



AIR CHARTER SERVICE

Air Cargo Charter Broker of the Year
Winner 2020

www.aircharterservice.com

The World's Best-Read Air Cargo Publication

April 2021 / No. 892



KEEP ON TRUCKING

Wallenborn

Jason Breakwell says fewer flights mean a higher demand for RFS services

Pages 10-11



A GROWTH STORY

Africa focus

Airlines based in the region fared better than most in 2020 and the future is bright

Pages 16-17

FORWARDERS

Slow return for airfreight capacity, predict big two

The heads of Deutsche Post (DP) DHL and Kuehne+Nagel (K+N) are expecting airfreight capacity to remain constrained for the rest of the year.

Speaking to analysts following the announcement of K+N's 2020 financial figures, the forwarder's chief executive, Detlef Trefzger, was asked whether he expected airfreight rates to collapse this year.

Trefzger said the market is currently driven by a lack of belly capacity, which is down by around 90% compared with pre-Covid levels.

"We do not expect this capacity to be back and available before 2024/2025," he said, later adding: "We might see the first signs of slight yield decline, as of 2022. It depends on alternative capacity, which is belly capacity."

Trefzger added that air cargo demand is being boosted by issues in container shipping, with customers facing considerable waits at some ports to have containers unloaded.

He cited Long Beach in the US as an example, where there has been



K+N chief executive Detlef Trefzger warned belly capacity may not bounce back fully until 2025

reports of unloading taking 16 days.

"That is causing an additional demand," he added. "And the capacity is still tight, we don't see any change in capacity."

Meanwhile, Frank Appel, DP DHL group chief executive, was similarly cautious about when air cargo capacity would return to pre-pandemic levels.

He said that people may initially be reluctant to travel for both business and leisure and this will hold back the re-introduction of belly capacity.

"Regional travel probably will recover much faster, but intercontinental travel will take longer," Appel said in an investor call following the firm's full-year results announcement.

"So this year, we will not see a massive rebound of belly space capacity; maybe next year."

He added that if capacity does start to come back next year, it would most likely happen over a couple of quarters, rather than there being an instant increase.

"There's enough [cargo] demand already to fly more, but it's mainly driven because consumers or citizens will not change their mind so rapidly to travel long distance again," he added.

AIRLINES

New US links for CMA CGM

CMA CGM Air Cargo has added two new destinations in the US as its second freighter begins operations.

The shipping group-owned airline said that on March 28 it had added a flight from its Liege hub to New York JFK and Atlanta as part of a single route. The move comes after the carrier put its second of four A330Fs into action.

"CMA CGM Air Cargo's second Airbus A330-200F will begin regular commercial operations from Liege, Belgium, to New York and Atlanta," it said. "It completes the existing service between Liege and Chicago. From March 28, with two aircraft deployed between Europe and North America, CMA CGM Air Cargo doubles the offered capacity to better serve our customers on this trade lane."

The carrier launched services in mid-March when it began offering flights to Chicago O'Hare. The aircraft, previously flown by Qatar Cargo, are being operated by Air Belgium, while ECS is selling capacity in its role as general sales agent.

Part of the aircraft's capacity is dedicated to CMA CGM's forwarding subsidiary, CEVA.

SCHEDULED PASSENGER SERVICES IN 2021:

LIMITED ROUTES.
POOR RELIABILITY.
REDUCED CAPACITY.

IT'S TIME TO CONSIDER CHARTER FOR YOUR CARGO



**Partners for
Performance**

Adapting our business to change

Delivering reliability, consistency and accountability with essential cargo services to New Zealand, Australia and the South Pacific.



KEEP ON TRUCKING
Wallenborn
RFS Freight Forwarder
RFS Freight Forwarder
RFS Freight Forwarder

A GROWTH STORY
Africa
Africa
Africa

NEWS
New US links
for CMA CGM

SCHEDULED PASSENGER SERVICES IN 2021

Editor:
Damian Brett
d.brett@aircargonews.net

News Editor:
Rachelle Harry
r.harry@aircargonews.net

Associate Editor:
Roger Hailey
r.hailey@aircargonews.net

Sales:
Richard Perry
richard.perry@aircargonews.net

Production:
Isabel Burton
production@aircargonews.net

Digital:
Jamie May
j.may@aircargonews.net

Circulation Manager:
subs@aircargonews.net

Events:
Chloe Bass
chloe.bass@
dvvmediainternational.com

Publisher:
Andy Salter
andy.salter@
dvvmediainternational.com

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

Material from this publication may not be copied or reproduced in any way without prior written authorisation from the publishers. © 2021 Air Cargo News, ISSN Number 1357-4051, is published monthly by DVV Media International Ltd, 1st Floor, Chancery House, St Nicholas Way, Sutton, SM1 1JB, United Kingdom. • Tel: +44 (0) 20 8722 8370 • Fax: +44 (0) 20 8652 5210. Airfreight and mailing in the USA by agent named Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA. Periodicals postage paid at Jamaica NY 11431. US Postmaster: Send address changes to Air Cargo News, Worldnet Shipping Inc., 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA. Subscription records are maintained at Intermedia Brand Marketing Ltd, Unit 6 The Enterprise Centre, Kelvin Lane, Manor Royal, Crawley, West Sussex, RH10 9PE, United Kingdom. Worldnet is acting as our mailing agent. Website: www.aircargonews.net

