that burn fossil fuels, and that change in itself has driven new airfreight automotive-related volumes.

This is undoubtedly a trend that we will see continue into the future in what will hopefully be a world without significant Covid-19 pressures. ♦

JUST-IN-TIME SOLUTIONS

Another group of players offers an important service in support of the automotive supply chain: the cargo charter brokers.

They typically become involved when something has gone wrong, when there is a problem in the supply chain and one that needs a just-in-time (JIT) solution.

Air Charter Service (ACS) is a globally active broker, with offices on six continents.

Cargo charters represent an important part of its business and, says group cargo director Dan Morgan-Evans, the automotive sector represents an important part of its overall cargo charter business.

That importance can be seen in the high percentage of ACS’s cargo charter flight volumes that involve automotive consignments, which can be anything from small parts to finished vehicle logistics.

ACS is usually called in when there has been an issue in the supply chain and a supplier is more than keen not to have a very expensive production line stand idle or for its product not to be distributed along the chain.

Reasons can be as varied as adverse weather affecting non-aviation transport links, port strikes or some sort of breakdown at a factory on the production line.

Other reasons might encompass the need for a recall or when there is an unexpected rush in demand on a certain vehicle model. But the common factor is the need for a JIT solution to a problem.

While the Covid-19 pandemic has certainly seen a dramatic decline in vehicle sales and vehicle production, the long-term trend in automotive business for ACS has undoubtedly been on the rise.

The charter broker is particularly strong in the automotive business in North America, and that prominence in the North American market has been helped in no small part by the number of US offices that ACS has opened in recent years.

Morgan-Evans also points to the qualities of ACS that have allowed it to increase market share not only in the automotive space but also in many other types of cargo charter: in particular, the attention to detail and the quality of service that it is determined to always provide.

This is ensured through rigorous training of its cargo teams, constant communications with clients and the individual personal relationships that each ACS charter broker is expected to develop with his/her clients. For ACS: “Service is everything,” says Morgan-Evans.

ECONOMY SEATS ONLY

Air Canada reacted quickly to the Covid-19 outbreak, writes Roger Hailey

Even the most pessimistic ‘worst case scenario’ planner could not imagine a grounding of the world’s passenger aircraft fleet, resulting in the disappearance of half the globe’s airfreight capacity.

That was the situation facing passenger airlines reliant solely on bellyhold space for freight.

Air Canada Cargo was one of those to analyse the problem and take the decision to use wide-body aircraft for cargo-only services.

Vito Cerone, managing director, sales and commercial strategy at Air Canada Cargo, takes up the story: “When the passenger side started cancelling their flights because of Covid-19, in cargo we started having internal discussions about how are we going to handle this.

“At one point the discussion focused on: why don’t we move cargo on the seats? Our vice president Tim Strauss [now with Amerijet] approached Richard Steer, senior vice president of operations, who came up with the creative idea to use the Boeing 777-300ER aircraft that were going in for maintenance checks.”



I find that in times of crisis we human beings come together and seem to find solutions for whatever reason

Vito Cerone, Air Canada Cargo

As part of the maintenance process, Steer said that seats on the B777s were going to be removed anyway, and so why not use the extra cabin space.

On hearing that, the Air Canada Cargo team got everyone together, from maintenance, crew scheduling and aviation regulator Transport Canada, and explained the massive demand for Chinese-manufactured personal protective equipment (PPE).

Says Cerone: “The B777 is the perfect aircraft for Asia because of the distance and payload. At the beginning of this crisis, China was the leading exporter of PPE, so we did a quick evaluation and said ‘yes, let’s go for it’.

“The different teams worked collaboratively and were hands on, and that included significant help from the civil aviation authority in China. We were able to expedite approval for the B777s in roughly two to three weeks.”

MODIFICATIONS

Cabin integration specialist Avianor developed a specific engineering solution to remove 422 passenger seats from the B777s and designated cargo loading zones for light weight boxes containing medical equipment and restrained with cargo nets.

In terms of cargo, the cabin deck volumes out before it weighs out.

This modification was developed, produced and implemented within six days.

Only the economy class seats were removed from the aircraft because it did not make financial sense to take out the much heavier business class seats with their complicated inflight entertainment systems. It also meant extra cost and would have added time, a precious commodity.

A B777 flying cargo-only to Asia from Canada without passengers, their baggage and stripped of the seats, can carry up to 70 tonnes of freight

in total — around 60 tonnes in the belly and 10 tonnes in the cabin — an increase of 20 tonnes overall.

Cerone also pays tribute to the ground handlers worldwide who were “agile and creative” in meeting an overnight challenge, loading loose cargo on the passenger cabin of an aircraft, at a time when most had lost their core business.

“The people in Montréal became very creative — and remember that we are in very uncertain times when things are moving quickly. You don’t have the luxury of spending money for equipment. We are talking about loose loaded cargo, not pallets or containers.

“We got our training department and process engineers involved, and we worked very closely with the ground handlers. We did not just throw the problem at them and say: okay how are you going to do it?”

There were some initial fears that the tight turnaround window at certain airports would not leave enough time for loading and unloading the cabin cargo, but the ground handlers met the challenge.

“Globally, the ground handlers have done a fabulous job, learning from all the carriers — not just us — putting in processes that were unique because every airport has different ways of doing things.”

Quarantine rules in some Asian countries meant that pilots leaving the aircraft would have to spend 14 days in isolation in an airport hotel.

To avoid this, double crewing took place. One crew would fly from Canada to Tokyo, whence a second crew would fly into Shanghai and back, for example, staying on board for up to six hours.

This added to the cost. But again, the crew proved flexible says Cerone.

He adds: “I find that in times of crisis we human beings come together and seem to find solutions for whatever reason: whether converting passenger aircraft cabins for cargo or ground handlers adapting their processes to load loose cargo in those aircraft.”

