



AMERICAN FIRST:

Jessica Tyler

American Airlines' new president of cargo on the need to drive change

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GOING GREEN:

Sustainability

How air cargo is staying ahead of the curve when it comes to emissions

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PHARMA

Air cargo urged to prepare for launch of Covid vaccine

IATA has warned that governments must act now to support the air cargo industry as it prepares for the distribution of a Covid-19 vaccine.

At a press conference, IATA head of cargo Glyn Hughes — who has announced that he will leave the organisation at the start of next year — said governments also need to collaborate with vaccine manufacturers to find out potential storage and shipping requirements.

“There will need to be nearly 8bn doses distributed around the world,” explained Hughes.

“The volume of that size of shipment would fill more than 8,000 B747 aircraft — and that’s just under the assumption that a single dose is required.

“If more than one dose is required then you can see that there will be a considerable burden on the aviation sector to help transport these critical commodities around the planet.”

He said that it was critical for the industry to know what standards the vaccine will need to be transported to.

Hughes said that the air cargo



Glyn Hughes, IATA

industry must also start collaborating with UN agencies, manufacturers, airports and other safety and security agencies, to make sure that there are suitable vaccine facilities at the airport of departure, airport of arrival and facilities throughout the entire supply chain.

“It’s also important that border processes are looked at so that cargo such as vaccines can be processed

quickly and that permits can be processed quickly,” he added.

Hughes also addressed the issue of capacity when vaccines are ready to be distributed.

“The air cargo industry will need to rely on ad hoc charters, passenger aircraft used for cargo-only operations — as well as the slow start-up of passenger services — to distribute the vaccine as long as it can meet the temperature requirements necessary.

“It is important that there are no hold-ups for those permit applications, approval and clearance processes.

“And also that there are adequate staff in locations at import and export stations to process the cargo quickly.”

Finally, Hughes urged for security issues surrounding the handling of vaccines in the supply chain to be addressed now.

Following Hughes’ address, IATA chief economist Brian Pearce gave an update on the outlook for the cargo sector. He said cargo is following a fairly typical recession recovery cycle.

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E-COMMERCE

Amazon Air expands fleet

Amazon Air looks set to expand operations with its first owned B767-300.

The US Federal Aviation Administration (FAA) register shows that in September Amazon.com Services registered its first aircraft — a B767-300 (N503AZ).

It also reserved four other registration numbers, although aircraft have yet to be allocated to these numbers, all prime numbers.

Up until now, the e-commerce giant has run its air cargo business through lease deals with ATSG, Atlas Air and Sun Country.

According to aircraft tracking websites, the plane — previously operated by WestJet — was put into storage in March as it awaited conversion.

It was then temporarily moved to Lake City Municipal before being flown to Tel Aviv in September, suggesting conversion work will be carried out by IAI.

Website PAXEX.AERO said that a second WestJet B767 has been moved to Lake City, while it has two more in storage in Calgary.

The B767-300 makes up the majority of the Amazon Air fleet of more than 50 aircraft, also including B737s.

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TURKISH TAKEOFF:

Turkish Cargo increased its market share in the first half of the year on the back of its “special cargo operations”. The airline saw its first half market share increase from 3.9% to 5.4% in 2020, according to WorldACD data.

CONVERSION CAPABILITIES:

Boeing has signed agreements to open additional freighter conversion lines in Guangzhou, China, and Singapore for B737-800s and B767-300s respectively.

NEW NAME AT ETIHAD:

Etihad Aviation Group has promoted Martin Drew to the role of managing director, cargo and logistics. Drew will be responsible for the entire Etihad Cargo business, as well as Etihad Secure Logistics, reporting to chief commercial officer, Robin Kamark.

SHENZHEN FREIGHTER:

Cargolux has added Shenzhen to its network as it looks to strengthen its presence in China. The freighter operator said the weekly frequency is routed Luxembourg-Bangkok-Shenzhen before returning westbound to Luxembourg via Bangkok with an additional stopover in Budapest.

SAS' CEIV SUCCESS:

SAS Cargo has achieved IATA CEIV Pharma re-certification despite Covid-19 restrictions. SAS Cargo said that due to the current restrictions in place, the audit process for re-certification was carried out remotely.

AIRLINES

EL AL expands in cargo

EL AL has further expanded its cargo operations through a new service to Dubai and also by entering into a new partnership with CargoJetX on operations between Europe, Asia and the US.

The new Dubai service, operated by an Atlas Air B747F, will run on a weekly basis as part of the Tel Aviv-headquartered airline's Liege operation.

The first flight to Dubai took off on September 16.

Meanwhile, the airline will in October enter the market between Europe, Asia and the US through a joint venture agreement with CargoJetX.

CargoJetX has purchased two B747-400F aircraft that will be used by the joint venture, while EL AL will manage, market and sell the capacity.

The joint venture has then contracted Longtail Aviation International, a UK-controlled company in Bermuda, to fly the aircraft as it has the relevant approvals



The Dubai service is operated by Atlas

to “fly directly from/To Europe and over the airspace of many countries”, EL AL said.

Ronen Spira, head of EL AL's cargo division, said: “The activity begins with a series of charter flights leased

by DSV, the giant forwarding and logistics company.”

The Israel-based airline added that in addition to charter flights, EL AL Cargo will offer services to Hong Kong and Shanghai from Liege (LGG) and Frankfurt (FRA) twice a week, with the flights continuing to New York before heading back to LGG and FRA.

CargoJetX said: “CargoJetX's management expresses full confidence in the capabilities of EL AL's cargo division and intends to continue to expand its fleet of cargo aircraft for international operations as part of the joint venture.”

The expansion of cargo operations by the Israeli carrier marks a turnaround from last year when it appeared EL AL would reduce its presence in the market as it stopped operating its own freighter aircraft in July 2019.

However, at the start of this year it announced an ACMI deal with Atlas Air on a B747-400F and it has continued to expand since then.

OUTLOOK

→ continues from page 1

“Cargo is following a fairly typical recession recovery cycle, unlike the air passenger business which clearly has been hit by an unprecedented shock,” said Pearce.

“In a recovery period for the world economy, which is what we're entering now, typically companies turn to air as their preferred mode of transport to get inventory, components, production

and facilities going as quickly as possible to supply recovering demand.”

He added that business indicators suggest that there should be a V-shaped recovery.

“Business confidence outside of the aviation sector is back to where it was pre-crisis in most of the major economies around the world,” he said.

“Effectively we've had a V-shaped recovery in business confidence. If we

look at the overall confidence of manufacturers who are a critical driver for air cargo, you can see that their confidence has rebounded very sharply.

“You can also see that that has been closely related to the growth of output for the manufacturing sector.

“That tells us that there's likely to be a V-shaped recovery in economic outputs. That's good for cargo demands.”

EDITOR'S COMMENT

Damian Brett



Environmental backseat

If you'd asked me a year ago what the biggest issues facing air cargo were, I'd have said the China-US trade war, the need to digitise and the sector's environmental performance.

Since the coronavirus pandemic started, it's been easy to put environmental concerns to the backs of our minds — I certainly have; my vow to give up beef briefly went out the window and I'm sure I'm not as careful about the amount of

single-use plastic I have been using.

But while we will eventually get the Covid-19 pandemic under control (fingers crossed), environmental concerns will linger in the long term and news about extreme weather conditions and vast forest fires continue to bubble away towards the end of news shows.

It is therefore heartening to hear that the air cargo industry — and aviation in general — is

still taking steps to try and improve its environmental performance (see Roger Hailey's feature on page 14).

DHL used the pandemic and empty skies as an opportunity to demonstrate how efficient it could make a flight, Amazon Air has signed up to use 6m gallons of sustainable aviation fuel and Delta Cargo is the latest to join the Sustainable Air Freight Alliance.

However, the question remains as to whether or not more needs to be done. As an increasing number of homes

and lives are affected by global warming, attention will increasingly fall on those sectors that generate the highest emissions.

With aviation responsible for some 2-3% of global CO2 emissions it is bound to draw attention, along with the e-commerce sector that continues to propel growth in air cargo.

The Covid-19 pandemic has proven many things, but one is that the whole world can shift its entire way of living when confronted with a big enough crisis.

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AIRLINES

Korean Air puts its first B777 freighter to work

Korean Air has begun cargo operations with its first Boeing 777-300ER freighter, after it received regulatory approval to modify the popular wide-body.

The aircraft, registered HL8208, operated its first cargo flight on September 8, from Seoul Incheon to Columbus, Ohio in the US.

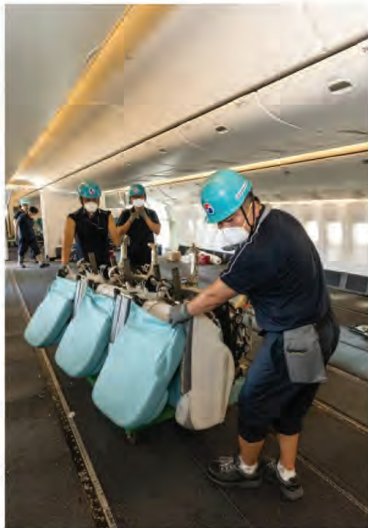
The carrier said that Columbus is "an emerging cargo base" for American clothing and logistics companies.

"Korean Air is meeting the demand for items such as automobile parts, electronic devices and garments," it added.

The SkyTeam carrier received the regulatory nod for modifications earlier in the month, allowing the aircraft to carry 32.8 tonnes of cargo, up from the 22 tonnes that it can usually manage as belly cargo.

As part of modifications, the aircraft's 269 seats and inflight electrical wiring were removed, with placards and locking mechanisms installed on the cabin floor.

Cirium fleets data indicates that



Cargo only as seats given the boot

Korean Air took delivery of the aircraft in 2010. In total, the carrier has 26 B777-300ER passenger aircraft in its fleet, all powered by GE Aviation's GE90-115B engines and ranging from 1.2 to 11.3 years old.

The carrier's maindeck freighter

fleet comprises of 12 B777Fs, seven B747-8Fs, and four B747-400ERFs.

Cargo has proven to be a lucrative revenue source for Korean Air, helping push it to profitability in what would have been an otherwise challenging period amid the coronavirus pandemic.

The carrier stated that between April and September, it operated an average of 420 cargo-only flights a month with passenger aircraft, with the average monthly transport volume reaching 12,000 tonnes. It has utilised aircraft such as B777-300s, B787-9s and Airbus A330-300s for operations.

In addition, Korean Air's second quarter operating profit on the back of strong cargo performance offered a dash of positive news to a sector reeling from the coronavirus pandemic.

The carrier generated a W149bn (\$126m) operating profit in the three months ended June 30.

This was despite revenues falling 44% to W1.7trn. In addition, the airline was able to help its bottom line through a 51% reduction in operating expenses.