NEWS



pg 4

- 4 **NEWS** Freighter conversion market remains strong
- 4 **NEWS** ACN Awards: Enter by May 3
- 4 **EDITOR'S COMMENT**
- 6 **NEWS** Cainiao partners with HK Air Cargo on Southeast Asia
- 6 **NEWS** DB Schenker starts India freighter service
- 6 **PUTZGER PERSPECTIVE**
- 8 **NEWS** Airbus looks to develop A350 freighter programme
- 8 **NEWS** Shippers urged to get creative to combat capacity issues
- 8 **NEWS** Air Menzies sets up base at LAX
- 9 **NEWS** DP DHL aims to cut emissions
- 9 **NEWS** ASL adds UK operation
- 9 **SHIPPER SPOTLIGHT**



pg 8

INTERVIEW

10-11 Wallenborn's **JASON BREAKWELL** shares how the RFS company has navigated Covid and Brexit



pgs 10-11

ANALYSIS

12 **AIRLINES** Capacity crunch keeps rates high at Lufthansa

FEATURES

14-15 **ASIA-EUROPE** Far East routes wait for demand recovery

16-17 **AFRICA** New horizons for the region's air cargo trade?



pgs 14-15

DATA HUB

18-19 **ANALYSIS** Air cargo volumes return to pre-Covid levels

CONTAINER SHIPPING

20 **CONGESTION** Delays keep rates high



29 COUNTRIES
WORLDWIDE

TAILORED CARGO
OUTSOURCING

DIGITALIZATION
& ANALYTICS

TRUCKING &
HANDLING
SOLUTIONS

**THE INDEPENDENT
GSSA PARTNER**

www.flyus.aero



NORTH AMERICAN ADDITION:

Airfreight booking tool cargo.one is adding airfreight capacity from Air Canada to its digital offering, its first North American airline. The agreement between the two companies is expected to be finalised by April 30.

HANDLING ACHIEVEMENT:

Worldwide Flight Services has been awarded Authorised Receiver status at Milan Malpensa Airport. The handler said the approval allows freight forwarders to clear and offload cargo at its cargo hub there.

TIME-CRITICAL HEAVYLIFT:

Antonov Airlines, in partnership with broker Chapman Freeborn, flew 370 tonnes of new machinery parts on three AN-124 flights to a mine in Brazil from Australia in March.

DIGITAL DEVELOPMENT:

IATA has launched a platform to support the digitalisation of air cargo supply chains. The association's Enhanced Partner Identification and Connectivity platform claims to simplify the process of connecting companies across the air cargo supply chain.

TRANSPAC EXPANSION:

All Nippon Airways (ANA) will expand its Los Angeles-Tokyo Narita freighter service with the use of B777 freighters instead of the smaller B767F on the back of growing demand on the route.

FREIGHTERS

Freighter fleet on the up

The freighter fleet has grown strongly since May last year with more than 200 all-cargo aircraft additions, according to consultant IBA.

Figures from IBA's Insight.iQ platform show that the active fleet of narrowbody freighters has grown by 61 to 625, the midsize widebody fleet is up by 80 to 624 and the large widebody fleet has increased by 55 to 601.

For the narrowbody fleet, converted B737-800s account for around half of that growth and the B757-200 remains the pre-eminent freighter with a fleet of 298 aircraft, followed by the B737-400 with 148.

In the active midsize widebody freighter fleet, the B767-300ER is the dominant aircraft, "accounting for more than half the growth as many ex-passenger aircraft are converted", and in total fleet size, which now stands at 315 aircraft.

"The A330 freighter fleet is also growing strongly but from a much lower base, with six aircraft converted during this period, but with an addi-



The B737 remains a popular option for conversion

tional pool of aircraft taking its fleet size to 74," IBA added.

The large widebody freighter fleet increased thanks to the addition of 29 B747-400s and seven MD-11Fs from storage, which accounted for around half the growth. The remainder is made up of 22 factory delivered B777Fs and three B747-8Fs.

"Since the start of the Covid-19 pandemic, freighter aircraft usage has grown strongly, driven by the fall in bellyhold capacity as passenger aircraft were grounded," IBA said.

"The number of freighter aircraft flights, which was averaging around 100,000 per month before the pandemic, has grown, peaking at over 145,000 in December 2020.

"Conversely, passenger aircraft utilisation fell from over 2.9m flights in January 2020 to 556,000 in April 2020, and since then has only partially recovered to around 1.5m flights in January 2021."

However, the abundance of passenger aircraft available for conversion means feedstock prices remain low.

