



THE BRIGHT SIDE Heavylift focus

The project cargo sector is looking to the future as it emerges from a tough 12 months
Freighters World pages 6-7



AGILE APPROACH Virgin Atlantic Cargo

Dominic Kennedy outlines how the carrier has adapted to a changing landscape
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ACQUISITIONS

Apex deal puts K+N top in airfreight forwarding

Kuehne+Nagel (K+N) has entered into a binding agreement to acquire Apex International Corporation, as it looks to expand its presence in Asia.

The terms of the deal had not been disclosed by the time *Air Cargo News* went to press, but Reuters quoted people familiar with the matter as stating that the transaction is valued at \$1.5bn-\$2bn.

The deal is the largest acquisition in K+N's history and will make the company the largest forwarder in the airfreight market, surpassing current market leader DHL Global Forwarding (GF).

Apex generates yearly turnover in excess of \$2.3bn. In 2020 the company handled total airfreight volume of approximately 750,000 tonnes and sea freight volume of 190,000 20 ft container equivalent units.

Based on 2019 data from Armstrong & Associates, the combined entity would handle 2.2m tonnes of airfreight each year, surpassing current market leader DHL GF's 2m tonnes.



Acquisition of one of Asia's leading operators will extend K+N's global coverage

The forwarding market looks as if it could be shaping up for a year of large M&A deals. Earlier this month, DSV said it was also looking to make an acquisition that would expand its presence in Asia.

Apex was founded in China in 2001 and has expanded throughout Asia and beyond. K+N said that Apex is one of Asia's leading freight forwarders, especially in the transpacific and intra-Asia trades.

The acquisition is subject to customary closing conditions, includ-

ing merger clearance by the competent competition authorities.

The deal will be financed by available liquidity sources and, if needed, by available credit lines, K+N said.

Following closing of the transaction, a minority stake in Apex is to remain with the management of Apex; the company will then continue to operate separately within the K+N Group.

K+N will purchase its stake from north Asia private equity firm MBK Partners.

AWARDS

ACN Awards open for entry

Entries are now open for the 37th edition of the Air Cargo News Awards, the Oscars of the airfreight industry.

The awards honour and celebrate those companies that have invested in providing great customer service, operational excellence and innovative technologies.

This year there are eight categories open for entry: Air Cargo Pharma Award; Best Freighter Operator; Cargo Hub of the Year; Charter Broker of the Year; GSSA of the Year; Innovation Award – Digital and Innovation Award – Product.

Visit www.aircargonewsawards.net to enter and, using the online system, explain in 1,000 words why your company should be recognised as the best in the business. Judges will be looking for companies to demonstrate how they have outperformed their competitors, offering innovative and market-leading solutions.

You have until May 3 to submit your entry.

The awards ceremony takes place at the Runnymede on Thames Hotel, close to London Heathrow in the UK.

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The cargo carrier is looking to the future as it expands its fleet of Boeing 787 Dreamliners.

AGILE APPROACH
Virgin Atlantic Cargo
Domestic freight carriers face the current uncertainty of a changing regulatory environment.

ACN Awards
open for entry

Apex deal puts K+N top in airfreight forwarding

Exclusive post Brexit capacity secured

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VACCINE INITIATIVE:

UNICEF has signed agreements with 16 airlines as part of its Humanitarian Airfreight Initiative, which will support efforts to provide equitable access to Covid-19 vaccines around the world.

FORWARDER TAKEOVER:

Rhenus Air and Ocean is taking over the freight forwarding business of BLG International. The move will see Rhenus add an extra nine locations in Germany to its current network of 12 air and sea offices.

NEW RFD HUBS:

Chicago Rockford International Airport (RFD) has started the construction of a second cargo facility close to the airport. Both facilities will collectively be known as RFD's International Cargo Center.

ACMI CONTRACT:

MasAir Cargo has started operating scheduled flights from Mexico City and Quito to Frankfurt, under an ACMI contract for Senator International. The flights are being operated three times per week using a Boeing 767-300F.

SAFE HANDLING:

Ground handler dnata has started using IATA's Dangerous Goods AutoCheck platform to help it "enhance the safety and efficiency" of dangerous goods handling at 20 airports.

FREIGHTERS

CMA takes to the skies

Box shipping group CMA CGM has launched transatlantic airfreight services, with ECS Group acting as its general sales agent (GSSA).

The Marseille-based company launched CMA CGM Air Cargo in February and will start operations with two A330 freighters in March. Two other A330s are soon set to join the fleet.

The first two aircraft will be based out of Liege, operating flights to Chicago six times per week, and to other destinations in the US.

The GSSA deal is for an initial one year and is on an exclusive basis, ECS Group chief executive Adrien Thominet said.

He said the two partners had been speaking for some time about CMA CGM's plans. The global coverage that ECS is able to provide proved attractive to the carrier.

Thominet added that he was excited by the unique project: "We are really at the early stages of the project and we



are very happy and proud to be appointed from the very beginning."

He said one of the unique aspects of the operation is CMA CGM Group's ability to offer multimodal solutions across sea, air and land, which could open up the opportunity to create an air-sea-land network.

"CMA CGM really has the desire to develop something new, beside the regular airfreight activity."

He explained that having scheduled freighter capacity on the transatlantic would be attractive to key forwarders.

The trade lane was selected because of the strong demand for airfreight

and fast solutions. It also matches the range of the aircraft, which will be operated by Air Belgium.

Thominet said that around 40-60% of capacity on the aircraft would be dedicated to key customers with the remaining space available for free sell.

He added that ECS would provide a dedicated team for CMA CGM.

"The idea is that we will grow together," Thominet said. "We will put in place a dedicated organisation for them. We are confident in our collaboration with CMA CGM because we do believe that they will become a key player."

ACQUISITIONS

DSV seeks next target after Panalpina deal

DSV Panalpina chief executive Jens Bjørn Andersen has told *Air Cargo News* sister title *DVZ* that it is hoping to make further large acquisitions this year, following the faster-than-expected integration of Panalpina.

Last year, the Copenhagen-headquartered logistics company saw

its revenues increase by 22.4% year on year to Dkk115.9bn, earnings before interest and tax before special items was up 43.1% to Dkk9.5bn and net profit improved by 14.9% on 2019 to Dkk4.3bn.

Andersen said the company's performance in 2020 demonstrated

the benefits of bringing Panalpina and DSV together. It also has an A rating from rating agency Moody's, meaning it is in a good position to fund any deals.

Asked which types of business were on DSV's radar, Andersen said expansion in air and sea in Asia was a target.

EDITOR'S COMMENT

Damian Brett

A new digital direction

Air cargo's journey to digitalisation has been long and winding, and there is still some way to go.

So far, the most rapid change in air cargo's digital landscape has been driven by individual companies that can control the whole process. For example, the past few years have seen the launch of a number of digital booking portals by both airlines themselves and third-party providers.

The implementation of Application Program Interfaces

(APIs) has helped speed up this development by allowing companies to link systems more easily.

Covid-19 has also increased our use of e-commerce on a personal level. Several airline and booking portal executives have said it has had the same effect on air cargo, as people have moved towards a homeworking environment.

But what of the digital projects that involve multiple stakeholders? There has also been progress on this front, with the rise in the

number of cargo communities established around airports. IATA's One Record project has similar ambitions, but across the sector.

However, these cargo communities would probably admit that a lot more could be achieved if companies were willing to share more information, but this requires a change in mentality.

Yet, there could be some hope here as well. Covid-19 has not only resulted in companies increasing their use of digital solutions; it has also forced businesses to review all facets of their companies.

This has the potential to push competitive collaboration, where companies team up on mutually beneficial projects.

Examples of companies outside air cargo collaborating in this way range from ice cream firm Ben & Jerry's partnering with sportswear brand Nike on marketing, Intel and Microsoft joining forces on a development project and pharma firms Pfizer and Merck working on cancer treatments.

So, while air cargo's move to a digital future is still at an early stage, it does feel as if the journey is picking up speed.

CHAPTER 2 REWILD THE PLANET



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MARKETSHARE

Demand shifts to the skies as ships struggle

Air cargo has been grabbing market-share from ocean in 2021 because of container shipping issues.

The box shipping sector has faced major disruption, owing to a container shortage in Asia, a surge in demand and port congestion.

As a result of this, charter broker Air Partner has reported a 50% increase in air cargo charter demand.

Additionally, Seko Logistics chief growth officer Brian Bourke said that this year the company's seafreight team has been offering customers airfreight capacity as an alternative to ocean shipping because of ongoing delays and high costs in the sector.

This contrasts with the first half of last year, when the forwarder's airfreight team had been offering ocean shipping services because of high costs and capacity shortages in air, owing to the loss of bellyhold capacity and a spike in PPE demand.

This disruption is expected to continue beyond the Chinese New Year (see page 24 for more).

FORECASTS

Cargo leads while aviation awaits passenger recovery

While air cargo capacity is expected to remain constrained in the short term, opinion is divided on the supply-demand balance in the longer term.

Speaking during Cargo Talks, an online event hosted by Turkish Cargo, Wouter Dewulf, academic director, C-MAT, University of Amsterdam, said he anticipated that capacity would remain constrained over the coming three or four years.

However, he expects the situation to change, particularly when the outlook is extended to around 10 years' time.

Dewulf explained that air cargo is expected to grow by around 2-4% per year. Meanwhile, capacity will in the long term be passenger driven and — once the sector is back on track in three to five years' time — the forecast for growth in passenger numbers is 4-6%, outstripping cargo demand.

There are also more cargo-friendly widebody aircraft — B787-9s and A350s — coming into the market at the expense of metal with a lower cargo capacity, such as the A380.

"In six to 10 years' time, you will see the passenger flows really taking off

again and you will see capacity coming back on to the market even faster than the cargo growth," he said. "All the models show that we will get out of that capacity squeeze."

In contrast, Ceva chief operating officer, airfreight, Peter Penseel said he expected capacity constraints to continue for up to seven years.

"I don't think the passenger aircraft will come back that rapidly," he said in response to Dewulf.

He explained that airlines would reduce their fleets through the early retirement of aircraft, owing to continued cash issues. Also, while passenger numbers might increase, this might not be on routes that match up with cargo demand.

Marco Bloemen, managing director, Seabury Consulting, said that capacity constraints would remain in the medium term.

On the demand side there are also several emerging trends — such as e-commerce growth and sustainability demand pushing growth in electronic products — that will drive overall air cargo growth, he said.



PUTZGER PERSPECTIVE

Ian Putzger



Coronavirus triggers conversions and upgrades

The pandemic has borne some strange developments. Who would have thought that a 'freighter' version of Boeing's 787 Dreamliner would appear in the market this year?

No, Boeing has not produced a B787 freighter yet and there isn't a fully fledged conversion, but Kenya Airways has taken the seats out of two B787s.

According to the airline, this has boosted the plane's cargo capacity from 15 to 50 tonnes.

Some 14 months ago, this scenario would have been dismissed as outlandish, what with modern widebodies in short supply.

Passenger airlines had only begun to phase out their B767s as they were receiving B787s.

Now lots of planes are sitting idle, and the prospect of a return to passenger service has receded further into the future under the impact of more Covid-19-induced measures that stymie international travel.

Airlines continue to whittle down their fleets, accelerating the retirement of older planes such as the B767.

At the same time, the cargo sector appears set to remain a lifeline for many carriers, owing to the combination of ongoing anaemic passenger demand and robust growth in the freight sector.

UPS is providing a good illustration of the need for freighters.

The integrator is revamping

the cockpit computers of its A300-600 freighters to squeeze more life out of those ageing planes. Acquired in the early 2000s, their flight computers can't even hold full navigational maps, requiring frequent updates.

With abundant feedstock for conversions available at low prices, airlines are scaling up their cargo ambitions.

Having signed up for two B767 conversions, Air Canada announced in February that it intends to take on five more, which are expected to be in service by next year's peak season.

Poised to exit passenger service in the coming years anyway, and much sought after

for parcel traffic, the B767 is an obvious candidate for conversions, but it lacks the range and payload capability to fly between, say, Chicago and Sao Paulo, let alone across the Pacific.

Which raises questions about the B777. The longhaul widebody market is going to be the last to recover.

The cargo version of the B787 is an outlier, but a conversion programme for the B777 does exist.

Some airlines have taken the seats out of B777s, but they show reluctance to go all the way. Do airline boards really think that all those B777s that are idle at the moment will be needed again?

A woman with short, curly blonde hair, wearing a grey blazer over a white collared shirt and a dark lanyard with an ID badge, is looking down at her smartphone. The background is a blurred airport or travel setting with white structural elements.

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ANOTHER WAY TO THINK CARGO

AIRLINES

Turkish Airlines upgrades cargo unit to subsidiary

Turkish Airlines has confirmed plans for its cargo business to become a wholly owned subsidiary.

In his welcome speech at the airline's Cargo Talks webinar, Ilker Ayci, chairman of the board of directors and executive committee of Turkish Airlines, said the cargo business would now become a subsidiary of the overall company.

"Turkish Cargo displayed the necessary dedication and innovation under such difficult and unusual conditions and came to the fore as an exceptional and aspirant air cargo company," he said.

"Emboldened by the success, we aim even higher with Turkish Cargo. Soon Turkish Cargo will become a fully fledged subsidiary company, rather than a sub-brand, and will have its own giant terminal at Istanbul airport."

The carrier first set out plans to separate out its cargo business in November last year.

At the time, the company said it would establish an air cargo company, "wholly owned by the corporation" owing to the increasing cargo demand and in order to take "quick actions



The cargo business has 'displayed the necessary dedication and innovation'

while improving focused strategies such as new product development and vertical integration".