The next passenger aircraft type to have its cabin reconfigured into a passenger-cum-freighter or ‘preighter’ was Air Canada’s Airbus A330-300, intended for use on routes to Europe and South America.



Seats are removed to allow extra cargo to be loaded in the cabin

Says Cerone: “We did an analysis of the Airbus A330 and because of the distance and the weight, it was the best plane between Europe and North America and then into South America.”

There was a similar situation as for the B777, with some A330s due for maintenance. Once again, the A330 economy seats were removed in collaboration with Avianor and there was an expedited regulatory approval from Transport Canada.

The reconfigured A330 cargo-only aircraft can carry 44 tonnes in the belly and another 20 tonnes in the passenger cabin.

COMBIS

Some people were calling these aircraft ‘combi’ a throwback to those jets that could carry cargo on separate maindeck compartments behind the passenger’s cabin — an aircraft type now out of favour but once used on routes where passenger and freight volumes were adjusted, to even out seasonal peaks and troughs.

Cerone and several of his colleagues thought the use of combi was misleading, so the reconfigured aircraft were called Charlies by the Air Canada Cargo team for internal purposes, but the name was soon taken up by customers.

Air Canada Cargo is now flying four reconfigured B777s and three A330s on cargo-only services.

By mid-July it had operated 700 flights with these reconfigured aircraft and more than 2,000 cargo-only flights overall.

At one point in May, the airline was operating in excess of 30 flights a week into Asia to destinations in China, Hong Kong, South Korea and Japan, predominantly with the B777s.

Says Cerone: “We knew that the demand out of Asia was not going to continue and so we looked at other opportunities. For example, with the A330s we have been operating into Chile, into Bogota (Colombia) and then we started into Quito (Ecuador) and Sao Paulo (Brazil).”

“In Europe we have operated to Frankfurt and London with freighters, in addition to our passenger flights, and now we have started with Istanbul. We always try to identify where there are opportunities and that is why we are keeping the cargo-only flights going.”

The reconfigured B777s and A330s are likely to remain busy, says Cerone, although there may be a slight decrease in August due to holiday flights as some people decide to go on vacation.

“I see these aircraft continuing at least to the end of the year when there is going to be strong cargo demand, first of all to maintain the flow of goods and because a lot of the freighter airlines, especially those guys flying into China, have operated a significant number of flight hours. They will have to put the aircraft in for maintenance checks in the third quarter.

“There will be a continuous demand for freight capacity and then there is the e-commerce part of the business, where demand is exploding.”

The consensus among major airline chief executives is that passenger flight schedules will not return to 2019 levels until 2022 at the earliest and that domestic networks will improve faster than long-haul international services.

That means airfreight demand will outpace capacity. What does that mean for the hybrid freighters?

Says Cerone: “In my view, they are definitely going to operate into 2021, because there is great uncertainty out there.

“Some customers will want to know that they can secure airfreight space for next year. You will definitely see the freighters flying in 2021, until at least the first or second quarter.”

PPE CRISIS

The PPE crisis has eased, allowing a greater mix of products onboard, but the surge in PPE demand may return if populations worldwide are forced by law to wear face coverings when shopping or going to restaurants.

For the moment, some stability has returned.

Says Cerone: “We were running about 20 [cargo-only] flights per week to Shanghai Pudong, but now we are running five or seven flights a week, so you see a significant drop in frequencies, but also a change in product mix such as automotive, vegetables, perishables such as flowers, e-commerce and also a significant uplift in pharmaceuticals.”

With some staff working from home and a wider range of Air Canada teams to communicate with, it was hard to keep track of changes.



Handlers have adapted processes for ‘freighter’ flights

In response to this, the cargo division created an app within five days that, for example, allows sales teams to see, in a fast-changing business environment, what flights to which destinations are available with space for airfreight bookings.

Cerone, who spent 10 years in passenger before switching to cargo 20 years ago, has a sense of pride about what the Air Canada teams across the airline have achieved during the pandemic: “We created a small business within a larger business, kept in touch with our customers, and worked collaboratively with the maintenance and crew-scheduling teams, and with Transport Canada.

“I am so proud of the air cargo industry, it is phenomenal what we have done.

“I always felt that the cargo industry was not recognised for the work it did. I think now that airfreight is finally being recognised.”

He adds: “From an air cargo industry perspective this crisis has brought to light that you will always need a global supply chain. In ocean freight, pre-Covid-19, the routings changed and there were significant backlogs.

“But from an airline perspective, an aircraft is a piece of equipment that can move in a faster and more agile way than ocean freight. Now, especially within the airlines themselves, I think it is recognised that there are future opportunities for air cargo.” ♦

Battling against trade turbulence

Last year saw global air cargo volumes fall as a series of trade wars raged, but many of the top cargo carriers still managed to weather the storm, writes **Damian Brett**

Last year won't go down in the history of air cargo as one of its greatest, but nothing could have prepared the industry for what was set to follow in 2020.

Looking at the performance of the sector's top 25 cargo carriers provides a good overview of how the industry performed in 2019, with IATA World Air Transport Statistics (WATS) data showing that the leading airlines saw cargo traffic decline by 1% year on year to 168.9bn scheduled cargo tonne kms (CTK), while volumes were down 2.1% year on year to 38.5m tonnes.

The decline has been blamed largely on a series of trade wars, in particular between China and the US.

The year also followed on from a strong performance in 2017 and 2018 as a result of an inventory re-stocking cycle.

The top 25 airlines did, however, outperform the overall market, which IATA estimates slid by 3.3% in 2019.

"This was the first year of declining freight volumes since 2012, and the weakest performance since the global financial crisis in 2009," IATA said in its annual market wrap-up.