FREIGHTERS

Another B777F for Lufthansa

Lufthansa Cargo has expanded its B777 freighter fleet with the addition of its eighth aircraft of the type as part of an ongoing modernisation programme.

The aircraft (D-ALFH) is the first of two ordered in November 2019 and will expand the German airline's total all-cargo fleet to 14 aircraft.

Lufthansa Cargo also has access to the capacity of its joint venture with DHL, AeroLogic, two of which are flown exclusively for the German airline, while it shares two more with the express operator.

The new arrival is part of a fleet modernisation programme that will be completed next year.

Lufthansa said the twin-engine Boeing 777F is around 20% more fuel efficient and as a result emits less CO₂ than the previously used three-engine MD-11F aircraft.

The airline was due to phase out the use of its MD-11Fs this year, but these plans were put on hold because of demand for freighter capacity due to the coronavirus outbreak.

PUTZGER PERSPECTIVE

Ian Putzger



How long will air cargo demand remain buoyant?

The list of passenger aircraft types that have been reconfigured as makeshift freighters grew last month to include the A340, when SpiceJet used one that had been stripped of seats to fly from Amsterdam to Mumbai, heading out to Khartoum the day after landing in India.

Others look to go further. In July, European Aviation Group announced plans to go for full-scale conversions of up to 10 A340-600s.

This is a remarkable turnaround, considering that ambitions for a low-cost A340 conversion that involved cargo lifts to move ULDs between decks went nowhere for years.

Rates have dropped from their dizzying altitude of April and May, but air cargo contin-

ues to go strong, whereas the recovery in passenger traffic has fallen short of anticipation.

Rising Covid-19 numbers have forced airlines to scale down their build-up and push back projections of the return of passenger numbers.

The use of belly freighters, supposedly a brief interlude, looks set to last for a while, as the number of carriers that are stepping up or joining these activities shows.

The big question is how long demand for air cargo will remain buoyant?

At this point a much stronger than predicted peak season is straining intermodal flows from Asia into North America, and imminent product launches augur further demand spikes.

Further down the road the global distribution of Covid-19 vaccines will gobble up any available airfreight capacity.

And all along double-digit growth in e-commerce clamours for lift. Rates are extremely unlikely to show much downward momentum, especially as passenger flying remains hamstrung. These dynamics certainly justify the removal of aircraft seats to boost payload capability.

Conversions also look interesting, all the more while residual values of feedstock remain depressed.

Moreover, the pandemic has been a powerful reminder that complex and long supply chains are vulnerable.

A new study by McKinsey

entitled: 'Risk, resilience and rebalancing in global value chains' warns that severe supply chain disruptions are more likely to occur — with devastating impacts on affected companies.

Its researchers reckon that severe events could wipe almost an entire year's profit.

Airfreight will be needed when disruptions happen. On the other hand, firms are looking to build more resilience into their supply chains.

McKinsey found that 40% of those surveyed are looking to near-shoring and 38% want to regionalise supply chains.

It's still a lot easier to make the case for an A321 conversion than the investment in a large widebody freighter.

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FORWARDERS

Forwarders move to secure future capacity

Freight forwarders last month began to once again ramp up their airfreight charter operations as the market outlook remained uncertain.

During September, DHL Global Forwarding (GF), Dachser and DB Schenker all announced plans to expand charter operations in response to expected capacity shortages.

DHL GF introduced an airfreight charter service connecting Asia Pacific to Europe and the US.

Managed by StarBroker, DHL GF's in-house charter team, the twice-weekly charter originates from Chongqing and flies to Amsterdam, Chicago and Incheon before returning to China.

DHL GF said the service was launched in response to increased demand for pharma and technology goods.

Thomas Mack, global head of airfreight at DHL GF, commented: "While some passenger airlines have resumed operations, the situation in the airfreight market remains volatile — especially as belly capacity is still tight.

"As the leader in the airfreight market, DHL GF's top priority is to provide our customers with sufficient and reliable airfreight capacity.

"Not only are resilient, agile and reliable supply chains of highest importance for an economic recovery, but also in preparation for the availability of vaccines and other essential medical supplies during the pandemic."



DHL Global Forwarding has added more charter flights

Meanwhile, DB Schenker has launched what it calls its "global flight operations programme", which will connect Beijing, Shanghai, Zhengzhou and Hong Kong to Chicago and Frankfurt 10 times a week with exclusive full charter flights.

Martin Habisreiter, vice president airfreight, DB Schenker Greater China, explained: "In China, the majority of the manufacturers have recovered to normal.

"With the Covid-19-pandemic still not under control worldwide, we do not expect passenger flights and belly capacity to return to the market within the next 12 months.

"The instability and insufficient supply within the capacity market have become a bottleneck for our customers."

Dachser announced two new

services during the month — one from Hong Kong to Frankfurt and the other from Frankfurt to Chicago.

The forwarder's head of global airfreight Timo Stroh said of the Asia-Europe route: "We're seeing the Asian market pick up pace again and the rate level is rising, so there is less capacity available on the market.

"With this service, we're responding to these conditions and offering our customers a robust and reliable premium air service between Hong Kong and Europe."

While some have questioned how strong demand will be in the final quarter, given rising unemployment, it appears forwarders are concerned enough about the capacity situation that they have moved to secure space to avoid letting customers down and in case of rising airfreight rates.

PHARMA

K+N's new pharma hubs

Ahead of the anticipated widespread distribution of Covid-19 vaccines, Kuehne+Nagel (K+N) has opened pharma hubs in Brussels, Belgium, and Johannesburg, South Africa.

Both facilities are GDP-certified and have dedicated areas for temperature-sensitive products to be stored at different ranges: below -20 degrees Celsius; 2-8 degrees Celsius and 15-25 degrees Celsius.

The facilities are also able to add dry ice where temperatures need to be maintained below -60 degrees Celsius.

The Brussels hub has 15,546 sq m of storage space and has connections to the recently extended Geel Contract Logistics pharma warehousing facility, as well as the pan-European K+N PharmaChain road logistics network.

The Johannesburg facility was built to accommodate both lower and maindeck pallet sizes and has temperature-controlled KN PharmaChain dollies to maintain products' temperature from the plane to the warehouse.

Yngve Ruud, member of the management board at K+N, and an overseer of the company's air logistics, commented: "Today's pharma and healthcare products tend to be more valuable, more temperature-sensitive and have more requirements for storage and transportation conditions, which are not easily available globally."

CONVERSIONS

Doubling up on conversions

ST Engineering's aerospace unit will more than double the number of Airbus A321 passenger-to-freighter (A321P2F) conversions it can offer annually, amid a surge in demand in the freight market during the coronavirus outbreak.

The company confirmed that by 2023 it will increase conversion capability from nine to 25 a year.

This will be done by setting up A321P2F capabilities at its existing airframe MRO facilities in the US and China. A321P2F conversions are currently carried out in Singapore and at its EFW joint venture facility in Germany.

In February, European authorities certified the A321P2F conversion, following the maiden flight of the first converted aircraft in January.

ST Engineering said its Guangzhou and San Antonio units will be equipped to handle A321P2F operations.

AIRLINES

Volga-Dnepr Group on the up

The Volga-Dnepr Group has reported a turnaround in its business in the first half of the year.

Total revenue across the group's three airlines (Volga-Dnepr Airlines, AirBridgeCargo Airlines and ATRAN Airlines), was up by more than 40% year on year, following on from a tough 2019.

The group said the result was achieved "thanks to a quick response to market situations, the adaptation of strategy towards a new reality and interim changes of the carriers' business models with a focus on charters' programmes".

"Amid over 18% and 19% drop in the overall market tonnage and freight

tonne kms (FTKs), respectively, the group managed to hold on to 5% and 10% decrease," the company said.

"FTKs showed a slight decline, given that most of the flights were operated as charters and transported low-density personal protective equipment (PPE). For the first six months of 2020, the groups' share in FTKs has increased by 5% year on year".

From January to June, the group transported more than 25,000 tonnes of medical cargo including PPE, medical beds and mattresses, ventilation apparatus, as well as oversized and heavy sterilisation vehicles.

Konstantin Vekshin, chief commer-

cial officer at Volga-Dnepr Group, commented: "E-commerce and pharma shipments have become the biggest growth drivers and have demonstrated almost three and two-and-a-half-fold increase respectively, tipping the point of 30,000 and 35,000 tonnes.

"The cargo was delivered both through charter and scheduled operations. Industry-wise, we have more than doubled our oil and gas operations and reached over 20% surge in aerospace operations."

Last year, the company adjusted its network, restructured its management team and cut jobs as the industry was hit by the US-China trade war.

FREIGHTERS

EVA Air amends its Boeing order

The strength of the airfreight market in comparison to the passenger business has seen Taiwanese carrier EVA Air amend an order for Boeing 787-10s, swapping some of the outstanding aircraft for B777 freighters.

The airline said it had reached an agreement with Boeing to exchange seven of the B787-10s that are yet to be delivered for four B787-9s and three B777Fs.

The carrier added that the decision reflects “changes of market demands” as well as a “continuous optimisation” of its network and fleet.

The Taoyuan International Airport hubbed airline stated that the price of each of the B777Fs will not be greater than \$382m and that for each of the B787-9s will not be more than \$318m.

EVA Air added that the total transaction will not exceed \$7.3bn.

It had previously signalled a potential change to the B787-10 order, in response to the air transport crisis. The carrier has taken delivery of five of the type so far.

LOGISTICS

AP Moller Maersk to scrap Damco brand and cut jobs

Damco parent AP Moller Maersk has announced that it will integrate the forwarder into its own logistics business.

The shipping giant said that as a result of the move, the Damco brand will disappear from the market by the end of 2020.

The move will see Damco’s air and less-than-container-load (LCL) offering combined with Maersk’s logistics and services products to “complement its end-to-end offering”, the company said.

Also, a global Ocean & Logistics organisation is being introduced.

In addition, one of its shipping line brands, Safmarine, is being rolled into the parent company.

As a result of the integration, jobs will be lost. Reports suggest that around 27,000 jobs will be affected — out of AP Moller Maersk’s 80,000 employees — and 3,400 jobs will be axed.

Danish publication Borsen suggests 2,300 jobs will go at Damco and 1,100 at Safmarine.



Damco will disappear from the market by the end of 2020

“Since focusing purely on freight forwarding in 2018, Damco has demonstrated significant value to customers in the air and ocean LCL space,” the shipping company said.

“During this time, it has become apparent through close customer engagements that the value proposi-

tion of Maersk can be greatly enhanced with the expansion of multiple modes of transport.

“The integration of air and LCL into Maersk will help meet these needs.”

Vincent Clerc, chief executive of ocean and logistics, AP Moller Maersk, added: “Businesses need air and LCL products to connect their supply chains.”

In response to the news, Transport Intelligence practice leader Thomas Cullen said: “This appears to mean that airfreight forwarding and LCL business will only be offered to customers of the wider shipping business which is being renamed ocean and logistics.