It added that the move would "create a separate platform for potential strategic foreign partnerships in the future".

The confirmation comes after the carrier reported volume growth last year, despite the industry as a whole seeing demand decline.

The airline's chief cargo officer, Turhan Ozen, revealed that the airline had last year seen its cargo volumes increase to 6.7bn freight tonne kms (FTKs) from 6.6bn FTK in 2019.

This comes after the airline utilised 50 of its passenger aircraft for cargo operations, as well as its 25 freighters.

As a result, the airline has moved up from being the eighth busiest airline in terms of cargo traffic to sixth place, Ozen said.

Looking ahead, the carrier will move into a new facility at Istanbul airport in the spring.

The facility will have an eventual capacity of 4m tonnes per year.

It also plans to begin listing its capacity on third-party booking portals in the future, Ozen said.

FLEET

Air Canada to aim for seven freighters

Air Canada is hoping to have seven freighters operating by the end of next year.

Speaking as the carrier announced its quarterly financial results, executive vice-president and chief commercial officer Lucie Guillemette confirmed plans to convert a total of seven of its B767 aircraft into freighters; it had initially announced plans for two conversions in January.

Deputy chief executive and chief financial officer Michael Rousseau added that the airline would "love to have all seven up and operating by the end of next year".

"[Conversion] slots are not readily available but we are certainly working on having all seven up and running by fourth quarter next year," he said.

The deal announced in January will see the airline sell two passenger Boeing 767s to lessor ATSG to be converted into freighters before leasing them back.

By end of year 2020, Air Canada had operated more than 4,000 cargo-only flights using bellyhold capacity from B787s and B777s, as well as capacity from four B777s and three A330 aircraft with the seats removed.

SHIPPER SPOTLIGHT

Zoe McLernon



Ageing B747 is unlikely environmental champion

In December 2020, British Airways piloted its last-ever passenger flight on a Boeing 747, joining other major carriers such as Qantas and Virgin Atlantic in deciding to retire B747 aircraft from their fleets. But while the model has long been in decline for passenger travel, its freighter edition is still flying high, playing a vital role in the aviation industry's efforts to transport Covid-19 vaccines swiftly and securely to the global population.

Airline association IATA hit headlines last year when it stated that transporting Covid-19 vaccines to the world's 7.8bn population will require 8,000 B747F flights

— 20 more than the total number of B747s built.

The B747F remains a firm favourite for many air cargo operators, able to carry more than 120 tonnes over long distances.

And while the B747 production programme comes to an end, its capacity and durability mean there is no doubt that cargo operators will continue to operate the B747F aircraft for many years to come.

The latest variant of this aircraft — the B747-8F — is considered one of the most technologically advanced and environmentally conscious widebody freighters on the

market, with a maximum payload of 137.7 metric tonnes and a reported 16% lower fuel consumption than similar aircraft, in addition to a 30% reduction in noise.

This freighter is helping to meet air cargo demand and service countries across the world, with many freighter companies investing in the technology.

At Logistics UK we support its continued use as a flexible, reliable model which delivers both for air cargo operators and the customers they serve.

Airfreight traditionally moves high-value goods needed urgently — from car parts and

pharmaceutical products to the sought-after Covid-19 vaccines — and Boeing's latest freight technology is well placed to continue to meet the cargo needs into the future, with its versatile features allowing for flexibility and increased capacity requirements.

That being said, net zero targets mean there is still more to be done. The industry can learn from Boeing's innovative technology but must continue to develop to meet environmental targets for the future.

Zoe McLernon, policy manager of multi modal at Logistics UK



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Making a difference

In its Freight Service Awards 2020, the British International Freight Association recognised Simarco Worldwide Logistics as the 'best in class' for the Air Cargo Services category for its work in combating the Covid-19 pandemic last year, transporting urgently needed healthcare products by air from Portugal and China to the USA

Simarco's UK-based client had been supplying soap dispensers to the USA for several years at the rate of several thousand units annually. These had been moved by sea – but things changed dramatically in March 2020.

Mark Taylor, air and ocean freight director at Simarco, recalled: "When the Covid-19 virus emerged, demand for our client's products boomed overnight.

"The requirement from its customers in the USA grew in line with the expansion of the virus. It was a race against time for our customer to ramp up production at their factory in Portugal to meet the demand from their hubs in Texas and Ohio and sub-distribution centres."

Simarco's brief was to find the most reliable and safest door-to-door route.

Trusted partners

The company managed all shipments for the project on a DDP (delivered duty paid) basis, which involved a significant amount of liaison with overseas partners, in differing time zones, with differing regulations, requirements and needs.

Taylor stressed the importance of Simarco's trusted local partners in ensuring the success of the project.

"It simply couldn't have worked without them," he said. "They performed miracles at times in terms of finding the best routes, speeding shipments through Customs and making sure the products arrived undamaged."

Aviation was hit hard by travel restrictions, and this affected the options that would usually be available. In the early days there was only one direct flight per week from Portugal to the US, and that had a limited capacity. Simarco's partner in Portugal found an alternative solution.

Twice-weekly collections from the supplier in Lisbon linked up with American Airlines flights from Madrid to Dallas-Fort Worth.

This was a perfect fit for the Texas DC, and it reduced the transit time significantly.

Shipments bound for the consignee's main distribution centre in Ohio, meanwhile, flew via Chicago.

Rising demand

Later on, Simarco's client established a new production facility in China in order to fulfil the increasing USA demand for its products.

Taylor said: "When we started moving shipments from China, it was the peak airfreight season so our local partner had to get creative. They used a direct charter service to Chicago from a provincial Chinese airport rather than the main hubs. It meant that with the time difference the goods were actually arriving the same day as they left China, which was a big bonus."

Value-added service

Taylor said that some of the pallets on the Chicago routeing were not able to withstand the rigours of the journey. Therefore, Simarco instigated a value-added service in consultation with the consignee and UK customer.

Taylor explained: "Our partner arranged to collect the goods from the airline and take them to their warehouse for inspection. If we identified damages we photographed any issues and arranged to repackage or repalletise to the client's specifications before delivery to the distribution centre.

"This assisted the end consignee in their processes and enabled them to turn around the products far more quickly."

One of the biggest challenges relating to these shipments was the imposition of a 25% tariff by the Trump administration on Chinese goods entering the USA.



Mark Taylor of Simarco

"Given that we were moving a healthcare product, we managed to get a special dispensation from US Customs so that it was only subject to a 2% import duty," Taylor said.

The airfreight project finished in December 2020, by which time Simarco had moved somewhere between 700 and 750 tonnes of cargo. The company is still moving ocean freight and carrying out European work for the client, and transporting shipments by air as required.

Looking back, Taylor said: "Moving cargo is what we do every day. This project, however, involved a different type of expectation and pressure to normal. We were conscious that any delays or wrong choices would make the battle against the virus more difficult.

"Thankfully, together with our partners we achieved what we set out to do, and we are very proud to have been able to make a small but tangible difference in the context of the pandemic in the USA."

Three other companies made the final shortlist





The BIFA Freight Service Awards competition has been running for 32 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>

A changing landscape

Virgin Atlantic Cargo adapted quickly to freight-only flying last year. Managing director Dominic Kennedy tells **Damian Brett** about the challenges it faced and the opportunities that lie ahead

People often say they enjoy working in the air cargo industry because no two days are the same. However, when Virgin Atlantic Cargo managing director Dominic Kennedy joined the sector, he probably was not envisaging such a dramatic change as the aviation industry has been through over the last 12 months.

Kennedy studied geography at university and he says this, which gave him a fascination in the world around him, and a family member who was a pilot, led to an interest, and eventually a career, in aviation.

He started at Virgin Atlantic in 2005 before joining the cargo business three years later to help establish a centralised pricing function. He then took up a role in revenue management and ULD control before gaining a commercial director position and finally scooping the top job in 2017.

"I joined Virgin Atlantic not actually realising how significant cargo was, but as I was starting to look at route economics it became clear how important it was to the long-haul business," Kennedy says.

"This is an industry that moves at a phenomenal pace and no day is the same. Whilst I came in not really understanding the size or intricacies of it, it is certainly pulsating through my veins and continues to do so."

Running the numbers

At the start of the coronavirus outbreak, the Virgin Atlantic Cargo team faced the challenge of how to maintain services when passenger flights were being cut.

"We came into this crisis with about 10% of total turnover generated by the cargo business, so we were not insignificant to the economics of the airline, but we certainly had no idea that it would be conceivable that we could be flying without passengers on a cargo-only basis," Kennedy explains.

"There was a weekend back in March [2020] where myself, most of the leadership team and a few other individuals across revenue management and sales were thinking how to solve the problem of keeping our aeroplanes flying without any passengers; what is the commercial model we need to put in place and what are the price points we need to put in place?"

"Monday morning we came in and we started to put these incredible and fundamentally different propositions to our customers. Within the space of about 10 days we had already started to gain some momentum."

Kennedy says the initial focus was on trade lanes where the cargo division had an established presence and operational infrastructure, such as New York JFK and Los Angeles.

From there, the carrier began to capitalise on opportunities as they presented themselves, for example starting a service into Chicago where it had an offline presence.

More recently, it added flights into Harstad/Narvik Airport to capitalise on demand for Norwegian seafood in North America.

Demand for "significant" shipments of personal protective equipment (PPE) from China also surged last year.

"We were engaging with — and still are to this day — the Department of Health and Social Care in the UK. We continue to operate charters on their behalf but at the peak [in June] we were operating about 17 flights a week from both Beijing and Shanghai."

To meet demand, the Virgin team began to engage with OEMs and regulators on loading PPE cargo in the cabin.

"Loading into the cabin worked really well for PPE because of the benign nature of the boxes, the size and the weight, and where they were destined for," says Kennedy.

"This all meant it was really worthwhile using that extra space, in some cases 80 cu m, that existed within the cabin."

Kennedy adds that Virgin Atlantic's aircraft are well suited to cargo-only operations.

"One of the things that is an advantage to us, and it also applies to some of our competitors, is that the composition of our fleet leans towards making this a success from a cargo-only perspective," he says.

"The only aircraft we have operational at the moment are A350-1000s and B787-900s, which from a marginal-cost perspective are very efficient in terms of fuel burn, but



more importantly the capability of those aeroplanes is phenomenal.

"We can conceivably put 50,000 kilos on an A350 and our max on a B787 is about 46,000 kilos — we don't have any issues with weight and balance.

"When you have that sort of capability in the hold, sometimes complemented by the cabin for some of the PPE work, you become less susceptible to price than if you had a smaller gauge that wasn't as capable."

Kennedy also pays homage to the efforts of colleagues and partners over the last 12 months.

"It is a small team but everybody knows everybody and we are all very clear in what we are working towards.

"Our customers know this, our partners know this. We are very accessible and therefore we have been able to galvanise around this objective.

"We cannot thank our partners enough. In the UK, a huge call out for dnata who have been instrumental in our success, but it equally applies to WFS in Los Angeles, the Delta team at other points in the US, and Hactl and Pactl in Asia.

"Everybody has rallied around. It has put different pressure on that partnership network. In many cases we have had to think a little bit laterally about it. If you think about how you get cabin loads off an aeroplane, that infrastructure doesn't really exist."

As an example, Kennedy highlights how Virgin Atlantic's cargo team worked with the passenger team, dnata and airline catering firm Gate



Virgin Atlantic recently started flying to Harstad/Narvik to cater for seafood demand



FACT FILE

- ◆ Virgin Atlantic Cargo has added 11 new cargo destinations in the last 12 months.
- ◆ In January, the airline increased its cargo-only flying by 60%, with the number of rotations reaching 33 per week.
- ◆ Last year, cargo revenues at Virgin Atlantic reached record levels as they increased by 50% year on year on the back of higher air cargo rates.

Gourmet to use the latter's catering carts to unload cargo from the cabin.

Overall, Kennedy says that last year was a record year for Virgin Atlantic Cargo in terms of revenues, with the business recording a 50% increase on the back of higher rates.

Cargo volumes were down last year, but this reflects the rest of the industry and is not too surprising when you consider the airline was flying around 600 services a month at the peak of last year — far below the number it would have registered in 2019.

Forward planning

While the cargo business has registered record revenues, the overall airline, like most passenger carriers, had a tough 12 months. Virgin Atlantic was forced to recapitalise and cut thousands of jobs.

Kennedy says the airline is still very much in survival mode but the cargo team has been focused on business.

He says: "From our perspective we were focused on running and growing our successful cargo-only operation."

Looking to the coming year, the carrier had been hoping that passenger services would have slowly increased in the first part of 2021, but another lockdown slowed progress.

"We continue in the first quarter with the programme that we left 2020 with and, from a passenger perspective, we are anticipating and planning

'It is a small team, but everybody knows everybody and we are all very clear in what we are working towards'

**Dominic Kennedy,
Virgin Atlantic Cargo**

for a resumption of passenger demand during the course of 2021," he says.

There has been much said about the boost that Covid-19 vaccine shipments could bring.

Virgin Atlantic Cargo is hoping to play its part and has developed its pharma service accordingly.

Kennedy explains that in the third quarter, the carrier's life science team began to talk to customers and think about attributes that would be required to participate in the carriage of Covid-19 vaccines.

In November, the company

launched a new product called Pharma Secure. The product includes a 24/7 support team, automatic live status updates, proactive service recovery and periodical integrity checks, temperature-controlled facilities and a dedicated booking team.

It also offers security escorts (on request), dedicated email for bookings, quotes and support, priority access to capacity and unloading at Heathrow, money back guarantee, GDP trained staff and access to temperature-controlled facilities.

