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AIRLINES

Cargolux looks ahead with conversion strategy

Cargolux is examining the Boeing B777-300ER freighter conversion programme as a candidate to meet its future fleet requirements, *writes Lewis Harper.*

The operator — which has a fleet of 30 production B747s — is considering two scenarios for aircraft orders, chief executive Richard Forsun explained during a UK Aviation Club event: look to the big manufacturers for a new widebody freighter or seek the conversion of older-generation passenger aircraft.

“The specific one we are looking very closely at is the conversion of the B777-300ER into a freighter, in which Gecas, together with IAI, are doing a programme,” he said.

The IAI conversion programme was unveiled in October last year.

“I’m keeping an eye on that and wondering if the whole freighter concept is now going full circle, where initially it started off as conversion of passenger aircraft and then it went into production freighters, and maybe we are getting back to a situation now



Cargolux chief executive Richard Forsun is eyeing the B777-300ER as a freighter

where manufacturers are going to say the risk is too high,” Forsun explained.

Neither Airbus nor Boeing have committed to building freighter versions of two potentially viable aircraft types. Forsun expressed some doubt that the current orderbook for passenger B777X aircraft will be enough to convince Boeing’s board to launch a freighter variant.

The delivery of hundreds of A350s “could potentially justify the development of a freighter” by Airbus, but the

airframer is yet to announce such a programme. And while Cargolux maintains “continuous dialogue” with the big manufacturers, he said eventual fleet investment might not necessarily involve new-build jets.

For now, “what we’ve done as an airline is taken the necessary steps to ensure the longevity of our B747 fleet as long as possible”, Forsun said.

Eventually, he admitted Cargolux may have to take the less-favourable option of having a mixed fleet.

MARKET

Air cargo set for recovery in 2021

Air cargo volumes are expected to return to near 2019 levels next year, according to the latest IATA market forecast.

The airline association said that improved business confidence and the vital role that air cargo should play in vaccine distribution is expected to see cargo volumes grow to 61.2m tonnes, up from 54.2m tonnes in 2020 and close to the 61.3m tonnes carried in 2019.

It also projected that a continued capacity crunch caused by the slow reintroduction of belly capacity from passenger services, combined with a higher proportion of temperature- and time-sensitive cargo, will see a further 5% increase in yields.

This will contribute to strong performance in cargo revenues, which are expected to grow to an historic high of \$139.8bn, up from \$117.7bn this year and \$102.4bn in 2019.

In 2019 cargo accounted for 12% of revenues and that is expected to grow to 36% in 2020.

However, airlines are expected to post a net loss of \$38.7bn in 2021.

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Innovation helps **Morgan Cargo** win industry award

In its Freight Service Awards 2019, the British International Freight Association recognised Morgan Cargo as the ‘best in industry’ for the Specialist Services category for its work with retail food exports, which involved developing innovative solutions.

The award winning service that Morgan Cargo provides for a UK customer exporting perishable foods – mainly requiring temperatures of 2-8°C – to the Middle East is somewhat unusual, observed managing director Herman Bosman.

“We have a very dedicated type of operation, with a temperature-controlled facility at Heathrow, temperature-controlled vehicles, and we have invested in equipment for labelling and ink-jetting each unit that we send to the Middle East.

“Each item has to have a label showing the ingredients and manufacture date in the Arabic language – that date is not required in the UK, so it has to be added to each label.”

Morgan Cargo can also consolidate goods up to store level at its facility.

“Our export team worked with the customer to offer an integrated software solution, which enables us to receive the orders from the suppliers and to prepare the orders in our facility in the UK per store, so that the cold chain can be managed to the optimum with boxes being packed in the UK and delivered to the correct

store in the Middle East, without having to pick and pack again after the shipment leaves the UK,” Bosman explained.

The company uses airlines that offer a temperature-controlled service and has also developed a simple, cost-effective solution to prevent temperature excursions in transit.

Bosman said: “We designed a carton box with a thermal liner, which maintains the temperature for up to 48 hours. We pack the goods into these boxes with gel packs and temperature loggers and cover them with a thermal wrap to protect them from sun, heat and rain.

“These foil bubble wrap blankets are reusable and do not contain plastic. We try to stay away from plastic as much as we can. The carton boxes are not reusable – but they are recyclable.”

Growth

Bosman estimated that Morgan Cargo is growing at a rate of about 40% year on year. “Sometimes it is not good to grow so fast – but we have got the right facilities in place, the right staff and the right knowledge,” he pointed out.

“We have a long background in temperature-controlled freight in South Africa. In the UK it is still new for us, but we are growing on the back of the knowledge we have built up at our other offices.”



Pictured at the awards luncheon in January are (left to right): Nigel Smith from category sponsor, Forward Computers; with host, Ade Adepitan and Martin Brown from Morgan Cargo.

He added: “We also have AEO [authorised economic operator] security and customs and BRC [British Retail Consortium] accreditations.”

Morgan Cargo is continuing to invest in its capabilities in the UK. It acquired a building in December and at the time of writing is in the process of obtaining planning permission to convert it into a dedicated pack house.

“It is a warehouse adjacent to our current facility at Heathrow. We are planning to get set up and start operating from the new building in the next six months,” Bosman said.

Three other companies made the final shortlist

The BIFA Freight Service Awards competition has been running for 31 years and is open to all full trading and probationary members of the UK trade association for freight forwarding companies. The Awards comprise eight main categories, plus Young Freight

Forwarder (YFF) and Apprentice of the Year (AOTY) categories. The event has long been sponsored by eminent companies, and is recognised as one of the most prestigious in the industry.

<https://awards.bifa.org/awards>

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PHARMA UPGRADE:

Virgin Atlantic Cargo has added a new pharma service ahead of a Covid-19 vaccine. The service will cater for urgent, valuable and vulnerable pharmaceutical and life sciences shipments.

CARGOJET EXPANSION:

Air Transport Services Group subsidiary Cargo Aircraft Management has delivered a converted Boeing 767-300ER freighter to Cargojet Airways in Canada. It will be operated under a seven-year lease agreement.

AN-124 INCIDENT:

A Volga-Dnepr AN-124-100 freighter was forced to make an emergency landing in Tolmachevo airport in Novosibirsk, Russia, with all crew members unharmed. The incident happened on November 13 after a technical issue.

BOOKING BONUS:

Lufthansa Cargo has launched a new portal, eBooking, to speed up bookings. It simplifies the process into three steps: define the shipment, choose the product and confirm the route.

NAM FREIGHTER WIN:

Kuehne+Nagel has extended its freighter deal with Network Airline Management, covering the Africa-Europe trade, by 12 months. The deal covers a minimum of four flights per week from Nairobi to both Liege and Doncaster.

AIRLINES

Covid-19 vaccines take off

Airlines have started transporting Covid-19 vaccines ahead of widespread global distribution.

In November, both Air France KLM Martinair Cargo (AFKLMP) and Turkish Cargo revealed they had handled vaccine shipments.

Turkish Cargo transported vaccines manufactured in China to Brazil. They were placed in seven temperature-controlled containers in Beijing and flown to São Paulo via Istanbul.

Turkish Cargo highlighted that it has created a global pharmaceutical corridor between more than 400 destinations, and has carried many other types of pharmaceuticals along its corridor to key destinations including Mumbai, Brussels, Istanbul, Singapore, Dubai, Basel, London and Amsterdam.

In preparation for the "unprecedented logistical operation", AFKLMP Cargo said co-operation with partners will be essential in successfully overcoming the distribution challenge.

Adriaan den Heijer, executive vice-



president Air France-KLM Cargo, commented: "In recent weeks, we successfully shipped the first Covid-19 vaccines.

"Air France KLM Martinair Cargo is ready for this logistical challenge, ready to deliver coronavirus vaccines to the Netherlands, to France and to many other countries around the globe."

Air France KLM Martinair Cargo,

along with Air Cargo Netherlands (ACN) and Amsterdam Airport Schiphol and separately with Aéroport de Paris, has established two task forces to prepare both airport communities (at Amsterdam Schiphol and Paris Charles de Gaulle) for upcoming vaccine transport operations.

It is also expanding its pharma facilities at the two airports.

The news comes as pharmaceutical firms Pfizer and BioNTech, and Moderna claim their vaccines are more than 94% effective in fighting the virus.

The Pfizer BioNTech vaccine does come with an additional logistics challenge as it must be kept deep-frozen (at minus 70 degrees Celsius).

Moderna's vaccine can be stored long-term at minus 20 degrees Celsius, but is stable for 30 days between 2 degrees and 8 degrees Celsius.

Other vaccines being developed can be distributed at between 2 and 8 degrees Celsius, which makes transportation less complex.

EXPRESS

SF Airlines adds US and Europe services

Express carrier SF Airlines has launched new B747-400F services to the US and Europe, while it has also continued with its fleet expansion.

The US service is operating on a rotation of Shenzhen-Hangzhou-Los Angeles, while the service to Frankfurt originates in Wuhan.

The service to Frankfurt will mainly carry e-commerce goods, textiles, auto parts, and large machinery and equipment; meanwhile Shenzhen-Hangzhou have an "active import and export trade, a high degree of clustering of manufacturing industries, and strong demand for air cargo", SF said.

The carrier has also been adding to its fleet. On November 10, SF Airlines completed the conversion of its 61st aircraft, a B757-200F.

SF Airlines is currently the largest cargo airline in China, with a fleet of 61 aircraft, serving more than 70 cities.

EDITOR'S COMMENT

Damian Brett



No quick B747F goodbye

We decided to mix things up with our front page story this month as there is only so much Covid-19 vaccine-related news anyone can take, and there is plenty of coverage elsewhere in the magazine and on our website.

Instead we led with the fallout from a story that would have perhaps received a lot more attention had it not been for the pandemic – the confirmation that from 2022 Boeing will no longer build the B747F.

This presents the industry with a conundrum: where will it turn for production widebody freighters able to lift 100 tonnes and more in the future?

There is of course the production B777F, which is based on the 2006 launched B777-200LR.

However, its efficiency levels have already been surpassed by newer passenger planes being produced today. Therefore, there must be some concern that in ordering one, you are

buying an out-of-date aircraft in terms of efficiency whilst having to pay production aircraft prices.

It seems that Cargolux, which operates a dedicated fleet of B747s, is looking to hedge its bets and is considering the recently launched B777-300 converted freighter.

The aircraft will probably be more efficient than a B777F given its more up-to-date set up and will also have a lower price tag.

There is the potential for the launch of a new production

freighter, with the Boeing 777X and the Airbus A350 often mooted. But these suggestions have been around for a few years and so far there is no sign that either company is preparing to make a move.

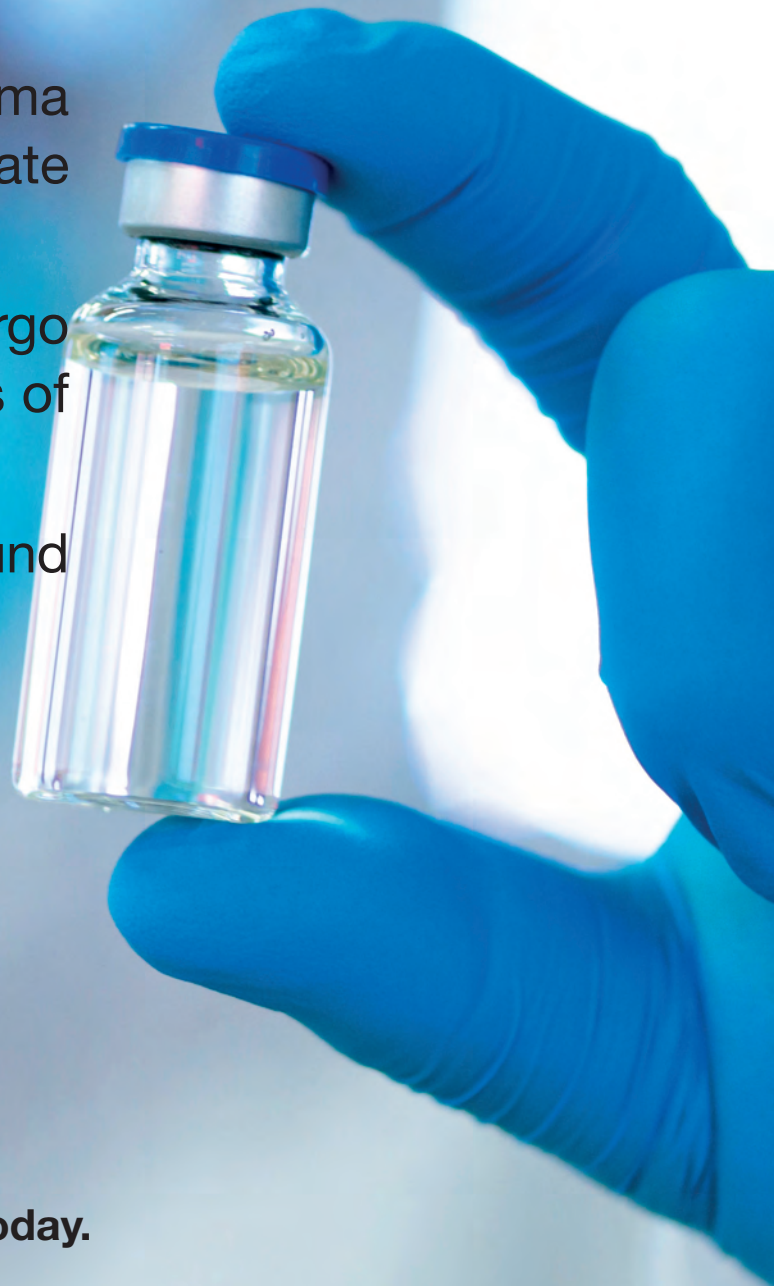
It should also be mentioned that none of these possibilities offer the same capability to handle outsized cargo when it comes to the nose-loading B747F. So, while Boeing might no longer be willing to produce the jumbo jet, we could be seeing them in our skies for some time yet.