AWARDS

Don't miss out on your chance to shine

There is now less than a month until entries close for the 37th edition of the Air Cargo News Awards.

The awards celebrate those companies that have invested in great customer service, operational excellence and innovative technologies. Entrants have until May 3 to enter.

This year there are eight award categories: Air Cargo Pharma Award; Best Freighter Operator; Cargo Hub of the Year; Charter Broker of the Year; Ground Handler 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 a winner.

The awards ceremony takes place at the Runnymede on Thames Hotel, close to London Heathrow in the UK on September 16.

EDITOR'S COMMENT

Damian Brett



Air remains in the mix

Supply chains are constantly evolving and changing in line with the world around them.

Over the last 12 months they have been buffeted by a succession of extreme events; Covid-19, the collapse of bellyhold cargo, an ongoing crisis in container shipping, Brexit and, most recently, the Suez Canal being blocked by a stranded ultra-large box ship.

It has been suggested that this series of events could cause

companies to re-examine how their supply chains are set up.

Soren Skou, chief executive of shipping group AP Moller-Maersk, recently told the UK's *Financial Times* newspaper that companies were adjusting supply chains following the Covid-19 pandemic by moving away from single-suppliers and just-in-time operations.

He said shippers were adopting just-in-case supply chains where they maintain higher

levels of inventory.

Meanwhile, production has continued to move away from China as companies look to spread their risk when it comes to sourcing. This trend started years ago as production costs in China began to rise and then the China-US trade war forced firms to consider their options.

What does this mean for air cargo? The rise of just-in-case supply chains with larger inventory levels and buffer stock certainly doesn't favour the airfreight sector.

But keeping buffer stock at

warehouses throughout the world comes with a big price tag and companies will need to weigh up the cost of extra inventory against the cost of having to use air cargo on occasion to plug gaps and the potential for lost sales.

It has also taken a series of extreme events for companies to consider just-in-case setups — when things calm down, they will surely once again look at just-in-time operations.

The past year has also proven the value that air cargo brings in terms of speed and flexibility.

PREMIUM GSA SOLUTIONS

WITHOUT ECS

WITH ECS



CHARTERS

India link for DB Schenker Global Flight

DB Schenker has commenced its India air cargo charter service, which is part of its Global Flight Operations Program launched to bridge the capacity gap.

Boeing 747 freighters are being used for the service to transport cargo between India, Europe and the US (Munich—Chennai—Chicago RFD).

Vishal Sharma, chief executive of DB Schenker, India and Indian sub-continent, said: "The introduction of our second flight operations is a significant step towards reinforcing our Global Flight Operations Program to meet the growing logistics demand of the customers in India.

"Our flight operations initiative, started in early 2020, was highly appreciated by the customers. We are continuing the operations in 2021 by introducing newer routes, offering timely and streamlined last-mile deliveries to customers."

DB Schenker's existing Chicago RFD—Munich—Tokyo—Seoul air charter service was launched in February.

LOGISTICS

Cainiao partnership adds room for SE Asia growth

Cainiao Smart Logistics Network is partnering with Hong Kong Air Cargo to add cargo flights to Southeast Asia.

Hong Kong Air Cargo will operate seven flights per week to Manila, three per week to Kuala Lumpur and six to Bangkok on behalf of the logistics arm of e-commerce giant Alibaba.

"The expanded cargo capacity will support growing e-commerce logistics demand in Southeast Asia, with the ability to deliver approximately a quarter million parcels per week," Cainiao said.

The logistics company said that currently e-commerce goods from Mainland China are transported to Hong Kong and into a warehouse for sorting and consolidation before being shipped to Southeast Asia.

It recently opened its "eHub" close to Hong Kong International Airport, which will shorten delivery times by removing the need to transport to a warehouse facility first.

"The new logistics flow will shave off delivery time by 60%, 28% and 42% for goods shipped to the



Hong Kong Air Cargo will operate 16 flights a week via Cainiao's eHub

Philippines, Malaysia and Thailand respectively," Cainiao said.

"Customers in these countries buying from platforms such as Lazada, the flagship e-commerce platform of Alibaba Group in Southeast Asia, will be able to receive parcels from Mainland China in just three days."

General manager of Cainiao Global Supply Chain, James Zhao, explained: "[The e-commerce market in] Southeast Asia is projected to achieve a 23% compound annual growth rate to reach \$172bn in 2025.

"With more and more cross-border e-commerce goods moving from Mainland China to Southeast Asia, the launch of cargo flights via Cainiao eHub will allow us to create a seamless logistics network.

"The partnership with Hong Kong Air Cargo will safeguard airfreight stability and cost efficiency to benefit merchants and consumers in the region. We aim to expand our airfreight network to more countries and regions to achieve our goal of delivering globally within 72 hours."

PUTZGER PERSPECTIVE

Ian Putzger



Advance of the e-commerce behemoths

The airfreight sector is facing growing competition emerging from the e-commerce world.

In March, Amazon boosted its stake in ATSG, one of its key carriers, to 19.5%, a move that gave it a seat on ATSG's board of directors.