“AP Moller Maersk is sharpening its focus and withdrawing from at least one area of business, namely freight forwarding.”

Damco’s history stretches back to 1905 when CWH van Dam purchased a barge boat to transport goods between Germany and Rotterdam along the river Rhine.

SHIPPER SPOTLIGHT

Zoe McLernon



Delivering the Covid-19 vaccine: what challenges lie ahead?

The supply chain continuity provided by the air cargo industry has been one of the most important assets in the world’s fight against the current pandemic.

From delivering vital medicines and personal protective equipment (PPE) to ensuring goods and services keep moving around the world, the sector has become an even more valuable part of our everyday lives.

While many airlines are currently focused on transporting cargo, delivering a vaccine may be the next challenge to face the industry during these unprecedented times.

According to IATA, the equivalent of 8,000 Boeing 747s will be needed to ship a coronavirus vaccine around the world and it is expected to be the “largest transport challenge ever”.

Delivering a Covid-19 vaccine to 7.8bn people around the world poses a huge challenge to governments and, in turn, a huge logistics challenge to the transport industry.

There is no doubt that the air cargo industry is equipped with thousands of global networks and a firm understanding of regulatory checks, however, it won’t quite be as simple as popping vaccines on a plane

and flying them across the globe.

Vaccines will need to be transported at controlled temperatures, in precise timescales.

The supply chain for vaccinations will be vital, with access to the right aircraft, proximity to manufacturing locations and temp-controlled facilities high on the priority list.

Training of staff and security cannot be forgotten in this process.

Those handling such important shipments will need to understand the handling and monitoring requirements.

The Covid-19 vaccine will be

a highly sought product and it is vital that shipments are secure, with all systems able to cope with the security requirements of transporting such a high volume of valuable commodities.

Now is the time for governments to start supporting the industry with vital preparations for vaccine movements, so that the process is ready to go as soon as a vaccine is made available.

In the UK, the European Union exit must also be considered with tariff and border arrangements.

Priority must be given to cargo shipments, with ample slot flexibility and fleet availability. This is the time to start planning and preparing.

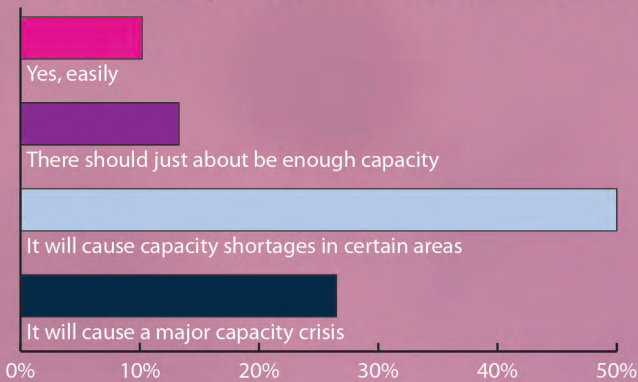
Zoe McLernon, policy manager of multimodal at Logistics UK

SUPPLY CHAIN SURVEY

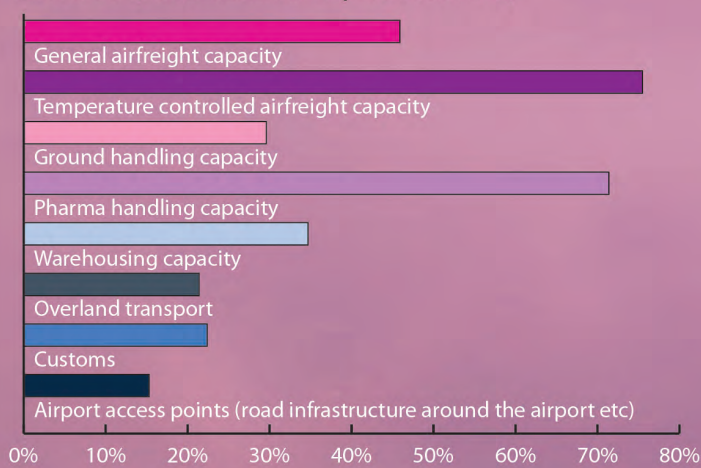
Covid-19 vaccine to test

So far the air cargo industry has stood up to the Covid-19 challenge, but the distribution of a vaccine will again test the sector, according to a reader survey

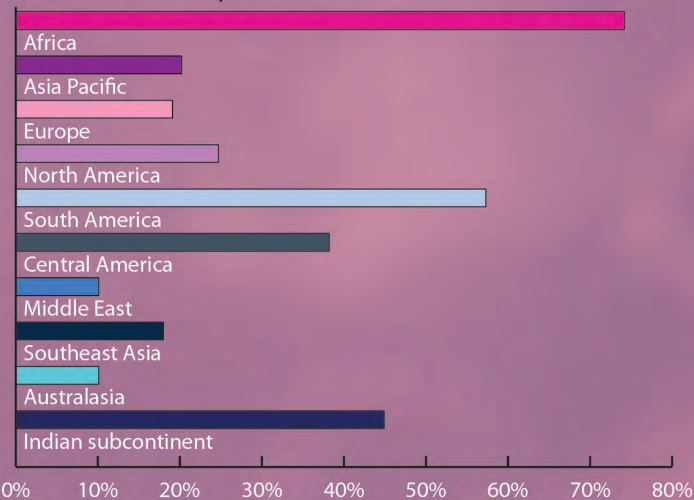
Do you think the air cargo sector has enough spare capacity to handle a Covid-19 vaccine?



Where do you think the main pinch points will be? (more than one option allowed)



Which regions of the world will face the greatest Covid-19 vaccine supply chain issues? (more than one option allowed)



The air cargo industry is expecting to face capacity shortages when a Covid-19 vaccine is developed and needs transporting around the world, according to an *Air Cargo News* reader survey.

The survey found that 50% of the industry is expecting to face capacity shortages in “certain areas” when a vaccine is released.

And while this will cause concern for shippers, forwarders and airlines, the majority of respondents did not go as far as saying there would be a “major” capacity shortage, with 27% of respondents expecting this more serious scenario.

Meanwhile, 10% of respondents said they expected there to be easily enough capacity and 13% said there should just about be enough cargo space.

Under pressure

In respondents’ comments, it was pointed out that capacity is already under pressure given the grounding of passenger operations, and the sudden and urgent demand would only exacerbate the situation.

Other more optimistic participants said that there was plenty of latent capacity on the ground — passenger aircraft — that could be reactivated to meet a surge in demand.

However, others pointed out that re-activating passenger aircraft would

depend on pricing and whether or not carriers can do so at a profitable level.

A later question showed that 63% of respondents felt that an increase in the use of passenger aircraft to carry cargo would help alleviate the situation.

Others pointed out that the volume of vaccines will be less than the amount of PPE that needed to be transported around the world earlier in the year, a task the airlines were largely able to meet, although there was a capacity shortage out of China and a rapid increase in rates from Asia Pacific.

Another responder felt that a vaccine release would not happen in a single transaction and added there would be a co-ordinated approach with a geographic spread. This should help avoid a sudden surge.

Others pointed out that there could be pinch points when it comes to temperature-controlled infrastructure, in terms of storage, aircraft capability and ULDs.

These concerns were reflected in the second survey question: Asked what the main pinch points would be, 75% of respondents (allowed to select more than one option) felt that there would issues around temperature-controlled airfreight capacity.

This was just ahead of pharma handling capacity, which 71% of participants felt would be an issue, while 46% felt that airfreight capacity in general was a concern.

There were also plenty of respondents that said some regions would be more affected than others.

To the question of which region of the world will face the greatest Covid-19 vaccine supply chain issues, 74% of respondents (allowed to pick more than one region) felt there would issues in Africa, just ahead of South America with 57%, the Indian subcontinent with 45% and Central America with 38%.

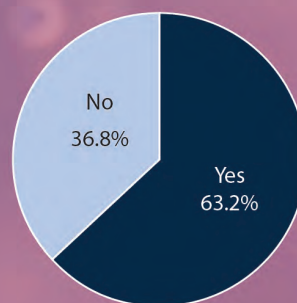
Airport infrastructure

One respondent said that there was limited airport infrastructure in Africa that could handle the vaccine, name checking Nairobi, Johannesburg and Addis Ababa as three hubs that do have the capability.

Another added that cumbersome customs procedures in India and Africa would cause problems.

Poor quality overland transport

Do you think an increase in the use of all-cargo PAX flights and preighters could be enough to help alleviate the situation?



Best air cargo

infrastructure and capacity was also mentioned as something that could cause issues in certain developing nations.

The large Indian population compared with the amount of air cargo capacity available in the country was also identified as a reason why it might face issues.

Of the regions that are not expected to face such significant supply chain issues, it was pointed out that a vaccine may well be produced in Europe or North America and therefore these regions could use overland transport infrastructure in conjunction with air cargo to satisfy regional demand.

Participants were also asked how long it would take the air cargo industry to properly prepare for a vaccine, with 32% saying it would take more than three months.

Just under 21% of responders said they expected it to take zero to one month and 19% said one to two months.

Just 11% felt that the industry was ready to go.

Our last two questions gave participants the chance to offer more in depth thoughts on the situation.

On other potential challenges the industry could face, one responder said that pharma handling in general at airports was very poor, which could have an impact of product integrity.

Another challenge would be how quickly governments can approve charter flights, while airport slots, customs clearance and transit times could also create issues.

Several others said that more information was needed from manufacturers and authorities on how the vaccines would need to be transported.

A shortage of temperature-controlled ULDs, -20 and -60 degree Celsius cold chain storage and containers, and the quality of road transport operations could also cause issues.

Increased security requirements,

government legislation and the need to train up staff on pharma handling process and standards were other points mentioned.

Collaboration

Our final question looked at what the industry should do to prepare for the vaccine.

Many said that staff training on pharma handling procedures would be vital. Collaboration between various supply chain partners would also be key.

“Advance planning between pharma companies and carriers/forwarders. Slot co-ordination and support from airport operators/authorities for speedy clearance,” said one.

“All stakeholders in the supply chain need to co-operate, not just the cargo sector,” added another.

“Begin immediately to co-ordinate operations with vaccine manufacturers,” added a third.

“Talk to shippers and advise what the limitations are and once it’s clear what is required: how to mitigate potential challenges and issues,” said another.

Pre-planning was another area of focus: “Prepare a high-level Covid response plan that factors most of the anticipatory needs, challenges and risk assess/mitigate a crisis situation where avoidable and addressable,” recommended one.

Others said that forwarders and shippers needed to book charter flights as early as possible.

Governments also need to take an active role: “This needs to be managed by governments in collaboration with the industry, while each country is different, their guidelines and processes need to be clearly communicated.”

Another added: “Sign national government deals for charters now,

similar to Project Air Bridge where integrator and cargo freighter companies signed deals with the US government for fixed capacity.”