KQ Pharma

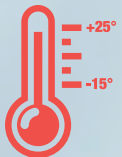
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CARGO

AIRLINES

Emirates puts A380s into action for cargo duties

The cargo market has pivoted to such an extent that Emirates SkyCargo is now able to utilise its Airbus A380 aircraft — known for their low cargo capacity compared with their size — as mini-freighters for charter flights.

The Dubai-headquartered airline said that it would use the four-engine aircraft on select cargo charter operations to transport urgently required cargo across its network.

The first dedicated Emirates A380 ‘mini-freighter’ successfully transported medical supplies between Seoul and Amsterdam via Dubai.

The air cargo carrier said its A380s are able to transport around 50 tonnes of cargo per flight in the bellyhold of the aircraft.

It said it had taken the decision to introduce dedicated cargo operations on its A380 aircraft in response to the surge in demand for air cargo capacity required for the urgent transportation of critical goods, including medical supplies for combatting Covid-19 in regions experiencing a second wave of the pandemic.



The need for medical supplies prompted the carrier’s decision to use A380s

Emirates SkyCargo added it is working on “further optimising” the capacity of its A380 aircraft through measures such as seat loading of cargo. It had planned more dedicated cargo flights on aircraft for the month of November.

The development came as the industry was in the midst of its peak season, demand for PPE and test kits continued and it seems likely a Covid-19 vaccine could be launched by the end of the year.

This will put further pressure on limited cargo capacity — as a result of

the grounding of bellyhold operations — with dynamic load factors tracking at record levels of around 70%.

Emirates SkyCargo operates dedicated cargo flights on its Boeing B777-F and its B777-300ER aircraft, including 14 modified B777-300ER passenger aircraft with seats removed from Economy Class for additional cargo volume. It offers cargo capacity on scheduled flights to 135 destinations across the world.

The carrier also recently announced its Dubai pharma hub would be dedicated for the Covid-19 vaccine.

GOVERNMENT

Dutch U-turn on freighter aircraft tax

The Dutch government has withdrawn proposals for a tax on freighter aircraft following a study into the effect it would have on the market.

The bill containing the tax has now been amended and is awaiting approval.

The Dutch government will instead work for a freighter tax to be introduced at a European level.

The U-turn follows a Dutch government study into the impact of the proposed tax.

“The additional study states that airlines with a cargo tax will relocate to surrounding countries, which will have major consequences for Schiphol and Maastricht Aachen airports,” the Dutch government said.

The proposed tax aimed to reduce the environmental impact of supply chains by introducing a tax based on the maximum take-off weight of aircraft.

However, Dutch air cargo and logistics groups argued that this would punish modern and efficient cargo aircraft with a higher take-off weight.

PUTZGER PERSPECTIVE

Ian Putzger



Why bother with ‘preighters’?

Delta sent out somewhat ambiguous signals about the merit of passenger planes on cargo missions.

At the beginning of November it mounted cargo flights to Madrid, Dublin and Mumbai (via Frankfurt), using B767 and A330 aircraft.

Launched to meet demand for lift, this capacity was welcomed by the market.

Most likely Delta could have gone for more business by fielding a larger plane.

However, a B777 that had its seats removed in the summer was retired by the airline at the end of October.

Delta is getting rid of its B777 fleet, so the move is understandable, but why did it bother to take the seats out

of the plane for a two-month spell? Conversely, would it have made sense to hang on to the aircraft until the end of the peak season?

It is universally acknowledged that the operating economics of preighters — with or without seats — are far from great.

When rates retreated from the stratosphere in late spring Avianca stopped its use of passenger planes for cargo as the yield no longer justified this.

Some other airline cargo chiefs continue despite lower yields to provide a lifeline for exporters.

Others keep going strong with the preighter concept. Air Canada, which was the first

carrier to remove seats, intends to run about 100 cargo flights a week through the fourth quarter.

As shippers and forwarders keep struggling to find capacity in many traffic lanes, the need for more lift keeps rising.

Hopes for a quick recovery of travel have been dashed, leading to the inevitable conclusion that the lost belly capacity will take years to return to 2019 levels.

Lift continues to be in short supply, and that’s before looking at the capacity that will be gobbled up by the global distribution of Covid-19 vaccines.

Second- and third-tier markets will feel more of the pain.

The pandemic has stopped the trend towards more point-to-point flying and pushed flows more to the major gateways again.

According to one study, almost a third of the global air routes have been wiped off the map by the effects of Covid-19.

In Asia alone 2,279 routes have gone this year.

In markets with strong surface networks, this seems a minor inconvenience.

After all, most airfreight flows through big gateways anyway. And then, there is always trucking.

Except that trucking capacity is very tight at this point. Hold on to your seats — and to your capacity.

VACCINE

IATA sets out guidelines for vaccine movement

IATA has published guidance for the air cargo industry to follow when transporting Covid-19 vaccines to ensure that they are moved safely and securely in what it says is the “largest and most complex global logistics operation ever undertaken”.

The association’s *Guidance for Vaccine and Pharmaceutical Logistics and Distribution* document addresses how key challenges can be dealt with when moving the vaccine.

Such challenges identified by IATA include the availability of temperature-controlled storage facilities and contingencies when such facilities are not available; and defining the responsibilities of parties involved, such as government authorities and non-government organisations.

“The guidance includes a repository of international standards and guidelines related to the transport of vaccines and will be updated regularly as information is made available to the industry,” IATA said.

It added that guidance was created with the support of a range of partners. Alexandre de Juniac, IATA’s outgoing director general and chief executive, said: “Delivering billions of doses of a vaccine that must be transported and stored in a deep-frozen state to the entire world efficiently will involve hugely complex logistical challenges across the supply chain.”

“While the immediate challenge is the implementation of Covid-19 testing measures to reopen borders without quarantine, we must be prepared for when a vaccine is ready. This guidance material is an important part of those preparations.”

The guidance recommends that governments and other stakeholders consider: capacity and connectivity; facilities and infrastructure; border management; and security.

“Governments need to re-establish air connectivity to ensure adequate capacity is available for vaccine distribution,” IATA said.



Alexandre de Juniac: “We must be prepared for when a vaccine is ready”

BUSINESS

Vels launches new airfreight wholesaler

A new airfreight wholesaler has been launched by cargo stalwart Rinaldo Vels, particularly targeting non-IATA-licensed freight forwarders, courier companies, trucking companies, e-commerce forwarders and digital forwarders.

The new company, Wholesale by Vels, is based near Amsterdam Schiphol Airport and is fully licenced by IATA.

The company’s initial focus is on outbound services to Asia Pacific, Latin America and the US, and inbound capacity from Asia and the US.

Despite the shortage of cargo space on many key routes, Vels is confident that his company will prove successful: “Even in this digital age, it is very much a matter of contacts, reputation and trust — and we have all three.”

“We agree on terms and conditions as well as a pre-set profit margin, and this provides total transparency to the customer.”

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AIRLINES



Swiss carries 23,000 tonnes during Covid

Since March, Swiss International Air Lines (Swiss) has run more than 1,000 cargo-only flights, operated by its airfreight division, Swiss WorldCargo.

More than 23,000 tonnes of goods have been transported on these flights.

"During April and May, the commodities transported were medicines and medical supplies," Swiss said. "Since then, the focus has been on commercial cargo."

A number of these cargo-only flights were charters in which goods are mainly transported in the cargo hold. Swiss also uses the economy-class cabin area on its three converted Boeing B777-300 to transport cargo.

Since July, Swiss has also carried commercial cargo items in its cabins.

PEOPLE

Gerber swaps Lufthansa Cargo for Brussels Airlines

In a year of change for the air cargo industry, Peter Gerber will leave the position of chief executive of Lufthansa Cargo to take over at Brussels Airlines.

Gerber will take over from Dieter Vranckx as chief executive of the Belgian airline, which is owned by Lufthansa, on March 1.

In turn, Dorothea von Boxberg will become the new chief executive and chair of the executive board for Lufthansa Cargo.

Lufthansa said the supervisory boards still have to approve the proposals.

"Gerber's appointment to the Lufthansa subsidiary Brussels Airlines is part of the group-wide rotation policy for management positions," the airline group said.

Gerber has led Lufthansa Cargo since May 2014 and began his career at the German airline group in 1992.

Von Boxberg studied industrial engineering and management at TU Berlin and ESCP/EAP Paris.

From 1999 to 2005, she worked for



Gerber has worked at the German airline group since 1992

The Boston Consulting Group in Stuttgart, most recently as project manager. In 2005, she moved to Star Alliance and was responsible for alliance development.

In 2007, she joined Deutsche Lufthansa and from 2009 was head of

the "strategy and investments" department at Lufthansa Passage. She then took on several management positions in product management at Lufthansa Passage.

In 2015, von Boxberg moved to Lufthansa Cargo, where she initially headed global sales management before being appointed chief commercial officer of Lufthansa Cargo in 2018, advancing to the executive board.

Harry Hohmeister, chairman of the supervisory board of Lufthansa Cargo, said: "I would like to thank Peter Gerber for his outstanding achievements as chief executive for Lufthansa Cargo."

"As a passionate airline manager, he has very successfully managed the highly demanding and volatile logistics business and, together with a motivated and committed team, has played a major role in shaping the group's cargo division in recent years."

A successor for Dorothea von Boxberg as chief commercial officer will be announced at a later date.

SHIPPER SPOTLIGHT

Zoe McLernon



Air cargo needs support and must accept change

Last month I had the pleasure of speaking at the Westminster Energy, Environment and Transport Forum, where I shared what Logistics UK believes should be the government's top five priorities to support the aviation industry's economic and operational recovery from the Covid-19 pandemic.

Grouped together under five headings — fiscal support, future strategy, airport testing, vaccine readiness and embracing new opportunities — these priorities will help the industry manage the disruption caused by the virus and help it to rebuild for the future.

First, Logistics UK is urging government to provide continued, flexible financial support to business in the form of job

retention and business loan schemes; aviation has high fixed costs and, as an industry, it is not expected to recover fully until 2024.

Given this long-term impact, we would like to see extended loan repayment schedules to ensure the ongoing viability of businesses in this sector.

Second, Covid-19 testing must be introduced at airports to support a growth in passenger numbers which, in turn, will boost capacity for air cargo.

Pre-pandemic, bellyhold cargo at Heathrow Airport accounted for more than 60% of total UK airfreight volume, and while we have seen an increase in cargo-only movements, overall capacity has

shrunk by 25% compared with 2019 levels.

As the pandemic has affected the way consumers behave, the air cargo industry must be ready to cater for these changes and embrace the opportunities they afford, such as the rise in e-commerce.

Furthermore, with the end of the Brexit transition period fast approaching, the UK should be seeking out and maximising new international trading opportunities with countries further afield.

The air cargo industry must also be prepared to distribute any coronavirus vaccine, which will need to be transported in a very controlled, specific and safe manner, scaling up quickly and efficiently; businesses will

need support from government to help make this happen effectively.

Finally, Logistics UK looks forward to seeing the forthcoming publication of the government's Aviation 2050 document, which sets out its long-term vision for the industry, in addition to its specific recovery plan for Covid-19.

While 2020 has been an exceptionally challenging year for aviation, at Logistics UK, we look forward to working with our members, government, and the wider industry to help rebuild the sector as quickly, and as effectively, as possible.

Zoe McLernon, policy manager of multimodal at Logistics UK

MERGERS

DSV Panalpina buys specialist Prime Cargo

DSV Panalpina has acquired e-commerce specialist forwarder Prime Cargo. The Denmark-headquartered forwarder has agreed to purchase Prime Cargo, including its activities in Denmark, Poland and China, from the Mitsui-Soko Group in Japan for an undisclosed sum.

Prime Cargo is headquartered in Kolding, Denmark, but operates internationally and has activities in both Poland and China. "Prime Cargo is a company that DSV Panalpina has looked at with much respect for several years due to the company's high degree of specialisation within selected verticals where DSV Panalpina has little activity," the forwarder said.

"With Prime Cargo's strong competencies in the field of e-commerce and fashion retail, of which the current fashion product set-up in China plays an important part, the company is a perfect match for DSV Panalpina's Danish Solutions division and Air & Sea division, respectively."

TECHNOLOGY

CargoAi grows its team as Covid spurs digitalisation

Booking platform CargoAi believes that the Covid-19 outbreak has accelerated the use of digital solutions in air cargo.

The Singapore-based company's chief executive, Matthieu Petot, told *Air Cargo News* that it has doubled the size of the team in the past six months in response to growing demand.

"Digitalisation was already a necessity for the air cargo industry, but it has become a must, due to Covid," he said.

"It is now also a must for airlines and freight forwarders in order to improve efficiency and in turn to reduce costs and to increase revenue."

Petot said the company, which was launched in 2019, had recruited people with a range of expertise in air cargo — airfreight, technology, product, customer success and sales — in order to understand the needs and limitations of air cargo.

"This is an essential prerequisite: a platform created by air cargo people for air cargo people. That's what we have done by recruiting experts in these fields, who have put in place the most effective solutions on the market."