Amazon also has an equity position in Atlas Air, so the ATSG move was hardly revolutionary, but it adds fuel to speculation about its plans for the air cargo sector.

Pundits have been discussing the likelihood of Amazon going after third-party airfreight for some time, well before the company's decision last year to purchase freighters.

The rise of its network suggests that at some time the cost of it will dictate selling

empty space to third parties.

The Chaddick Institute for Metropolitan Development at DePaul University has been tracking the growth and activities of Amazon Air.

Between last August and February its flight activity increased about 15% to an average of 140 flights a day.

By June it will be up to 160 daily flights, given orders for planes to join the fleet, Chaddick predicted in February.

It expects Amazon to begin third-party carriage within the next 16 months.

But Amazon is not alone with its ongoing push into the logistics arena. In January Cainiao, the logistics arm of Chinese e-commerce giant Alibaba, unveiled a shipment

booking service for air and sea shipments, pledging cheaper and more reliable services.

SF Express, China's second-largest courier company, is not affiliated to an e-commerce firm, but its momentum, that saw its airline arm grow to a fleet of over 50 freighters, is very much rooted in e-commerce. It boosted its logistics capabilities recently with the acquisition of a majority stake in Kerry Logistics by parent SF Holdings.

Amazon Air mainly flies point to point, connecting fulfilment centres rather than running a hub-and-spoke network.

This limits its possibilities to compete with the integrators, but this is not a strategic objective for the e-commerce

firm — unlike with Cainiao and SF.

For air cargo operators, Amazon's lack of focus on their patch is cold comfort, though.

'Pundits have been discussing the likelihood of Amazon going after third-party airfreight for some time'

In the years of their rise, to the integrators airfreight was filler material for their core envelope and parcel business.

Today they carry a considerable amount of high-margin freight, including pharmaceuticals and Covid-19 vaccines. What will Amazon be moving in five years?

AIR CARGO NEWS AWARDS 2021

September 16, 2021

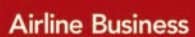
The Runnymede on Thames Hotel, London

NOMINATIONS NOW OPEN

Entry deadline May 3

Enter for free & book your table at
AirCargoNewsAwards.net

We are proudly sponsored by:



EXPRESS

DHL Malpensa hub opens

DHL Express has opened a €110m logistics hub at Malpensa Airport as part of an ongoing investment in Italy.

The express giant said that from its new hub, which will employ around 900 people, it will be able to operate more than 30 flights per day and handle nearly 38,000 pieces per hour.

The development at Malpensa represents one third of the total investment made in Italy by DHL Express and becomes its fourth-largest European hub after Leipzig, East Midlands and Brussels.

DHL Express Italy chief executive Nazzarena Franco said: "The Malpensa hub is the flagship of our strengthening strategy in Italy, in which we have an ambitious investment plan of over €350m with the aim of being the partner of companies that produce and export Italian excellence in the world.

"Despite the pandemic our business has never stopped, and we have always tried to meet the needs of companies by supporting their efforts, particularly in foreign markets.

Lombardy represents one third of the country's exports thanks to a dynamic entrepreneurial system and highly innovative supply chains...and with the new hub we want to contribute to the growth of Italian exports."

FORWARDERS

AMI expands with larger site

Cargo wholesaler Air Menzies International (AMI) has moved to a new facility at Los Angeles International (LAX), as it prepares for stricter security requirements and looks to expand operations at the fast-growing US airport.

AMI said the move will more than double its warehouse space and place it just 500 m from the airport.

The impending change to the international air transportation standards for security screening was also a significant factor in the company's decision to move to a larger facility.

From June 30, cargo carried on international all-cargo flights will receive the same level of security screening that cargo shipments on passenger flights currently undergo.

AMI said the stricter standards are expected to drive demand for X-ray screening services across the country, as US freight forwarders seek to comply with the mandate or risk having their shipments blocked from being loaded onto the aircraft.

FREIGHTERS

Airbus seeks industry opinion on A350 freighter



An Airbus A350 under construction

Airbus is considering developing a freighter version of the A350 aircraft, according to a report from Reuters.

The report states that the airframer has been canvassing industry opinion on the potential for a widebody freighter version of the aircraft, which would be a little longer than the A350-900.

Airbus will need commitments from around 50 airlines before it can launch a programme, Reuters said.

Development of the aircraft would involve overcoming several technical challenges, including cutting into the composite frame in order to install a cargo door.

The move would appear to make sense if the company wishes to maintain a presence in the production line freighter market.

Interest in Airbus' current production freighter, the A330F, has dried up and there are no outstanding orders

for the aircraft after just 38 of them were delivered.

In terms of production freighters, the A350F would compete with Boeing's 777F, although its extra length would suggest a larger volumetric capacity, making it suitable for e-commerce/parcel demand.

Orders for the 100-tonne capacity B777F continue to roll in, with 202 already delivered, while the all-cargo market continues to surge.