Overall, it appears the industry could be facing another challenging few months once a vaccine is launched.

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Adapting to rapid change

Jessica Tyler learned important business principles at an early age, which stands her in good stead as the new president of cargo at American Airlines, writes **Roger Hailey**

Jessica Tyler, the new president of cargo at American Airlines, knows that accelerated change is coming to the airfreight industry as a result of Covid-19, and that reminds her of important principles from how her mother and father ran their small business.

“For almost 40 years my parents were able to compete with big box retailers and they did it through reinventing themselves, adapting to change and maintaining the customer relationships that were the heart and soul of the business,” she says.

“The pandemic has shone a light on all of the things within the air cargo industry that have needed to change for a long time.

“You have to move quickly and still be aware of what is happening around you, ensuring that you make the necessary changes to stay competitive but at the same time keep those customer relationships alive.”

Cargo-only aircraft

One of those changes is that American Airlines is now operating a fleet of cargo-only aircraft — albeit passenger aircraft — for the first time in 34 years and it estimates that it will be flying more than 1,000 cargo-only flights in the month of September as freight demand hits a seasonal peak.

Tyler is a mathematics graduate, a former high school maths teacher and a competitive volleyball coach who also worked at Gallup, the polling and management consultancy.

Tyler has been with the US carrier for eight-and-a-half years and now also has the title of vice president of airport excellence at American.

It may sound an odd twinning of roles, but reflects the closer links between cargo and passenger ramp operations post-pandemic.

Part of Tyler's previous role, working with former American cargo boss Rick Elieson, was strategy and development for cargo, a team responsible



‘Any good crisis, makes you work differently, prioritise quickly and bring focus on the important things in your business like never before, such as **cost and strategy’**

Jessica Tyler, American Airlines

for supporting the long-range view of where the US carrier is headed and how to get there.

“This crisis has changed the way we work,” she says. “Any good crisis, makes you work differently, prioritise quickly and bring focus on the important things in your business like never before, such as cost and strategy.

“Right now, we need to focus on a market where agile, quick decision-making is required.”

Bellyhold capacity

The cargo-only flights use bellyhold capacity alone and not packages on seats as with some other carriers.

Explains Tyler: “We have enough widebody capacity to meet demand. We don’t use the luggage bins because the complexity around size, weight and product restrictions do not make it worthwhile.

“You would also need to have a certain number of flight attendants and so all of a sudden the cost and complexity didn’t make sense in terms of frequency and filling the cabins with even more cargo.”

There have been challenges, mainly from a change in restrictions on what can fly — almost daily — at the local, state and country level: “Fortunately, cargo is protected from a lot of those restrictions but it is a challenge both on the airport side and the cargo side.

“Any new restriction can change dramatically the demand for that market and that has a trickle effect from a passenger and then from a cargo perspective.

“It is a mix of the passenger schedule versus cargo-only flying. In the very beginning of the pandemic we said don’t park that aircraft because we can use it, and those kinds of conversations continue today.”

Another difficult decision forced on the cargo division of American Airlines, and carriers worldwide, was

'We are focused, along with our freight forwarders and customers, in making sure that we don't just survive this crisis but come out stronger together'

Jessica Tyler, American Airlines

the redundancy of experienced staff — more than 30% domestic and worldwide.

"We had to let some incredible people go, people with long histories, expertise and relationships with customers. July was a tough time for the cargo team, but we have offered our teams early-outs and voluntary packages.

"We hope that as soon as flying comes back and we continue to grow the airline efficiently, that we can have some of those folks back at some time," she says.

Tyler knows that it takes strong leadership to make tough decisions, not just for staff redundancies but for imposing a no-show penalty surcharge on booked cargo that fails to turn up for a flight.

The surcharge, part of a fair booking policy, meant that customers with shipments over 100kg pay a fee, starting at \$50, for a late cancellation, late reduction in chargeable weight or failure to show.

Says Tyler: "Two things shocked me when I first started in cargo, the incredible amount of paper and manual work to fill just one of our flights. It made me think about yield management and how the passenger side works.

"We have to change the behaviour in this industry especially at a time when capacity is precious, so we have to get the right things to the right place at the right time in a crisis, and a no-show fee helps that process."

No-show fee

There were several conversations in the American Airlines team around putting in place the cargo no-show fee, regarding a possible concerted backlash from the industry, which in the end did not come although in some cases flexibility was shown.

"Our customers understand the preciousness of that space, so at a time like this we felt that it was the right thing to do, and it wasn't about revenue because I am more focused on changing behaviour in this industry and coming into the 21st century."

The no-show fee also meant that vital products such as pharmaceuticals were able to move quickly, helped by American Airlines' product for time and temperature-sensitive

goods, which is now in the process of acquiring IATA's CEIV pharma at the carrier's Dallas, Miami and Philadelphia hubs — the latter being its flagship facility for pharma where there is a cluster of life science companies.

"We have a really good three-way relationship with shippers, forwarders and ourselves, working together to make sure we can take care of these precious materials," says Tyler.

"We are seeing an uptick in some of the newer, individual-specific medicines where you take genetic material from the patient and make it into a medication.

"Those are a one-of-a-kind medical treatments and if you mess up the logistics then you're messing with someone's life and well-being."

Rapid change

Tyler, along with a number of senior air cargo industry executives, sense that the logistical challenges of the pandemic has brought an opportunity for rapid change in short space of time, letting go of traditional practices and heralding swifter advances in digitalisation and sustainability.

"We are behind the times in terms of how the logistics world works, and the airline industry in general has under invested for decades for all the right reasons, but now is the time where we have consolidated and now we can reinvest in running not only efficiently but also with less paper," she says.

There is a 'digitalisation' parallel with her airport role, where passengers now expect to have as touchless an experience as possible when checking in, passing through controls and boarding the flight in a healthy and safe manner.

"This crisis has shone a light on all of the things within the cargo industry that we have known for a long time needed to change, but now more than ever we have been able to move forward, perhaps even faster in terms of decision-making time."

Tyler cites the no-show fee example, which may have been kicked around as an idea for six or 12 months rather than the four weeks it took during the pandemic.

So how is American Airlines Cargo preparing for the new normal?

"We are focused, along with our freight forwarders and customers, in making sure that we don't just survive this crisis but come out stronger together and I would have answered that question pre-Covid-19 in a very similar way.

"At one point this industry has to consolidate or has to get leaner or smarter. That it is a natural part of what happens in an industry when there are too many players and too many hand-offs and too much cost in the supply chain.

"Over time, customers will begin to expect things to be done differently and they will require the supply chain to change. You can name plenty of other industries where this has happened, but it hasn't happened in ours quite yet."

Digital revolution

Tyler believes that digitalisation will be at the forefront of the change.

American is at the final stage of its own digitalisation revolution, a five-year project to replace nearly 100 legacy cargo IT systems.

The argument for funding was put thus: "We couldn't grow because our ecosystem technology was choking us and we weren't able to react quickly to things, so if we continued down that path there would have come a point when we weren't able to compete."

Tyler adds: "I have a personal soft spot for this project because when Jim [Butler] and I started this project five years ago we knew we had a lot of hard work to do, and this was our second attempt.

"A decade or so prior to that we tried, but because we were staving off bankruptcy and other things within our business it died a slow death.

"I have a very personal commitment because we did not deliver on our promise to people and yet we continued developing and winning awards for customer service and are known for relationships with customers.

"We were doing all that with one hand tied behind our backs and now we are 10 days away [speaking earlier this year] from our final deployment of the biggest investment made in the cargo business.

"We have a system that can take information and react very quickly, as never before, and keep up with restrictions all the way through to invoicing and accounting."

The perennial question: Does American want to operate main deck freighters?

"Every couple of years we dust off the analysis and take a look at it, to make sure that we are making the right decisions to fit our business model," says Tyler. "Right now, we have enough widebodies to meet the needs of our customers."

FACT FILE

◆ American Airlines Cargo is expecting to conduct more than 1,000 cargo-only flights in September as the industry enters its peak season.

◆ The carrier is hoping to achieve IATA's CEIV Pharma certification at its Dallas, Philadelphia and Miami hubs.

◆ It is also in the final stages of a five-year project to replace nearly 100 legacy cargo IT systems — the biggest investment the airline has ever made in its cargo business.

"Freighters is the wrong way to think about it. It is about having the right capacity in the right places and the right connections across the world so that you can say yes to your customers.

"You are trying to build a network, so it is not a freighter question but a network and capacity question, and you can get there in lots of ways if you are creative."

Female leaders

How does it feel to be a woman executive at a major carrier in a male-dominated industry?

Says Tyler: "Believe me, I have been on panels and looked around to see there are just six women in the whole auditorium.

"Every industry is the product of its own growth and development. I am the first woman president of American Airlines Cargo in 70 years, but I look around and see that there are a lot of women in senior leadership roles.

"That's not to say that we have cracked the code completely, but I'm proud of where we are today.

"This year has been tough on all of us in the industry. I'm grateful to lead a team that knows how to come together and solve tough problems, because we've been able to prove we can tackle whatever comes our way. We don't know what the future holds, but whatever it is, I know we can lead through it with our team and customers at the heart of it all."



How green is air ca

In a post-Covid world where environmental issues will be at the forefront of public and corporate thinking, sustainable air cargo operations will be in demand, writes **Roger Hailey**



DHL Express carried out an experimental flight in June with an Airbus A330-200, which was tailored to be as energy efficient as possible

Greta Thunberg may not yet have coined the phrase ‘flygfraktskam’ but if the Swedish environmental activist wants to shame airfreight, the industry is already building a powerful defence.

Sustainable aviation fuels (SAFs), freighter flights optimised for minimal carbon emissions, fewer single-use plastics, waste recycling, electric-powered airside ramp vehicles and cleaner road feeder services are just some of the air cargo green initiatives already in play.

Aviation generated 2%-3% of global CO₂ emissions, some 915m tonnes, in 2019. This represents 12% of CO₂ emissions for all transport modes, according to the Air Transport Action Group. Of that amount, international aviation amounted to 580m tonnes of carbon in 2019.

Both IATA, the airline standard-

setting body, and UN aviation regulator ICAO are committed to reducing net emissions to half of 2005’s levels by 2050, with the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) being an important tool in the box.

So, what is happening on the ground, or equally importantly, in the air, to reduce greenhouse gas emissions?

The ‘perfect’ flight

In June this year DHL Express conducted a ‘perfect flight’ from Leipzig to New York with an Airbus A330-200 freighter.

The aircraft has the ideal payload and range capability to connect DHL’s European hubs with US gateways such as New York, Chicago or Miami.

The demonstration flight, by DHL’s European Air Transport (EAT) operating arm, took advantage of reduced air traffic due to Covid-19 and used additional measures such as

route optimisation, unrestricted climb to cruising altitude from Leipzig/Halle Airport and the best possible descent procedure at New York’s JFK Airport where the aircraft descended in a constant angle with minimum engine power.