Kennedy points out that the airline has WDA accreditation in the UK, while partner airline Delta is CEIV certificated at JFK.

"We have been involved to some degree in some of the peripheral logistics of supporting Covid-19 vaccines, whether that be vials, ingredients and so and so forth," says Kennedy.

"The amount of vaccine that is actually being flown, relative to the amount being trucked, is quite small.

"So for us we are gearing up for playing a part but anticipating that is really not going to happen until the middle part of 2021."

He explains: "There is a huge amount of manufacturing capacity in the UK, Belgium, Germany and other places in Europe and most of the output of those manufacturing sites is for local consumption, it's not for international consumption.

"But we do see a significant lack of production capability in places in Africa, Pakistan and large swathes of Southeast Asia. Once that local consumption has been satisfied, then you trigger the international need."

Virgin Atlantic Cargo was also able to help with issues around the completion of the UK's exit from the European Union at the start of the year.

In the middle of last year, the carrier introduced services to Brussels, Milan and Dublin.

Kennedy says there was a bump in demand on these flights at the end of last year and in early 2021 through a combination of French borders closing to the UK due to a new Covid-19 variant and certain trucking/parcel firms temporarily halting cross-channel services due to customs paperwork issues.

Even if no further cross-channel issues arise, Kennedy says Virgin's intra-European flights have been performing well.

"We are at a point where a significant amount of the business we generate in Europe is now flying into the UK and not coming in on trucks in the way it used to. And if there is any further disruption, we will just add flow capacity to mitigate against it."

The future for air cargo is uncertain, but having weathered the last 12 months — even making record profits in the process — it seems that the Virgin Atlantic Cargo team has the flexibility to adjust to whatever comes its way.



Emirates reaches for the sky with crucial cargoes

One-off shipments destined for space and time-critical parts that will get grounded aircraft flying are just part of the mix for Emirates SkyCargo. **Rachelle Harry** reports

Emirates SkyCargo is using its specialised knowledge to undertake unique tasks in the aerospace field, as well as keeping aviation components supply chains moving.

In December, the carrier completed a challenging mission by transporting a 22-tonne “Amazonia-1” satellite — the first of its kind to be moved by the carrier — from Sao Jose dos Campos in Brazil to Chennai in India, via Dubai.

The satellite, which took eight years to build, was the first to be completely developed in Brazil by its National Institute for Space Research (INPE).

Emirates SkyCargo received “special permission” to carry the satellite. It chartered one of its Boeing 777 freighters to carry out the task.

Dennis Lister, Emirates’ vice-president of cargo commercial, tells *Air Cargo News* that the carrier transports aerospace equipment, such as the Amazonia-1 satellite, under its specialised AOG [Aircraft on the Ground] product, which was launched in 2018.

“[We tend to carry out] special high-profile transportation of space satellites or other objects like helicopters once or twice a year,” he says.

Lister adds that although the volume proportion of aerospace equipment that the carrier transports is less than its general hard freight shipped, special care and expertise is required for each unique case.

Detailed guidelines

He explains: “With every special product in our portfolio, we have a detailed list of guidelines and rules that need to be followed, from the booking process to delivery.

“This is true for AOG and our other aerospace shipments as well, and our teams across the world are well trained to handle this.

“For any specialised charters for objects such as satellites, we also have trained loadmasters to ensure proper planning of the load, calculation of the weight and balance of cargo loaded on board the aircraft and to ensure



Dennis Lister: “An AOG shipment has the highest priority on our aircraft”

that the load is correctly and securely loaded. Cargo has to be loaded keeping in mind the structural limitations of the plane for safety considerations. The loadmaster also supervises the loading process and makes sure that loading of cargo does not deviate from the plan, and finally signs off to the captain that the flight is good to go.”

Emirates SkyCargo’s AOG product also caters to the movement of time-critical requirements of aviation components and spares parts — around 10,000 shipments per year — which in many cases “are needed to literally get the aircraft off the ground”.

“Airlines and other carriers lose revenue when an aircraft is AOG if the necessary spare parts [or] components are not available immediately on hand,” he says.

Lister says a challenge of transporting AOG shipments is meeting the tight shipment time requirements.

“An AOG shipment has the highest priority on our aircraft and we always ensure that we are able to assist and transport the components, provided the minimum cut-off times for acceptance are met,” he says.



‘Must Go’: a very important package

“We’re constantly working with our handling partners across the world to reduce cut-off timings for acceptance and faster delivery times on arrival. We guarantee a Ready for Collection (RFC) timing of just 2.5 hours after aircraft arrival for any AOG shipment weighing 100kg or less.”

Another challenge for aerospace and aviation cargo transportation is that it is more difficult to forecast demand than for other cargo sectors “like pharma, for example”.

“There is no centralised market data,” Lister says. “We are therefore reliant on our people on the ground who have built the relationships with the key players in the market and we therefore use their insights to build our data models and predict future demand.”

Challenge accepted

Emirates SkyCargo is continuously using research and development to “fine tune” its AOG product in order to overcome these challenges.

“For example, our research indicated that the most frequent shipment weight for AOG shipments was around 4 kg,” says Lister.

“Taking this into consideration, we developed a bright red Emirates AOG ‘Must Go’ bag, which is now used for last-minute bulk loadings and immediate retrievals.

“This has proved to be very popular with our customers because they know that their shipment is not mixed-loaded in a consolidated unit or pallet and it can be easily accessed and retrieved.”

The company is also working to incorporate live tracking technology into its AOG product.

“In the meantime we do have a 24/7 cargo operations command centre in Dubai that tracks the status of the shipment to ensure that it reaches the customer as per the milestones agreed,” says Lister.

“The team intervenes and takes preventive measures (rebooking, rerouting, etc) in case there is a risk of a high priority shipment such as AOG missing their pre-agreed deadlines.”



freighters world

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Titan leases P2F A321 from BBAM

UK charter airline Titan Airways has taken delivery of its first two Airbus A321 passenger-to-freighter (P2F) conversion on lease from BBAM.

In total, the airline has committed to three of the Airbus aircraft. The third unit will be converted in the second half of 2021 and will be owned directly by Titan, which also operates two B737-400Fs.

The aircraft represent BBAM's first A321 converted freighters.

Conversion work was carried out by ST Engineering, Airbus and their joint venture, Elbe Flugzeugwerke (EFW).

Titan Airways managing director Alastair Willson said: "ST Engineering, Airbus and EFW's A321P2F programme delivers strongly in the areas of innovativeness and value enhancement. We are delighted to take delivery of our first A321P2F from BBAM and EFW.

"The A321P2F will enable us to utilise all the benefits of this type into our airfreight activities, including best-in-class economics, reduced noise, a lower carbon footprint and real-time health monitoring, ensuring the highest levels of reliability."

The A321P2F is the first in its size category to offer containerised loading in both the maindeck (up to 14 full container positions) and lower deck (up to 10 container positions).

The model has a payload of more than 28 metric tonnes, with further upside potential available in future conversions.

To meet the rising demand for A321P2F, the partners are setting up additional conversion sites.



The most recent of the three BelugaXLs, which are based on the A330, was introduced in October 2020



Airbus plans for ETOPS approval on BelugaXL

Airbus is to seek extended twin-engined operations (ETOPS) approval for the BelugaXL outsize transporter, in order to support commercial services involving over-water flights.

Three BelugaXLs, based on the A330, have been built, the most recent introduced in October 2020. Another three will be manufactured, the last two of which will have 180min ETOPS approval, according to BelugaXL chief engineer Pascal Vialleton.

Vialleton disclosed the ETOPS plan at a Royal Aeronautical Society event on February 4. He said Airbus wants the final two aircraft, due to arrive in 2022 and 2023, to have the flexibility to conduct transatlantic flights, pointing to the possibility of satellite transport to launch stations in North America.

Vialleton said the current A300-600ST Beluga fleet will be phased out as the XLs arrive.

Demand on the -600ST fleet rose from 6,000h in 2014 to 8,600h in 2017, but the XL offers capacity relief because it is able to accommodate two A350 wings at a time.

Airbus had previously signalled that it was not seeking ETOPS authorisation because the aircraft's relatively short European logistics hops did not warrant it.

But the XL has substantially greater range than the -600ST, and having ETOPS capability would enable the larger aircraft to serve as a support for future services.

"This is why we are developing ETOPS for the XL," said Vialleton.

Airbus is looking to improve the XL's

capabilities, following its entry into service in January last year. Its original flight-test aircraft will become part of the operational XL fleet, said Vialleton, but is likely to be the last to be introduced, joining once its on-board test instrumentation has been removed.

The airframer has been conducting a series of flight tests to obtain approval for Cat III autoland on the aircraft.

This requires an extensive effort to test autoland under various conditions, including crosswind tests performed at Newcastle, UK, in December last year.

Vialleton said Airbus needs to justify design service targets of 33,000 cycles, pointing out that it had achieved only 3,200h at the time of type certification.

"So there's some activity remaining on the stress side," he said.

EFW to deliver A321 conversion for Vallair

The first A321 freighter conversion in China is being carried out on behalf of launch customer Vallair.

The work is being undertaken by EFW at the ST Engineering facility in Guangzhou. The aircraft is scheduled for delivery in the third quarter of 2021 to cargo operator SmartLynx.

"We are excited to be embarking on the next phase of our A321 passenger-

to-freighter conversion activity," said Gregoire Lebigot, chief executive of Vallair. "MSN 1017 will be the first of nine aircraft scheduled to be converted in China. This is an important milestone."

The first A321 freighter conversion was completed by EFW on behalf of Vallair at its Singapore facility and delivered to launch operator Qantas Freight in October.

Recently, the company signed a Memorandum of Understanding with US operator GlobalX for 10 conversions, and it has leased a further two to SmartLynx Malta.

Lebigot added: "Vallair is keen to introduce the A321F to the Chinese market as we see strong potential for the freighter in its active e-commerce sector."

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Atlas Air brings Boeing jumbo jet era to a close with B747-8F order

Atlas Air Worldwide has ordered four more Boeing B747-8 freighters, which, when delivered, will be the last of the iconic aircraft ever to be built.

The four B747-8Fs are expected to be delivered from May through to October 2022. They will signify the end of the Boeing B747 programme, which stretches back to 1969.

Atlas said it had ordered the aircraft because a number of its legacy B747-400F aircraft leases will be up for renewal over the next few years.

The company added that it could operate the new aircraft for customers or take advantage of dry-leasing opportunities through its Titan Aviation Leasing subsidiary

Atlas is the world's largest operator of B747 freighter aircraft, with a total

of 53 in its current fleet, including 10 B747-8Fs; 34 B747-400Fs; five passenger B747-400s; and four Large Cargo Freighters (LCFs).

Atlas Air Worldwide president and chief executive John Dietrich said in a statement: "The B747-8F is the best and most versatile widebody freighter in

the market and we are excited to bolster our fleet with the acquisition of these four aircraft.

"This significant growth opportunity will enable us to capitalise on strong demand and deliver value for our existing and prospective customers. The efficiency and capability of the B747-8F

further complements our long-standing focus on leading-edge technology.

"Dedicated freighters – like those operated by our Atlases, Polar and Southern subsidiaries — will continue to be in demand as the global airfreight market, particularly the e-commerce and express sectors, continues to grow. We look forward to continuing to provide world-class service to our customers."

The B747-8 freighter offers a maximum payload capacity of 137.7 tonnes, which is 20% more than previous generation B747-400Fs.

Boeing confirmed in July last year that it would wind up production of the B747 in 2022 as demand for the passenger variant had dwindled over the past few years.

Flying off into history: the Atlas aircraft will be the last in more than 50 years of the B747 programme



Dreamliner refits boost Kenya's capacity

Kenya Airways is increasing its cargo capacity by removing the seats from two of its Boeing 787 Dreamliners.

The carrier recently received confirmation of approval from the Kenya Civil Aviation Authority (KCAA) and the US Federal Aviation Administration (FAA) to make the conversions.

The carrier said that the modification works on the aircraft were being carried out in partnership with Avianor Inc.

The aircraft will be used to transport cargo from Kenya to long-haul destinations in its network.

Peter Musola, cargo commercial manager at Kenya Airways, told *Freighters World*: "Two aircraft are having the seats removed to scale up capacity to up to 50 tonnes. This operation has enabled us to scale up our Dreamliner cargo capacity from 15 tonnes [in the bellyhold] to 50 tonnes with the seats removed."

Allan Kilavuka, group managing director and chief executive of Kenya Airways, commented: "We are excited to be part of the first-ever certified cargo conversion of this type on the Boeing 787 aircraft.

"It demonstrates our agility, innovation and quick thinking and increases our cargo capability and capacity to keep essential goods moving across the globe."

Matthieu Duhaime, president and chief executive of Avianor, added: "Avianor's team has been pioneering the maindeck temporary cargo repurposing process in response to the need for rapid increase in air freight cargo capacity at the onset of the pandemic.

"We are very excited to now be working with Kenya Airways to adapt this solution for their B787 aircraft.

"This represents a unique design and certification challenge."



Air Belgium awaits first all-cargo aircraft

Air Belgium is set to enter the all-cargo market with four aircraft.

The airline said that it will "soon introduce" four cargo aircraft to its fleet, with the ambition of expanding to six units by the end of the year.

The first two aircraft should be operational as of March 2021. The first aircraft will be based at Liege airport.

Air Belgium chief executive Niky Terzakis said: "This will complement

our existing passenger business, which has been severely impacted by the current travel restrictions.