"Air cargo's performance in 2019 was dampened by weak growth in global trade of just 0.9%. The sector's underperformance was also due in particular to slowing GDP growth in manufacturing-intensive economies.

"Softer business and consumer confidence, along with falling export

orders, also contributed to airfreight struggles."

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

Individual performance

Looking at individual airline figures, FedEx once again topped the list despite cargo traffic being flat on a year earlier at 17.5bn CTK.

In a quarterly results filing, the company said it had been affected by "continuing trade disputes, including reductions in international airfreight, and tepid, at best, business-to-business domestic parcel and freight shipping".

The express giant also took the decision in 2019 not to renew its US domestic contract with Amazon in order to focus on serving the broader e-commerce market.

The move came after the online

'Trade tensions are at the root of the worst year for air cargo since the end of the global financial crisis in 2009'

Alexandre de Juniac, IATA



Performance



Qatar Airways became the largest international air cargo carrier, with traffic rising by 2.6% year on year

retail giant launched its own airfreight network four years earlier through deals with Atlas Air and ATSG, with Sun Country Airlines also now providing capacity.

Later in 2019 FedEx announced plans to cut its freighter capacity in response to a weaker market.

At the time, FedEx chairman Fred Smith said that global macroeconomic conditions were taking their toll on performance.

He explained that the China-US tariff war was not only affecting the US, but Europe was also coming under pressure because a slowdown in China was having an impact on German exports to the Asian powerhouse.

However, it has also been busy upgrading its fleet with more modern and fuel efficient aircraft.

FedEx began modernising its fleet in 2007. Since then, 210 new aircraft have been introduced into the FedEx fleet, which at the end of last year comprised of 679 planes.

Last year the company ordered an additional 12 Boeing 777 freighters and 12 Boeing 767 freighters.

The FedEx Express target is to reduce aircraft emissions intensity by 30% from a 2005 baseline by 2020.

Another noteworthy performance was Qatar Airways, which became the largest international air cargo carrier (excluding domestic volumes) and moved into second place overall

as it saw its traffic increase by 2.6% year on year to 13bn CTK.

The Doha-hubbed airline was one of only five to record an increase in cargo traffic last year. The improvement comes as Qatar has been rapidly expanding its freighter fleet over the last few years.

The carrier's freighter fleet grew during the 2018-19 fiscal year with the addition of three new Boeing 777 freighters.

Its overall cargo capacity during the fiscal period increased by 11.8% when passenger fleet expansion is taken into consideration.

Since then, it has welcomed a further five B777Fs, boosting its all-cargo line-up to 28 aircraft,

including two B747-8Fs, 21 B777Fs and five A330Fs.

The growth comes despite the ongoing airspace blockade on Qatar put in place by neighbouring countries, which started on June 5, 2017.

Another grower was third-placed express operator UPS, which saw its air cargo traffic last year increase by 3.1% to 12.8bn CTK.

"Our network improvements from transformation enabled UPS to embrace a surge in demand for air products while at the same time generate productivity improvements and positive operating leverage," said David Abney, UPS chairman and chief executive. →



Although its cargo traffic remained flat, FedEx once again took the top spot with 17.5bn CTK

TOP 25 CARGO CARRIERS 2019 – SCHEDULED FTK (M)						
Rank	+/-	Airline	2019	Y-o-Y %	2018	Y-o-Y %
1	0	Federal Express	17,503	0.0	17,499	3.8
2	+1	Qatar Airways	13,024	2.6	12,695	15.4
3	+1	United Parcel Service	12,842	3.1	12,459	4.3
4	-2	Emirates	12,052	-5.2	12,713	0.0
5	0	Cathay Pacific Airways	10,930	-3.1	11,284	5.2
6	0	Korean Air	7,412	-5.5	7,839	-2.2
7	0	Lufthansa (1)	7,226	-2.3	7,394	1.0
8	0	Cargolux	7,180	-1.9	7,322	0.1
9	+3	Turkish Airlines (1)	7,029	19.3	5,890	24.6
10	0	China Southern Airlines	6,825	3.5	6,597	6.9
11	-2	Air China	6,767	-4.0	7,051	5.2
12	-1	Singapore Airlines	6,146	-5.3	6,491	-1.5
13	0	China Airlines	5,334	-8.1	5,804	1.1
14	0	AirBridgeCargo Airlines	5,168	-6.2	5,511	-0.6
15	+2	United Airlines	4,852	8.9	4,455	4.8
16	0	Atlas Air (1)	4,522	-0.7	4,553	0.8
17	-2	All Nippon Airways (1)	4,389	-4.3	4,587	-4.6
18	0	British Airways (1)	4,206	-1.6	4,276	-2.0
19	+1	Polar Air Cargo (1)	3,809	-5.7	4,038	-7.8
20	+2	Air France (1)	3,775	-6.5	4,038	-7.8
21	0	American Airlines	3,629	-4.9	3,817	4.6
22	+1	KLM (1)	3,609	0.1	3,604	0.0
23	New	Kalitta Air (1) (2)	3,593	N/A	N/A	N/A
24	New	AeroLogic (2)	3,581	N/A	N/A	N/A
25	-6	Asiana Airlines	3,567	12.3	4,067	1.5
Annual Top 25 total			168,971	-1.0	170,67	2.5

Source: IATA 2020 World Air Transport Statistics

Notes: (1) Includes figures from certain partner airlines (2) IATA estimate



Emirates slipped to fourth place in 2019 after its cargo business felt the brunt of a difficult trading environment

→ UPS said that its domestic business had benefited from several transformation initiatives, including new aircraft added to its fleet.

Growth was driven by the structural shift to faster delivery in retail and e-commerce, and from competitive wins, the company said.

UPS experienced growth from a number of large and small/medium business customers, with the increases led by UPS' largest customer, Amazon.