Equally important, the entire transatlantic flight was supported by every air traffic control unit along the route.

EAT managing director Markus Otto says that the flight saved a total of 1,150 kg in jet fuel, resulting in a carbon footprint reduction of nearly 3.5 tonnes, exceeding expectations.

Asked about post-flight lessons to be learned, Otto says: “This flight was a unique opportunity that gave us a lot of valuable insights that we will continue to incorporate into our operating business in the future.

“Several measures are now already part of our DNA. For example, the removal of unnecessary equipment from the aircraft to reduce its weight

or a more accurate payload forecast.

“However, this was an experimental flight at a time when the air lanes were less busy due to Covid-19.

“The project also required close co-operation with 13 air traffic control centres and other aviation partners. It included more than 50 points of action to support a nearly perfect flight. Under normal circumstances, these would be rather difficult to comply.”

With production line freighters already fuel efficient and green, can any more sustainability gains be squeezed out?

Says Otto: “We are convinced that every flight can be optimised in some way independent of the aircraft.

“From my point of view the biggest lever is the weight. Every kilo counts and it is worth looking into the details of every flight and fleet.

“It doesn’t matter if you save 2% trip fuel on a flight from Brussels to Lisbon with an A300 or the same

argo?



amount on a trip with a newer aircraft from Leipzig to JFK.

“Every step we take towards more sustainable operations is beneficial for the environment and a valuable contribution to the shared effort of sustaining our planet.”

What can the airframe and engine manufacturers do to help in the sustainability quest for a perfect flight, every time?

“Unfortunately, the development of new production freighters is lagging behind the modernisation of passenger aircraft.

“Boeing’s 787 entered service nine years ago and up to this day, there is no B787 freighter production to be expected in the near future.

“Transferring technology that is being used in the passenger world will certainly help the air cargo industry to become even more sustainable in the upcoming decades.”

Céline Hourcade, transition director at air cargo association TIACA, wants a “bold commitment” from the air cargo industry towards combining both digital and sustainable transformations.

Rethinking the future

While accepting that many airfreight companies are still trying to survive in a Covid world, Hourcade says: “I am calling for the industry to rethink their new or future business in the next normal, but it should be digital, and it should be sustainable.

“That is a unique opportunity for all industry players that survive to be digital, modern and sustainable.”

She adds: “There are many different elements that can be put in place and it requires a lot of investment and cash and commitment to the future.

“It also requires quite a lot of support from regulators and governments to help our industry move to

cleaner technology.”

Not necessarily cash, although that is welcome, says Hourcade, but also the “political will”, for example in helping to scale up SAF production worldwide. And the air cargo industry must look beyond SAFs.

“It is not just about CO₂, it is about waste, and I am very worried about the plastic pandemic.

“We were moving away from single-use plastic, but Covid-19 has seen a credible amount of single-use plastic.

“We need to address the internal air cargo environment and look at the principles for a circular economy at a community level to reduce waste and energy use.”

Hourcade adds: “What really matters is that in the future it will be a competitive advantage for airlines to use clean energy.”

Jason Breakwell, commercial director at Luxembourg-based Wallenborn, the road feeder service provider, operates a fleet of 900 trucks — a mix of owned vehicles and those on exclusive contract — all of which are Euro Six, adhering to the latest in low nitrogen oxide (NO_x) and carbon emissions for diesel engines.

Wallenborn invests in driver training to reduce fuel consumption and in transport management systems to minimise empty kilometres and maximise load factors, alongside waste recycling and low energy offices, including a huge solar array at the home base in Luxembourg.

Says Breakwell: “We have pretty much reached the limits for what we can do now with current practices but more interesting is what is not far off in terms of fuel technology.

“There are trucks running on liquefied natural gas (LNG) coming to market with ranges of 1,000 km or



‘SAF is more expensive than fossil fuel and will certainly need help from governments to bridge that gap’

Thorsten Lange, Neste

more without refilling, and that is the kind of performance we need from alternative fuels.

“But the only downside is that the network of LNG fuelling stations is still limited, so we have to plan where we operate those trucks.”

LNG fuels cut truck CO₂ emissions by 20%, from pump to tank, compared with diesel but do not emit particulates nor Sulphur Oxides (SO_x), and have a 90% reduction in nitrogen oxides (NO_x).

Electric avenue

Technology advances in electric trucks, with the battery charged by a small gas powered motor, will provide ranges in excess of 1,000km before refuelling, a critical distance for efficient road services.

Says Breakwell: “There are already electric trucks out there, but they are only really suitable for city deliveries and distances of around a hundred kilometres or less.”

Hydrogen-fuel trucks are also on the horizon, but at present with ranges of around 500km, so once again a reliable network of refuelling stations for alternative fuels is essential.

Says Breakwell: “That is the dilemma, who is going to invest in the infrastructure? It may be the

AMAZON AIR

The Climate Pledge

Amazon Air has secured up to 6m gallons of sustainable aviation fuel (SAF) over the next 12 months as part of the company’s commitment to The Climate Pledge. The Amazon-dedicated airline said that sustainable aviation fuels are derived from renewable resources and generate fewer carbon emissions than standard aviation fuel.

“The blended fuel we secured includes feedstock of inedible agricultural waste fats and oils and has the power to reduce carbon emissions by up to 20%,” Amazon Air says.

Sarah Rhoads, vice president of Amazon Global Air, adds: “Development of more efficient air cargo solutions is critical to achieving our goal of net-zero carbon across Amazon by 2040.

“We’re already reducing carbon across our air network, from our ground operations — where we were the first to use electric maindeck loaders in

North America — to our fleet and network design.

“Using sustainable aviation fuel is a natural next step, and one that calls for continued action. We encourage other companies to join us in the effort to engage with suppliers to create more fuel alternatives.”

The SAF will be supplied by Shell Aviation and produced by World Energy.

Earlier this year, Amazon trialed SAF on two flights originating from Washington to Arizona and Connecticut.

The Climate Pledge was founded in 2019 by Amazon and Global Optimism, and announced in Washington DC. It calls on signatories to have net zero carbon across their businesses by 2040 — a decade ahead of the Paris Agreement goal of 2050.

Amazon Air Regional Air Hubs have also been investing to improve their environmental performance, investing in electric ground service equipment to replace diesel-powered alternatives, and solar rooftop panels atop new air cargo facilities.



DHL Express 'perfect' flight experiment — top left: exterior maindeck loading, top right: flight cockpit instrument; bottom left: cockpit documents, and bottom right: interior maindeck loading



DELTA CARGO

SAFA grows

Delta Cargo has joined the Sustainable Air Freight Alliance (SAFA) — a collaboration between shippers, freight forwarders and airlines to track and reduce emissions — as part of its initiative towards improving its environmental footprint.

The move follows Delta's pledge, made earlier this year, to become the world's first carbon neutral airline.

As part of its efforts, Delta has committed to spending \$1bn over the next 10 years to mitigate all emissions from its global business.

Delta Cargo says it has started taking steps to reduce its carbon footprint, including replacing light bulbs in its warehouses to energy-efficient LEDs and switching to electric tugs.

It is also working with its counterparts through SAFA to share best practices and create common goals and metrics.

Shawn Cole, vice president of Delta Cargo, says: "We're proud to join SAFA as we accelerate our sustainability goals while also being aligned with our customers and their values."

"We are in the midst of the worst global pandemic in living memory, but we can't afford to take sustainability off the agenda. Through this commitment, we are supporting Delta's goal to be a more environmentally-friendly airline for generations to come."

SAFA is facilitated by Business for Social Responsibility (BSR), a non-profit network and sustainability consultancy that has more than 250 member companies in its network.

Angie Farrag-Thibault, director, transport and logistics at BSR, adds: "We are very pleased to welcome Delta Cargo to SAFA."

"When airlines, shippers, and freight forwarders collaborate, they can accelerate the development of new solutions and the implementation of best practices."

"By joining SAFA, Delta Cargo will contribute to an ambitious collective effort to reduce emissions from airfreight, which is necessary to meet global climate goals."

→ airports. Copenhagen is one, and Liege is another, they are doing exactly that when it comes to hydrogen."

CO₂ emissions can be reduced further by blending LNG with liquefied biogas (LBG) where available, or even switching fully to LBG which is produced from biowaste and cuts CO₂ emissions by 85% when compared with diesel.

Truck slot allocation via an app is one of the big ideas being promoted at airport cargo centres, but Breakwell points out that for an airport with a large number of handling facilities you need to get them all on board to make it work efficiently.

"With one slot management app it should work but if you have one or two handlers who do not use the app and there are delays, then it has a knock-on to those that are using the system."

"The easiest solution is what you have in Luxembourg; one handling facility, and it does save us a lot of time."

SAF currently accounts for 0.15% of the annual 320m tonnes demand for aviation fuel, but this could rise to 10% by 2030.

SAF recycles carbon dioxide (CO₂) already absorbed by plants into another carbon format, with the majority of climate emission savings, currently in its neat form 80%, from the refining process when compared with traditional oil production with a pump in the desert.

Neste is the world's largest producer of SAFs, currently produced from waste and residue raw materials such as used cooking oil and animal fats although other biomass 'pathways' such as lignocellulosics (woody cell plants) and municipal waste are being investigated.

Most test flights have a 50-50 blend of SAFs and fossil aviation fuel, but Neste's executive vice president for renewable aviation, Thorsten Lange, says that tests are underway to prove that aircraft can fly on 100% SAFs, although the 50-50 ratio is likely to remain the standard for some time.

Modification-free

Lange, formerly head of fuel procurement at Lufthansa, makes the point that SAFs do not require any modification to aircraft engines, a critical cost saving in adopting new technology, as is the 50% blended fuel ratio which allows for a gradual increase in its use and encourages investment to build up the supply network worldwide.

Says Lange: "We invested into sustainable aviation fuel capacity increase before we had government backing."

"Neste's sustainable aviation fuel annual capacity is currently 100,000 tons. With the Singapore refinery expansion on the way, and with possible additional investment into the Rotterdam refinery, we will have the capacity to produce some 1.5m tons of SAF annually by 2023."

"But to accelerate refinery capacity and to convince others to invest you would need a political environment to provide certainty for investors."

"SAF is more expensive than fossil fuel and will certainly need help from governments to bridge that gap."

An example of green politics is the European Union (EU) recasting its Renewable Energy Directive and setting a new binding renewable energy target for the EU for 2030 of at least 32%. This will allow "opt-in" by companies which could include SAFs.

In a post-Covid world where environmental issues will be at the forefront of public and corporate thinking, SAF friendly air travel will likely be an attractive option.

Lange estimates that a 2% SAF blend in a typical two-hour European flight would add just €2 to the ticket price, that's half of the price of a fizzy drink at the airport.

Says Lange: "The question is how do you fill the gap between using fossil fuel and SAF, and the answer is that SAF replaces fossil fuel with lower emission fuel."