He added: "Recruiting talented people who bring together exceptional professional and human skills remains our priority."

The platform's chief commercial officer, Mathilde de Rocquigny, has more than 18 years of experience in airport and airline management; its chief technology officer, Francois-Xavier Gsell, is a former solutions architect at Amazon and Microsoft; and chief product officer Elena Volkova was previously head of product and design at FCS Computer Systems.

Petot himself has more than 15 years of experience in air cargo at DB Schenker and Air France KLM.



Petot: "Recruiting talented people remains our priority"

WEXCO

CARGO GSSA

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SERVICE

Continuity is clearly important to Bolloré Logistics' chief executive for Europe, Henri Le Gouis.

For one, he has been working for the Paris-headquartered logistics firm for more than a quarter of a century, starting out in France as chief financial officer at a national level, before moving up the ranks to take the top job in Europe in 2015.

But secondly, he explains to *Air Cargo News* during a recent telephone interview, continuity has also become increasingly important to customers — and therefore the Bolloré Logistics team — since the Covid-19 outbreak.

It has been a tumultuous year for the logistics industry with capacity shortages due to the grounding of bellyhold operations looming large over air cargo, while seafreight supply chains have also been disrupted by cargo rollovers, equipment shortages and high rates.

Given all the disruption, it is not too surprising that shippers are nervous about their supply chains and want to know from their forwarders whether they have a back-up plan, and even a back-up for the back-up plan.

"The lack of visibility is a major concern for our customers," Le Gouis explains. "So what we tend to show is that first, we are a ready partner, and that we are also able to find back-up plans and alternatives.

"We definitely see that the customers are eager to look for these back-up plans and to make sure that whatever happens, their supply chains will be up and running for the next months."

In order to ensure air cargo supply chains keep running, Bolloré Logistics has ramped up its scheduled airfreight charter operation.

In Europe, it offers capacity on weekly flights between Shanghai and its growing Luxembourg hub, while it has also launched flights between Liege and 10 countries in West Africa in response to capacity shortages on that lane. It has also increased its use of block space agreements and ad hoc charter flights.

Eastbound changes

Also joining the interview was vice-president of airfreight for Europe, Philippe de Crécy, who identified another trend.

"The main change for this year is something new on the eastbound market," says de Crécy. "We have more and more hard block [capacity] out of Luxembourg, Paris and Frankfurt. This is very new this year."

He adds: "The vaccine campaign can start at any moment in the coming months and we want to be ready and to protect our regular customers."

De Crécy says communication with customers has also become more important, with rates valid for shorter periods.

"Our customers have a good understanding about the situation and this



Henri Le Gouis: when crises like Covid-19 happen, airfreight remains the number one solution for moving cargo

Seeking continuity

The advent of Covid-19 has led to airfreight customers requiring greater certainty than ever. And that's exactly what Bolloré Logistics is basing its current strategy on, as **Damian Brett** discovers

crisis has really changed the communication with customers a lot," he says.

"I see it as more open and transparent. We need to be very close to our customers and be able to offer rates very straight – valid, not for one year, but revised on a quarterly basis and linked to outlook and capacity."

Le Gouis says Bolloré Logistics has also noted an increase in the use of rail services from China to Europe as a result of the rising cost of airfreight

and disruption to seafreight.

"Of course [rail] cannot fulfil all the requirements of our global customers," he says. "But if you consider from the perspective of the carbon footprint it is a very interesting solution."

De Crécy says that the company has also carried out some road freight trials between China and Europe, but he explains that it is unsustainable for large scale operations, while Le Gouis also points out it is not ideal from an

environmental perspective.

While freight forwarders have been doing their best to secure capacity for the peak season and beyond, shippers have also been taking steps to ensure supply continuity from their end.

Le Gouis says that companies have been increasingly switching to a dual-sourcing strategy, often from more than two locations, in order to keep supplies moving if there are issues in a certain origin.

Vietnam has been one location that has benefitted from this trend, he says.

"Vietnam has definitely proved, during the second quarter and the strongest peak of the Covid period, that it has the logistics facilities to face a sharp increase in terms of volumes," explains Le Gouis.

As well as changes to the overall freight forwarding market, the outbreak also resulted in Bolloré

'When the vaccine comes on the market, it will be a different story for airfreight, but exactly when this will come is still an open question'

Henri Le Gouis, Bolloré Logistics



Earlier this year, Bolloré Logistics boosted its Nordic network by taking over Global Freight Solutions

Logistics needing to adapt its own business processes. Le Gouis says more decisions on freight management were taken at a corporate and regional level to ensure that customer requirements were met given the tough market conditions.

However, there was also increased

responsibility at a local level.

“It was especially important for the local branch managers to make decisions, complying of course to our recommendations, in terms of organisation, in terms of finding solutions for the customers,” he says.

He points out that the local offices would have a much clearer picture of who can work from home and who needs to be in an office or hub.

“On the other side [corporate and regional management] had to take some strong decisions in terms of hub management and in terms of securing some space with some strong partners, airlines, and that could be done only at a corporate level.”

Le Gouis adds that the company was helped by its high level of digitalisation and paperless operations, making it easier for people to switch to home working without services being affected.

Overall, the Covid-19 pandemic had a clear impact on business, with Bolloré Logistics’ results reflecting those of much of the forwarding sector. In the first half, the company saw its overall revenues increase by 4% year on year to €1.8bn despite a decline in volumes.

De Crécy says airfreight demand is down by around 8% compared with a year ago at a global level, but air revenues were up by around 10% as a result of higher yields.

“Our general cargo volumes have been affected by the Covid period for sure,” says Le Gouis. “But being obliged to charter more aircraft resulted in increased yields because we took financial risk to secure space.”

In its half-year financial report, the company noted a strong increase in

earnings from Asia, driven by Greater China, Singapore and Vietnam.

In Europe, earnings growth was driven by Germany, Switzerland and Luxembourg, all of which benefitted from the rise in airfreight prices against the backdrop of insufficient capacities and strict cost control.

France managed to perform well despite weak aeronautical activity, which was offset by a drop in its break-even point.

In the other regions, the slight increase in earnings in the Americas, thanks to Canada and Mexico, offset a slowdown in the Middle East — South Asia (India, Lebanon) region.

Environmental issues

Another topic Le Gouis is clearly passionate about is the environmental performance of air cargo.

The topic was high on the agenda before the Covid-19 outbreak and is likely to quickly return to prominence.

“We think we should work more deeply on building environmental standards for the airfreight industry in terms of carbon footprint because as per today, it is extremely negative,” he says. “We have to improve and find standards that give a much fairer view of the footprint of the air cargo industry than it is today.”

“But then we have to explore all alternatives with our customers to minimise the carbon footprint. It was already a must, but this requirement will become even stronger after the Covid period.”

In terms of investments, Le Gouis says the company will continue to expand and invest in its systems and people.

“We keep on investing and we keep

on recruiting qualified people because we believe there is a future in the forwarding industry,” he says. “We feel it has never been more difficult to move goods worldwide.”

“We want to invest: firstly in people who make the real difference in the industry; secondly in the systems and in the hubs; and lastly in acquisitions if we have a solid opportunity.”

On the acquisition front, Bolloré Logistics earlier this year expanded its presence in the Nordics with the acquisition of a majority stake in the Swedish company Global Freight Solutions and its Finnish affiliate.

The acquisition was a strategic move to complement the Nordic regional network having previously established a structure in Norway, which was subsequently joined by a similar investment in Denmark.

Le Gouis says the industry is in a consolidation phase and Bolloré Logistics has the resources to invest if the right opportunity presents itself. He names Ireland as one country in his region where the company would like to open an office.

In terms of hubs, the forwarder is looking to expand its pharma capabilities following recent investments at Paris CDG, Luxembourg and London Heathrow.

The investments in Luxembourg are particularly important for its airfreight business as it has become the forwarder’s largest import hub, while Paris leads the way in terms of exports.

The forwarder has tripled the size of its facility in Luxembourg and the number of people.

With 2020 drawing to a close, it was inevitable the conversation would turn to 2021 and how the industry will progress over the coming 12 months.

“We hope that the growth will come back,” says Le Gouis. “How long it will take is another question. We could expect that it could be quiet until the vaccine comes on the market.”

“I think when the vaccine comes on the market, it will be a different story for airfreight, but exactly when this will come is still an open question in our opinion.”

“The second special point for me next year is when the passenger airlines will be able to come back to normal activity levels. We think it might not be before the end of 2021, but when they are able to resume their operations it will of course again change the market.”

He concludes: “It will be a challenging and exciting year for airfreight. This year has proved the agility of airfreight, but that is why it is important to build some proper standards in terms of environmental performance — because more than ever, when such crises happen, airfreight remains the number one solution.” **ACN**

FACT FILE

◆ Bolloré Logistics has ramped up its scheduled airfreight charter operation. In Europe, it offers capacity on weekly flights between Shanghai and its growing Luxembourg hub.

◆ It has also added an airfreight charter operation to Africa, with flights between Liege and 10 countries in West Africa in response to capacity shortages on that lane.

◆ In the first half of 2020, the logistics company saw its overall revenues increase by 4% year on year to €1.8bn despite a decline in volumes. Airfreight volumes were down by around 8% on last year.

Amazon looks primed for action in Europe

Last month, Amazon established its own dedicated air cargo network in Europe. **Damian Brett** looks at its progress so far and where it might be heading next



In early November, e-commerce giant Amazon confirmed the suspicions of many with the launch of its own dedicated air cargo network in Europe.

Initially, the Amazon Air operation will utilise two branded Boeing B737-800 converted aircraft leased from Gecas and operated by Dublin-headquartered ASL Airlines.

The two aircraft appear to have the registrations EI-DAC and EI-DAD. A third aircraft, EI-DAF, is also listed by Flight Radar 24 as part of the Amazon fleet. EI-DAF was last seen being ferried to Shanghai in September ahead of conversion.

All three were purchased by Gecas from Ireland-based low-cost carrier RyanAir and some suspect the e-commerce giant will quickly add a fourth aircraft.

Of the two aircraft already operating for Amazon Air, EI-DAC has been flying from its Leipzig base to Paris, Barcelona and Rome; while EI-DAD appears to be based out of Cologne and has been flying to Madrid and Milan, although it has also called at East Midlands in the UK and Katowice in Poland.

Before the launch of dedicated operations, it was thought that much of the company's air cargo needs in

Europe were being met by DHL and ASL on a non-dedicated basis.

The new operation is based around the e-commerce firm's recently opened 20,000 sq m centre at Leipzig/Halle Airport, which will connect into its fulfilment network in Europe to bring "greater selection and more flexible delivery options at a lower price to Prime members", the company says.

"This new Amazon Air operation in Europe will enable the company to continue to deliver for customers at a time when people in communities across the region are relying on having the items they need delivered directly to their doorstep."

Jobs boost

The new setup will create 200 jobs in the Leipzig area, adding to the 1,500-plus jobs the company already offers in the city, where it has been operational since 2006.

Dietmar Jüngling, the former general manager of the Amazon Fulfillment Center in Leipzig, will lead the expanded operation.

The two new aircraft will join Amazon's fleet, which is set to reach more than 70 aircraft by the end of 2020.

Attention is now turning to how quickly the e-commerce company will

look to ramp up its operations.

In the US, Amazon moved swiftly; since launching cargo operations in August 2016, its fleet grew to more than 60 aircraft within just four years.

Joseph Schwieterman, professor at the Chaddick Institute for Metropolitan Development, DePaul University, has been following developments at Amazon Air closely.

He tells *Air Cargo News* that while operations were quickly ramped up in North America, progress may be slightly slower in Europe.

"Amazon is pivoting in intra-Europe, which is a notable new development that could precede big expansion as they push to develop a network in Europe. On the other hand, the consumer market in Europe isn't as well developed as in North America, so the risk is likely higher."

He adds: "It is going to be tough to build anything resembling comprehensive coverage in Europe anytime soon, just with the geography in Europe and the different regulations in each country — de-liberalisation still isn't quite the same as in the US."

"Amazon is putting its toe in the water to see how it goes before it makes a big move. We haven't seen large numbers of aircraft set aside for Europe as of yet."

Schwieterman says that establishing a dedicated air cargo network in Europe allows Amazon to reduce its reliance on third-party providers.

"The world is changing too fast for them to focus on one continent at a time," he says. "And if they drag their feet in Europe, an opportunity could be lost."

"Relying on the third-party delivery networks exposes Amazon to a lot of risk. They could experience upward cost pressure while having to slow down plans for ultra-fast delivery of products," he states. "Bringing it in house allows them to test new strategies while protecting their bottom line."

He adds that securing guaranteed capacity is also a big pull for Amazon, particularly this year with cargo space under extra pressure due to the grounding of the majority of bellyhold operations.

Next target

With Amazon Air now established in North America and Europe, will inter-continental flights be the next target? Schwieterman says that so far, Amazon's international flights have largely been occasional between some key points in Europe, Asia and the US, a "niche" operation, he says.

"It might just be they are filling gaps where cargo space is constrained and things like that," he says. "We don't envisage a massive trans-oceanic operation for now. That is further down the line."

'Amazon is putting its toe in the water to see how it goes before it makes a big move'

Joseph Schwieterman,
Chaddick Institute for
Metropolitan Development

freighters world

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December 2020



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CONVERSIONS
A321 takes to
the skies

First B777-300 conversions go to Kalitta under Gecas deal

Kalitta Air will become the first airline to operate Boeing B777-300ERSF converted freighters after signing an agreement with lessor Gecas Cargo.