The increase also saw UPS leapfrog

Emirates, which slipped off the podium to fourth place.

The Dubai-headquartered airline saw its cargo traffic decline by 5.2% year on year to 12bn CTK.

The company said its cargo business felt the brunt of a difficult market environment as the China-US trade war affected the business.

Capacity reductions also had an impact, as operations were reduced during the planned Dubai International runway closure in the second quarter of 2019.

The airline to record the steepest climb in cargo traffic was Turkish Airlines as it registered an increase of 19.3% year on year to 7bn CTK resulting in the airline leaping from twelfth to ninth on the list.

Turkish Cargo has been expanding rapidly over the last few years with the addition of extra freighter and passenger aircraft in line with the opening of the new Istanbul Airport.

The airport opened in April 2019 with an initial capacity for 2m tonnes of cargo per year and a final phase target of 4.5m tonnes per year.

tonnage basis in any region globally," the carrier said.

"Turkish Cargo, on the other hand, achieved significant growth by region with its extensive network structure and increased frequency.

"On a tonnage basis, Turkish Cargo realised growth of 16.4% in the North and South America region, 12.5% in the Far East and 10% in the Africa region."

The company also significantly boosted its market share in these regions. Overall, Turkish Cargo's market share has grown from 2.3% in 2013 to 4.1% in 2019, according to WorldACD data.

The airline also highlighted its performance in specialist products.

Turkish Cargo's special cargo revenues increased as follows: 3.5% in live animal cargo; 19.4% in perishable cargo; 30.5% in valuable cargo; 26.1% in dangerous goods; 40.7% in medicine and health products; 15% in electronic and vulnerable cargo; 30% in courier cargo; and 21.5% in mail.

Total special cargo revenue went

TOP 25 CARGO CARRIERS 2019 – SCHEDULED TONNES (000)						
Rank	+/-	Airline	2019	Y-o-Y %	2018	Y-o-Y %
1	0	FedEx	7,428	-1.8	7,565	2.9
2	0	United Parcel Service	5,023	5.6	4,755	-3.2
3	0	Emirates	2,413	-7.5	2,609	-1.4
4	0	Qatar Airways	2,281	0.8	2,262	11.0
5	0	Cathay Pacific Airways	1,716	-6.1	1,828	4.8
6	+4	Turkish Airlines (1)	1,496	9.3	1,369	26.2
7	-1	Korean Air	1,435	-8.8	1,574	-3.1
8	+1	China Southern Airlines	1,416	2.4	1,383	3.7
9	-2	China Airlines	1,374	-9.2	1,512	3.4
10	-2	Air China	1,360	-6.0	1,448	1.3
11	+2	Atlas Air (1)	1,159	3.9	1,115	-5.4
12	-1	All Nippon Airways (1)	1,154	-8.2	1,258	-7.7
13	-1	Singapore Airlines	1,115	-4.5	1,167	-0.2
14	0	Lufthansa (1)	920	-5.8	977	-1.9
15	0	Asiana Airlines	881	-9.1	969	0.8
16	+2	Kalitta Air (1) (2)	833	0.6	828	10.8
17	-1	Cargolux	828	-2.6	850	-1.6
18	-1	LATAM (1)	824	-0.8	831	6.5
19	+2	China Eastern Airlines	823	12.7	730	3.7
20	-1	Polar Air Cargo (1)	787	-4.7	826	-14.2
21	NEW	European Air Transport	727	N/A	N/A	N/A
22	-2	Japan Airlines	721	-4.3	754	3.3
23	NEW	Hainan Airlines (2)	638	N/A	N/A	N/A
24	+1	EVA AIR	610	-5.9	648	0.9
25	NEW	British Airways (1)	591	N/A	N/A	N/A
Annual Top 25 total			38,553	-2.1	39,370	1.1

Source: IATA 2020 World Air Transport Statistics

Notes: (1) Includes figures from certain partner airlines (2) IATA estimate (3) US DOT Figures

Top five target

Turkish Cargo has the ambition of becoming one of the top five cargo airlines by 2023.

In line with these growth targets, one of the three B777F cargo aircraft ordered in 2018 was delivered in 2019 and the remaining two aircraft will be delivered in 2020.

Furthermore, one B747-400F aircraft was leased, in addition to three B747-400F aircraft, the lease period of which was extended in 2018.

By the end of the year its freighter fleet stood at 25 aircraft: two A310-330Fs, 10 A330-200Fs, one A300-600F, four B747-400F and eight B777-200Fs.

Also, 14 of the 92 new-generation narrow-body A321 NEO aircraft that had been ordered in 2013 were delivered in 2019.

In total, the carrier increased its capacity in terms of available cargo tonne kms by 44% during the year.

The new aircraft allowed the carrier to add four new freighter destinations: Porto, Sheremetyevo, Kuala Lumpur and Schiphol, with cargo flights to a total of 88 destinations.

"In 2019, the air cargo sector did not register positive growth on a

'In 2019, the air cargo sector did not register positive growth on a tonnage basis in any region globally'

Turkish Cargo

up from \$461m in 2018 to \$566m in 2019, demonstrating growth of 23%.

United in growth

United Airlines was another company that registered strong cargo growth last year, despite the difficult overall market conditions.

The US airline saw its cargo traffic increase by 8.9% year on year to 4.8bn CTK. The performance helped it climb up two spots to number 15 on the table.

The increase comes as the airline registered strong growth in its domestic traffic, which increased by 58% year on year.

At the other end of the scale, Asiana Airlines saw its cargo traffic decline by 12.3% year on year to 3.6bn CTK.

In August last year, local press reports suggested that Asiana Airlines, along with Korean Air, would suspend some domestic freighter services as they sought to improve profits.