"This demonstrates once again the resilience and flexibility of our airline's development potential."

The airline declined to comment on which aircraft it would operate, but Belgian website Aviation 24 suggests they are four A330-200Fs previously operated by Qatar Airways.

Meanwhile, the decision to start all-cargo operations at Liege airport shouldn't come as too much of a surprise.

The Belgian airport has been expanding its cargo operations rapidly over recent years, and Terzakis has experience of freighters at the Belgian hub: until 2014 he was managing director/chief executive of express carrier TNT Airways, based at the facility.

CONVERSIONS ON THE CARDS:

Aeronautical Engineers, Inc (AEI) has been awarded a contract to carry out 10 Boeing B737-800SF freighter conversions for lessor Aero Capital Solutions. This is in addition to the four announced by AEI in October last year.

MRO DEAL:

ST Engineering has signed a five-year airframe heavy maintenance contract for "multiple fleet types" with an unnamed air cargo carrier. The services will primarily be carried out at its Mobile, Alabama, facility in the US.

FLEET EXPANSION:

BBAM will expand its freighter fleet with an order for six B737-800 Boeing converted freighters, with options for six more.

CRITICAL DELIVERY:

Dimerco recently organised a B777 freighter to transport 91.5 tonnes of oversized telecoms equipment from China to Pakistan within five-days, despite Covid-19 restrictions.

ADDITIONAL CONVERSIONS:

Mexico-based Aeronaves TSM has signed up for two additional CRJ200 SF freighter conversions from AEI. The first will commence in May 2021; the second will start in September 2021.

As the frenzy for converted freighter aircraft continues into 2021, are we going back to the future? Ed Walton, managing director of aircraft engineering at UPS Airlines, told an industry webinar: “It seems like the pendulum has swung back to the 1970s, a period when pretty much everything was converted freighters.”

Walton, speaking at an Aviation Week Network webinar, added that while competition for new medium widebodied freighters had opened up in 1990s, only the Boeing B777 and B767 were available currently today.

“So, I think we all recognise that we are again moving into a period when primarily it is going to be converted freighters.”

A presentation by Antoine Fafard, aerospace data analyst at Aviation Week Network, made that same point. He forecast that about 1,000 freighters will enter the market from now until 2030, with the majority — some 781 aircraft — being passenger-to-freighter conversions.

The conversions market, especially for the B737-800, is hotting up, driven by low feed-stock prices for grounded aircraft thanks to the pandemic, and the acceleration of e-commerce as consumers in lockdown became reliant on internet purchases, a trend set to continue post-Covid.

In mid-January, Boeing announced that lessor BBAM is expanding its B737-800

GOING WITH BOEING

With the trend for converting passenger aircraft to cargo use gathering pace, many operators are putting their faith in Boeing’s types. Roger Hailey reports

converted freighter fleet with six firm orders and six options. The agreement brings BBAM’s B737-800BCF orders and commitments to 15 and highlights the continued strength of the e-commerce and express cargo market.

AMAZON DEAL

This deal was among a spread of different aircraft type conversions in January, covering B767s, B757s, Airbus A321s, with trend-setting e-tailer Amazon entering the market in its own right as a purchaser, buying 11 B767s for conversion.

The narrowbody B737-800 market is booming, with Boeing, Israel Aerospace Industries (IAI) and Aeronautical Engineers Inc (AEI) each offering a conversion programme.

Robert Convey, senior vice-president sales and marketing at AEI, told an excellent World Cargo Summit webinar that B737-800 conversions “will eclipse by a factor of three or four” the 224 B737-100 and B737-200 conversions carried out by AEI.

Convey said: “We see that being an 800 to 1,000 [B737-800] conversion programme among all suppliers over the next 20 to 30 years, and

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that is going to be the benchmark for the narrowbody operators.”

COMBINATION INCREASE

Convey also spoke of combination carriers and new players entering the market for conversions that had not previously been on the radar: “If you said that combination carriers on narrowbody conversions made up only 3% of the market, then I think you are going to see that number change.

“We are now working with four operators that are combination carriers and some we have not seen in the past 11 years that I have been with AEI. So, keep your eye on combination carriers in the narrowbody freighter stakes, because it will really start to pick up in the next few years.”

Freighters have certainly been earning their keep during the pandemic, and also keeping their passenger colleagues in business.

Brian Hermesmeyer, director freighter customer leader, Boeing Commercial Airplanes, told the World Cargo Summit audience that 2020 saw 120 freighters (new, converted or previously parked aircraft) enter the fleet, while there was an 113% increase in total freighter operations compared with pre-pandemic levels: “Freighters are shouldering the majority of the burden,” he said.

Most industry analysts now view 2024 as the probable return to 2019 levels for long-haul widebody passenger services, which means that those freighter assets will keep on sweating — and so fuel further demand for conversions and production line maindeck cargo aircraft.

An end-of-2020 snapshot of Boeing production line sees 156 B737-800 Boeing converted freighters (BCF) orders and commitments; 76 B767-300BCFs, 232 B767-300Fs, and 242 B777Fs.

NEW ENTRANTS

With airfreight in peak demand and likely to remain so, there has been an increase in start-up freighter airlines looking to leverage that booming cargo market.

An estimated 150 freighters, new aircraft and conversions, will enter the fleet in 2021 and a similar number is expected next year and in 2023. That is a lot of aircraft, some 450, needing to be absorbed at a time when older aircraft will not be parked but continue to fly.

It may be too early to talk of boom and bust, but a lot depends on the early or late return of long-haul bellyhold capacity and the extent of the mid-term growth of e-commerce and express. But what seems certain, is that passenger conversions will grab more and more market share. ♦




B737-800 narrowbodies are a popular choice as freighter aircraft

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HIGH AND MIGHTY

In a world where good news is in relatively short supply, Andriy Blagovisniy, commercial director at Antonov Airlines, manages to see the bright side of life.

“It is a great time for cargo charters these days,” he says. “It is sad to see the empty airports that used to be extremely busy, but it does mean we are the centre of attention. It is positive for us.

“It used to be passenger scheduled, then passenger charter, then cargo scheduled and then finally ad hoc cargo charter like us.

“We are usually last in the queue. Now we get all the attention from local airport representatives.”

In normal times, Antonov Airlines’ outsize cargo accounts for about 60% of its business. This fell to 30% in 2020.

“In March, all big projects were frozen, with a very tough lockdown, so there was very little demand for usual outsize and project cargo.

“The only demand was related to personal protective equipment (PPE) — though this demand was huge.

“Even the B747 freighter was often not enough to satisfy all demand, so we used our AN-124s and even the AN-225 as well.”

Once restrictions eased in the summer, projects started up again. Importantly, the rules relating to quarantining also relaxed.

ACS found capacity for some of the largest freight forwarders in 2020



PPE cargoes kept operators busy in the early stages of the pandemic. Recently they have seen a recovery in demand for larger loads. Yvonne Mulder reports

“The restrictions for the movement of people were also not so strict, which is very important for us.

“For instance, we transported a satellite, so we needed to take cargo attendants — they monitor things like temperature, pressure, G forces.

“These products are worth millions of dollars, so need special attention.”

Also, satellite launches are booked a year in advance, so they are extremely time critical.

Blagovisniy says project cargo started increasing in October and November and then “December was a crazy month — demand was so high we had to prioritise”.

SUPERSIZE FOCUS

He adds: “Obviously PPE can be carried by other aircraft, so it was lowest priority and we focused on the supersize cargo.

“We were very glad to see project cargo return to the market. It was good to help move PPE for different governments, but we missed the usual project cargo.

“We were very pleased to carry the new racing yachts from Italy, the US and the UK to New Zealand for the America’s Cup.”

The sudden leap in demand in early December was a result of Volga-Dnepr’s decision to temporarily suspend commercial operations of its AN-124 fleet until the conclusion of an investigation into an engine failure in late November.

It restarted operations with a single aircraft just before the end of 2020, with Konstantin Vekshin, chief commercial director of Volga-Dnepr Group, saying: “The ultimate return will be incremental and we will still take our time to follow the guidelines reflected in the service directives.”

The company says it will be discussing “the return to service and availability of AN-124 with the customers individually and will keep them and the market informed about the situation”.

Four of the aircraft were back in the air by the end of January.

The group took delivery of its first B777F in December, and added the freighter to Air-BridgeCargo’s (ABC) fleet.

It states: “It is the largest twin-engine freighter, with up to 106 tonnes of payload, which complements ABC’s already extensive fleet of B747Fs and gives more flexibility in terms of special and general cargo transportation.”

Dan Morgan-Evans, group cargo director at Air Charter Service (ACS), says there was not really a lack of capacity for heavylift projects during 2020.

“You just have to box clever to provide the aircraft. Demand was greatest March to June and then there was a lull and prices dropped in August. Demand — and prices — picked up again in September and then prices shot up again for larger aircraft in December, when Volga-Dnepr grounded its AN-124s as a safety precaution.

“The only time it was really difficult to find the right aircraft was in December.”

He believes ACS was helped, especially in its work related to carrying PPE, by its network of offices worldwide and by having its own passenger divisions.

“We have 90 people in the cargo division who don’t really know the passenger aircraft or people.

“But our commercial jet brokers do know them and were able to help us source passenger aircraft for freight.

“I don’t think we could have done so well without our Chinese offices (Beijing and



Chapman Freeborn utilises an Antonov aircraft for one of its projects in 2020



Neil Dursley of Chapman Freeborn (left) and Andriy Blagovisniy of Antonov Airlines

Shanghai on the mainland) and commercial jet department. There was good collaboration between the two businesses.”

In terms of normal project and outsize business, some areas of the world remained fairly busy.

“There were pockets of activity for us, for instance in the Middle East and Africa, where our guys continued to do more project and heavy lift movements,” he says.

“They were probably least affected by Covid-related flights, though there were some issues related to lack of capacity.

“But they continued to do the big movements with the AN-124s and had a semi-normal year. They are looking forward to a good 2021 with some nice projects.”

The Australia office also reported that heavy lift cargo carried on relatively well, as they were not so badly affected by Covid.

“There are a lot of oil and gas and mining-related products and there is no reason business won’t be back in 2021,” says Morgan-Evans.

ACS worked mainly for freight forwarders but found that even some of the larger firms that have their own in-house brokers came calling in 2020.

“We could find capacity that they could not,” he says. “I have been at ACS for 18 years and the broker business has changed significantly.

“Now you can tap into the internet to find an aircraft, so what we do is very different.

“I think 2020 has shown the value of brokers and the worth of what we can do and how we can help.

“We managed to get PPE to over 60 different countries — and to keep our heavy lift customers happy as well.”

Neil Dursley, chief commercial officer, Chap-

man Freeborn, also found that the relationship with freight forwarders has changed.

“In the last nine months, we have seen many freight-forwarding clients coming to us with medium- and long-term programmes — securing capacity on freighters by signing contracts for over 12 months.

“It is highly unusual to see such numbers doing it. Some forwarders have traditionally done this, but now everyone is looking for long-term capacity on the routes they need to protect their clients.”

BATTLING THE SLOWDOWN

So does this make it harder to find capacity for the ad hoc heavy lift charters?

“We have always found room for outsize cargo. We never turned any client away during this period [2020]. Commerce continued, though there was a slowdown.”

Chapman Freeborn’s parent company, Avia Solutions Group (ASG), acquired a fourth B747 freighter in August, and although it runs mainly as part of a scheduled services programme, it is a nose loader: “It is ideal for out-of-gauge cargo. One of very few such aircraft around the globe. We wanted that aircraft for that very reason.”

The group is also looking at conversions to increase capacity.

“This is not something that just happens overnight. There is a limited number of slots but we have secured a few and have assets (both widebody and narrowbody) earmarked for conversion, with a schedule which will see them enter fleets later this year or next,” says Dursley.

He is optimistic for prospects for the heavy lift market in the longer term.

“We expect to see passenger aircraft in larger numbers by 2023, and we will see the return of

oil and gas business predominantly in Africa and the Middle East. It is always driven by cost of oil per barrel,” he says.

Logistics company Geodis also predicts a bright future for specialist cargo.

It has changed the name of its division from Industrial Projects to Project Logistics to “reflect a more diversified portfolio”.

It says that in addition to its growing activity in the renewable energy market, as well as the company’s evolving offer for the oil and gas industry, it is integrating its aid and relief business as well as its marine logistics teams into the expanded project logistics organisation.

For deugro, “air charters continue to play an important role in global supply chains impacted by Covid-19... and will continue to be an efficient way to minimise delays and disruptions and to keep projects going” it states in a recent market report.

In early 2020 it delivered 140 tonnes of urgently needed oil and gas equipment on AN-124s from Houston, Texas, to Mozambique, but then saw projects delayed or cancelled, especially as oil prices dropped, even going negative in April.

But it expects that many postponed and cancelled projects will be reanimated in 2021, though, with an increasing focus on renewable energy projects.

Antonov Airlines is also looking forward to the future. “We expect higher demand in oil and gas and aerospace projects, including things that were delayed last year,” says Blagovisniy.

In the longer term, the company expects business to grow in aerospace (satellites, aircraft engines and parts, helicopters) as well as wind energy (transformers, rotors, turbines).

“We are opening representative offices in the US and the UK this year to be closer to our customers and we are very optimistic for the growth of the business,” he adds. ♦



Antonov carried racing yachts to New Zealand for the America’s Cup

COVID OPERATIONS

Air Charter Service (ACS) arranged more than 1,000 charter flights for personal protective equipment (PPE) to 64 countries in the first phase of the Covid-19 pandemic.