He adds: "At Neste, we will have more capacity available in 2023 to serve sustainability minded customers, and I firmly believe there will be other producers coming along. That will secure the increase in availability as more producers, technologies and pathways are coming on stream."

The air cargo industry is taking real action to be greener. There is no shame in that.



Transpacific trade weathers the storm

After months of turmoil, the air cargo industry can now begin to think about returning to some sort of normality on this key trade lane, writes **Chris Lewis**

Slowly, the transpacific airfreight industry is groping its way back to some semblance of normality after the unprecedented upheaval of the Covid-19 pandemic.

It will be a long time before passenger schedules return to anything like their old levels, but carriers are making a start on putting back flights and capacity.

On July 7, American Airlines added 1,750 flights per day to its network — bringing its daily total to around 3,750.

While that's still far from the 6,700 daily flights operating this time last year, vice president of cargo commercial, Roger Samways, points out: "It's a big step in the right direction.

"We are now operating nearly 350



American Airlines is now operating around 3,750 flights per day — and this number is set to increase



'We recognise that we will need to continue to be nimble in order to adjust to the changing landscape'

Roger Samways, American Airlines

weekly widebody flights to Europe, Asia-Pacific, Latin America and domestically, with that number set to grow quite a bit in the coming weeks.

"We recognise that we will need to continue to be nimble in order to adjust to the changing landscape but, fundamentally, we have confidence that there will be continued demand for people and goods to fly and American is committed to being able to meet these needs."

American is planning a cargo-only schedule of more than 1,000 flights serving 32 cities in September, doubling its August programme.

The cargo flights — the first freight-only services it has operated since retiring its last Boeing 747F in 1984 — were essentially a mini-airline within the airline, says Tom Howard, who led the operation at American's Integrated Operations Center.

Following an initial service operated by a passenger Boeing 777-300 from Dallas to Frankfurt on March 17, American began operating cargo-only flights to Hong Kong (HKG) shortly followed up by Shanghai, Beijing and Seoul to mainly deliver Personal Protective Equipment (PPE) and medical supplies from Asia to the US.

United Airlines said on July 31 that

it plans to resume services on nearly 30 international routes in September, including flights to Asia and other parts of the world.

It intends to fly 37% of its overall schedule and 30% of its international routes in September compared with the same period last year.

And as early as May, Delta said it was operating Asia cargo flights from three US gateways — daily from Seoul-Incheon to Detroit, four-times weekly from Incheon to Los Angeles and three times weekly from Incheon to Atlanta — to move essential medical supplies and other goods, all using passenger aircraft in freighter mode.

The Atlanta and Los Angeles flights are operated using Boeing 777-200ER aircraft, with the Detroit service utilising an Airbus A350-900.

Both types can carry up to 42 tons of cargo in the hold on international routes.

On June 25, Delta restarted flights between Seattle and Shanghai-Pudong via Seoul-Incheon, operating twice per week and, from July said it would operate once-weekly A350 flights from Seattle and Detroit, also via Incheon.

During the crisis, the airfreight industry had to come up with creative

solutions to keep vital supplies of medical goods moving at a time when bellyhold freight capacity on passenger aircraft shrank dramatically as carriers took an axe to their schedules.

In fact, with demand for airfreight capacity on the transpacific routes — overwhelmingly PPE — far outstripping supply at times during the crisis, other carriers not normally associated with the trade lane came into play.

European players

European carriers such as Lufthansa Cargo played a part, as vice president Asia-Pacific, Florian Pfaff, recalls: "With our extensive network of connections through our hubs in Europe, we can also connect Asia and the Americas.

"Our partnerships with the cargo divisions of ANA, Cathay Pacific and United broaden our range of feeder services to Europe and to the respective continents. Additionally, we offer our customers interlining solutions whenever it makes sense."

Lufthansa Cargo participated in PPE traffic to the US and South America, with charters via Frankfurt.

But, says Pfaff: "Overall, the crisis has negatively impacted our capacity →

→ and therefore led us to refocus on our core intercontinental business from Asia to Europe.”

At the time of writing, Pfaff sees steady demand to North America, but capacity is still affected.

Mikko Tainio, managing director of Finnair Cargo, which has a comprehensive network in Asia including China, Hong Kong, South Korea, Japan and Thailand, says that there had been brisk demand from Asia to North America, as well as Europe, due to the need to deliver critical coronavirus-related material along with the rapid recovery in Chinese production.

But at the same time, supply has been severely constricted as most passenger aircraft with their bellyhold capacity were grounded.

Traditional airfreight demand remains muted. Vice president of airfreight products and services at US forwarder CH Robinson, Matt Castle, says that there are still several industries which have been slow to return.



‘With continued disruption, an increase in ocean volumes, upcoming tech releases, and economies slowly reopening, we expect demand to remain fairly strong’

Matt Castle, CH Robinson



Finnair has noted brisk demand on the transpacific

This is likely to be because of reduced consumer demand and/or shut downs due to Covid-19.

Capacity has dropped in August as most carriers needed to support crew rest and aircraft maintenance to prepare for the upcoming peak on the transpacific.

Castle says that PPE and testing equipment is still active on the transpacific lane but has tapered from the high volumes seen in April, May and June.

However, CH Robinson’s network continues to work with customers on importing PPE and other medical related goods associated with Covid-19.

He adds: “With continued disruption, an increase in ocean volumes, upcoming tech releases, and economies slowly reopening, we expect demand to remain fairly strong.

“However, air passenger travel is not recovering at a significant pace, so capacity will be more limited.

“Due to the lost capacity over the past several months we’ve utilised our global suite of services to quickly shift our customer’s freight to expedited less-than-containerload (seafreight) or charter flights in order to keep their supply chain moving.”

Capacity crunch

Chief executive of DHL Global Forwarding Asia Pacific Kelvin Leung says that the forwarder launched several solutions in Asia Pacific to help customers cope with the Covid capacity crunch, including a dedicated airfreight service from China to Africa and Middle East with a

guaranteed 100-ton weekly uplift from China.

It also worked with the Australian government to build capacity for food exports to the country during the crisis and set up air charters to move Hokkaido scallops to Hong Kong.

Even with passenger flights being restored to some extent, the major challenge is keeping a balance between supply and demand.

As Samways says: “The main challenge we’ve experienced is that we’ve had more demand than we can accommodate.

“The changing supply/demand balance, which has driven significant yield increases, has created a dynamic which supports utilising our passenger aircraft as cargo-only flights, and we will continue to support these flights into the second half of the year.”

He adds: “This flying has wider benefits. As passenger service returns to international markets, we are finding inconsistent levels of passenger demand which further emphasises the importance of cargo.

“Many widebody international passenger flights are currently made possible through the cargo revenue generated on those routes — they simply wouldn’t be sustainable based upon passenger revenue alone.

“Because of the revenue generated from our cargo-only flights, we’re working more closely than ever before with our network planning team to determine the routes for our upcoming schedules.”

Nevertheless, the carrier has faced a number of challenges in delivering cargo service over the last few months, including altered customs requirements in some countries, evolving schedules, and changing government regulations around Covid-19 testing for passengers and crew members.

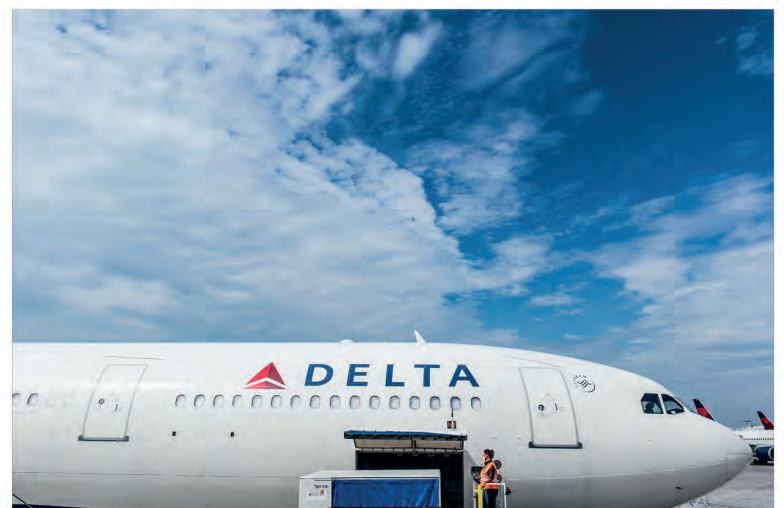
Samways says: “While these challenges have taken some extra efforts and time to resolve, our operations team continues to do an incredible job to uphold excellent customer service even in these unique times.”

Tainio adds that Finnair used its good knowledge of regulatory and customs requirements in Asia to take into account extended customs processes and flexibly adjusted flight bookings to ensure all booked cargo was in fact flown, “something that has been greatly appreciated by many customers”.

Well before the Covid-19 crisis, trade relations between China and the US in particular had become fraught for a number of reasons.

Trade war

Beijing was engaged in a long-running trade war with the Trump administration and, indeed, at the height of the crisis, the US government announced a ban on passenger flights by Air China, China Eastern Airlines, China Southern Airlines and Hainan Airlines from China from



Delta operates Asia cargo flights from three US gateways

June 16, apparently a tit-for-tat reaction to China's own refusal to allow flights by US carriers to resume following the coronavirus outbreak.

There are also the long-term economic effects of the Covid crisis to consider.

As Wilson Kwong, chief executive at Hong Kong airfreight handler Hactl, comments, it has had a major effect on global economies and trading patterns and the aftershocks aren't over yet.

He says: "The pandemic lockdowns have done major damage to economies, and global unemployment will rise for some time as a result."

"This will impact demand for many of the goods that are considered mainstays of air cargo traffic. Ongoing medical traffic is masking some of this at present, but will probably diminish before other traffic has grown to replace it. So things may get worse before they get better."

He too warns that continuing trade friction could spill over into new areas, further impacting east-west business.

At the same time, major manufacturers who were too reliant upon single sources of components pre-Covid-19 have now learned that diversification of suppliers will reduce future risks.

"This could lead to some significant shifts in global manufacturing

'The pandemic lockdowns have done major damage to economies, and global unemployment will rise for some time as a result'

Wilson Kwong, Hactl

centres, and supply chain routes. This will not impact overall traffic levels, but could create new trade patterns, and winners and losers."

Whilst overall cargo throughput in Hong Kong was down 10.7% in 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.

"But 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 it's hard to clearly assess underlying cargo trends," says Kwong.

"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."

He adds that the belly cargo/freighter composition of Hactl's business has changed, with a strong

switch to freighters on all trade lanes as 95% of all passenger flights were cancelled at the peak of the Covid-19 pandemic, removing virtually all belly capacity from the market.

There was a corresponding substantial increase in freighter charters in response to the urgent need for PPE and other essential medical supplies.