The US cargo airline has signed a deal for three of the B777s, which will be the world's largest twin-engine freighter, with the aircraft due to be delivered in 2023.

The conversion programme is jointly funded by Gecas and Israel Aerospace Industries (IAI).

Kalitta Air operates a fleet of more than three dozen cargo planes, including B747-400F, B767-300SF and B777F.

"Providing air express delivery all around the world for virtually any type



of freight, the addition of these three B777-300ERSF freighters will help us meet the needs of our customers," said Conrad Kalitta, owner of Kalitta Air.

"We are delighted to continue our 15-year relationship with Kalitta Air and [we are] proud they have

become the launch customer with the 777-300ERSF freighter for its future air cargo operations," said Rich Greener, senior vice-president and manager cargo of Gecas.

As launch customer and co-founder of the programme, Gecas has commit-

ted 15 firm orders and has 15 additional options for the type.

The "Big Twin" will be powered by GE90 engines — the world's most powerful in-service engine.

The B777-300ERSF has 47 standard 96 x 125in [2.4 x 3.2m] pallet positions in total, 10 more positions than a B777-200LRF factory freighter, or 5,800 cu ft [164 cu m] more volume.

At the time of the programme launch, Greener said the aircraft's maximum structural payload of 101.6 tonnes and greater volume than the B777F mean it is optimised for the lower cargo densities of the e-commerce and express operators.

NEW B777F UNIT

China Southern has applied to the Civil Aviation Administration of China for approval to establish a cargo subsidiary. To be based in Guangzhou, the new carrier, known as China Southern Airlines Cargo, will operate Boeing B777 freighters — presumed to be transferred from China Southern's existing fleet.

MEXICAN MOVER

Mexico-based Aeronaves TSM has signed a deal with conversion house Aeronautical Engineers Inc for one firm order for a B737-400SF and an option for one additional conversion. These aircraft represent TSM's entry into the B737-400SF market.

ASTRAL EXPANSION

African cargo airline Astral Aviation has expanded its fleet to include B767F aircraft through a deal with lessor ATSG. A B767-200 converted freighter was delivered by ATSG's Cargo Aircraft Management subsidiary under a five-year lease.

Gameco switchover complete

Chinese MRO Gameco has completed its first Boeing B737-800 passenger-to-freighter conversion, nearly half a year since it launched the programme.

The first aircraft, a former AeroMexico example registered N520AM, was inducted into the Boeing converted freighter (BCF) line in Guangzhou in late May. The Guangzhou-based MRO discloses that

it completed conversion on October 15, "several days ahead of schedule".

Gameco general manager Norbert Marx said: "Despite the challenges caused by the global pandemic, we were able to redeliver the conversion product faster than anticipated."

Marx added that the MRO will "take the lessons learnt from this conversion and apply them to our overall process".



Antonov Airlines has transported three racing yachts to Auckland in preparation for the 2021 America's Cup race. The carrier's engineering team worked to ensure the safe loading of the 22.8 m-long, 4.9 m-wide AC75 class yachts on board AN-124-100 aircraft. The total weight of each consignment came to 20 metric tonnes. The first yacht was transported from Providence, Rhode Island in the US for the American Magic team, with the second travelling from London Stansted Airport, for the British Ineos Team UK, and the third departing Milan Bergamo Airport in Italy for the Italian Luna Rossa team (pictured).

Atlas brings B747 back into service as figures improve

Atlas Air Worldwide Holdings will reactivate another B747 freighter after improvements in its third-quarter figures, thanks in part to expanding its e-commerce operations with Amazon and Alibaba.

The lessor reported that third-quarter revenues increased by 24.9% year on year to \$809.9m and net income increased 23.5% year on year to \$74m. Meanwhile, adjusted ebitda improved by 105.3% to \$196.3m.

Chief executive John Dietrich explained: "We further increased our roster of long-term charter customers, including the addition of Cainiao, the logistics arm of Alibaba, as well as expanding with HP Inc and several large global freight forwarders."

He added: "To meet customer demand, we are reactivating our fourth B747 freighter that had been previously parked. This will add to the three B747 freighters and the B777 we placed back into service during the second quarter of 2020."

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STANSTED DELIVERS

A changing world is reshaping supply chains, says MAG's head of cargo. Roger Hailey reports

London-Stansted airport is preparing itself for increased freight volumes in the immediate post-Covid-19 world, as supply chains adjust to fewer passenger bellyhold services.

Stansted, part of the UK's MAG airports group, which includes express hub East Midlands, saw an increase in ad hoc freighter and cargo-only passenger aircraft charters during the first wave of Covid-related volumes, primarily for personal protective equipment (PPE).

The demand was also met by the airport's established customer base, which includes freighter operators FedEx, UPS, DHL, China Southern Cargo, Asiana and Cargolux, plus the extensive passenger/cargo networks of Turkish Airlines Cargo and Qatar Cargo.

Steve Harvey, MAG head of cargo, says that PPE is no longer the driving force behind growing freighter demand at Stansted, instead citing two other factors: reduced capacity in the air cargo market and the changes to how people shop — the continuing rise in e-commerce.

"The number of passenger aircraft flying was down by more than 80% in certain regions in certain phases of the pandemic, although capacity did increase from April onwards," he says.

"Freighters managed to take up some of the demand but there are limits to how much of that 80% has been covered, so there remains a capacity shortage. That is the primary cause.

"Second, there have been changes in the way we shop. Covid-19 has increased the consumer's reliance on online shopping and therefore on the integrator capacity and the express products that we have in plentiful supply at Stansted, with DHL, UPS and FedEx being examples, plus passenger aircraft volumes."

Adds Harvey: "E-commerce is so wide ranging now and what we classify as e-commerce today is very different from when it first started.

"It was all about smaller packages and letters, but if you look at some of the packages that



Stansted claims to be well placed, both geographically and in a business sense, to increase its share of freight trade

come in now, they would not have been classified as e-commerce.

"So, e-commerce is the driving force behind the increasing volumes and growth for the integrators and their expanding express product services."

Passenger airline bosses have grown increasingly pessimistic about the return to 2019 passenger levels, and with it bellyhold cargo capacity.

Forecasts for a return to pre-Covid traffic initially started at 2022 but have now stretched out to 2024. What does this mean for bellyhold airfreight, and for Stansted?

"My personal view is that, should passenger capacity come back online by 2024, not all of the cargo previously flown by passenger airlines, and which moved across to freighter operators, will return. My reasons are that supply chains do not change overnight and a lot of these have 12-, 24-, or 36-month agreements — that is the first thing.

"Second, if I am happy with the freighter service and it is providing what I call value for money and on-time delivery, then unless there is a very good reason I am not going to go back or change the service.

"Remember the cliché, if it's not broken, then don't fix it. For those reasons, I do not believe all of the cargo that has moved from the passenger operation will suddenly go back to that same mode of transport."

The UK faces a second challenge: the arrival of Brexit on January 1, 2021, when the transition period ends.

At the time of writing, it was not clear whether the UK would negotiate a free trade deal with the European Union or leave on World Trade Organization tariff-based rules.

Says Harvey: "Regarding Brexit, from an airport point of view we are very positive because, while I never wish ill on any other mode of transport, one of the concerns still centres around congestion at seaports.

"Air cargo is based on time sensitivity, so you use airfreight to get from A to B more quickly than by road and sea. If you have time-sensitive freight which may be delayed in another form of transport, I think that provides an opportunity for increased use of airfreight.

"Therefore, I believe there is an opportunity that could be realised through additional airfreight movements to cover all the potential for delays caused by seaport disruption."

He continues: "More and more we talk about buying online and we expect the goods to be delivered as quickly as possible. All of that business is time sensitive and, whether we like it or not, that is the new modern world and it opens an opportunity for additional airfreight movements.

"I believe that at Stansted, in the south-east of England, we are in an ideal location and have the facilities to make the most of those opportunities for our airline and airfreight partners." ♦



Steve Harvey believes passenger services will not carry as much cargo

ISLAND LIFELINE

PAC is no stranger to change. Its chief executive tells **Roger Hailey** how it has prepared to meet the latest challenges from Covid-19

Airline management at Hawaii-based Pacific Air Cargo (PAC) has a 20-year history of adapting rapidly to changes in the airfreight market on its six-flights-a-week Honolulu-Los Angeles route segment.

The carrier, with its B747-400F on lease from US partner Kalitta Air, saw a massive drop in its airfreight volumes out of Honolulu when Covid-19 struck in March this year.

Chief executive Tanja Janfruechte, who took over in March 2018 after the untimely death of PAC founder and mentor Beti Ward, says: "We are coping with and adjusting to Covid-19.

"In the first quarter of this year, when it hit us, like everyone we thought it was going to be a short-term situation, but we have had to put new plans in place.

"Our business model has always changed over the years, so we are used to coping with change.

"But the change due to Covid was obviously a big one and the first thing we did was adjust our flight schedules because our volumes out of Honolulu fell by over 70%."

SOLID CREW

She adds: "We immediately asked our ground handling team that support our commercial aircraft partners if they wanted to work on the cargo flights and we are very fortunate that we didn't lose that many members, only a handful,

and they chose to take some time off. We are now actually in the process of hiring again."

In the first stage of the pandemic, as demand grew for personal protective equipment (PPE), the carrier worked with Honolulu airport to ship in all the hand sanitiser, machines and other supplies to fight the virus.

That help included freighter flights 'gifted' to the local community.

Says Janfruechte: "There was a panic shortage. Giving back to the community has been a big part of what we have done during this difficult period. We are helping to carry a lot of the supplies that the communities in Hawaii and American Samoa need."

The Honolulu-Los Angeles outbound volumes are still very much reduced because the bellyhold freight originating out of Asia on passenger flights into Honolulu is usually transferred to the PAC freighter.

That Asia network came to a complete halt, almost overnight, because of Covid.

Says Janfruechte: "We immediately asked: how can we support and replace those lost volumes? The first thing we did was partner with Kalitta to help us think of creative ideas."

The answer is that the six-times-a-week schedule out of Honolulu is maintained, but with one return flight, operated by Kalitta on Saturday, going on from Honolulu to Hong Kong and Incheon and on to Los Angeles: "Kalitta takes the aircraft out to Asia and we don't have to worry about the backload schedule."

Demand on the scheduled mainland flight back to Hawaii has been very high, which has prompted additional freighter charters, again required to supplement bellyhold capacity no longer available.

Rates have remained stable as lower fuel costs helped compensate for lost revenues.





PAC has also increased some niche services, such as operating weekly flights to Kona — better known for coffee — to pick up live cattle.

Animals of a different size, domestic pets, continue to enjoy a Very Important Pets (VIP) service with PAC, flying on the temperature-controlled maindeck and not in the hold.

This business continues to thrive because of the constant relocation of military families to and from Hawaii, one of the largest US air and naval bases in the world.

PAC's close business relationship with Kalitta, a major carrier that operates its own or other airlines' freighters, means that as Kalitta continues to expand its B767, B747 and B777 fleet, so the carrier will have access to additional freighter options in the future.

Says Janfruechte: "We are always looking at expansion, for sure. We have already operated a Kalitta Boeing 767 into Honolulu and we

Once Hawaii is really open again, I see it bouncing back relatively quickly and it might just be because US citizens may be a little hesitant to travel to Europe and want to save money by going to Hawaii

**Tanja Janfruechte,
Pacific Air Cargo**

are co-operating on another Boeing 767 flight in a few weeks to help us clear up some of the backlog we have. So, we get to test out all their different aircraft on occasions."

In terms of the PAC Group's ground handling business, that has been significantly affected by the cancellation of Qantas and Japan Airlines passenger flights, which carried US mainland destined cargo that was flown on PAC.

The flipside, however, has seen a 10-fold increase in handling other freighter operators at Honolulu.

Given its location, Hawaii can suffer some serious weather bumps during the hurricane season and, after a relatively quiet few years, the island was expected to suffer a major incident as hurricane Douglas brushed past the islands in August.

Although the threat petered out, preparations had already been put in place, which saw a number of Federal Emergency Management Agency (FEMA) charter flights for generators and other emergency supplies, some of the business going to PAC.

As the air cargo industry gears up for a global Covid-19 vaccine airlift, probably in the spring or summer of 2021, PAC wants to be the provider for Hawaii and Samoa and is already making plans for its schedule next year so that there are vaccine flights available.

Adds Janfruechte: "We are talking to several partners that are going to be very involved in carrying the vaccines about what we can do for them. That is definitely a focus for us."

Longer term, what are PAC management expectations for Hawaiian airfreight in a post-Covid world where some sort of normality returns to daily life on the island?

"Right now, everything changes so often that it's hard to predict but we are not expecting that much of a change for a year or so.

"We have spoken to several of our agents and

partners and they believe that once Hawaii is really open again, then flights might be first to come here.

"I see Hawaii bouncing back relatively quickly and it might just be because folks [US citizens] may be a little hesitant to travel to Europe and want to save money by going to Hawaii."

In such a scenario, airfreight demand will ratchet up quickly to serve a resurgent tourist market in Hawaii.

TRUST IN TOURISM

Says Janfruechte: "The hotels will open up and that is a huge market. We support all the food and products going into the hotels.

"Tourism is so big in Hawaii and we would certainly see that cargo business coming back."

One tourism-related business suffering from the pandemic is the car rental and new car dealership sector, with the islands awash with unused vehicles ordered before Covid struck.

PAC is now marketing a service to fly cars back to the mainland, as maindeck space allows.