The reports said the airlines would end cargo services at three regional airports in Daegu, Cheongju and Gwangju where cargo demand on domestic routes was falling.

The Korean economy was slow last year, while the Korean won weakened compared with the US dollar. It was also a tough year for China Airlines which saw cargo demand decrease by



Turkish Airlines recorded the steepest climb in cargo traffic

8.1% to 5.3bn CTK.

The Taiwan-headquartered airline did not go into too much detail about the reasons for the decline in its annual report, but it did say the market had been affected by trade tensions.

“Airline cargo supply has exceeded demand for many years,” it said. “A number of political and economic factors are widening the imbalance, including geopolitical conflict, trade

wars, and Brexit.

“China Airlines pragmatically handles these issues by using our cargo aircraft advantages to optimise our aviation network and maintain capacity flexibility.”

At the end of 2019, the airline operated 88 aircraft, consisting of 70 passenger aircraft and 18 cargo aircraft.

It is in the process of renewing its ageing B747F fleet and last year

finalised an agreement with Boeing to order six B777 freighters.

Elsewhere, new entrants on the top 25 list were US airline Kalitta Air and DHL/Lufthansa joint venture AeroLogic.

Exiting the list were Etihad, which has been refocusing its cargo strategy over recent years and offloaded several freighters; and Eva Air, which has seen its cargo volumes gradually decline over the past few years. **ACN**

AIR CARGO NEWS AWARDS 2020

Live streaming on
October 29 at 4.30pm

Register for free at:

aircargonewsawards.net



DATA HUB

AIRLINE DEMAND

Cargo declines narrow in tough market

Airfreight traffic declines showed some signs of narrowing in June but business remains “exceptionally challenging”, according to the latest IATA market wrap-up.

The airline association’s latest data shows that air cargo demand in cargo tonne km (CTK) terms declined by 17.6% year on year in June, which is a “modest” improvement on the 20.1% drop recorded in May. Over the first half of the year, demand was 14.5% down on a year ago.

In contrast, load factors continued to improve during June and were up 11.5 percentage points on a year ago at 57.3% as a result of capacity dropping by 34.1%.

Much of the decline in capacity was down to the grounding of passenger services, which led to a 70% decline in bellyhold capacity, partially offset by a 32%

increase in freighter capacity.

IATA director general and chief executive Alexandre de Juniac said that there were still challenges ahead for the industry.

“Cargo is, by far, healthier than the passenger markets but doing business remains exceptionally challenging,” he said.

“While economic activity is re-starting after major lockdown disruptions there has not been a major boost in demand.

“The rush to get personal protective equipment (PPE) to market has subsided as supply chains regularised, enabling shippers to use cheaper sea and rail options.

“And the capacity crunch continues because passenger operations are recovering very slowly.”

IATA also pointed out that economic indicators, which

act as a bellwether for air cargo, were also showing signs of picking up, although the industry was not improving as fast as the indicators suggest it should.

Looking at regional performance, it was declines across the board, with European and Latin America-based carriers suffering the most.

In Europe, airlines reported a 27.2% drop in cargo traffic, which was a slight improvement on the 29.5% drop registered in May.

Latin America-based airlines saw their cargo traffic drop by 33.2% year on year in June while capacity was down 52.3% which indicated “a sizeable capacity crunch”.

“The Covid-19 crisis is particularly challenging at present for airlines based in Latin America owing to strict lockdown measures,” IATA said.

Asia Pacific-based airlines registered a 21.6% decline in demand for the month, which is actually higher than the 18.8% drop recorded in May.

The airline association said that despite manufacturing starting to pick up in the region, demand was impacted by the reduction in shipments of PPE by air.

In North America, airlines saw cargo demand drop by just 0.4% compared with last year thanks to domestic demand. IATA said that “resilient performance” in its inter-

national volumes is due to the large freighter fleets of a few of the region’s airlines as well as the fiscal support to airlines in the US from the CARES Act.

Middle East-based carriers reported a decline of 19% year on year in June, an improvement from the 24.9% fall in May.

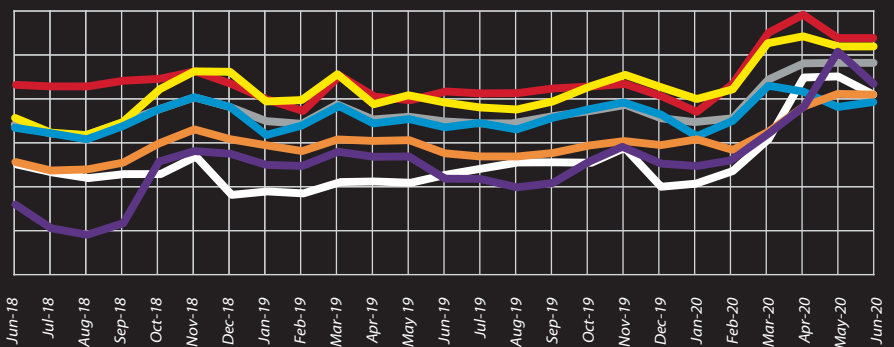
“This was driven by the aggressive operational strategies of some of the region’s carriers.”

Finally, Africa-based airlines saw cargo traffic decline by 14.8% year on year in June, which is a drop from the 7.3% decline in May, as the region suffered from the effects of the pandemic becoming more severe in June.