Cargo recovery

The recovery of the air cargo business is reliant on the availability of cargo capacity on major routes.

In recent years, some 45% of global air cargo capacity has been provided by passenger bellies and until passenger airlines are in a position to restore at least two thirds of their flights, there will be a shortfall in cargo space that can only be made up by using freighters.

However, there are not enough "conventional" freighters in the world to compensate for a serious and lasting shortage of bellyhold capacity,

and the chartering of outsize aircraft, such as AN-124, IL-76 and the Dreamlifter will be too expensive, so it is likely that a number of carriers will acquire freighters, or convert some of their redundant passenger aircraft.

However, order books at freighter converters are filling up rapidly, so this is not a quick fix.

Hactl meanwhile has continued with all its protective measures such as temperature-scanning, distancing, working from home and re-balancing shifts. Kwong explains: "We have learned to operate in new ways, so we can and will maintain these precautions until the threat of infection has totally or virtually subsided."

At present, Hactl is maintaining a full complement of staff to handle the anticipated cargo volume through Hong Kong but airport recruitment had been challenging for some time.

"Lately, though, the difficulties have eased due to softening of demand in other labour sectors."

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DATA HUB

AIRLINE DEMAND

Growth held back by capacity constraints

Air cargo traffic was stable in July but demand continues to be constrained by the lack of bellyhold capacity, according to the latest monthly report from IATA.

Figures from the airline association show that demand in cargo tonne km terms fell by 13.5% year on year in July.

IATA said this is a modest improvement from the 16.6% year-on-year drop recorded in June and the 14.1% fall over the first seven months of the year.

However, cargo traffic is not increasing as fast as economic indicators suggest it should as a result of limited capacity, which in July was down by 31.2%.

The capacity decline was

led by reductions in bellyhold space, down by 70.5% in July. This was, however, partially offset by a 28.8% increase in freighter capacity.

As a result of capacity decreasing faster than demand, load factors improved by 11.5 percentage points to 56.4%.

While economic indicators have diverged from air cargo performance over the last few months, there are some positive signs for the sector.

The airline association said that new export orders statistics — a leading indicator for air cargo — show that CTKs should continue to improve in the coming period.

IATA director general and chief executive Alexandre de Juniac said: “Economic indicators are improving, but we have not yet seen that fully reflected in growing air cargo shipments.

“That said, air cargo is much stronger than the passenger side of the business and one of our biggest challenges remains accommodating demand with severely reduced capacity.

“If borders remain closed, travel curtailed and passenger fleets grounded, the ability of air cargo to keep the global economy moving will be challenged.”

Looking at regional perfor-

mance, airlines from the Asia Pacific region saw their cargo volumes drop by 17.7% year on year in July while capacity was down by 33.2%.

“After a robust initial recovery in May, demand (month-on-month growth seasonally-adjusted) has softened,” IATA said.

North America-based carriers reported a 2.9% increase in cargo volumes during July as a result of strong demand on the transpacific, Asia-North America route, reflecting e-commerce demand for products manufactured in Asia. Capacity was down by 24.4% during the month.

Over in Europe, the region’s carriers registered a 22% year-

on-year decline in July, while capacity was down by 36.5%.

IATA pointed out that this was an improvement on the 27.6% drop off recorded in June. However, it added: “Demand on most key trade lanes to/from the region remained weak.”

Middle East-based carriers reported a demand decline of 14.9% in July while capacity was reduced by 27.3%.

IATA said that demand had improved on June’s result, driven by the aggressive operational strategies of some of the region’s carriers.

Latin American carriers posted a 33.2% drop in year-on-year demand in July, down from a 28.6% decline in June,

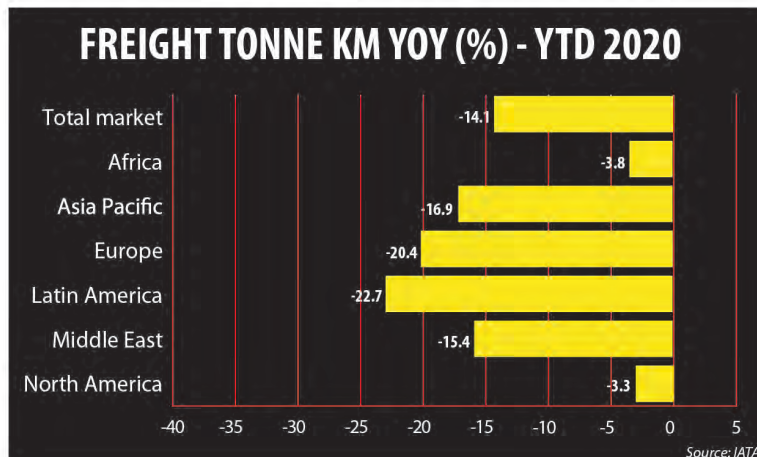
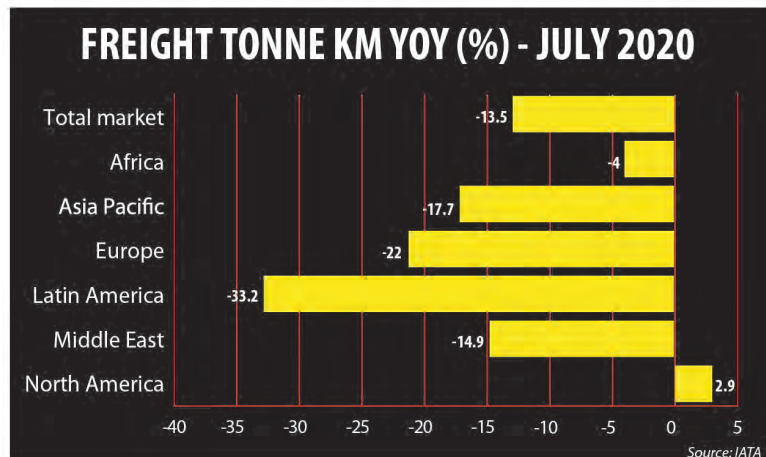
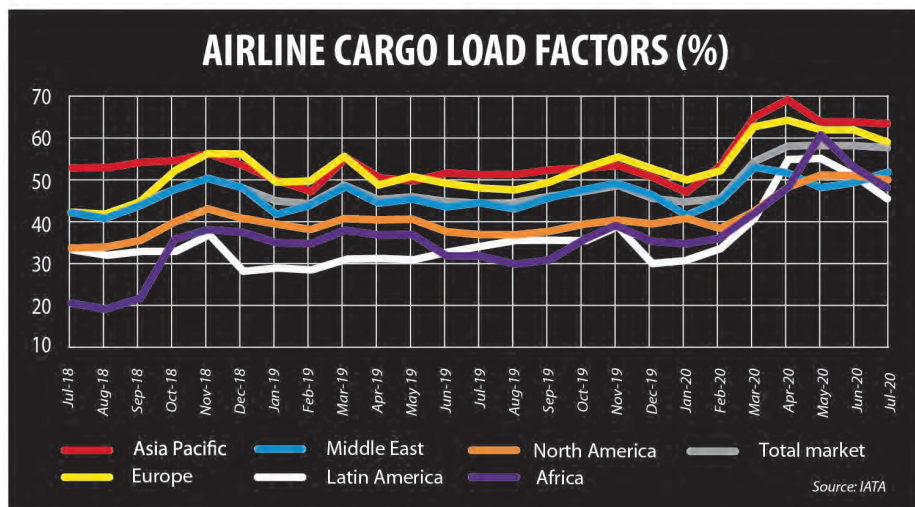
while capacity decreased by 49.2% on last year.

“The drop in both demand and capacity was the most severe of all regions,” IATA said. “The Covid-19 crisis is particularly challenging at present for airlines based in Latin America owing to strict lock-down measures. In July the Latin American air cargo market was smaller than the African market for the first time since these statistics have been reported in 1990.”

Finally, African airlines posted a contraction of 4% in July as the small Africa-Asia market continued to support the region’s performance. Meanwhile, its international capacity decreased 33.7%.

‘Economic indicators are improving, but we have not yet seen that fully reflected in growing air cargo shipments’

Alexandre de Juniac, IATA



AIRFREIGHT RATES

Air cargo rates continue to spike

Air cargo rates on some of the world's busiest routes began to pick up again from an already high level in August, while the outlook remains uncertain.

The latest figures from TAC Index show that prices on services from Hong Kong to both North America and Europe increased in August compared with a month and a year earlier.

Rates on services to North America reached \$5.50 per kg in August, which is up on the \$4.96 per kg recorded in July and also on \$3.29 per kg achieved 12 months ago.

On services from Hong Kong to Europe, average rates for August stood at \$3.21 per kg, which is higher than the \$3.17 per kg carriers charged in July and the

\$2.56 per kg of last year.

Looking at performance on a week-by-week basis, prices peaked in the middle of August before heading back down towards the end of the month.

However, price changes do seem to have stabilised somewhat compared with previous months of the year when urgent demand for personal protective equipment met capacity limitations as a result of cuts to passenger services.

Looking ahead, the market appears to be unsure what to expect for the rest of 2020. At some stage it is expected that there will be another bout of urgent demand when a Covid-19 vaccine is ready for distribution.

Meanwhile, the capacity

situation is uncertain given the unknown future of passenger operations and there will also be the usual peak season increase in demand.

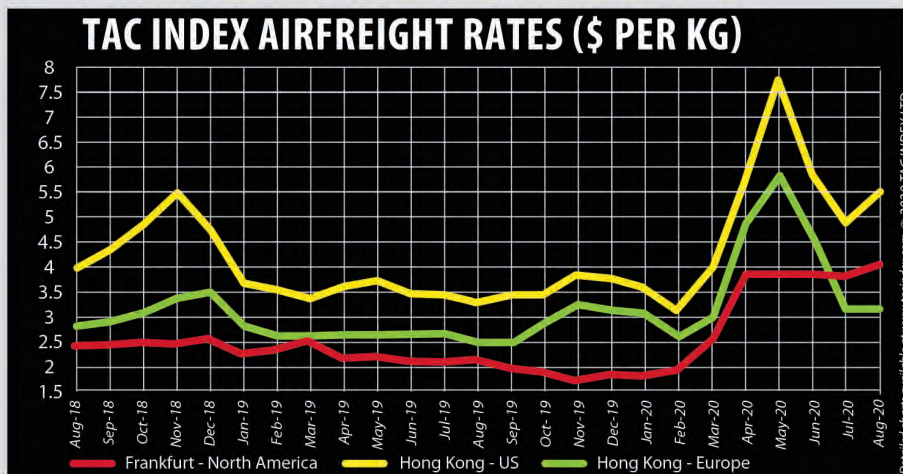
Derivatives broker Freight Investor Services said in its

weekly wrap up that airlines are booked up for the final quarter of the year, apart from the capacity they are holding back for the spot market.

Meanwhile, prices from

Frankfurt to North America also continue to track ahead of last year.