Many suggest it could take years for long-haul passenger services — and therefore cargo capacity — to return to previous levels, while e-commerce demand continues to increase rapidly.

However, the air cargo market is cyclical and could easily enter a slump by the time the A350F is ready to launch.

Meanwhile, there are plenty of unused passenger aircraft that could be converted into freighters to cater

for demand, although widebody conversions for aircraft of that size are limited.

Airbus operates a conversion programme through its Elbe Flugzeugwerke (EFW) joint venture with ST Engineering, but the company does not offer anything able to compete in size with the B777F.

Reports that an A350 freighter is under consideration have been circulating for years, as Airbus looks to launch a long-range widebody freighter with a large enough capacity to compete with the B777F and B747F.

In 2007, *Air Cargo News* sister title *FlightGlobal* reported that Airbus was considering a A350-900F, which would have a similar payload and volume to the 90-tonne MD-11F and a range of 9,250km (5,000nm).

In turn, Boeing has reportedly been considering developing a B777X freighter programme.

SUPPLY CHAINS

Get creative to offset rising cargo rates

Shippers have been urged to get creative as capacity shortages and high rates in air cargo and other modes are expected to continue.

In the latest Baltic Exchange airfreight rate newsletter Bruce Chan, vice president of global logistics at investment bank Stifel said that capacity could become tighter over the next few months as demand continues to recover.

Chan said: "Looking out over the next few months, we see a scenario where capacity could get even tighter and spot pricing could continue to accelerate.

"Assuming that consumer and especially e-commerce driven activity persists, that the industrial recovery

continues, more brick and mortar activity and more produce and seafood demand could further tighten capacity as vaccination efforts march forward and life gets back to normal.

"And with no proximate signs of capacity loosening in other modes of transport, we believe that airfreight will remain a critical goods pressure relief valve in shipper supply chains for months to come."

Indeed, the latest IATA statistics show that air cargo volumes have recovered from a Covid-19 related decline and are back at 2019 levels.

Chan added: "We don't see many signs of immediate rate relief on the horizon, so strap in and try not to get bored."

He suggested that shippers would need to find new and creative ways to offset the costs.

This could include a surgical analysis of modal planning and selection; greater use of buffer stock; tactical procurement and sourcing; reliance on new, bigger, or more nimble logistics providers to supply capacity; and better use of technology for supply chain planning and execution.

He reiterated past assertions that it could be a year or more until "meaningful international belly capacity" returns.

And extra freighters are unlikely to solve the problem. Chan explained that while demand is growing, widebody conversion slots are a bottleneck.

SUSTAINABILITY

DP DHL reveals plans for a more sustainable future

Deutsche Post DHL Group (DP DHL) launched its sustainability roadmap on March 22, including a commitment to invest €7bn in green technologies such as sustainable aviation fuel to help it further reduce its CO2 emissions over the next ten years.

The roadmap, which covers the company's operations until 2030, is in addition to its target of achieving zero emissions by 2050 — first announced in 2017.

At a press conference, Frank Appel, chief executive of DP DHL, said: "As the world's largest logistics company, it is our responsibility to lead the way and guide the logistics industry into a sustainable future. We are turning our yellow group into a green company and are making an important contribution to our planet and society."

The company is aiming to reduce its CO2 emissions from 33m tonnes in 2020 to under 29m tonnes by 2030. To achieve this, it will gradually operate its vehicles and buildings more sustainably.



Frank Appel, DP DHL

For example, by 2030 it aims for at least 30% of fuel requirements in its aviation and line haul operations to be fulfilled by sustainable fuels.

The company is already running pilot projects using sustainable aviation fuel (SAF) blends in Amsterdam and San Francisco.

Appel said: "Sustainable, clean fuel alternatives are elementary for climate-neutral logistics in a globalised world. In air transport in particular, these could help reduce CO2 emissions. That's why we will engage even more intensively in initiatives and strengthen cross-industry exchange to develop a global strategy and standards here."

Meanwhile, DHL aims to switch 60% of its fleet of delivery vehicles — around 80,000 of them — to electric power by 2030.

The company will also optimise fuel consumption in the air by using artificial intelligence, data analytics and other tools that it is already using across its business.

"Our vehicles at airports can also be used more effectively to help reduce our aviation carbon footprint," said Appel.

FREIGHTERS

ASL launches UK freighter operation

Cargo carrier ASL Airlines UK has operated its first flight after receiving its Air Operator Certificate (AOC) and operating licence from the UK Civil Aviation Authority.

The carrier's first flight was operated by an ATR72-200 freighter aircraft from East Midlands Airport to Belfast International Airport.

The aircraft will operate to Belfast International Airport daily from ASL Airlines UK's new base at East Midlands.

The airline said its AOC is for cargo flights on a single route, but it is looking at opportunities to grow its UK network and is applying for authorisation for cargo flights from the UK to the European Union (EU).

The carrier added that it will be closely aligned to ASL Airlines Ireland.

"We want to offer our customers flexibility in their route planning when they want to operate domestically in the UK, or, in time, to fly from the UK to the EU," ASL said.