The average 60% rise in ocean freight rates means that airfreight is now able to compete both on price and time, with expensive inventory winging its way back in six hours rather than nine days.

PAC management still proudly bears the badge of the airline's founder, Beti Ward, whose regular staff presentations focused on the need to adapt to change — one example being the collapse of the pineapple market out of Hawaii.

Says Janfruechte, who adopted Beti's dog, Boomer: "Those were small changes compared with what we are going through now, but we learned to shift over the years.

"Working with Beti and being mentored by her for so many years, means that we will always be prepared to go with the changes and to look at the other opportunities as they come up. In that respect, Beti is still teaching us from afar." ♦

Ready for action: PAC's B747-400F, on lease from Kalitta Air

FOUR LEGS IN FIRST?

Horses are continuing to travel by air, despite challenges brought about by Covid-19 restrictions. Yvonne Mulder finds out more

Most airlines stopped carrying horses at the outbreak of the Covid-19 pandemic — both because freighters were full of more urgent medical and food supplies and because of the cancellation or postponement of many races and events.

But this ban on horses has continued for some airlines despite the resumption of many equine activities, as Filip vande Cappelle, a spokesman for Animal Transportation Association (ATA) and founder of Belgium-based European Horse Services, explains.

“For several airlines, the complex logistics of horses is not a priority and to avoid additional problems many of them banned the transport of horses.

“For instance, horses have import and transit permits that are difficult to change, so a freighter flight with horses couldn’t suddenly schedule an extra stop to accommodate another customer.

“But even more important, and due to the worldwide travel restrictions for people, the horse flight attendants (grooms) are no longer allowed to enter certain countries — or only if quarantined — making it impossible to have

horses shipped to a large number of countries. And airlines also worried that the grooms could infect their own crew.”

Etihad Cargo agrees that most of the challenges around flying horses at the moment relate to the grooms, not to the horses. But the airline has found a way to overcome the problem.

“We only accept professional aviation grooms to fly with the horses because they now fall under the same status as air crew and therefore are able to move between different countries because they are not subject to quarantine,” says Wiam Al Qamshui, SkyStable product development manager.

“These grooms are flying 50% of their time, so owners know that this is fine for their horses. We are seeing a lot of horse movements coming back.”

QUARANTINE REGULATIONS

Jeremy Instone, managing director of horse transport specialist InstoneAir, says the constantly changing regulations in different countries related to quarantine, as well as changing airline requirements, can make it very difficult.

“Some require people to be tested within 48 hours of flying. But then requirements can change very quickly — from 48 to 72 hours or then no testing at all.

“We have to keep checking what the existing rules for each flight are before putting the grooms on.”

In general, Instone is an advocate of greater regulation and certification for grooms used on aircraft.

“Flying with horses is quite different from being with horses in a stable or even a horse box.

“These grooms need to be trained in aircraft safety as well — how to treat a horse in a confined space and what happens in case of an emergency.

“They feed and water the horses, but we need to think of them as a flight attendant rather than just a waiter.”

IATA rules say the horses being transported need to have a “competent groom” but does not define what that means, says vande Cappelle.

“And there are different expectations and legislation in different countries as well, so that can raise legal issues.

“The grooms don’t just need to know about horses, they need to have an awareness of flight safety procedures.”

He emphasises that ATA is convinced that the market needs more regulation and certification.

“Without decent regulations and standards, anyone can ship live animals without having the proper training, education and knowledge. And this is exactly where most incidents happen — due to a lack of knowledge and/or education.

“ATA is looking into launching a training programme to lead to certification for grooms.”

IATA’s manual for shipping animals by air is Live Animals Regulations (LAR) and its CEIV Live Animals is a certification programme aiming to raise standards in the industry.

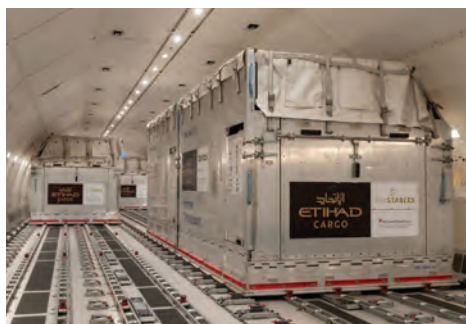
Earlier this year Hong Kong Air Cargo Terminals Limited (Hactl) became one of the first companies to achieve the CEIV certifications in all three areas: live animals, pharmaceuticals and fresh produce.

As part of the process, Hactl’s ramp animal transfer containers were renamed and labelled “Live Animals Containers” for instant recognition and were upgraded with improved ventilation and transparent viewing panels at both ends.

Hactl senior manager — safety, sustainability and quality assurance, Benny Siu, said: “CEIV Live Animals certification has inspired us to revisit all aspects of our services to support our drive for continuous improvement.



Liege Airport handles more horses than any other airport in Europe



Etihad’s SkyStable service operates worldwide



Despite the pandemic, Jeremy Instone has seen strong demand for his company's Fully Collapsible Airstable



Many horses are accustomed to regular air travel, but it's still important that grooms have training in safety procedures

Etihad is also working to achieve CEIV Live Animal status but is having a problem at the moment as any team coming to assess the facility would have to go into 14-day quarantine, like all other visitors to the UAE.

Al Qamshui says: "CEIV Live Animal certification helps us know that we are transporting horses to the highest possible standards — and it helps raise standards overall as there is always room for improvement in any industry."

CO-ORDINATION COUNTS

She explains that live animal transport is very specialised and complex.

"You need a high level of co-ordination between all the parties — shipper, agent, airport, airline and all the relevant authorities.

"It is a delicate balance of trying to ensure the horses minimise their journey times while also ensuring on-time performance for airlines to avoid any extra costs or delays."

Etihad's SkyStable service has a global presence but the main route for horse transport is between the UAE and Europe, catering to the UAE market but also reaching into neighbouring countries Oman, Saudi Arabia, Kuwait and Bahrain.

The airline offers economy, business and first-class services, depending on how many horses are in each jet stall — three, two or one, respectively.

"Many of the horses travel a lot during the year so they are frequent flyers and very used to being in one of the stalls. But horses are always last on and first off on any flight."

ATA believes that all horses should be rested before and after a flight at an on-airport facility.

"In Europe there is already legislation that every airport that is allowed to accept horses as imports should have a facility for horses to be inspected and rested if needed," says vande Cappelle.

"But there is no European legislation for horses that are exported so that can result in sick animals arriving at their destination around the world because of the very long total travel times, especially when you take the road journeys at either end into account."

Liege Airport handles more horses than any other airport in Europe and its Horse Inn is used to handling large numbers of horses at once.

Steven Verhasselt, vice-president commercial, says the year started well, with an increase in both charters and single horse shipments.

"One of the main events we were preparing for was the Olympics. The logistics for the equestrian competition for Rio 2016 was a big success and we were hoping to repeat this for Tokyo 2020."

He is optimistic that the Olympics will go ahead in 2021 and that other international equestrian events will take place as well.

"Meanwhile, the day-to-day shipments are still in place. For 2020, we have seen a shift to European shipments via the Horse Inn, with special thanks to Icelandair Cargo.

"We have also made the Horse Inn accessible for road-to-road overnight connections.

"Trailers making the long journey by road can stop over in LGG, and the horses will be taken good care of in our specialised facilities."

For Instone the pandemic has one silver lining — demand for the company's collapsible horse stalls has been good and its Fully Collapsible Airstable has been certified to European Technical Standard Order (ERSO) by the European Aviation Safety Agency.

"Collapsible was particularly useful during the pandemic, when positioning was difficult for some time.

"With fewer passenger aircraft and freighters full of PPE, the airlines found it was good to be able to collapse the stalls and send them in passenger bellies as well as in freighters. You can get three or four empty stalls into one position."

ATA has just launched a study on horses travelling by air.

"There have been studies done on road transport but not on air transport," explains vande Cappelle.

"Hopefully we will learn from it. For instance, it might be the way we feed the horses, or we find that two horse per stall is always better than three or even than one."

GETTING BETTER

The organisation says that at the beginning of the pandemic, horse shipments nearly came to a full stop.

"Nowadays things are better, but still there is a loss of 40% to 50% of the normal equine traffic worldwide compared with 2019."

Instone says there are tens of thousands of horse movements every year, with more services to a wider range of countries.

"The bigger prize money at international races is attracting more horses from around the world. And new countries are getting more into racing.

"For instance, Qatar was not particularly interested until a few years ago — and now it is big business. And India is quite busy at the moment."

He says that at one stage it looked like China would become a big market for horse transport but this has not happened as the government there does not allow gambling on horse racing on the mainland.

"Until they do that — as happens in Hong Kong and Taiwan — horse racing will never take-off." ♦



Etihad SkyStable's Wiam Al Qamshui



ATA's Filip vande Cappelle

A321 IS RIGHT

CARGO CHOICE

There is renewed and long-term emphasis on freight. Roger Hailey talks to one lessor about its plans

Aircraft lessor Vallair is a key player in the rapidly developing Airbus A321 passenger-to-freighter conversion market.

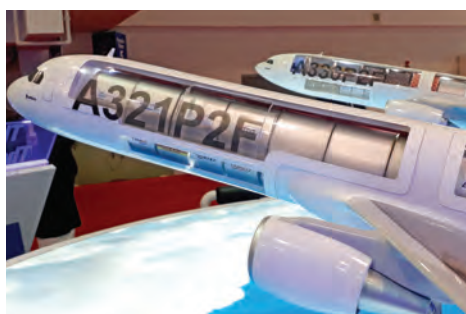
Vallair, with offices in Luxembourg and facilities in Chateauroux and Montpellier in France, has been engaged in cargo conversions since 2015 and is the launch lessor of EFW's A321 converted freighter, with a number of major deals announced in October this year.

Vallair chief executive Grégoire Lebigot, speaking to *Freighters World*, outlined the strategy and ambitions for the aviation solution provider's A321 conversion business.

"Vallair's first A321F was originally going to be leased to Qantas Freight, but they decided to buy the aircraft instead and it started operations on behalf of their customer, Australia Post, on October 27 flying the Brisbane-Melbourne-Brisbane route," said Lebigot. "We anticipate delivering four A321Fs in 2021, ramping up to 12 in 2023."

Asked about Vallair's ambition for the A321 conversion programme, Lebigot said: "We recently signed a lease agreement with SmartLynx Malta for two newly converted A321-200 freighters.

"In mid-October, Vallair announced a ground-breaking deal with GlobalX, the new Miami-based airline, which has signed a letter of intent to lease 10 A321F conversions which will



A321P2F variant burns 20% less fuel than older models

be delivered and operational by spring 2023.

"Feedstock will be sourced to match the delivery schedule to lessees and we are seeing significant interest at the moment, so as we secure these new customers we will manage the throughput with our chosen partners."

Clearly the A321P2F is a major focus for Vallair, but why is this aircraft conversion so attractive and what aircraft will it replace?

Said Lebigot: "The A321 freighter variant is better for the environment due to its 20% reduction in fuel burn, and it offers enhanced performance across range, payload and volume with a unique capacity for 14 container positions in the upper deck and 10 more on the containerised lower cargo deck.

"Thanks to its fly-by-wire technology, the A321 is more advanced and the aircraft is still in production, compared with older cargo types. Vallair will also look at the Boeing 737-800 which is a good candidate for conversion too."

And who are the target freighter operators? "All types of cargo operators come to Vallair: post/parcels, express deliveries, general cargo, governmental supplies and so on," he said.

The Covid-19 pandemic has clearly changed the air cargo market, bringing freighter opera-

tions to the fore.

Meanwhile, there is plenty of feedstock, given the grounding of passenger flights, and e-commerce continues to grow.

But what does all this mean for the market?

"It is anticipated that cargo specialists will require about 1,500 narrowbody converted aircraft over the next 10 years," Lebigot said.

"Of this total, 1,000 will replace the existing older fleet and 500 will be needed to support increased demand fuelled particularly by booming e-commerce.

"For the same period, Vallair believes the industry could see around 400 A321Fs take to the skies.

"In terms of feedstock, that is a continually moving dynamic. There are many factors that need to be taken into account at any one time, these affect value/price and our team at Vallair monitors market fluctuations carefully. Engine condition, in particular, is a major contributory factor in price calculations."

In terms of the conversion houses, there is limited capacity, but Vallair feels it acted early.

Said Lebigot: "Vallair understood the potential of the A321P2F at the outset and took the decision early on to invest in the prototype conversion.

"Converting a passenger plane to cargo is an extremely complex undertaking which needs to be managed by highly experienced people.

"This applies not only to the physical conversion process, but also in terms of engineering and project management.

"It has taken several years of hard work to reach this milestone and Vallair was delighted to deliver the very first conversion of this type to Qantas Freight.

"Short term, as everyone manages the restrictions that are impacting the entire industry due to the pandemic, demand may outstrip supply.

"But that will soon change, and I anticipate that we will see around 40 A321F conversions per annum by 2025."

It should also be noted that 321Precision Conversions, a joint venture between Aircraft Transport Services Group (ATSG) and Precision Aircraft Solutions (PAS), completed the first post-conversion flight of the firm's A321-200PCF freighter in October.

The passenger A321 aircraft was converted to a Precision Conversions A321-200PCF by Avocet MRO Services in Florida. ♦



Vallair's first A321F began operations for Australia Post on October 27

DHL has shed light on how it dealt with the significant increase in e-commerce demand this year as the pandemic hit — and how it plans to handle unexpected surges in the future.