“There were so many flights that we just stopped counting,” says Dan Morgan-Evans, group cargo director at the UK-based global charter broker.

ACS, with offices in Beijing, Shanghai and a third in Hong Kong, was directly affected by the initial lockdown in China, organising inbound charters of PPE as the virus began to spread within the country.

Says Morgan-Evans: “When it all kicked off in Europe, our Chinese offices were still in lockdown in late March as factories in China were repurposed to make PPE. The market exploded and April through to July were extraordinary months for charter activity.

“The usual day-to-day activity disappeared, and everything was Covid related. Occasionally, we would get little pockets of business, such as oil and gas charters, but mostly we were doing Covid-related work.” The IT team at ACS focused on maintaining communications with the Chinese offices, whose staff were working from home, while UK management recognised that homeworking and Zoom calls would be the norm worldwide.

“We got ourselves ready for lockdown and working from home. Hats off to the IT department, because no one could have predicted it. We shut down all the offices around the world for a day.

“Everyone worked from home to make sure that our IT systems were robust enough to cope and the company would not fall flat on its face.”

That forward-planning and test run ironed out any teething problems, so that ACS’s home-working brokers could continue co-operating with customers.

It also brought a change in corporate culture.

The coronavirus pandemic has forced global aircraft charter provider ACS to adapt to new demands from its customers and to find new ways of working. Roger Hailey asked the firm’s group cargo director how it was done — and what the future might hold

Adds Morgan-Evans: “We are quite a security-conscious company and do not really let people have too much access to our database outside the office, but we flipped from being a very office-centric company to one completely compatible with working from home.”

ACS traditionally recruits young staff and trains them to pick up new customers, rather than bringing in people with established contacts: “Pre-Covid, those new staff had met face to face with freight forwarders and they ended up getting many enquiries about PPE simply because they had spoken to a lot of people.

“This was probably the busiest period and it worked incredibly well. I was proud of all my brokers doing an excellent job.”

CHINESE FOCUS

As China’s lockdown eased and the flow of PPE from China to Europe and the US ramped up, ACS benefited from having three offices in China at a time when sudden airspace closures and aircrew quarantine at Asian airports were common obstacles for the airlines.

“It was definitely a major factor in helping ACS to keep our flights operating, along with not having difficulties with warehousing and other issues. It was because of those offices in China, which most brokerages do not have.”

ACS faced some difficulties, but the flights it ended up cancelling were not Covid-19 related.

Some people did not understand the process

of quarantine and whether the aircrew were exempt or allowed to stay while resting.

“Right at the very beginning we got into situations with flight limitations and crewing difficulties,” says Morgan-Evans.

“An official would tell us that the crew is exempt, and then the airline would say we don’t have that information.

“There was a lot of to-ing and fro-ing at the beginning. But as the world got used to it, processes were set up and the rules became clearer.”

The pandemic saw bellyhold cargo capacity plummet as a majority of the world’s aircraft passenger network was grounded, causing freighter aircraft to be in great demand.

As a result, airlines soon started operating cargo-only passenger aircraft flights, called freighters — some with the passenger cabin stripped of seats, creating space to load lightweight packages.

Says Morgan-Evans: “To begin with, it was all freighters but we realised pretty quickly that we were going to run out of cargo aircraft.

“Luckily, ACS has a large commercial jets department, so I contacted my opposite number and said we needed passenger aircraft.

“He seconded their ACMI team to us, which normally finds aircraft for the skiing season, etc, but that wasn’t happening, owing to Covid.

“They found aircraft for us. They have relationships with passenger airlines around



the world that were interested in operating cargo flights.

“We booked passenger aircraft, if we couldn’t find freighters. At the peak, we used whatever we could get our hands on.”

The range of passenger aircraft booked for freight included Boeing 787 Dreamliners, Airbus A380s and Airbus A340s.

PROFIT MOTIVE?

Freight rates rocketed during the peak of the airlift — up to eight times the normal rate — with some airlines being accused of profiteering.

Says Morgan-Evans: “It is a difficult area, and the industry found itself in a position on social media where, if someone gave an opinion, it is either called profiteering or the market of supply and demand.

“Some airlines have seen their passenger business go through the floor and they are losing millions upon millions of dollars. I think it is about market forces. What can you do about it? Can you put a cap on the price? It just does not work.

“For the brokers it is a competitive market and we do not own the equipment.

“We and our competitors have got to make sure that the prices are correct and that we add value to the service we provide.”

PPE is still flying in charters, but the current market has seen growth in the transport of Covid infection track-and-trace kits

manufactured in Asia as governments attempt to stop the spread of the virus.

“ACS did see a return of the peak season charter activity in 2020, probably due to pent-up consumer demand and a continued lack of bellyhold capacity.”

The world is now in the early stage of a vaccine airlift, with some products requiring -80 degrees Celsius storage and the majority being flown in the usual pharma airfreight supply chain temperature range of 2 to 8 degrees Celsius.

Morgan-Evans says that the full picture of future airfreighted vaccine distribution is “a bit of an unknown” but he does not believe initial industry predictions that we will require 10,000 freighter flights to move vaccines worldwide, because some vaccine production will be mostly at a domestic level — in the US, for example.

This is now the consensus opinion expressed by a number of pharma logistics pundits in recent webinars.

“We are doing some vaccine charters now, sending vials to various places around Europe, but these are very small aircraft.

“You can get a lot of vials in an aircraft and I don’t know whether you will get to a stage similar to the PPE gold rush. I am not convinced of that.”

He offers a proviso: if the mutant variants of Covid-19 require current vaccines to be adjusted, then there may be a repeat surge.

“If the vaccine does play into the airfreight market, it will probably be the knock-on effect further down the line.

“Some non-vaccine products will not fly because of a lack of belly space, so that will affect the commercial market.”

Asked about the current boom in passenger-to-freighter conversions and the new orders for production-line B777 freighters, Morgan-Evans says: “I would be concerned about a boom-and-bust scenario in that freighter market because air cargo is quite cyclical, with overcapacity and then undercapacity.

“I read that some customers now see the benefits of freighters as opposed to belly cargo, but when passenger airlines get back to normal — and that won’t happen quickly — I think we will see overcapacity in the freight market.

“That overcapacity may be an opportunity to retire some of the older freighters which are a bit long in the tooth and should not be in the market anyhow. It is difficult to predict.”

UNKNOWN DEMAND

Another unknown is passenger appetite for long-haul travel when restrictions are eased, plus the Zoom-effect on business travellers who can do more work online without face-to-face contact.

This would reduce widebody bellyhold capacity and strengthen the freighter charter market.

Morgan-Evans believes that 2021 will see continued demand for charters, with airlines streamlining to make more profitable routes for both cargo and passenger and that, as a result, there will be less belly capacity to certain destinations.

He adds: “The best thing for brokers is to have lots of options; the more capacity there is, the more options there are.

“I think there will always be a requirement for charters, because someone, somewhere is always going to need something urgent.”

And on the future for video conferencing à la Zoom, Morgan-Evans says: “A great sales tool and a great way to meet people around the world and I think it will be a precursor to a face-to-face meeting.

“We are in sales at the end of the day, and any opportunity to get in front of our customers or suppliers is what we live for.

“That is what we do, and just sending emails or talking on the telephone is not personal enough. You have to build relationships and relationships are built with trust.” ♦

Some customers now see the benefits of freighters as opposed to bellyfreight cargo, but when passenger airlines get back to normal — and that won’t happen quickly — I think we will see overcapacity in the market

NORTHWEST PASSAGE TO ANYWHERE

With aviation ravaged by Covid-19, Alaska's biggest airport has shown that connectivity counts in a crisis

In 2020, Alaska's Ted Stevens Anchorage International Airport (ANC) was briefly the world's busiest for aircraft movements; it ultimately became the third busiest US airport in the second quarter of 2020.

ANC saw its network grow significantly, offering daily, nonstop freighter services to more than 30 destinations and near-daily service to an additional 20 destinations.

For 2020, ANC was up 16% to 3.48m tonnes of cargo. ANC airport director Jim Szczesniak says: "As the centre of the air cargo world, ANC benefited from the robust growth in freighter traffic in 2020. ANC is a 9.5-hour flight from 90% of the industrialised world."

To deal with the increase in traffic, the airport reconfigured passenger gates to park freighters, to maintain its reputation for handling.

"We pride ourselves on being very efficient for carriers to maximise the economic benefits of a stop at ANC," says Szczesniak.

"Little things matter. Hotels and restaurants really worked to keep aircrews safe and as happy as could be — considering the circumstances. For our many Asian crews, we made sure they could enjoy meals supplied by local Asian restaurants."

The successful implementation of Covid-19 protocols allowed Alaska to achieve one of the lowest infection rates in the US.

ANC has had no known instances where flightcrew have been infected while laying over in Anchorage.

Recently, ANC was granted expanded international passenger transfer rights by the US Department of Transportation.

These rights mirror the expanded cargo transfer rights that ANC already enjoys.

The new passenger transfer rights will allow foreign airlines to use belly cargo to support routes with passenger service overlaid.

Airlines will be able to come in from multiple destinations and swap passengers and cargo with themselves, with foreign partner airlines, or with US domestic airlines.

The rights also allow for the



Photo: Rob Stapleton

E-commerce and logistics operators helped to deliver a 16% increase in cargo tonnage for ANC in 2020

"co-mingling" of foreign and domestic cargo and passengers on the same flight and the ability to change gauge at ANC, all with the passengers and cargo treated as not having broken their international journey.

With these new passenger transfer rights, airport management has focused on freighter and passenger flights within 6,000 nautical miles from ANC, which covers India, Southeast Asia, Oceania and Latin America.

"We want the carriers in those markets to fly to ANC, swap cargo and passengers, and then continue to their final destination. Belly cargo revenue can contribute significantly to route profitability," says Szczesniak.

SMALL DISTANCES

Stopping at ANC adds between 0% and 5% to the great circle distance connecting India to the west coast of North America, Asia to most of the US, and Asia to Mexico.

"A route with full belly cargo flowing through ANC can take advantage of an additional \$60,000 to \$140,000 in belly cargo revenue, versus a belly cargo restricted nonstop flight.

"In this environment of reduced passenger demand, ANC's strategic location makes a lot of route combinations possible."

ANC is planning for the future, with more than 1,000 acres of land available for development.

"We want to provide our airlines with additional revenue opportunity with new facilities," says Szczesniak. "So, we are doing everything we can now to strengthen ANC with the facilities necessary for the future."

Alaska Cargo and Cold Storage (ACCS) has signed a lease for a 700,000 sq ft cold storage and general cargo warehouse that can handle

pharma and facilitate consolidated perishables from North America and Latin America.

The first phase — 190,000 sq ft — will break ground in the second half of 2021.

Says Szczesniak: "Alaska's seafood is all wild caught and commands a premium price, and Alaskan flowers bloom late into the summer season, well after most flowers in the lower latitudes.

"By using ANC's extensive freighter network and the new ACCS facility, perishables can be transhipped at Anchorage and put on to direct flights to multiple Asian cities, bringing the perishable goods closer to the end-consumer."

Other developments include FedEx and UPS hub expansions, 6A Aviation Alaska — which is building a 200,000 sq ft warehouse with additional aircraft parking positions — and IC Alaska, which is looking to construct an MRO hangar and warehouse complex with 14 aircraft hardstands.

And there are plans to develop additional e-commerce infrastructure: "You can literally be across the street from UPS, FedEx and DHL. From an e-commerce perspective, those are pretty good neighbours to have."

ANC also sees opportunities with the warehousing of large, time-sensitive items.

"Instead of having warehouses in multiple high-rent districts like Tokyo, Shanghai, Taipei or Hong Kong, companies can have one facility here, where it is easy to ship goods on the next flight to Asia.

"With the North America to Asia trade imbalance, we have a lot of capacity available into Asia."

Looking ahead, Szczesniak says: "The future is bright. New and existing tenants are making major investments in ANC." ♦

Jim Szczesniak:
"ANC's strategic location makes a lot of route combinations possible"



Photo: Rob Stapleton

DIGITALISATION

Making it all just click

Qatar Airways has turned its attention to digitalisation, and its decision to join airfreight portal WebCargo is just the first step of its online journey, discovers **Damian Brett**

The recent decision by Qatar Airways Cargo to offer its capacity on airfreight booking portal WebCargo is just the beginning of its digital journey, according to the carrier's chief officer cargo, Guillaume Halleux.

Halleux tells *Air Cargo News* that over recent years it has been busy growing its fleet as it sought to reach its goal of becoming the world's largest cargo carrier. Additionally, it had been focused on developing its own website.

However, after reaching the top spot, the Doha-headquartered airline is now ready to expand its digital presence, with its partnership with WebCargo a first step.

"We have been busy growing with a double-digit increase in chargeable weight per year and that is one reason why we did not engage with third-party platforms in the past," Halleux says.

"It was a deliberate decision to put our energy and resources into our growth."

Through WebCargo, Qatar Airways can provide forwarders that use the platform with real-time pricing, capacity and e-booking.

The rollout began with France, Germany, Italy, Netherlands, South Africa and Spain on February 7 before being extended to other countries.

As part of the launch, Qatar Airways Cargo is offering a discount scheme to forwarders that meet certain eligibility criteria, resulting in an average saving of \$0.06 per kg for the first 20,000 shipments booked via the platform in the rollout countries.

The cargo carrier adds that it will implement a number of special promotions later in the year.

Halleux says that the move comes as demand for digital services has been growing over the past few years and this trend has been accelerated by the Covid-19 outbreak.

He explains that around one third of Qatar Airways Cargo bookings today come through the airline's website. In some countries, such as Vietnam and India, the ratio reaches 85-90% of bookings.