SHIPPER SPOTLIGHT

Zoe McLernon



Night flying extension vital for industry

In March 2021, Logistics UK submitted its response to the government's consultation on extending the current provision for night flights until 2024 — a move supported strongly by our members.

The Covid-19 pandemic has had a profound effect on the travel and aviation industries, and the current night flying regime has provided a lifeline for air cargo operations.

It has helped to ensure the timely delivery of medicines, vaccinations, manufacturing goods and other vital products.

Recovery for long-haul passenger services is uncertain and, given that approximately 60% of air cargo goods are carried in the bellyhold of passenger airlines, maintaining

the current regime is important while the industry recovers both economically and operationally.

With the sector not expected to fully bounce back before 2024, our request to the government is to consider an additional extension to the night flying regime for a further year, to 2025.

An extra 12 months will provide some of the certainty and support air cargo operators urgently need.

The government has also launched a second part to the consultation, which will consider the future national framework for night flights.

It is seeking views and evidence on policy options for night flights beyond 2024 and

aims to publish a further stage of this consultation in 2022.

In our response to this, Logistics UK will provide additional evidence on the value of night flights and proposals for post-2024 operations.

Nearly half of airfreight by value is flown during the night to enable time-sensitive, next-day deliveries to arrive in a timely fashion.

These services must be protected as the implications can be severe if these tight delivery timeframes are not met. Some items such as vaccines or perishables may become unusable, and production lines may be halted as components, spares or supplies are held up.

Owing to its relatively high cost, air cargo night flying is only used when there is no practical alternative.

Of course, the Covid-19 pandemic has been disruptive to the industry and with new trade procedures following the UK's exit from the EU posing additional challenges, maintaining the current night flying regime in the short term is vital.

This is needed to protect air cargo operations and the wider supply chain served by them, allowing time for a long-term policy framework to be developed.

Zoe McLernon, multimodal policy manager, FTA

Ground controller

Much-reduced capacity for airfreight, the pressing need to move Covid-19 vaccines and extra bureaucracy from Brexit have made life busy for Wallenborn's Jason Breakwell. **Rachelle Harry** reports

Only a few months of 2021 have passed, but the year is already showing positive signs for road feeder services (RFS) business Wallenborn.

Looking back on 2020, commercial director Jason Breakwell says volumes from March to December were around 10% higher than in the previous two years. "This year has been similar," he observes. "If anything, it has been busier than 2020."

Breakwell says that, as in 2020, the limited bellyhold capacity owing to coronavirus-related travel restrictions means that a lot of freight is being diverted to a smaller number of hubs, especially Amsterdam, Frankfurt, Liege and Luxembourg. This has led to RFS being busier overall as shipments increasingly need to be transported by road over longer distances.

He explains: "One of the things that we have seen in a short period of time is that airlines have had to switch hubs. Perhaps a hub that they have been operating at for many years is just becoming too busy, so they have had to divert to other airports and then have become much more dependent on RFS."

He adds: "France, Italy, Scandinavia and the UK are markets with limited freighter flights and that's still the case — they have always been heavily reliant on passenger flights. So for them, I think RFS is going to be more important and it has kept them going in some respects."

Looking at the types of cargo carried, there has been a mixed performance: "There has been an increase in demand for healthcare and perishable products," Breakwell says.

"Perishable products would normally take a direct flight in the belly of a passenger aircraft, but many of those aircraft are not operating at the moment, so that means direct routes are not always available."

He adds: "Temperature-sensitive products are being transferred to the road more often than they used to be."

Also, similarly to last year, volumes of aviation and aerospace equipment are down, which Breakwell says is "not surprising".

"There's not as much maintenance being done on aircraft and obviously not so many aircraft are being ordered at the moment. The volumes of parts — especially big parts like engines that used to be flown into Europe in large volumes — have gone down."

However, Breakwell observes that there have been some changes: "The fourth quarter of last year was very busy [for our business] with new product launches and e-commerce goods. More people are ordering things like games consoles."

"Additionally, recently a lot of testing kits have been arriving from Asia. We are carrying a lot of syringes too, to support vaccine rollout in Europe."

He adds that Wallenborn is "heavily involved" in the transportation of Covid-19 vaccines — but he can't provide exact details, having signed non-disclosure agreements.

"The main reason is security," he explains. "There is increasing concern about vaccines being available on the black market. If they are on the black

market, they tend not to have been kept in the right conditions [temperatures], so they are probably not going to work."

In light of this, Wallenborn has got everything in place to transport vaccines safely.

Breakwell says: "Eight years ago, we invested in the GDP certification, which involved upgrading and investing in hardware, software and training. So we have had eight years to develop the expertise that we need to develop safely and securely transport life sciences products."

"We are in a good position: we've got a 24/7 pharma control tower, we increased our GDP fleet by 20% last year and we've also integrated the telemetry on that fleet — which means our customers can get real-time temperature data and updates every five minutes, giving them a lot of confidence in the product."