In an e-commerce-themed conference call in November, the company said this year's traditional peak season is in fact its "second peak" of the year, after significantly higher demand in earlier months as people turned to online shopping while locked down.

Chet Paul, senior vice-president commercial at DHL Express US, said the Express division has experienced unprecedented demand this year, with growth of around 50%.

Helping it cope with this demand, DHL Express has added four Boeing B777 freighters to its fleet and has two more in the pipeline. It has also added 3,000 jobs.

Additionally, DHL Express in the US invested \$20m into expanding its hubs, gateways, sorting equipment and service centres.

Serving the peaks

Paul explained: "One of the big things that's helped [with unprecedented demand this year] and will help in the fourth quarter is that we own our fleet, facilities and resources."

"We've demonstrated our capabilities. We're in great shape heading into the traditional peak season."

Craig Morris, chief information officer at DHL e-commerce solutions Americas, said his division responded to increased demand in March, when the pandemic hit, which put it in good position to handle the traditional peak season months later.

Morris' division opened six annex facilities to expand capacity in Dallas Fort Worth, Atlanta, Los Angeles, New York City, Chicago and Phoenix.

It also implemented automation and infrastructure enhancements, as well as adding 900 permanent and 1,600 temporary jobs.

Kraig Foreman, president of e-commerce at DHL Supply Chain

'Customers are now more reliant on this peak season for the success of their year and are looking at us to deliver for them'

Kraig Foreman, DHL Supply Chain North America

Handling the unexpected

This year's pandemic-fuelled surge in e-commerce demand has led DHL to invest in hubs and increase staffing levels and refocus on new technology, as **Rachelle Harry** finds out



DHL Express has already added four Boeing 777 freighters to its fleet with two more on order

North America, said his division added 6,000 people to its sites while implementing appropriate safety measures.

"We've managed very well in key markets to get the right level of resources," he said.

Foreman added that his division, like Express and Supply Chain, focused on forecasting to get an understanding of what volumes to expect in the latter months of the year, because "consumer behaviour is materially different" at the moment.

Seeking stability

Foreman said customers are seeking stability from DHL in its execution — both this year and next.

"Our customers have experienced instability and unknowns throughout the year," he said. "They are now more reliant on this peak season for the success of their year and are looking at us to deliver for them."

Morris agreed: "Customers have concerns about delivery capacity and the cost of that. That's understandable."

He added that in response to customers' capacity concerns, his division stopped taking on new customers back in August.

"This is a typical thing for us to do ahead of peak and we usually do it in October, but we did it this year in August, given the increases [in demand that] we had seen," he said.

Foreman observed: "The reality is that all retailers and shippers are aware of the options they have by this point."

"This is why you've seen many retailers moving promotion periods forward and encouraging customers to order early."

Pushing technology

Looking forward, Foreman said that surges in demand will be easier for DHL to predict and manage because it is increasingly turning towards technology solutions.

"Tech is changing the game," he said. "We're moving further away from large-scale bolt-down investments and moving to more flexible

solutions, such as mobile robotics and systemic intelligence, which allow flexibility and surges in growth."

Morris agreed: "Next year this process will be much more robust and supported by technology, which can automate the decision-making around what carriers to use and when, as well as managing label compliance across a variety of carriers."

"The next area is analytics platforms for better forecasting. The surge in e-commerce volumes has made gaps in proper demand planning and forecasting more pronounced."

"Therefore, merchants need to better plan all elements of the supply chain to deal with volume and ensure they have the right inventory, in the right place, with the appropriate workforce and the appropriate carrier commitments."

"Analytics tools can help with this by advising where to optimise and predicting the future by using internal and external data. I believe we'll see a big push in this area in the next year."





Avianca supplemented its usual freighter operations with over 370 cargo flights using passenger planes between April and June

Latam awakens

Latin American skies are re-opening amid many question marks, writes **Ian Putzger**

Latin America is opening up again. On October 30, Argentina's transport minister advised the national aviation administration to lift the ban on international passenger flights that had been introduced in March.

Other countries in the region have already re-opened or are moving to do so.

Brazil kept its airports open to international passenger flights, but the other major economies closed their borders, reducing international flights to all-cargo operations.

This hit countries like Guatemala and Ecuador — which do not have national carriers — particularly hard, but the rest of the region has also struggled with lack of lift.

With a few exceptions international belly lift dropped out of the market.

LATAM was operating 20% of its passenger capacity in September. Avianca used to fly three times a day between Bogota and New York with A330 aircraft, but Covid reduced this to one daily A319.

"The biggest impact was with Asia," notes Marcio Pires, vice president and head of air cargo Latin America at CEVA Logistics.

Since February there has been no direct connection — passenger or cargo — between China and the region, so it depends entirely on flights from Europe or North America for China traffic.

Air Canada ramped up its cargo flights to the region with a service to Ecuador in July.

"Perishables shippers in Latin America utilise our network. They struggle for lift to Asia," says Vito Cerone, managing director sales and commercial strategy.

Demand also took a hit. According to the United Nations Economic Commission for Latin America and the Caribbean, GDP this year could fall back to the level of 2010.

"PPE and pharma have been strong; everything else took a hit," observes Hans Guiscardo, sales manager of Montevideo's MVD Free Airport. Volumes dropped 15-20%, he adds.

Capacity shrank even more. Kurt Schosinsky, managing director of Avianca Cargo, reports that demand sank as much as 30% in April, but capacity declined more than that.

This forced a revamp of Avianca's freighter operations.

"We needed to adjust the freighter capacity in our network to support

destinations that we normally serve with passenger flights," he says.

Shifting freighters

LATAM shifted some freighters to reinforce lift on routes that had seen deep cuts in passenger operations, such as Miami-São Paulo or the transatlantic routes.

According to Pires, freighter capacity between Europe and Latin America has gone up 10-15%.

Lufthansa stepped up its capacity, adding a third weekly freighter to Argentina.

"There are backlogs to Argentina, but they're manageable," says Carsten Hernig, Lufthansa Cargo vice president Latin America and Caribbean.

Overall demand has been strong both inbound and outbound, keeping the airline's freighters busy.

Lufthansa runs four freighters a week to the region, serving Brazil, Argentina and Uruguay.

LATAM and Avianca have supplemented their freighter lift with



Schosinsky: 30% fall in April demand

'We needed to adjust freighter capacity in our network to support destinations we normally serve with passenger flights'

Kurt Schosinsky, Avianca Cargo



Montevideo has been able to leverage its freighter connectivity to boost its role as a regional distribution point

passenger widebodies flying cargo missions.

"We've been running about 100 passenger freighters a week," says LATAM Cargo chief executive Andres Bianchi. "At some point 70% of the widebody fleet of LATAM was flying for cargo."

Avianca operated over 370 cargo flights with passenger planes between April and June, using the belly capacity and putting some cargo in the cabin, but not taking out seats.

In large part, these all-cargo services boosted capacity on the

routes to New York and Madrid.

Rates and yields in Latin America did not climb as much as in Asia.

When rates started to return to lower levels these supplemental flights were no longer profitable, says Schosinsky.

"Passenger freighters are a stopgap; they're not a sustainable solution," comments Bianchi. "They're more expensive than freighters to operate. We use them selectively."

These flights will be phased out as LATAM reintroduces passenger

services, he reports.

It has continued with them for the time being despite marginal profitability to support industries that depend on lift, Bianchi says.

Lufthansa, which maintained its Frankfurt-São Paulo passenger →

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6019



LATAM added cargo flights to Mexico City and Los Angeles to replace lost belly lift and maintain interline flows to and from Asia



Bianchi: new IT platform next year

→ flight throughout the pandemic, has recently restarted Argentina and Cancun, and is getting ready to resume flights to Bogota.

The carrier does not fly cargo missions with passenger aircraft to Latin America, but sister airline Swiss does, remarks Hernig.

In response to the tight capacity situation some large forwarders have used charters for supplemental lift to serve the region.

Dachser has done so in the Mexican market. Guido Gries, managing director of Dachser Air & Sea Logistics, Americas, expects lift to be sufficient to cope with the incipient avocado season.

Space availability changes almost daily, remarks Pires. In addition to two weekly charters to Europe, CEVA connects some of its Latin American flows with its three dedicated weekly freighter flights between Europe and Chicago.

Hub focus

The steep reduction of passenger flights has concentrated flows more through the major gateways.

“Most demand is to the hubs and out of the hubs. I think most customers have their own distribution arrangements at the hub,” says Hernig.

Likewise, a few hubs are the main overseas gateways for Latin American traffic.

“Amsterdam, Luxembourg and

Frankfurt are the gateways we concentrate on. For the US, it's mostly through Miami. Pre-Covid you had alternatives like Dallas or New York,” says Pires.

CEVA has also moved some traffic for Argentina through Chile and Uruguay, with the intra-regional leg covered by truck.

Transit activity at the gateways has diminished massively.

On the other hand, Montevideo has been able to leverage its freighter connectivity to boost its role as a regional distribution point.

One US company is now using the airport to cover five countries in the region.

The unstable situation has raised interest in Montevideo, according to Guiscardo.

“We've been able to position Uruguay as a business platform and gateway to South America,” he says.

LATAM and Avianca have concentrated very much on Miami for their northbound flows, but LATAM also mounted cargo flights to Mexico City and Los Angeles to replace lost belly lift to maintain interline flows to and from Asia.

Interline activity has been much reduced, but the carriers have maintained key partnerships, especially for the vital connection to Asia.

This is helping Latin American exporters, but for some the cost of airfreight has become too high.

Mangoes, for instance, have shifted to ocean transport. There are also sea-air solutions, mostly involving ocean transits from Asia to the US.

Avianca has a service that involves ocean carriage from Asia to Los Angeles and trucking to Miami. Sea-air also works in the region.

“We have some large clients that are benefiting from sea-air,” says Guiscardo.

He is talking to Asian e-commerce firms about moving parcels by ocean to Montevideo for distribution.

As most shipments are relatively low in value, spending large amounts

on air transport is a killer, he says.

Cainiao sees merit in going by air. It has struck a deal with Atlas Air for dedicated flights to Brazil and Chile to offer a three-day transit for parcels from Asia to Latin America.

In the third quarter it shipped over 8m parcels to South America, double its volume in the preceding quarter.

E-commerce has been growing, confirms Schosinsky. This has also increased the workload.

“In the past you got one pallet with one air waybill. There is a lot of extra work with e-commerce,” he says.

E-commerce is adding to the push for increased digitisation. For Avianca this is going to be a major focus in the coming year.

“We will implement new IT tools, new facilities to interact with customers. We want to have more visibility, more connectivity,” Schosinsky says.

For its part, LATAM is working on the implementation of a new IT platform that is scheduled to go live in 2021.

Once this is in place, there are several plans for apps to be developed, says Bianchi.

Finding room to grow

Despite the challenging environment and the decline in overall traffic, some operators have found room to grow.

Dachser opened a new facility in Mendoza this year, a region that boasts not only wine but is also a major automotive centre in Argentina. In October, the company set up an automotive desk there, which is manned by a team of experts in the sector.

Dachser moved to larger facilities in Buenos Aires and Santiago this year and completed the expansion of its bonded warehouse in Queretaro, a major manufacturing area of Mexico.

In addition, it launched a new customs brokerage operation in Mexico.

For the coming year Gries is planning to expand the company's

life science and healthcare offering in the region.

“We will continue to grow our project and heavy lift cargo business, building on our strong networks throughout the supply chain,” he adds.

CEVA has continued its expansion in Latin America this year with the opening of offices in Uruguay and Ecuador.

“We've been active in perishables.

We have had a strong position in Chile and Peru for years. This year we are pushing flowers from Colombia. That's the reason for opening Ecuador,” says Pires, adding that the company is also aiming to step up its presence in the pharma sector.

For Avianca and LATAM the main focus going forward is the restoring of their networks, which will involve close interaction with the passenger departments.

Much is uncertain at the moment, depending on the recovery of passenger traffic.

As they restructure – both are operating in bankruptcy protection at the moment, as is Aeromexico – their fleets will shrink, but how much and which types will go is up in the air at the moment.

“We will see what the impact will be on routes and what solutions there will be to address these gaps,” says Bianchi.



Gries: chartering supplemental lift

A paradigm shift

Operators must get busy embracing the digital revolution — or get busy going out of business. **Megan Ramsay** finds out how Covid has put extra focus on technology

Covid-19 certainly appears to have acted as a catalyst for the acceleration of digitalisation in air cargo.

According to David Linford, director, global sales and account management at CHAMP Cargosystems: “A shift in mindset has never been more evident than in 2020.

“The Covid effect feels like someone has fast-forwarded us 10 years. The question is: how can we work smarter, with fewer resources, and yet be more efficient than before?”

There has been growing interest from airlines in digital solutions for air cargo as they seek to minimise losses and increase long-term viability — during and after the pandemic.

While passenger numbers imploded in the early stages of the pandemic as borders closed, air cargo demand was less limited.

“As a result, more airlines have started to embrace a strong cargo strategy into their financial planning, including a digitalisation strategy to optimise their cargo operations and processes, similar to what has been done on the passenger side over recent years,” Linford observes.

Opportunities are “plentiful”, he says — digitalising cargo booking and quoting processes, further enhancing functionality in existing systems through the smart usage of application programming interfaces (APIs) and shifting to a ‘contactless cargo scenario’ (for example, via leveraging smartphone technologies in warehouse and cargo handling operations).