‘The rush to get personal protective equipment (PPE) to market has subsided as supply chains regularised, enabling shippers to use cheaper sea and rail options’

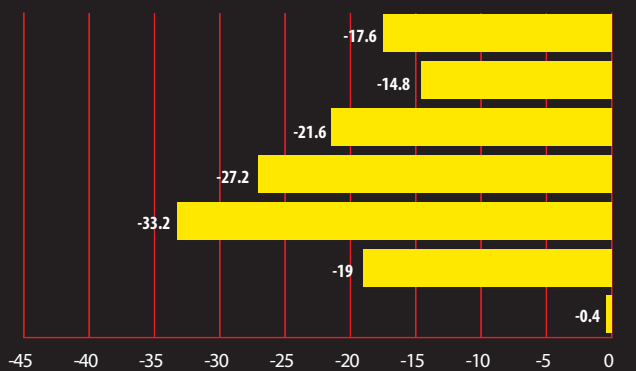
Alexandre de Juniac, IATA

AIRLINE CARGO LOAD FACTORS (%)



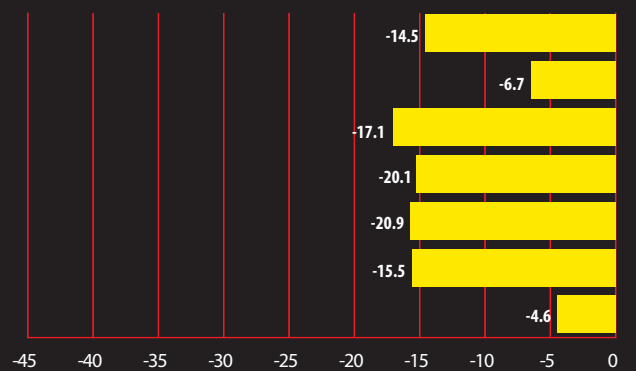
Source: IATA

FREIGHT TONNE KM YOY (%) - JUNE 2020



Source: IATA

FREIGHT TONNE KM YOY (%) - YTD 2020



Source: IATA

AIRFREIGHT RATES

Freight rates still up on last year

Airfreight rates on major trade lanes continued to fall in July, but showed signs of picking up as the month drew to a close.

Data from TAC Index showed that in July average rates from Hong Kong to North America increased by 44% year on year to \$4.96 per kg.

While this is still above the year ago level, prices have been dropping since May when average rates on the trade stood at \$7.73 per kg.

There was a similar trend from Hong Kong to Europe where average prices for July were up 18.7% on last year at \$3.17 per kg. This is down on the \$5.88 per kg recorded in May.

However, towards the end of the month, rates began to

creep back up — a trend that continued in early August.

Eytan Buchman of rate portal Freightos said that ocean capacity shortages together with an increase in demand for personal protective equipment and peak season electronics were having an impact on the market.

Peter Stallion of air cargo derivatives broker Freight Investor Services also said that electronic product launches were beginning to affect the market, along with an uncertain capacity outlook.

Freight forwarder Flexport concurred that product launches were helping push up rates and added that several Chinese carriers had sent their freighter aircraft in

for heavy maintenance.

Flexport expects air cargo capacity to remain tight for the rest of the year.

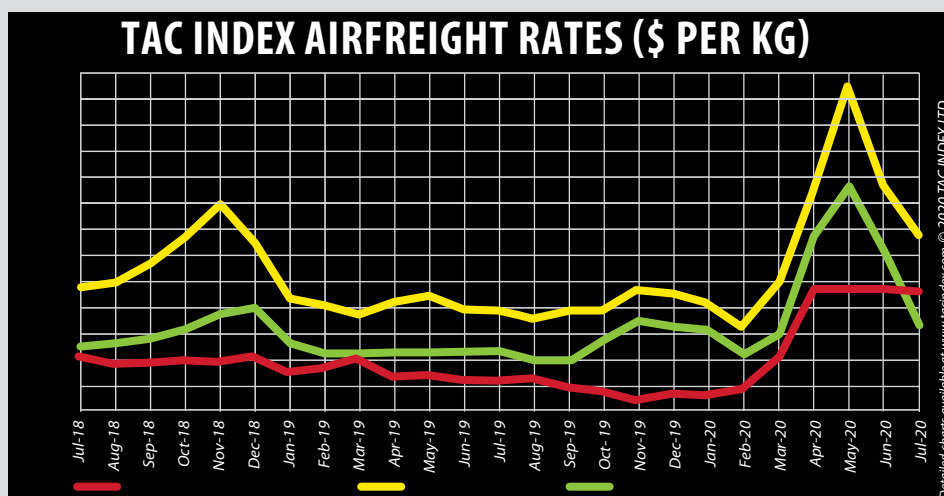
Prices are also expected to remain strong for the rest of the year as forwarders look

to freighter operators in order to secure capacity and offer some certainty to their customers.

Conversely, rates from Frankfurt to North America have been fairly static over

the last few months at around the \$3.75 per kg mark.

In July, prices on the route stood at \$3.73 per kg, which represents a year-on-year increase of 76.8%.



AIRPORT THROUGHPUT

Cargo declines with belly capacity

Airports around the world continued to record reductions in cargo volumes in June, although there were some signs of a slight narrowing of year-on-year declines.

The world's largest cargo hub, Hong Kong International Airport, for example, saw its cargo volumes decline by 7.7% year on year in June to 357,000 tonnes.

While this is still a significant decline on 2019 levels, it does represent an improvement on the 10.2% drop off

to 2.1m tonnes registered for the first six months of the year.

Commenting on the figures, the airport authority said: "The drop in cargo throughput was mainly attributed to the decline in transhipments resulting from reduced belly capacity on passenger flights."

"Cargo throughput to and from mainland China and Southeast Asia saw the most significant decreases in June.

"However, with demand for air cargo services remaining relatively strong, freighter

movements increased 23.1% compared to the same month last year.

"Cargo exports recorded a year-on-year increase of 7%, with North American markets recording the most significant growth."

In Europe, the latest statistics from Airports Council International (ACI) show a similar trend of a gradual improvement in percentage declines.