The latest data shows that rates on the trade are 86.1% up year on year at \$4.02 per kg.



AIRPORT THROUGHPUT

A mixed picture for cargo hubs

The largest cargo airport in the world, Hong Kong International (HKIA), continued to see its year-on-year cargo volume declines narrow in July, while it was a mixed picture at other hubs.

HKIA's July figures show that during the month cargo throughput declined 7.3% to 372,000 tonnes compared with the same month last year.

While volumes are unsurprisingly still down on a year ago given the Covid-19 pandemic, the level of decline continues to narrow com-

pared with the rest of 2020; over the first seven months of 2020 cargo tonnages were down by the greater amount of 9.7% year on year to 2.4m tonnes.

The airport also continues to see increased all-cargo movements.

"Cargo throughput to and from Southeast Asia, mainland China and Europe experienced the most significant decreases," the airport authority said.

"Transhipments remained low due to shortage of belly capacity on passenger flights.

Yet, cargo throughput was relatively steady in comparison with the drop in passenger throughput.

"As the demand for air cargo services remained relatively strong, freighter movements recorded a year-on-year increase of 21%.

"Exports and imports also increased by 7% and 4% respectively, compared to the same month last year."

Elsewhere, the picture was more mixed.

According to Airports Council International Europe, the region's busiest air cargo

hub, Frankfurt, saw its volumes decline by 15.8% year on year in July to 142,185 tonnes, while over the first seven months there was a 14.1% decline to 1m tonnes.

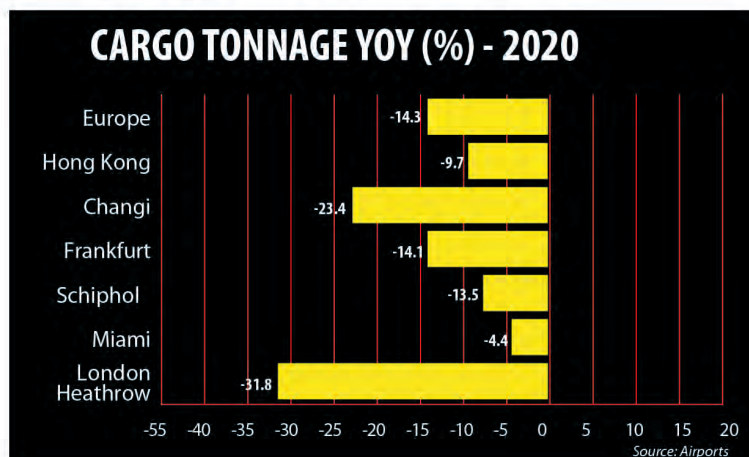
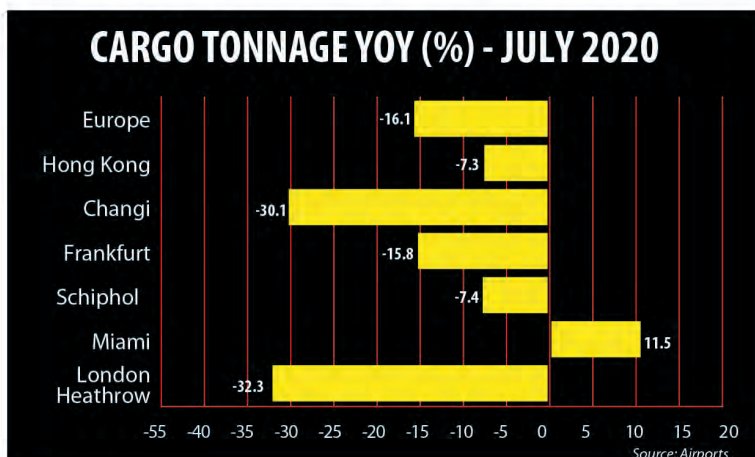
Heathrow, which has been suffering more than most due to its minimal freighter services, saw its cargo volumes tail off by 32.3% year on year to 88,397 tonnes in July, while for the first seven months there was a 31.8% decline to 638,591 tonnes.

Amsterdam Schiphol was 7.4% down in July to 119,634 tonnes and between January

and July volumes were 13.5% down on last year at 775,652 tonnes.

Overall, cargo volumes at Europe's airports were down by 16.1% year on year in July, with European Union (EU) facilities registering a 16.7% drop and non-EU hubs down by 13.3%.

Over in North America, Miami International saw its cargo volumes for July increase by 11.5% year on year to 203,015 tonnes as carriers continued to ramp up cargo operations at the US-Latin America hub.



CONTAINER SHIPPING

Regulators set to step in

Container shipping rates continued to surge as the Golden Week holiday in China approached, with the country's ministry of transport reportedly taking steps to rein in carriers on the transpacific.

The latest statistics from Freightos show that ocean shipping prices from China to the US west coast in mid-September were up 158% year on year at \$3,711 per 40ft container unit (FEU), while to the east coast prices increased by 72% to \$4,496 per FEU.

Rate surge

The rate surge is the result of increased demand and shortages of vessel capacity and container equipment.

The situation looked set to tighten further as shippers rushed to move cargo ahead of the Golden Week holiday between October 1 and October 7.

Forwarder Flexport said of the trade lane: "Expect space to continue to be tight in the next few weeks as

shippers rush to get cargo out of China before October. This is peak of peak season. All services are 110% utilised until at least end of September."

It encouraged the use of standard containers to combat a shortage of high-cube units across all carriers out of Asia.

Meanwhile, shipping lines had been hoping to introduce further general rate increases (GRIs), until Beijing appeared to weigh in on the situation.

Rate portal Freightos' chief marketing officer Eytan Buchman said: "Initial reports surfaced that China's Ministry of Transport (MOT) was considering a ban on China-US rate increases, with state-owned COSCO expected to cancel its GRI, and Maersk following suit.

"And to ensure rates fall once demand eventually drops, the MOT may prevent carriers from cancelling sailings — a move that would reduce supply and prop up rates — starting

after the early-October Golden Week.

"Whether more carriers follow COSCO's lead, and the actual extent of the MOT discussion remains to be seen. But the US Federal Maritime Commission and other industry groups are set to investigate soon as well."

Final ruling

"Whatever the final rulings, the consideration of interventions shows just how extreme the last few months have been.

"Capacity management is regulated, and is meant to prevent carrier losses when demand is low.

"During the pandemic it allowed carriers to keep rates even, up until the unexpected demand surge in June.

"But controlling supply could mean that shippers won't enjoy lower rates (and better reliability) even when demand is not surging."

Lars Jensen from analyst Sea

Intelligence said that irrespective of Beijing's moves to curb capacity, rates should drop in October.

He said: "Either demand tapers off and that causes rates to abate, or additional capacity will be brought in to capitalise on the high rates.

"Presently part of the issue in some places is shortage of equipment (i.e. containers) which more ships will not resolve, but even that problem will be resolved as the high rates speeds up the process of repatriating equipment to such deficit locations."

Rates also continued to rise on the Asia-Europe trade — although not to the extent of the transpacific — with demand expected to stay strong through to the Golden Week holidays.

Equipment shortages are also reported on this trade lane, with Flexport recommending that forwarders avoid high-cube containers, which are experiencing the greatest shortage.

PEOPLE

IATA confirms departure of Hughes

Glyn Hughes

IATA has confirmed that head of cargo Glyn Hughes will leave the organisation as part of a wider restructuring.

Hughes will leave the position, which he has occupied for the last six years, through voluntary redundancy at the start of 2021.



Crane appoints president global commercial

Gerard Ryan

Crane Worldwide Logistics has appointed Gerard Ryan into the role of president, global commercial.

Ryan rejoins the company in his new position, and will focus on client development and will nurture relationships with the company's new and existing partners.



CHAMP Cargosystems names CEO

Chris McDermott

Airfreight software firm CHAMP Cargosystems has named Chris McDermott as its new chief executive, effective from October 1.

McDermott will join the company from SITA where he is currently vice president of passenger solutions.

He succeeds Arnaud Lambert who will leave the company at the end of this month after having worked there for 16 years.

Geodis promotes Honious to president and CEO Americas

Mike Honious

Geodis has promoted Mike Honious into the role of president and chief executive, Americas, effective from October 3.

Honious will report to company chief executive Marie-Christine Lombard. He succeeds Randy Tucker, who is retiring as president and chief executive, Americas.



Latin America feature in November issue of Air Cargo News



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'Any good crisis, makes you **work differently, prioritise quickly** and bring focus on the important things in your business like never before, such as **cost and strategy**'

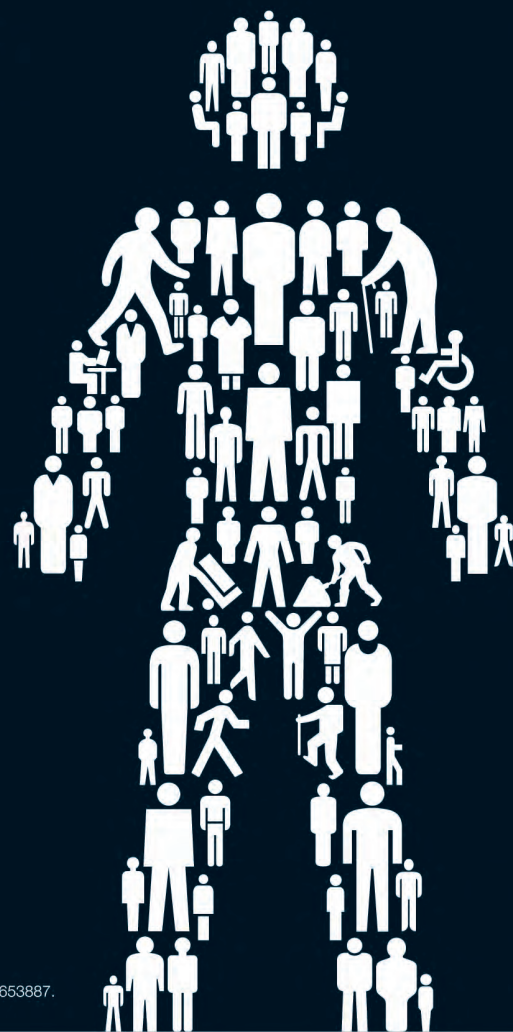
Jessica Tyler, American Airlines Cargo

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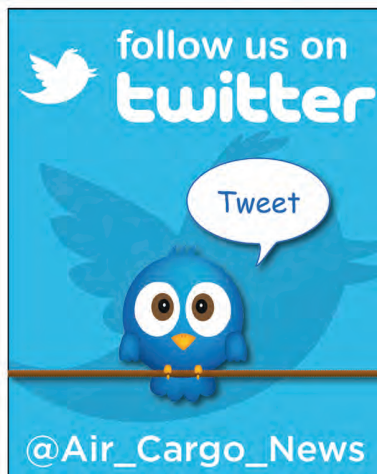
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