CHAMP has been working with Japan Airlines (JAL) this year on a portal that enables paperless trading



‘Embracing newer technologies provides more opportunities and more flexible ways of working’

**David Linford,
CHAMP Cargosystems**

while transforming the JAL domestic cargo business from start to finish.

“With no indication of how long the pandemic would last, both parties agreed to proceed with the initial go-live timeline — just remotely,” Linford recalls.

“This was a first for such an undertaking and a direct result of Covid, but this example also demonstrates that embracing newer technologies does provide more opportunities, agility and more flexible ways of working.”

Linford also sees consolidation of roles within the airline business as those responsible for passengers move into cargo roles and challenge the status quo.

“I sense airline executives are now seeing the value of global logistics,” he says.

“The advantages will eventually be speed, having data seamlessly move across all sectors of the supply chain from shippers, forwarders, airlines, customs and so on, which will result

in fewer delays at the origin and destination,” Linford predicts.

More investment?

Not everyone agrees entirely, however. Olivier Houri, executive vice-president and chief revenue officer at SmartKargo, says that while airlines may have shifted resources to make the most of cargo opportunities, there has not been any incremental investment in freight.

“Airlines are still struggling with capital investments,” he says. “Aside from cargo-only operators, they are all in a dire situation and remain in survival mode.”

The exceptions are those airlines that are seeing the tremendous opportunity driven by the e-commerce explosion — such as SmartKargo’s client Azul, which now carries out 60% of e-commerce distribution in Brazil using SmartKargo’s system, according to Houri.

“Azul is connected to hundreds of e-retailers and provides an end-to-

end service” he explains. “It started as an airline and is the only example in the world that is now acting as a shopping provider and integrated logistics provider.”

SmartKargo is now replicating the same concept with five other airlines.

“There is no stopping digitalisation, especially if you want to be part of e-commerce,” Houri goes on.

The sheer volume of e-commerce shipments means that traditional manual intervention is not feasible, so a shift towards automated, integrated systems is inevitable.

As for traditional air cargo, a complex, multi-stakeholder industry, the future is “100% integration”, Houri says.

“This has been the idea behind SmartKargo from day one. Booking systems, ground operations systems, terminal operations systems, accounting systems and so on used to be separate, and it used to be necessary to build a composite system.

“Now, there is a fully integrated system that can address all these areas in a consistent way.”

Other digital developments that support the movement of airfreight from start to finish include Awery Aviation Software’s CargoBooking platform, whose launch was scheduled for mid-November at the time of writing.

CargoBooking enables the user to request air cargo quotes from leading carriers, compare spot rates, book the AWB and track shipments until they arrive. It can be integrated via API to forwarders’ own systems.

Live availability of space and the suggestion of alternative options if the first-choice flight is full are among the features that customers requested during trials. →

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Track and Trace booked shipments



→ Awery founder and chief executive Vitaly Smilianets says further development of the system will, in due course, lead to the creation of a tool similar to Skyscanner.

Inherent unpredictability

Challenges include the fact that airfreight is mostly operating on spot rates at the moment, as well as the high degree of unpredictability inherent in the industry today.

“You never know if a flight will happen as scheduled (or at all) under Covid-19. It will be at least one year before things are back to normal,” Smilianets says. “We are adapting the tool to be flexible.”

CargoBooking will focus on general cargo to begin with; the addition of other products, such as perishables, valuables or dangerous goods, will come later.

“We are also working on a similar tool for the charter market: AviaSuite. More people are wanting this option and we hope to launch it by the end of the year — although it is more complex, of course,” Smilianets says.

Aviasuite is a “next-generation global air cargo charter marketplace” that supports the workflow from charter request to signing a charter agreement, according to Awery.

The company has been receiving more and more requests during the pandemic, as companies are looking to reduce costs and optimise their workflow.

And while Smilianets is confident that traditional booking processes will not disappear in the next couple of years, he feels certain the industry is heading that way.

“Freight forwarders will move towards automation and the airlines will have no choice but to support this,” he declares.

Austria’s Gebrüder Weiss is one forwarder that has taken another step on the path towards increased digitalisation, with the launch of its myGW digital customer portal in September.

The portal has grown quickly, passing the 1,000-customer mark just a month after its launch.

According to Lothar Thoma, air and sea managing director, the key



Gebrüder Weiss launched its myGW digital customer portal in September; it has 1,000 customers already



Smilianets: “It will be at least one year before things are back to normal”



Thoma: “These will be tools that all logistics providers can connect to”



Sacke: “Transportation and logistics have access to vast reserves of data”

advantage of myGW is the speed with which information about individual consignments can be communicated.

“Our customers’ customer care teams have direct access to myGW, so they can update their customers immediately,” he explains.

In addition: “myGW communications are at the shipment level, so the

customer has the full picture of what is happening with each piece. The solution covers all transport modes and includes all communications, as well as documents such as packing lists and customs declarations.”

MyGW was rolled out initially to Gebrüder Weiss customers in Austria, Germany, Switzerland, the Czech

Republic, Hungary and Slovakia. After testing in the US and Asia, the solution will become available globally.

Gebrüder Weiss has plans to expand the scope of the system over the course of the coming year, with the addition of instant pricing, online booking and live tracking facilities.

INVESTMENT ANGLE

Future resilience is the driver for change

Paul Cuatrecasas (right), founder and chief executive of London-based investment banking firm Aqua Partners and author of *Go Tech, or Go Extinct*, says the driving force behind the accelerating adoption of technology in airfreight is a desire to improve future resilience.

He continues: “Change in technology is exponential, not linear, so 10 years from now I expect to see fully automated end-to-end logistics chains with automated warehouse systems.

“Humans will design and manage those systems, rather than operate them.”

Cuatrecasas also believes that cargo drones will revolutionise the airfreight market, starting with local and regional routes. “Drones are more economical, faster, greener — and safer in terms of viral transmission,” he says, adding: “We will see highways in the air for cargo drones.”

Furthermore, Hyundai’s plan to launch a flying car that could transport up to 300kg of cargo by 2028 is “a game changer”, Cuatrecasas says.



POLITICAL OUTLOOK

Tech prep for Brexit needs clarity

Peter MacSwiney (right), chairman of customs and freight management software provider Agency Sector Management (ASM), observes that there is still a lack of clarity around the practicalities of post-Brexit trade across the Irish border. Nonetheless: "The technology [to cope with Northern Ireland shipments post-Brexit] is there — it's the same process that we use for rest-of-world shipments. "Those who are familiar with rest-of-world will get their head around it; those that aren't will struggle."

For instance, ASM's Sequoia customs clearance software is a complete freight management platform that has been "geared up" to meet the requirements of the UK Government's Border Operating Model and smooth out the Brexit process, ASM says. Sequoia has been Simarco Worldwide Logistics' platform of choice for many years, says Trevor Scott, managing director at Simarco. "We utilise it for our global imports and exports and this will be extended to operate our customs clearances once we leave the EU," he adds.



Linking in to IoT

Thoma expects that Internet of Things (IoT) will come to Gebrüder Weiss in time, and when it is implemented, myGW will need to be linked into the overall system.

There are also questions around linking with Gebrüder Weiss customers' systems.

As ever: "Customers may be reluctant to open their systems for such a tool, because they want to protect their data," Thoma says.

But Smilianets observes that platforms that require access to data are gaining traction, as the need to optimise business processes is overriding that reluctance.

"Airlines need to fill space, so they are happier to share," he points out.

Nick Sacke, head of IoT and products at network services company Comms365, agrees: "Transportation and logistics have access to vast reserves of useful data... Significant competition from retailers and other new entrants who are using analytics and machine learning for live, dynamic routing of cargo and freight is forcing the hand of traditional players to invest in new technology and processes.

"Covid-19 will be an industry push to force change for the survival of companies in a changing environment," he adds.

Open attitude?

As Houri puts it: "Only a crisis can shift the paradigm and that's what's happening now."

This shift towards a more open attitude to data could mean that over the next four to five years the industry will move towards more standard tools, Thoma believes.

These may be supported by blockchain technology, which will be developed to gather information and increase supply chain visibility.

"These will be tools that all logistics providers can connect to, to get the data they need," Thoma says. But: "How that data is delivered to the customer is in the hands of each company; we will all still need a tailor-made front-end for our customers."



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DATA HUB

AIRLINE DEMAND

Recovery picks up but capacity restrains growth

The latest statistics from IATA show that the speed of recovery in air cargo increased slightly in September — and this improvement is expected to continue throughout the peak season.

Meanwhile, US-based carriers reported their first increase in demand for 10 months.

According to the airline association, airfreight volumes, measured in cargo tonne kilometres (CTKs), decreased by 8% year on year in September — an improvement on the decline of 12.1% seen in August.

The industry-wide cargo load factor this year reached a record high for September — up 10.6 percentage points versus a year ago to 56.9%.

Global capacity, measured in available cargo tonne kilometres, shrank by 25.2% in September — a slight improvement on the 29.4% decline seen in August.

The association said that it expects cargo demand to improve further because of e-commerce-driven events and Christmas shopping taking place in November and December, as well as the launch of the new iPhone and PlayStation 5.

“As the world economy emerges from the [corona-

virus] crisis, companies would normally be expected to turn to air as their preferred mode of transport to get inventories into their production facilities as quickly as possible,” IATA said.

The association also suggested that global merchandise is expected to continue improving towards the end of this year, a conclusion based on the World Trade Organization revising its 2020 trade forecast from a 12.9% annual contraction to 9.2%.

However, IATA acknowledged the uncertainty surrounding the Covid-19 outbreak, especially as “many countries have been experiencing a second wave.”

“Despite these positive developments, there is still a considerable uncertainty about how the pandemic plays out over the next months,” IATA said. “The lack of cargo capacity remains one of the main obstacles for faster rebound in air cargo volumes.”

Alexandre de Juniac, IATA’s director general and chief executive, said: “Favourable indicators for the peak year-end season will support continued recovery in demand.

“The challenge continues to be on capacity. As carriers adjust schedules to reflect fall-

ing passenger demand amid the resurgence of Covid-19, valuable belly capacity will be lost when it is needed the most.”

For regional performance in September, Asia Pacific-based airlines experienced a 15.9% year-on-year decline in volumes, compared with a 20.1% decline in August. Capacity decreased by 29.5% — an improvement on the 33.5% decline in August.

“Following the stagnation in the past two months, the rebound in Asia Pacific international CTKs slightly accelerated, as airlines added more capacity on the routes,” IATA said.

North America-based air-

lines experienced an 8.6% year-on-year increase in cargo demand in September — the first positive outcome in 10 months — while capacity decreased by 15%.

IATA suggested that this was a result of increased e-commerce demand on Asia-North America trade lanes.

Demand at Europe-based carriers continued to improve slowly in September “amidst recovering economic activity and accelerating exports”.

Volumes decreased by 15.4% year on year in September, compared with the 18.9% decline in August. Capacity shrank by 31.8%.

Airfreight demand for

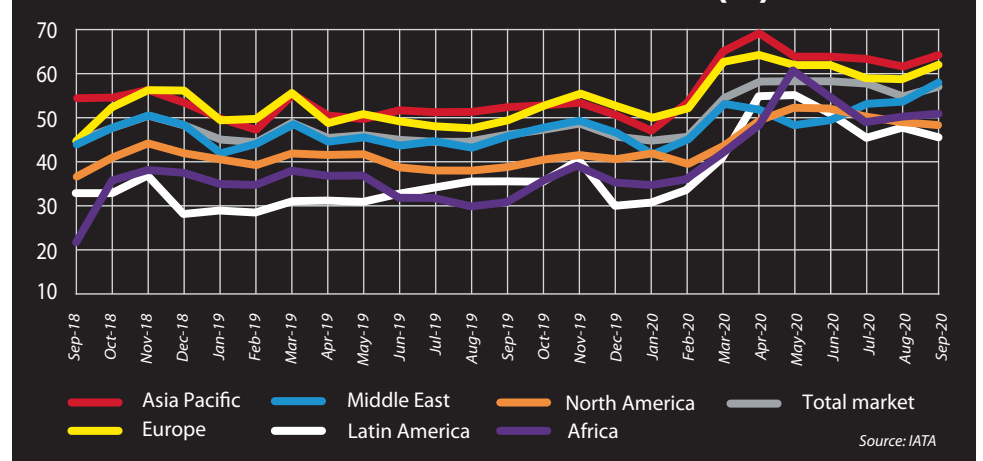
Latin America-based carriers “remains subdued”, with CTAs in September down by 22.5% year on year. Capacity also declined by 36.5%.

“The region’s slow cargo recovery seems to be impacted more by a severe weakness in GDP and trade than by insufficient cargo capacity,” IATA said.

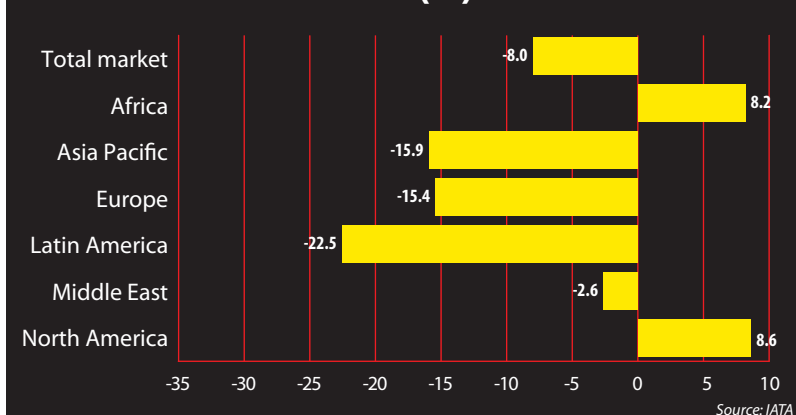
Africa-based airlines, which represent a “small and quite volatile market” recorded an 8.2% year-on-year increase in demand in September. Capacity decreased by 28.1%.