"This is clearly telling us that our customers have no reluctance in using web-based and digital platforms to make bookings," he says.

"We know that in some countries

Qatar Airways is looking to streamline many of its interactions with customers and business partners with digital innovation



Image: Shutterstock

people don't want to talk to us unless they need to; they want to have quick access to making a booking that will give them access to our capacity.

"We have done that through our own website and, as we moved on and as technology developed, we felt that now was the right time to also explore other venues."

He says that WebCargo was selected as a partner because of a shared vision of how air cargo will continue to digitalise and develop in the future.

Halleux explains that he has spent "countless hours" discussing future industry developments with Zvi Schriber, chief executive of WebCargo parent Freightos Group, Manuel Galindo, WebCargo chief executive and Camilo Garcia Cervera, global vice president business development.

"With Zvi, Manuel and Camilo, we share the vision of where our industry will grow, we share the vision of how air cargo can support digitalisation further by more than just by taking bookings."

He adds that WebCargo is also the most mature of the air cargo booking platforms, given that it was the first one to be launched.

However, he does not rule out the possibility of the carrier also listing its



'When Qatar Airways does something, we have a reputation for being pretty aggressive'

Guillaume Halleux, Qatar Airways

capacity on other platforms in the future.

Looking ahead, Halleux is not able to reveal the specifics about Qatar Airways Cargo's future plans for digitalisation but he says there is more to come.

"There are a number of interactions with our customers or our business partners, such as our GSSAs, ground handlers and airline partners, that to a certain degree can be more automated, can be digitalised, and that will bring transparency and improve speed to market because the alternative process is manual.

"With digitalisation, you take bookings all the time and you take bookings from everywhere. So digitalisation kills borders, it kills currency issues, rate of exchange risks, it brings a number of benefits that are way above a simple e-booking."

He adds: "This is only the beginning of the journey and when Qatar Airways does something, we have the reputation for being pretty aggressive.

"When we engage in a direction, we do it fully. We will not be the carrier that just sets up APIs with WebCargo and waits for bookings to come.

"We are going to drive this; we are determined to drive digitalisation of the air cargo industry."



Add value in an uncertain world

Now more than ever, as aviation hopes for a recovery from Covid-19, general sales and service agents are a vital cog in the global airfreight industry, writes **Chris Lewis**

Cargo general sales and service agents continue to evolve. As Stephen Dawkins, chief executive officer of UK-based Air Logistics Group (ALG), says: “A general sales and service agent (GSSA) is not just a broker in the middle any more; they add value to the airlines.”

For some time now, most if not all general sales agents have titled themselves GSSAs, but Neville Karai, group managing director of UK-based agent HAE, goes one step further.

He says that his company has added new activities such as solutions for e-commerce, aviation security and handling, making it a “GSSA-plus”.

“The idea is to sell multiple services to the same customers; if they like us, they will use us more than once,” he explains.

Outsourcing solutions

Paris-based group ECS, as well as offering its GSA Mail Solutions service, offers a Total Cargo Expertise solution which outsources other aspects of airline operations, such as safety and security.

HAE has also developed its own software to manage activities such as quotations, while an offshore back-office team handles bookings.

More airlines are showing interest in GSSA solutions, says Ingo Zimmer, chief executive of Frankfurt-based ATC Aviation.

This is as a result of airlines downsizing their fleets and reducing the number of flights.

Zimmer explains: “With reduced activity, it’s too expensive to keep their own sales and the GSSA partner is a perfect solution.”

“GSSAs are also providing more freighter capacity. ATC, for example, operates regular charter chains at its own risk to cover the needs of forwarder customers.”

With personal visits impossible for the foreseeable future, HAE points out that its ability to act as the eyes



‘This industry attracts entrepreneurs, and if one carrier goes out of business, a new one takes its place’

**Adrien Thominet,
ECS Group**

and ears of its customers is more important than ever.

This is something that GSSAs have always done, but are now doing to an even greater extent.

A GSSA is so much more than just about selling space, says Dawkins.

It offers all the administrative and back office functions needed to keep a cargo operation ticking over smoothly.

Importantly, it liaises with handlers and acts as the crucial link with the customer.



That expertise is needed now more than ever as many people in the forwarding industry are working from home.

“It’s very difficult for forwarders at the moment, but we can give them that reassurance that cargo has flown as booked and it is important that we communicate with handlers and advise of any issues,” Dawkins explains.

Airlines are also looking to maximise revenue, and this is where a good GSSA can help.

‘We can give forwarders reassurance that cargo has flown; it is important we communicate with handlers’

**Stephen Dawkins,
Air Logistics Group**

With offices in multiple countries, ALG can find customers not just in the carrier’s home nation but feeder opportunities as well — and these may give the chance for higher yields.

Last year was an interesting one, to say the least.

HAE has a good mix of full freighter as well as passenger bellyhold customers — and the sharp reduction in carryings by the latter was offset by the former.

Volumes have gone down, but yields have gone up.

The overriding characteristic of demand was volatility, says Karai.

By early December, carriers were restoring some of the bellyhold capacity that they had slashed from their schedules and some traditional demand was coming back.

Vaccines in volume?

Meanwhile, huge volumes of PPE had boosted many carriers and there is, in 2021, the prospect of Covid vaccine shipments which, he predicts, will continue into the third quarter of the year.

The “leisure airlines” have been hardest hit by the Covid travel bans, but ECS Group has helped them keep

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'With reduced activity, it's too expensive to keep their own sales and the GSSA partner is a perfect solution'

Ingo Zimmer,
ATC Aviation

→ Continues from page 14

some activity going, says chief executive Adrien Thominet.

By paying the fuel costs of otherwise grounded passenger planes, the GSSA was able to operate 1,000 "passenger as freighter" flights in 2020. Not only did this give the carriers some much-needed revenue, but it also avoided the need for costly crew refresher training.

Thominet adds that it is not necessarily PPE that has filled aircraft holds — and seats — but the need to move more regular cargo such as perishables or material for car manufacturing.

The industry has been disrupted by the lockdowns and has turned to airfreight to keep operations going.

More of the same can be expected when the world starts to return to normal during 2021 and beyond.

Meanwhile, HAE has been sending its staff on pharma awareness courses, so that they can be ready to advise on handling procedures when the vaccine airlift gets under way.

Investment

It has also done its homework on where the major vaccine manufacturing sites are and which forwarders they use, so that it can advise its airline customers accordingly.

ALG is investing in data loggers for pharma traffic to allow it to temperature-map the holds of different types of aircraft.

The market for GSSAs never stands still, and Karai and his colleagues have been marketing HAE to customers who hitherto have not normally outsourced, including "legacy carriers" who have up to now retained their own cargo sales staff in major markets.

The market has in fact moved in cycles over the years, he says.

Paradoxically, it is during the good times, when airlines don't have to work so hard to find customers, that they are most willing to do their own cargo sales; it's when times get tougher that they tend to appoint

GSSAs. But whatever the state of the market, the advantages of GSSAs remain freedom from large, fixed costs coupled with intimate market knowledge.

Perhaps the rush towards working from home has made airlines realise that they don't need people in offices to sell cargo space effectively and that, if people are not in their offices, they also do not necessarily have to be in their direct employment either.

Certainly, the need to cut costs in a post-Covid world will prompt carriers to think along those lines, Karai believes.

Some carriers might opt to retain country managers, but have a GSSA carry out behind-the-scenes support; others may look after key accounts themselves but outsource other business.

Role for IT

Looking to how the GSSA business will develop in future, IT will of course play an even greater role than currently, says Karai.

"Customers these days are intelligent and thoughtful, so we need to give them the tools to find out what the options are for cargo shipments," he explains.

Perhaps one day there could be something for cargo akin to the Skyscanner portal that allows passengers to compare flight options and prices, tweaked to take account of factors such as maximum shipment size, dangerous goods rules and documentation.

Indeed, HAE already has a similar tool for internal use.

ECS's Thominet believes that IT can go well beyond simple rate platforms to encompass payment solutions and yield and revenue optimisation, though the IT revolution probably won't happen overnight.

"Cargo still needs a human touch, maybe a hybrid solution," he says, adding that young people recruited to the business are often astonished to find that they are still expected to

make phone calls to complete cargo bookings.

Zimmer says that ATC fortunately started the pandemic period with a high level of digitalisation, “so it was not a difficult task to move from office to home office”.

During 2020, ATC shifted all its 34 country organisations to the Cloud and at the same time implemented new operational software, which saves much rekeying of information.

An up-to-date “data lake” is available to all managers and sales teams for market research.

However, robots are not about to take over in the GSSA business, says Dawkins.

“It’s not just about taking bookings — every shipment is different, whether it’s high value or temperature-controlled pharmaceuticals, so you still need that voice at the end of the phone.

“We need to take a booking and ‘own’ it until it gets to its destination. We move 600,000 air waybills a year and every one is different.”

The airline industry may have gone through unprecedented changes lately — the number of flights on many routes is at 1970s levels — but no one should underestimate its ability to bounce back, says Dawkins.

As he points out, there are hundreds if not thousands of

modern, serviceable aircraft parked up, fuel prices are low and there is no doubt pent-up demand for travel.

“There will always be new airlines starting up; the situation is not dissimilar to the 2008 financial crash, which showed that this industry always snaps back very quickly,” he says.

New airlines could bring fresh opportunities for GSSAs, he believes.

Thominet at ECS adds: “One characteristic of this industry is that it attracts entrepreneurs and if one carrier goes out of business, a new one takes its place.”

The structure of the post-2021/2022 industry could be very different, though, with more low-cost carriers (LCCs).

With their short routes, small, unpalletised aircraft and rapid turnarounds, LCCs have not traditionally been very cargo-friendly in Europe.

Useful stream

In Asia it is a different story, with larger aircraft, such as B787s, and slightly longer times on the ground, and many could see cargo as a useful revenue stream, especially if organisations such as ALG can offer a “plug and play” model that would help them realise the opportunities quickly and painlessly.



‘Customers are intelligent and thoughtful, so we need to give them the tools to find out what the options are’

Neville Karai, HAE

GSSAs might even have a role in persuading LCCs to become cargo carriers.

This is one line of potential business that ECS’s Thominet certainly intends to pursue as the industry rebuilds.

There are good potential cargo yields on some LCC routes, maybe not in Europe but intra-Asia or in South America.

Certainly, the GSSA world has not gone to sleep and ALG still has more than 800 live contracts with different airlines around the world.

“Tenders are still going on and when we come out of this crisis there will be still more opportunities, especially if carriers are looking to cut costs,” says Dawkins.

The GSSA world itself may not, however, emerge unchanged.

While there will probably always be a niche for “local heroes”, even before the Covid crisis there was a trend towards larger groups — partly in response to the need to offer a wide portfolio of services and coverage, but also because of the financial guarantees that players in the industry have to provide. **ACN**

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Headquartered in Hedehusene, near the Danish capital of Copenhagen, DSV Panalpina has plenty of insight into the Nordic market and its performance over the last 12 months.

Thomas Elmelund, its director of airfreight, says that while 2020 was an extremely challenging year in the airfreight business, the market has picked up steadily since it reached 'rock bottom' in the second quarter of last year.

Indeed, those steady month-on-month increases in volumes in the second half of 2020 meant that, by December, DSV Panalpina was handling somewhere in the region of 85 to 90% of its typical tonnages out of its Danish home market.

Both 2020's imports and exports were by the Christmas air cargo peak down on year-on-year comparisons, but not by much — the continued strength of the Danish manufacturing sector is one reason for relatively strong export traffic.

Much of the cargo flown into and out of Scandinavia is trucked through northern Europe, typically through airport hubs such as Frankfurt and Luxembourg — two key DSV Panalpina air gateways — largely because of the relative lack of freighter services in normal times through Scandinavia.

Hence the loss of so much bellyhold cargo capacity last year that occurred as passenger flights were withdrawn from airline schedules in the face of the pandemic has had a big impact on total available capacity in the region and increased rates, Elmelund points out.

Furthermore, as a result of the lack of airfreight capacity available, road feeder services connecting Denmark and elsewhere in Scandinavia with freighter-served northern European air hubs have been ever more important and even more frequent than ever during 2020.

DSV Panalpina has had other options that it could turn to as available bellyhold capacity nose-dived.

It has regular block space agreements that it has continued to use and it has its own air charter network.

This is built on what was previously the Panalpina B747 freighter network, but it has been expanded throughout the pandemic.

The forwarder now has about 25 weekly flights through its key air gateways, such as the aforementioned Frankfurt and Luxembourg, as well as Liege in Belgium, Huntsville in the US, and Shanghai and Hong Kong in Asia.

"We added [freighter] capacity where it was most needed," says Elmelund, enabling DSV Panalpina to offer its customers "a more stable supply chain".

He adds that the company is always



Chill winds start to ease

The pandemic has been tough on the Nordics, but cargo volumes are showing healthy signs. **Mike Bryant** reports

looking into where further capacity might be required, even though — as he points out — the current lack of available freighter feedstock is a limiting issue here.

Taking the strain

Ulf Gregersen, managing director of Oslo-headquartered charter broker Aircharter, confirms that — leaving aside military-related work — the cargo charter business in the Nordic region remains, for his company at least, much the same as last year.

He remains positive, but for those directly and physically responsible for moving cargo by air, the last 12 months have been difficult.

As of January this year, Scandinavian flag-carrier SAS was flying seven widebody intercontinental aircraft as well as around 50 narrowbody trans-European aircraft.