Handling Brexit

Wallenborn responded well to the changes brought about by the coronavirus pandemic, but not long after, another curveball was thrown: the UK's exit from the European Union.

Breakwell says: "There was concern that there would be disruption at the border and so there was a lot of stock-



piling, especially during November and the first half of December. There was extremely high demand coming into the UK — and going out of the UK too. I think a lot of exporters wanted to get their products out because of the uncertainty over tariffs."

In order to be prepared for Brexit, Wallenborn consulted extensively with its customers. It also hired a handful of new staff to cope with the extra processes and workload.

"We consulted with customers and partners — companies such as Eurotunnel, the ferry operators, the airport handlers and the ports that our trucks pass through," says Breakwell.

"We engaged a lot with government agencies, which in general was productive and left us with good contacts at those agencies — such as customs in various European countries, the UK's Department for Transport because they have introduced new procedures, and health authorities in the UK and across Europe too."

He adds: "We didn't want to start [preparing] too early for two reasons. First, we didn't want our customers to get 'Brexit fatigue'; and second, a lot of information wasn't announced or made clear until later on."

"We started communicating with customers last summer and we started consulting with them in October. In webinars, we walked them through what we would do and what they needed to do; and with key accounts



Upgrades to the Wallenborn fleet have been invaluable in the aftermath of the pandemic



Jason Breakwell: "Airlines have had to divert to other airports and then have become much more dependent on RFS"

FACT FILE

- ◆ Transport logistics business Wallenborn uses a hybrid operational model to respond to changes in demand. This enables it to outsource around 10% of its available capacity.
- ◆ To ensure it was ready for Brexit, Wallenborn started communicating with its customers last summer about the changes ahead.
- ◆ The company's fleet of temperature-controlled trucks, as well as its GDP certification, have proved essential in the successful transportation of Covid-19 vaccines.

we had weekly meetings in the two months up until the end of the year."

Breakwell says the preparation paid off and that, so far, the transition has been relatively smooth for Wallenborn.

However, he notes: "It was perhaps easier for us to prepare than other companies because we were already familiar with some of the processes due to the nature of our business and the services that it provides."

Additionally, there were a few "minimal" teething problems: "For example, with customs officers and ferry operators having to learn new procedures and sometimes not understanding it," he says.

Even though Wallenborn was prepared for Brexit, Breakwell says that factors outside its control are causing disruption to its operations.

"Most of the major airports are very congested, so it's taking a lot longer to get in and out of warehouses at airports," he explains. "So trucks are obviously spending more time not being productive. That affects driver productivity too."

He says that Covid tests for drivers and the deep-cleaning of trucks during driver changeovers is also affecting productivity.

"I think that for the next few months, because of the travel restrictions, we will see a continuation of current trends: not so much belly capacity and a lot of scheduled and chartered freighters."

He adds: "We did advise our customers that even though we are

well prepared, there is always a risk that if massive traffic jams were to build up at the ports then we could get stuck in them."

However, thankfully: "That hasn't been the case so far, so I think the UK has done quite a good job of managing it upstream; trucks arriving at Dover, for example — or through the Eurotunnel — are ready to cross the border, and the percentage of trucks that are not ready is very small."

Breakwell also warns that "we're not through it yet" because some supply chains have been suspended and the full Brexit transition is not yet complete.

"We may see problems in the next few months. Of course, the UK is phasing in the controls, which I think is a very good idea, but it does mean that we won't know until later whether any problems are structural or teething," he says.

Breakwell adds that, since Brexit, Wallenborn has seen an increase in volumes — "and we perhaps picked up some new business because not all transport companies were ready."

Yet on the downside, the new procedures are "burdensome".

"For a typical truck movement there are now between six and 12 additional procedures. If we have perishable cargo on board, then there are more requirements. "It takes up time and that's why we needed to add

extra people to our team — to make sure that the processes can be done on a 24/7 basis."

He adds: "It's not what we are used to; trends in transportation have been about simplifying and streamlining. The new processes go against that."

The road ahead

Breakwell says RFS businesses are now at a critical point in forecasting — which is "problematic" because current circumstances make it "difficult to forecast beyond next month at the moment".

So how can Wallenborn keep on top of the market? Breakwell says the business is "flying by sight".

"In other words, we can't look down — we have to keep looking up to see what's coming, because things keep changing and we have to really be tuned into the markets. We have to think about what our customers could need next and we have to make sure that we are ready to adapt."

He reckons that the current capacity squeeze will continue "at least until summer and beyond".

"Obviously airfreight capacity is in very high demand — and the RFS sector is also experiencing very high demand. If you look at the capacity index, it's definitely going down and the pricing index is going up," he says.

Something else that's unpredictable is market rates, he adds.

"We obviously saw a flurry of aircraft being used as freighters [at the onset of the pandemic], and that's still going on to some extent, but not so much now because yield has come down on many routes.

"So at the moment, we are seeing more freighter charters, but this could change at short notice. I think most companies are looking at the way that they manage their stock."