“It has been largely Africa-Asia trade lanes that drove the region’s recovery,” IATA noted.

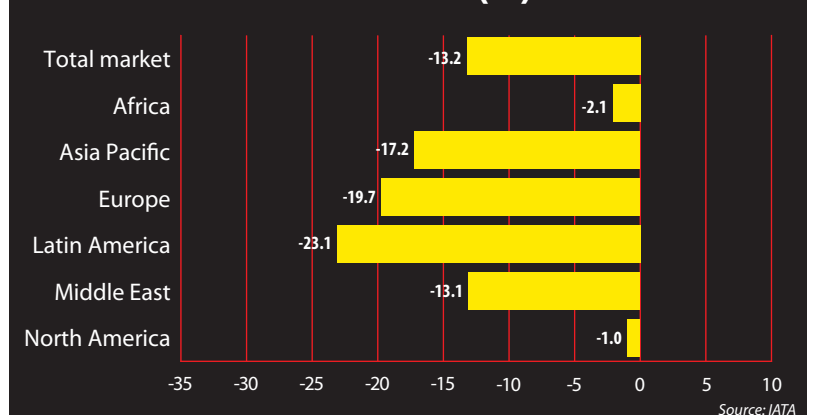
AIRLINE CARGO LOAD FACTORS (%)



FREIGHT TONNE KM YOY (%) - SEPTEMBER 2020



FREIGHT TONNE KM YOY (%) - YTD 2020



AIRFREIGHT RATES

Covid keeps upward pressure on rates as peak season approaches

Airfreight rates out of Asia began their seasonal climb in October, as the industry headed towards the peak season.

Figures from Tac Index show that airfreight rates from Hong Kong to North America increased by 7.6% compared with September to an average of \$5.66 per kg.

Compared with a year ago, rates are up 62.2% as pricing continues to be affected by bellyhold capacity reductions as a result of the coronavirus.

From Hong Kong to Europe, prices were 11.6% up on a month earlier to \$3.76 per kg. Against a year ago, prices to Europe are up by 33.3%.

Looking at pricing trajectory during the four-week period, rates on the two routes continued to increase throughout the month, despite the surprise softening of demand in the last week of October, as stricter Covid-19 lockdown measures were put in place in many European countries.

On both lanes, rates increased at a faster month-on-month rate than they did last year. And initial data for November suggests that rates will continue increasing.

This comes as load factors remain at a high level. During the month, figures from CLIVE Data Services show that its dynamic load factor,

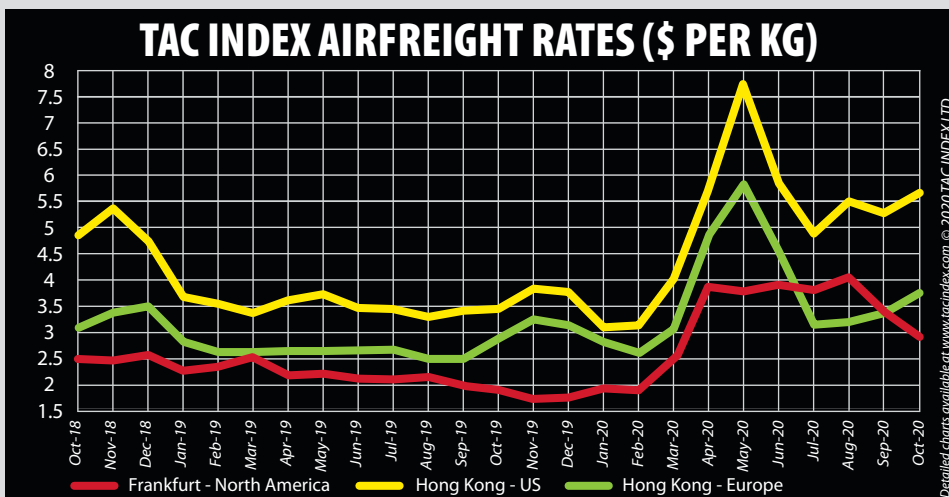
which uses both weight and space, reached a record 72%.

Niall van de Wouw, managing director of CLIVE Data

Services, said he expected load factors to remain high.

“The demand-supply is a lot more efficiently balanced

now and will be going forward as long as those passenger planes aren't there,” he explained.



AIRPORT THROUGHPUT

Declines narrow in September

Airports continued to see cargo demand declines narrow in September, with US hub Miami even reporting an increase.

Contacts have suggested that ongoing PPE demand, as well as the need for Covid-19 testing kits, an improvement in consumer spending, shopping festivals and the peak season are all helping return demand towards previous levels.

At the world's largest airfreight airport, Hong Kong International, cargo volumes

for the month were down by 4.4% compared with a year ago.

While this is still a decrease, it is an improvement on performance for the rest of the year — over the first nine months of 2020, cargo volumes were down by 8.4% year on year.

Freighter aircraft movements were particularly strong in September, the airport said, increasing by 25% compared with a year ago.

“On the cargo front, although imports and exports

increased by 10% and 4% respectively compared with the same month last year, shipments experienced a significant decrease due to shortage of belly capacity on passenger flights,” the airport said in its monthly performance report.

“Cargo throughput to and from Southeast Asia and mainland China experienced the most significant decreases during the month.”

In North America, Miami International experienced a strong surge in demand.

September saw cargo volumes increase by 19.6% year on year, while over the first nine months demand was 0.4% down on 2019 levels.

US retail groups have been reporting a surge in demand over the summer, which has resulted in retailers launching restocking operations to get inventory levels back up before the Christmas peak season.

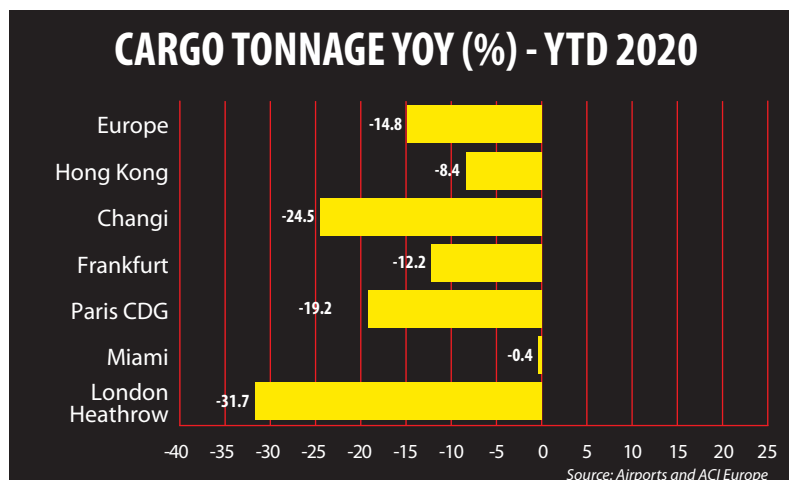
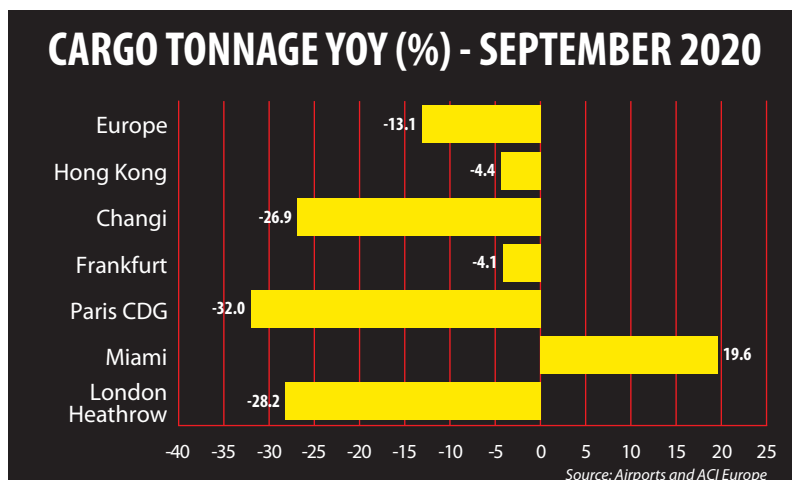
Over in Europe, Airports Council International (ACI) Europe statistics show that cargo demand in September

declined by 13.1% on a year ago, but this is at least a slight improvement on the 14.8% drop-off recorded during the first nine months.

Performance at European hubs continues to vary.

Frankfurt, for example, is home to Lufthansa's fleet of freighter aircraft and performed better than some of its rivals.

Cargo demand there was down by 4.1% year on year in September, while Heathrow registered a 28.2% decline and Paris CDG was 32% down.



CONTAINER SHIPPING

Capacity at a premium

The container shipping market is continuing to come under pressure, with no relief in sight.

The trade lane reporting the most significant issues is the transpacific, with volumes surging and a container equipment shortage becoming increasingly severe.

According to Freightos chief marketing officer Eytan Buchman, ports in the US are also facing issues, while vessel charter rates are high and demand is expected to remain strong.

“Continued peak season volumes are overwhelming some US ports and causing a significant shortage of empty containers at Asian origins and beyond,” he said.

“There are even reports that despite demand, some ships aren’t sailing fully loaded simply for a lack of empty containers.

“The sustained surge is not only keeping rates high, but also leading to peak season surcharges, equipment

charges, and premiums to guarantee space.”

In a conference call, the chief executive of US container line Matson, Matthew Cox, said that the market usually started to ease in October as the container shipping peak season came to an end.

However, demand was continuing to surge and he wasn’t able to say when the situation would let up.

Some have said the demand is down to a busy peak season combined with a restocking cycle.

“Peak season is the Superbowl of the supply chain world each year as retailers make sure they have enough merchandise on hand to satisfy demand during the holidays, and this is the busiest we’ve ever seen,” said National Retail Federation vice president for supply chain and customs policy Jonathan Gold.

“Part of this surge was fuelled by restocking after retail sales rebounded this summer and part could be making

sure there aren’t shortages if we see panic buying again.

“This clearly shows how an industry that has been under stress is fighting back in a positive way. Retailers don’t import merchandise they don’t think they can sell, so this is a good sign for the holiday season.”

Meanwhile, rates on the trade remain at a high level — at around \$3,800 per FEU Asia-US west coast and \$4,700 per FEU Asia-US east coast — but they are not increasing any further.

This could in part be down to Chinese regulators warning shipping lines about price levels.

According to Freightos, prices to the west coast are about 153% higher than a year ago, while to the east coast they are up by more than 80%.

The issues on the transpacific also appear to contributing to problems on the Asia-Europe trade lane.

Buchman said: “Ocean carriers are also prioritising empty containers for

the more lucrative transpacific routes making equipment and capacity scarce and contributing not only to severe backlogs and delays at some UK ports, but also to the rate increases on Asia-[Europe] lanes as well.”

The issues at the UK’s main box port, Felixstowe, have become so severe that the hub’s problems have made the national news, with the BBC and newspapers warning that the port was in chaos as Brexit and Christmas loom.

Reports have said that ships are being diverted to mainland European ports as a consequence.

The congestion is blamed on government PPE shipments, pre-Brexit stock piling and the pandemic.

The port’s operator warns that the congestion is likely to continue through December and even into the New Year.

According to Freightos, rates on the trade are around 50% higher than last year at around \$2,200 per FEU.

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PEOPLE

Hughes to take up TIACA DG role

Glyn Hughes

IATA's current head of cargo, Glyn Hughes, will take up the newly created role of director general at TIACA from February next year. In his new role, Hughes will manage the team and work with the board of directors, members and industry partners to establish and implement TIACA's vision and strategic objectives and advance the overall air cargo agenda.



Hariri lands SkyTeam Cargo role

Omar Talal Hariri

Airline alliance SkyTeam Cargo has announced Omar Talal Hariri, chief executive of Saudia Cargo and Saudi Arabian Logistics, as the new chairperson of its executive board.

Hariri replaces Delta Cargo vice president of cargo Shawn Cole, who had held the position for the preceding three years.



Intradco Global appoints GM

Alexander Kraynov

Animal transport firm Intradco Global has appointed Alexander Kraynov as its general manager. Kraynov will be responsible for many areas of the business, but with a focus on commercial development and product quality.



Jiang joins Virgin Atlantic Cargo

Jack Jiang

Virgin Atlantic Cargo has appointed Jack Jiang, who has worked in the cargo industry for 14 years, as its regional sales manager for Shanghai.

The company said Jiang joins at a time when its Shanghai operation is playing a key role in moving essential goods across the globe.



QUOTE OF THE ISSUE

‘The pandemic has stopped the trend towards more point-to-point flying and pushed flows more to the major gateways again’

Ian Putzger

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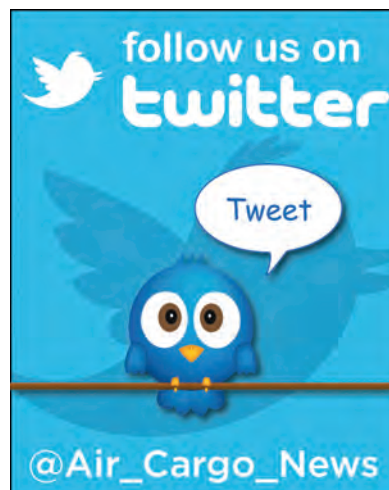
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