From its primary hub in Copenhagen, it was serving New York Newark, Chicago O'Hare, Washington Dulles and San Francisco across the Atlantic and Shanghai Pudong in China, as well as operating



Elmelund: business has bounced back

on a Birmingham (UK) to Brussels route with cargo-only flights on a charter basis.

Max Knagge, president and chief executive of SAS Cargo, acknowledges: "SAS's business has been scaled down a lot, and we have been grounding passenger aircraft in large numbers — just like all airlines in the current situation.

"SAS Cargo only offers belly capacity on SAS passenger aircraft

and we were therefore almost locked down completely in April last year when most passenger aircraft were grounded.

"In May, we began flying personal protective equipment (PPE) from China to Scandinavia on cargo-only flights and when SAS began resuming intercontinental operations during the summer we were able to reopen important freight corridors between Scandinavia and the US/Asia."

Knagge notes that cargo is now a "main contributor to the current intercontinental flights SAS is operating".

He also points out: "SAS Cargo has serviced the market with cargo-only charter operations during the pandemic — some with cabin-loads.

"We have also been able to carry more freight than usual on several flights due to fewer passengers being on board, although we have not physically changed our aircraft to accommodate more cargo."

Agreeing with Elmelund, Knagge observes: "The Scandinavian market has remained strong, as there has been a continuous demand for transport of certain commodities such as pharma, spare parts and perishables.

However, due to limited belly capacity [last year], SAS Cargo did carry less tonnage than in 2019."

→ **Continues on page 20**

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→ Continues from page 18

The freight wing of Finland's flag-carrier has also kept itself busy. While Helsinki-based Finnair is, like SAS, primarily a passenger-driven airline, cargo has always represented a very strong element of its offering.

Vice president of Finnair Cargo Fredrik Wildtgrube said that last year Finnair had the task of continuing to fill the bellyholds of Finnair passenger aircraft operating into and out of the country, whether on scheduled or charter services. Meanwhile, March 28, 2020, saw its first cargo-only flight — operated by a Finnair A330. The flight was the first of many as the pandemic took hold and the carrier's passenger services were cut back.

Although the airline was forced to move to a much-restricted passenger service network and schedule, its cargo wing quickly adapted to the challenges. As a result, for the latter three quarters of 2020, when the pandemic continued to rage, Finnair Cargo carried about half the volumes that it would expect over the same nine months of a normal year.

Operating cargo-only flights — Finnair converted three A330 aircraft to a new freight-friendly configuration by taking out the seats in economy class — was one way of trying to ensure that cargo customers' needs could still be fulfilled, despite the lack of available bellyhold capacity. The converted A330s have been used in large part for flying much-needed PPE.

Ups and downs

Tonnages have varied from month to month — November, for example, saw Finnair Cargo fly about 70% of the tonnage that it did in the same month of 2019 — but, for a carrier without freighters, even 50% of usual cargo volumes represents a very creditable effort in what were such challenging times, Wildtgrube says.

"We have been swimming upstream since passenger services began falling away [from early Spring onwards]... That shows resilience in our operations.

"It has required a lot of determination and a lot of hard work. We were determined to make it work, and we



Cargo is now the main contributor to the intercontinental flights operated by SAS, with PPE and pharma the bulk of loads

have done it," he adds.

As Nordic carriers such as SAS Cargo and Finnair Cargo have scaled back their operations, the region's airfreight hubs have also felt the impact on business.

Sweden's primary cargo gateway, Stockholm-Arlanda, saw its freight throughput fall by 35% last year compared to 2019, for example.

"This is a large number, but air cargo was less impacted than passenger traffic last year," notes Ylva Arvidsson, director cargo at Swedavia, Sweden's state-owned airport operator that is responsible for the infrastructure at 10 of the country's biggest airports.

Moreover, the number of freighter movements at Stockholm-Arlanda increased by 32% last year.

General cargo has been most affected, she continues. By contrast, the integrators flew regularly throughout the entire year and their volumes increased year on year by almost 18%.

Arlanda handled several cargo

flights dedicated to imports of PPE at the beginning of the summer, while automotive shipments — an important part of Sweden's airfreight mix — were hit hard during spring and summer, although Swedavia saw a recovery in car-related shipments in the fourth quarter of 2020. It saw the same general trend for machine parts.

Flying Covid-19 vaccines

One priority for the airfreight sector in 2021 will be the vital task of moving Covid-19 vaccines.

DSV Panalpina is positioning itself at its key air gateways in preparation for handling vaccine shipments, such as by acquiring stocks of dry ice (many vaccine shipments may need to be repacked during their journey) and active temperature-controlled containers, of which their manufacturers have stepped up production.

The Cool warehouse facility Finnair Cargo uses at Helsinki Airport is ideal for handling pharmaceuticals.

Throughout the pandemic, Finnair Cargo has continued to move pharma as well as PPE as part of the effort to combat Covid-19 and, like DSV Panalpina, it considers itself well-positioned to handle the vaccines that are going to be so important going forward.

As well as the Cool hub, where pharma and perishable commodities are stored in separate units, Finnair Cargo also benefits from the fact that many of its widebodies have bellyhold compartments that can be maintained at steady cool-chain temperatures.

The freight carrier has also prepared itself for the important role it is to play in that hugely complex logistical effort by beginning to

secure more dry ice and temperature-controlled containers, Wildtgrube informs.

Vaccines destined for Sweden will mainly be transported by truck from Europe, Swedavia's Arvidsson informs, and "our cargo handling companies are used to handling sensitive air cargo such as vaccines and other pharmaceuticals".

"To receive some quantities of Covid-19 vaccine is not a problem for Stockholm Arlanda," she says.

"We are following the recommendations from our responsible authorities and are making sure that all necessary measures are being made at our airports."

As for when things might return to a degree of normality in Sweden's aviation industry: "The Swedish economy started to recover after the summer 2020 but, with the second outbreak of Covid-19, things slowed down again," Arvidsson says.

"But, with the first deliveries of Covid-19 vaccines, we see more optimism in the market and expect the business to increase from the second quarter this year at least."

At DSV, Elmelund remains cautious about the near-term future.

He believes that rates will remain high for some time yet — especially out of China — because of cargo capacity constraints.

He envisages them remaining high until at least Chinese New Year; after that, there may be some relief on prices, but, for the moment, "it is a seller's market, a good time for the cargo carriers".

He speculates that the airfreight market might not return to pre-pandemic normality for some years yet — perhaps not until 2024.

'With the first deliveries of Covid-19 vaccines, we see more optimism in the market'

Ylva Arvidsson, Swedavia



Photo: Jonas Berg

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AIRLINE DEMAND

Air capacity falls short of demand as lockdowns hit

IATA has revealed that last year was the worst year for air cargo demand in terms of year-on-year comparisons since it began recording trends in 1990.

The association reported a year-on-year decrease in air cargo demand, measured in cargo tonne kms (CTKs), of 10.6% — which is the largest drop since its records began.

IATA said that air cargo had underperformed in 2020 and volumes would have been higher had extra capacity been available.

Cargo capacity, measured in available cargo tonne kms (ACTKs), declined by 23.3% year on year in 2020.

IATA attributed performance to lockdowns in the first few months of the year, which disrupted supply chains until around May.

Since then, IATA said: “This recovery has continued until the year-end, despite some volatility when renewed Covid outbreaks forced some

markets to implement new restrictions.”

The lack of airfreight capacity last year was caused by bellyhold space being reduced when most passenger services were grounded due to Covid-19 restrictions.

Carriers managed to add capacity by ramping up freighter operations and using freighters, but were “unable to fully compensate for the lack of belly capacity”.

IATA said: “This effect is arguably the main culprit for the underperformance of airfreight, and offsets positive factors such as the need to turn to air travel for PPE and vaccine shipments.”

The lack of capacity led to increased rates, which peaked in April and May, and spiked again during the traditional peak season towards the end of the year.

Also last year, the air cargo load factor climbed by 7.7 percentage points to a record high of 54.5%.

Alexandre de Juniac, IATA’s director general and chief executive, commented: “For many airlines, 2020 saw air cargo become a vital source of revenues, despite weakened demand. But with much of the passenger fleet grounded, meeting demand without belly capacity continues to be an enormous challenge.”

Looking at regional performance for 2020, Africa-based airlines experienced demand growth with a year-on-year increase of 1%. Capacity in the region decreased by 17.3%.

Airlines based in Europe experienced a year-on-year decline in volumes of 16%. Capacity declined by 27.1%.

The situation improved as the year progressed but new lockdowns and adverse economic conditions put this rebound under pressure.

Asia Pacific-based airlines registered a 15.2% year-on-year fall in demand last year. Capacity decreased by 27.4%.

IATA observed: “After a pause in the recovery in the third quarter, seasonally affected CTKs have accelerated in recent months, driven by the rebound in manufacturing activity and export orders, notably from China and South Korea.”

Latin America-based carriers faced a 21.3% year-on-year decrease in demand. Capacity declined by 35%.

“The underperformance is explained by difficult economic conditions in markets such as Mexico, Argentina and Peru,” IATA said.

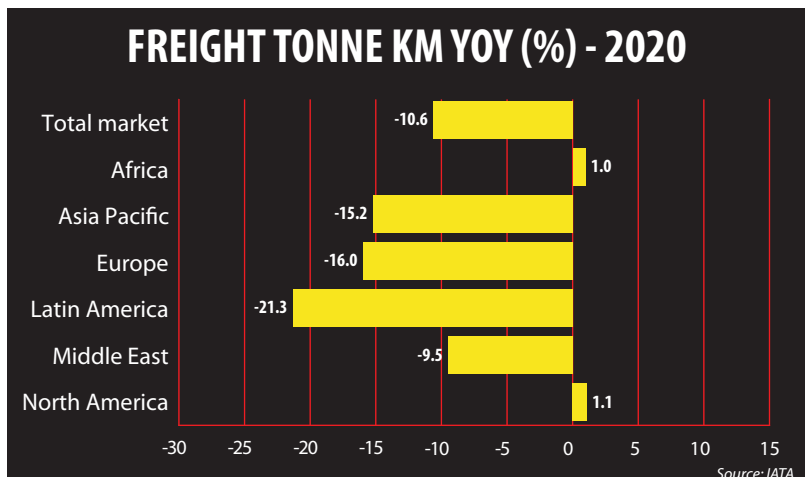
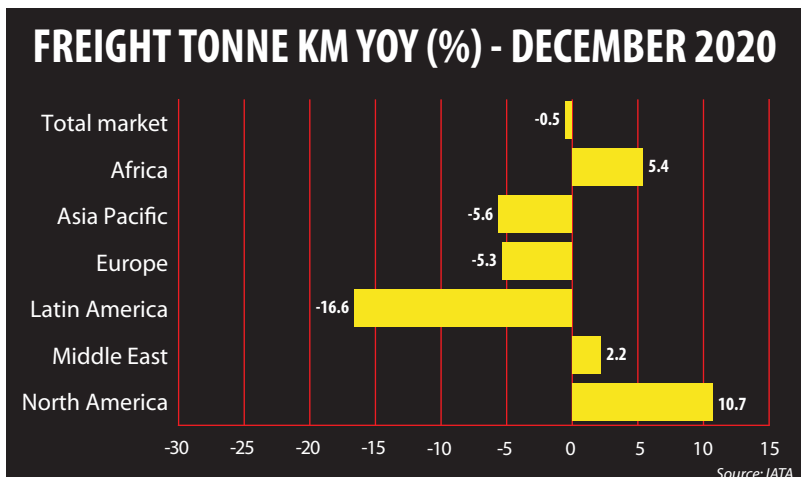
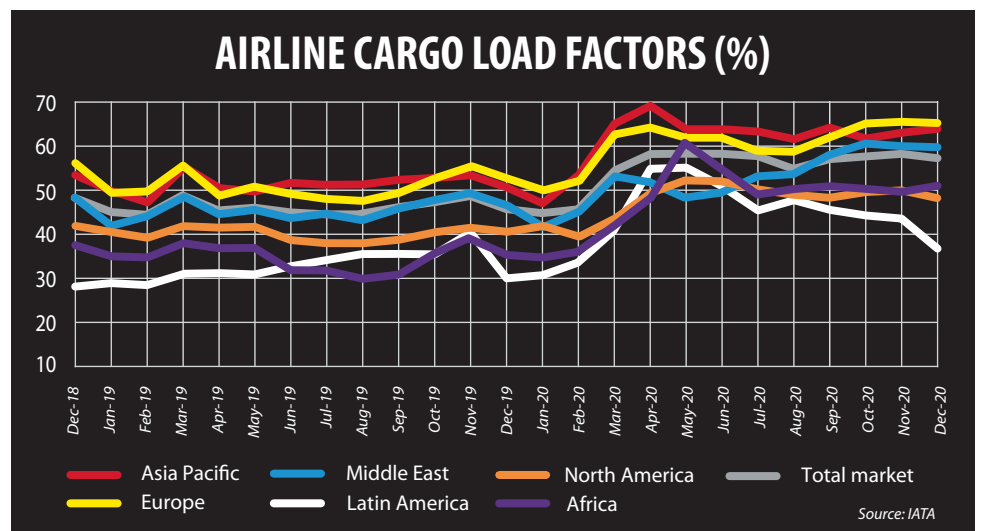
Cargo demand for North America’s airlines climbed by 1.1% year on year in 2020. Capacity decreased by 15.9%.

“Strong traffic on the Asia-North America routes contributed to the performance, driven by strong demand from North American consumers for goods manufactured in Asia,” IATA said.

Airlines based in the Middle East experienced a year-on-year drop in demand of 9.5%. Capacity in the region also declined — by 20.9%.