ACI stats show that overall cargo demand in the region declined by 18.5% in June, with European Union (EU)

airports down by 19.4% and non-EU facilities down by 14.2%.

The decline in percentage terms is higher than the first-half figure of -16%, but the region's airports enjoyed a relatively okay start to the year as the impact of the virus didn't fully start to take hold until March.

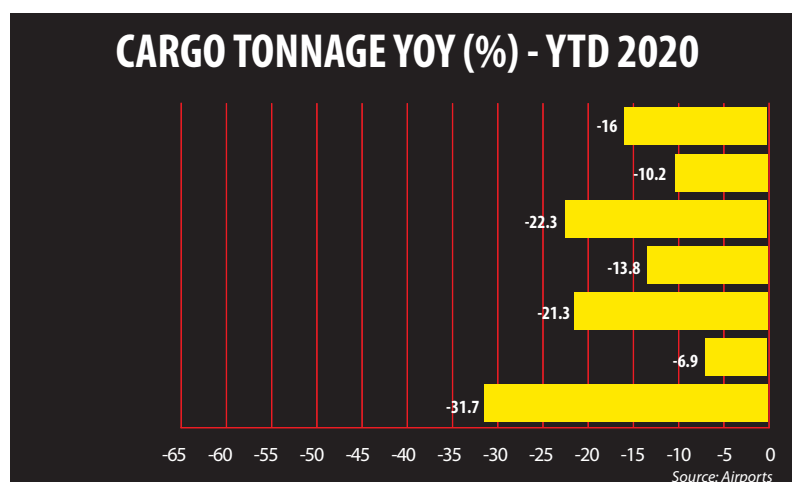
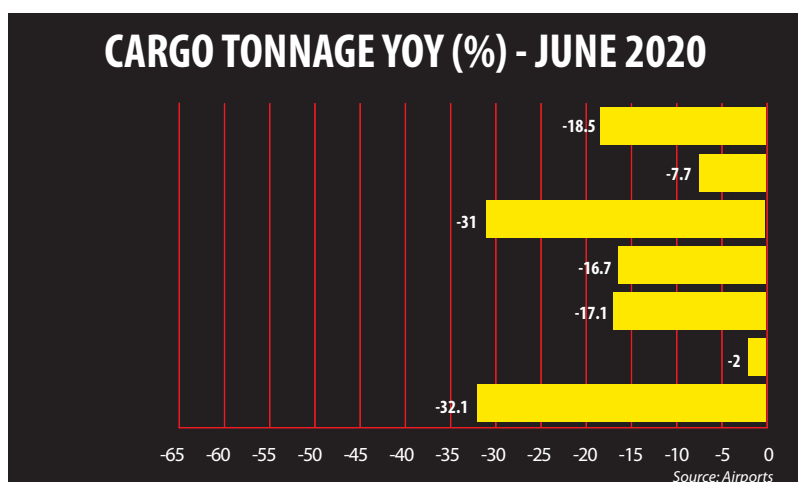
When compared with the percentage decline for the second quarter of 23.1%, June actually represents an improvement in percentage terms.

Looking at individual air-

port performance for the month, Frankfurt registered a year-on-year decline of 16.7% to 137,521 tonnes, Paris CDG was down 17.1% to 132,000 tonnes, Amsterdam Schiphol recorded a 12.7% drop to 108,164 tonnes and Heathrow reported a drop off of 32.1% to 88,854 tonnes.

Miami International saw its cargo traffic declines ease a little in June. The airport registered a 2% year-on-year decline to 185,286 tons.

This compares with a drop off of 6.9% during the first half of the year to 1.1m tons.



CONTAINER SHIPPING

Shipping rates increase

Demand increases continued to push up container shipping rates between China and the US in the first few weeks of August.

Data from rate portal Freightos shows that as of mid-August, prices from China to the US west coast were up 15% since the start of July to \$3,058 per 40 ft container equivalent (feu) — the first time prices on the trade have breached the \$3,000 mark in well over two years.

Freightos data shows that prices from China to the US east coast have also increased over recent weeks, but the gap between the two is showing signs of narrowing.

Speaking in mid-August, Freightos chief marketing officer Eytan Buchman said: “Ocean freight rates from China to the US continued to climb this week, with China to US west coast rates hitting an all-time high, as the start of the month general rate increase takes hold.

“Even with capacity at its highest level since January, though the percentage of cancelled sailings is still high for peak season, this year’s early peak season volumes are keeping US-bound ships from China full and rates up.

“And though rates have increased to both coasts, the current conditions have impacted rates from China to the US west coast much more than prices to the east coast.

“Rates to the west coast have climbed 15% since the end of July — twice as much as for the east coast.

“It is usually about 42% more expensive to ship on the longer voyage to eastern ports. But since the rebound in volumes in June, that gap has closed by half.”

At the time of writing, east and west coast rates were separated by only \$408 per feu, or 12%, which is an all-time low according to Freightos data.

Buchman said that given the uncer-

tain times, US importers seem to prefer the speed and added flexibility of shipping to the west coast to make the most of current consumer confidence.

Capacity to stay tight

Some have predicted that rates will remain high for the rest of the year.

Flexport said that vessels sailing from China to the US east coast and west coast were very full from all ports of loading.

Buchman added that high ocean rates and delays to shipping were pushing some shippers to opt for airfreight.

Rates were also showing signs of picking up on services from Asia to Europe, with forwarder Westbound Shipping saying that prices were heading towards \$1,000 per 20 ft

container equivalent for the first time in a while.

The forwarder said that shipping lines needed the higher rates in order to maintain profitability.

“Shipping lines have enough cargo to open up more vessels into service, but it would surely result in rates falling, as demand would ease,” the company said.

“Whilst that’s good for the importer short term, it’s not good for the shipping lines and neither the importer long term.

“A shipping line with no profit, is no longer a shipping line, and that’s a problem to all concerned.”

Flexport recommended that customers looking to ship goods from Asia to Europe should book around three weeks prior to the cargo ready date, as space was tight.

PEOPLE

Cargologic Germany confirms return of Näther

Dierk Näther
Cargologic Germany (CLG) has confirmed that Dierk Näther has replaced Johannes Jähn, who stepped down from his managing director role in July. For Näther, who has worked in the aviation industry for more than 25 years, the appointment is a comeback at CLG; he was previously the operations manager of the company during its foundation in 2018 with the title of accountable manager.



Softbox names CFO

Charlie Nicholson
Temperature-sensitive packaging business Softbox has appointed Charlie Nicholson into the role of global chief financial officer. Nicholson, who has more than 20 years’ of experience in finance and accountancy, has previously held senior roles at pharmaceutical and clinical trial organisations. Reporting directly to chief executive Kevin Valentine, he will be responsible for the firm’s financial and fiscal operations.



New European head for AirBridgeCargo

Diana Schöneich
Diana Schöneich is the new European head of the Russian freight carrier AirBridgeCargo. She succeeds Andrey Andreev, who was vice president Europe for many years and recently left the carrier unexpectedly to take on the position of deputy managing director of Cargologic Germany, the German airfreight carrier based at Leipzig/Halle Airport.



Crane Worldwide announces CIO

Brannon Kuykendall
Crane Worldwide Logistics has appointed Brannon Kuykendall as its chief information officer, while it is also about to celebrate 12 years of operations. Prior to joining Crane Worldwide, he served as chief information officer in the oil and gas industries, as well as chief technology officer at ThoughtTrace, an artificial intelligence software company. He will be based in Houston, Texas.



aircargo NEWS

Air Cargo News e-newsletter delivered every Tuesday and Thursday. It's **FREE!**

REGISTER TODAY

All the latest news, opinion, data and analysis from the airfreight industry.

aircargonews.net/e-newsletter-sign-up

QUOTE OF THE ISSUE

“Logistics underpins so much of the movement of the world’s goods. **E-commerce** continues to rise as a channel for sales, and **logistics** ties very nicely into that”

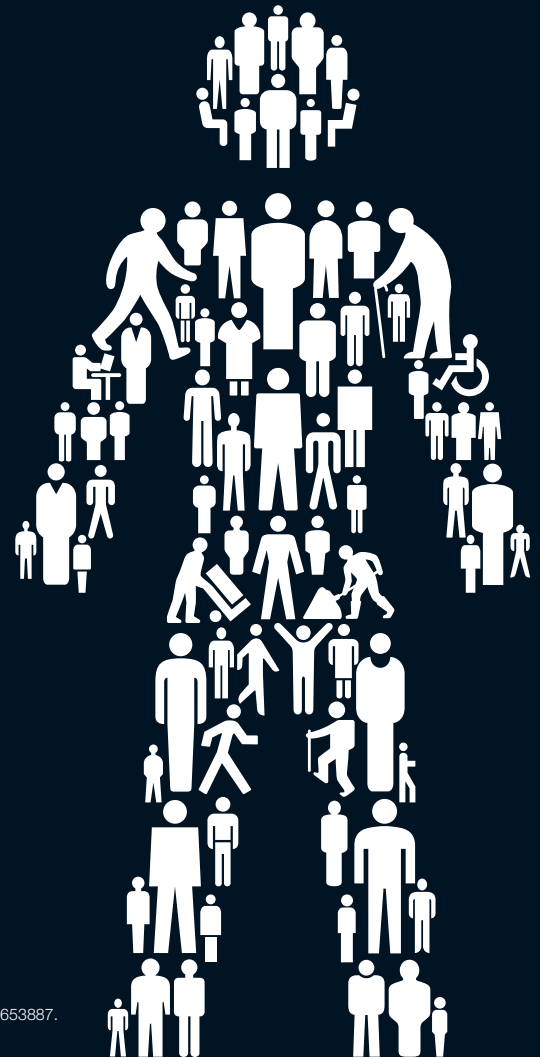
Fraser Robinson, Beacon

One man dies every 45 minutes from prostate cancer.

Help us fund research to stop prostate cancer being a killer.
Men, we are with you.

PROSTATE CANCER UK

Prostate Cancer UK is a registered charity in England and Wales (1005541) and in Scotland (SC039332). Registered company number 02653887.



6019

aircargo NEWS

GSSAs feature

in November issue of Air Cargo News

An opportunity to promote your services and capabilities as we focus on what lies ahead for 2021.

Read what industry leaders have to say

Advertise in this feature and get your message to decision-makers in the global air cargo market

Bookings by 23rd September 2020
 Contact Gavin Murray: g.murray@aircargonews.net
 or +44 (0) 7785 625 689

Upcoming features

GSSAs November 2020 issue
 Advertising bookings required by 23 September 2020

Top 20 cargo airports November 2020 issue
 Advertising bookings required by 23 September 2020

Latin America December 2020 issue
 Advertising bookings required by 28 October 2020

Air cargo technology December 2020 issue
 Advertising bookings required by 28 October 2020

For more information contact Gavin Murray
 Email: g.murray@aircargonews.net
 Mobile: +44(0)7785 625689

aircargo NEWS

follow us on
twitter

Tweet

@Air_Cargo_News

LIKE US ON
facebook

www.facebook.com/aircargonews.net






You name it, *we fly it*



Let us freshen you up

Moving your perishable goods around the world at the perfect temperature from pick-up to final destination requires sophisticated equipment and highly trained, professional teams. Once ready for shipping, perishables need to be transported without any delay! Let us freshen you up!

www.cargolux.com | products@cargolux.com | follow us   



cargolux



cargolux
ITALIA

you name it, we fly it!