‘With much of the passenger fleet grounded, meeting demand without belly capacity continues to be an enormous challenge’

Alexandre de Juniac, IATA



AIRFREIGHT RATES

Slump in passenger flights keeps rates high despite seasonal drop

Airfreight rates on key trade lanes declined in January compared with a month earlier, but remain far above last year's levels.

The latest statistics from the Baltic Exchange Air Freight Index (BAI) show that average rates on services from Hong Kong to North America slipped to \$6.43 per kg in January, compared with \$7.50 per kg in December.

However, prices are around 104% higher than a year ago as a result of the loss of belly capacity from the market.

There was a similar trend on services from Hong Kong to Europe, where prices declined from \$5.59 per kg in December to \$4.28 per kg in January.

When comparing with a year ago, rates on the trade were up 51% in January.

On services from Frankfurt to North America, there was a month-on-month decline of \$0.15 per kg in January to \$4.45 per kg. Against a year ago, prices are up by 133%.

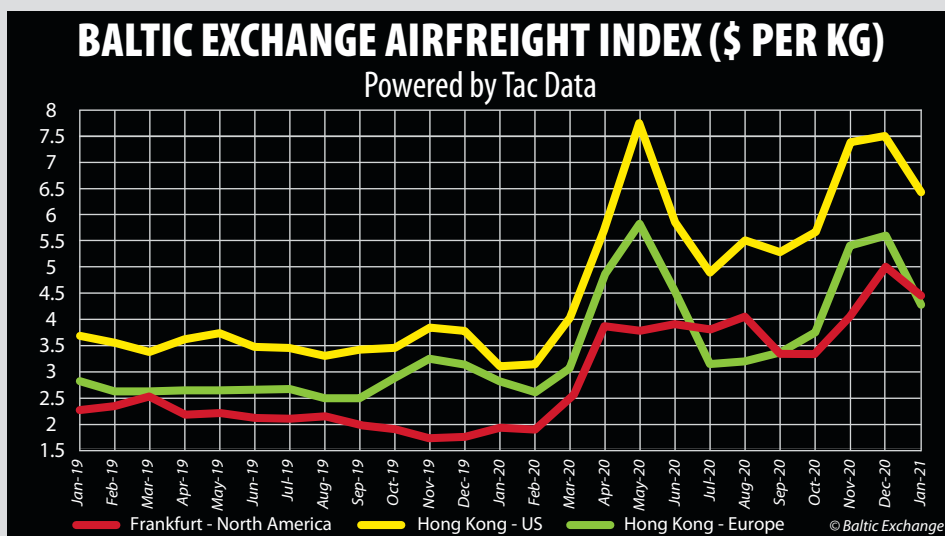
The decline in prices in January compared with December shouldn't come as too much of a surprise as rates usually drop following the pre-Christmas peak season and then start climbing again in the summer.

However, there are so many different market dynamics at play this year that it is hard to predict whether pricing will follow the usual seasonal trends.

Container shipping issues, the need to transport Covid-19 vaccination vials, demand for personal protec-

tive equipment, increased e-commerce volumes, reduced belly capacity, the UK leaving the European

Union and Covid-19 lockdowns are all having an impact on supply and demand dynamics.



AIRPORT THROUGHPUT

Year-end figures point to recovery

There was no let-up in cargo demand improvements in December as many hubs reported their best month of 2020 in terms of comparisons.

Hong Kong International, the world's busiest air cargo hub, saw traffic in 2020 decline by 7% compared with 2019 to 4.5m tonnes.

However, demand continued to improve as the year progressed and in December cargo volumes slipped by just 0.2% compared with 12 months earlier.

The airport authority said: "Cargo imports and exports continued their strong growth, climbing 18% and 8% year on year, respectively."

"Transhipments decreased significantly due to shortage of belly capacity."

Meanwhile, US airports continued their rapid recovery in December as consumer demand soared and container shipping hold-ups boosted air cargo traffic.

Los Angeles International recorded a 17.8% year-on-

year increase in cargo volumes during December. In 2020 as a whole, there was a 6.5% increase.

Miami International also registered an increase for the year with volumes improving by 2.2% on 2019 levels. In December, there was a 10.7% increase in demand.

MIA also ended 2020 with a record 59,000 cargo-only flights, nearly 8,000 more flights than in 2019.

The increase in demand towards the end of the year

also reflected the overall rebound in the US economy.

The US National Retail Federation's figures show that 2020's \$789.4bn in holiday spending during November and December was the highest on record, despite the coronavirus pandemic.

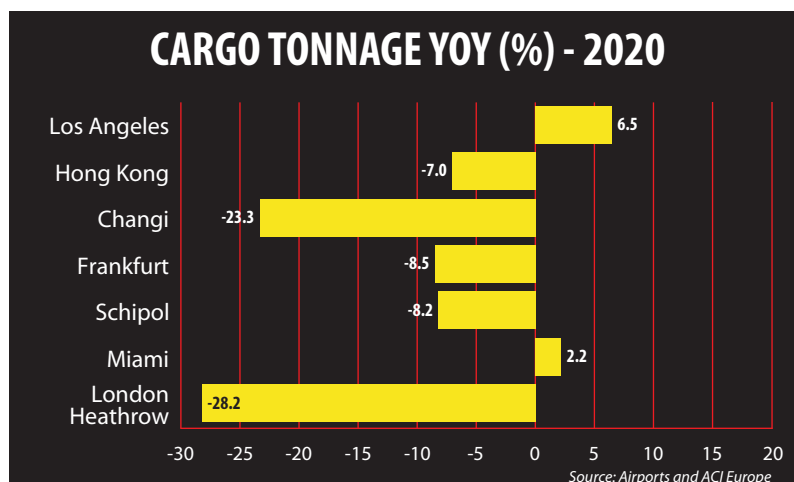
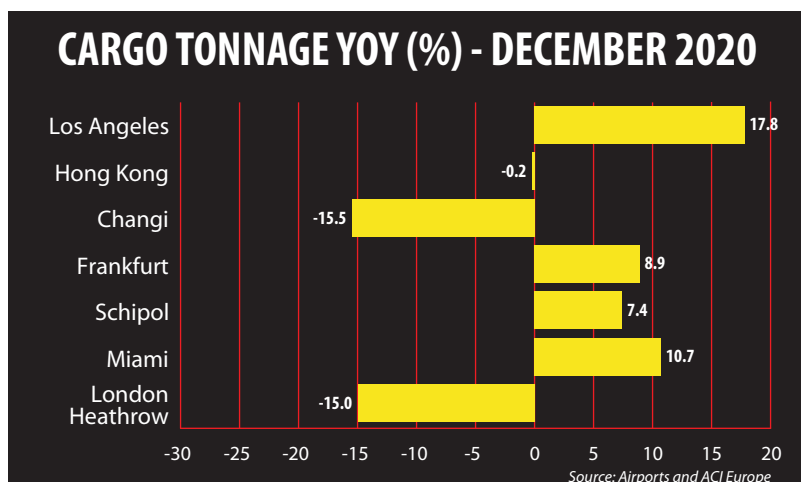
In Europe, performance at airports varied. Frankfurt registered an 8.9% increase in December, while for the year volumes were down by 8.5%.

The airport said that as the year drew to a close the

number of PAX-freighter flights began to once again ramp up, while e-commerce and personal protective equipment demand soared.

Elsewhere, Schiphol registered a 7.4% increase in December, but volumes were down by 8.2% for the year as a whole.

Heathrow, which pre-Covid catered for very few freighter flights, had a tough year as annual cargo volumes declined by 28.2% compared with 2019 levels.



CONTAINER SHIPPING

Congestion raises prices

It seems increasingly unlikely that the container shipping industry will be able to use the Chinese New Year break as a chance to reset.

Many had been hoping that the two-week holiday would provide ports with the chance to clear logjams, while shipping lines would be able to position empty containers in Asia, where there has been a shortage of boxes over the past few months.

However, rate portal Freightos reports that this looks increasingly unlikely.

Writing in February, Freightos research lead Judah Levine said: "Nonstop demand for ocean freight from Asia to the US continued to overwhelm major US ports, still keeping ships waiting outside Los Angeles/Long Beach and now Oakland as well.

"The continued peak and congestion has some US retailers worried that Easter-related goods won't arrive in time, while carriers are reporting

fully booked ships through to the end of the month.

"And with retailers still struggling to keep inventory levels up, there may be no easing until the second quarter."

The portal reports that in mid-February rates for 40 ft containers from China to the US west coast were up by about 218% compared with a year ago.

From China to the US east coast, prices have increased by 100%.

"Freight costs may also be skipping their typical Chinese New Year lull this year due to China's manufacturing staying open over the holiday.

"Normally, businesses shut down over the break and demand for freight — and spot rates — dip.

"But this year's travel restrictions and efforts to keep up with demand has much of the workforce available and many factories open.

"But observers warn that quarantine rules for returning truckers — a major sticking point in the reopening

last March — could cause significant delays even if goods manufactured over the holiday are ready to ship."

These views were echoed by freight forwarder Seko, which also noted a shift to airfreight as supply chains play catch-up.

No slack?

Seko Logistics chief growth officer Brian Bourke said: "The odds of there being a slack season in ocean shipping this year are getting lower by the day.

"Global restocking will continue. When we talk to clients, we make recommendations that include things like routing through different ports, booking a month or two later — but the problem with those options is that a lot of other shippers are doing the same thing.

"This congestion is happening everywhere, and this is where our recommendations do shift to conversations about airfreight.

"It shows the flexibility that is required to navigate through this."

Seko Logistics vice president of global carrier management and ocean strategy Akhil Nair said the holiday might help, with empty containers returning to Asia, but many of the boxes had already been booked out.

"We expect that the recovery post Chinese New Year won't be a recovery but a continued elongation of the current situation," Nair said.

UK freight forwarder Westbound Shipping said carriers were expecting strong demand to continue.

"Some carriers are reporting that they are 'flooded' with bookings and are predicting it to be well into the second quarter before we start seeing any significant changes.

"Hopefully, the situation will not continue quite as long as carriers would like — nobody can be 100% confident of market predictions in these unprecedented times."

PEOPLE

Jacquet appointed interim CEO at Liege Airport

Frédéric Jacquet

The Liege Airport board of directors has appointed Frédéric Jacquet as interim chief executive of the hub, after the dismissal of Luc Partoune. Jacquet was previously deputy managing director.

The appointment comes after the board met on February 9 and decided to dismiss Partoune with immediate effect, owing to alleged irregularities found in audits.

Wilson takes up CCO position at Amerijet

Eric Wilson

Amerijet has appointed Eric Wilson as chief commercial officer.

Based at the company's headquarters in Miami, Wilson will become a member of the executive team leading Amerijet's commercial division. His core focus areas will include sales, pricing, marketing, network development, commercial and strategic alliances and new product development.



Brady takes CEO role at handler Swissport

Warwick Brady

Swissport International has appointed Warwick Brady as its new president and chief executive.

He will replace Christoph Mueller, who assumed the chief executive role on an interim basis after he was appointed to the board of directors of Swissport in December.

Brady's previous roles include chief executive of Mandala Airlines in Indonesia and chief operating officer at Air Deccan/Kingfisher in India.



Elmore rejoins Hermes in COO role

Simon Elmore

Hermes Logistics Technologies has welcomed back Simon Elmore as chief operations officer.

Elmore returns to the role after a two-year absence, during which he worked as a consultant. In his new role, he is focusing on "team building and development, as well as improving the overall customer and product experience."

QUOTE OF THE ISSUE

"Some customers now see the benefits of freighters, as opposed to bellyfreight, but when passenger airlines get back to normal I think we will see overcapacity"

Dan Morgan-Evans, Air Charter Service

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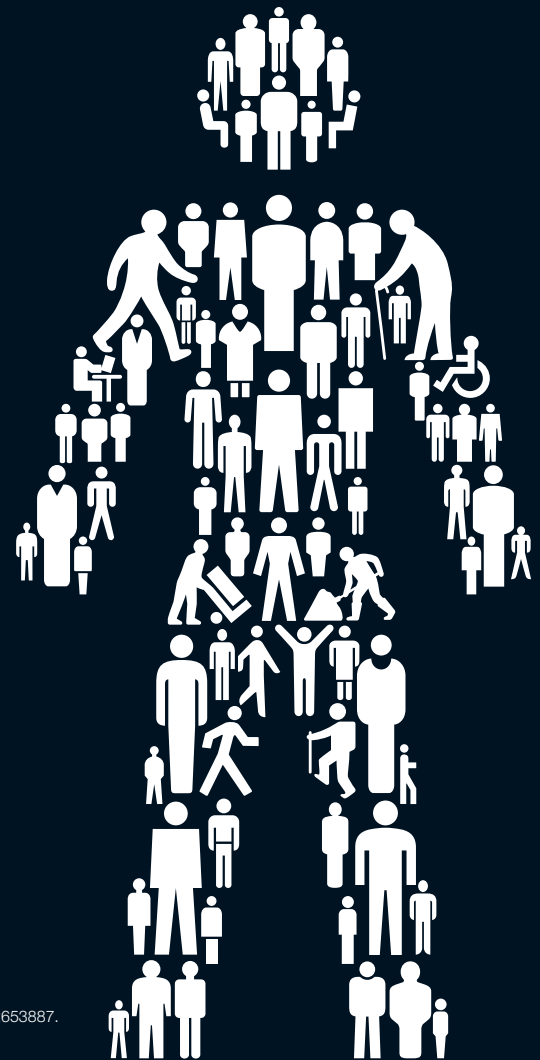
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