In light of this, Wallenborn has a hybrid operational model in place that enables it to respond to changes in demand. Breakwell says: "The core capacity that we supply is our own fleet, which is between 80% to 90% of our capacity, but we work with a lot of qualified contractors as well, depending on demand and the season. So around 10% of our available capacity is provided by third parties."

The company is also in the final implementation stage of its new transport management system, which will help it to streamline and automate processes such as status alerts — including shipment temperature updates — giving members of staff more time to focus on other tasks.

Considering the disruptions seen in the past 12 months Breakwell says a positive outcome is that Wallenborn has proved its ability to adapt.

"Until that point, we always thought we could," he says, "but we had never been tested."



Capacity crunch keeps rates high at Lufthansa

German carrier reports strong results and looks forward to another profitable year — but chief executive says the gap between supply and demand will narrow. **Damian Brett** reports

The newly appointed chief executive of Lufthansa Cargo, Dorothea von Boxberg, is expecting another good year for air cargo in 2021 but adds that rates are likely to cool in the second half.

In early March, the Lufthansa Logistics division, which includes Lufthansa Cargo, Jettainer, time:matters and its equity investment in AeroLogic, reported earnings before interest and tax in 2020 at €717m, against a €33m loss in 2019.

Revenues climbed by 11% year on year to €2.8bn despite cargo traffic dropping by 27% to 6.5bn revenue cargo tonne km.

Profits and revenues were boosted by higher prices as a result of industry-wide capacity reductions.

Savings also played their part, with the carrier continuing to implement its cost reduction programme while also benefitting from lower fuel costs because of less flying and reduced oil prices.

Great results

The “extraordinary results” were because of “extraordinary circumstances”, von Boxberg said at a press conference.

“It has been a great year. We love to have those results; we are proud of it and we are happy to be able to contribute to the group,” she said.

“We know that it won’t last for ever, but how long it lasts is of course a question we think about.”

Looking ahead, von Boxberg expects demand to remain strong this year. She pointed out that volumes from China began to thrive at the end of last year, US inventory levels remain low and business confidence in Europe is high.

In terms of sectors of importance for Lufthansa Cargo, the automotive industry recovered at the end of last year, pharma volumes continue to grow and cross-border e-commerce demand continues to rise – in 2020 this sector increased by 10% and is



Lufthansa is adding more B777F aircraft (foreground) to its freighter fleet and is phasing out its remaining MD-11s

expected to return to 20% growth next year.

However, the capacity situation is predicted to change in 2021 and Lufthansa is expecting its passenger operations to begin to pick up in the second half of the year.

“Capacity will come back and that is what we expect in the Lufthansa group,” von Boxberg said. “So, capacity will come back but right now demand is much higher than capacity and we also see that demand is still growing as well.”



Von Boxberg: “It will probably not stay at record levels of the past months”

“For this year, we can say that we will have a good year in airfreight again, although it will probably not quite stay at the record levels we have seen in the past months.”

As well as the return of belly capacity, the industry will need to manage the freighter capacity that has been added to the market over the course of the past 12 months in response to lost bellyhold space.

However, von Boxberg is hopeful this will not create overcapacity in the market.

“After good years of tight capacity come the bad years, from an airline perspective, with overcapacity,” she said. “But in this case, I am not so sure it will happen so quickly because there is so much expensive capacity in the air. If you think about the freighter operations, they are very expensive compared with freighter operations because you mainly use the lower deck and the maindeck is not used, or used only partially.”

“There are also freighters that have been in the desert for many years and not used, and now all of them are back in the air flying.”

“I think there is a lot of old tech or expensive capacity in the air that will go out first, and that means that I wouldn’t expect strong overcapacity anytime soon.”

However, the return of passenger operations is expected to take the heat off the current market prices.

Von Boxberg said: “There is [currently] a big discrepancy between growth in capacity and growth in demand, and as capacity comes back, which we hope for and expect in the second half of this year, of course rates will go down.”

“That is highly likely and that is what we have budgeted. What exactly the levels will go back to, that is again hard to predict. They were very low in 2019, so maybe not back to those levels.”

Fleet expansion

Meanwhile, the airline also announced plans to add its 10th B777 freighter to the fleet.

It also markets the capacity of four B777Fs operated by its joint venture with DHL, AeroLogic.

“This year, we will add another highly efficient Boeing 777F aircraft to our freighter fleet. In doing so, we will also secure jobs in the cockpit and in other areas,” von Boxberg said.

The aircraft is scheduled to arrive in Frankfurt by autumn 2021 and will be stationed there.

The carrier also plans to phase out its remaining MD-11 freighters by the end of the year.



THE INDEPENDENT GSSA PARTNER



2020 GSSA OF THE YEAR

Find out more about our
award winning services

visit us at flyus.aero



Eastern routes wait for recovery

Many think it unlikely that capacity shortages will ease until passenger services resume in numbers — but that could be some way off, writes **Damian Brett**

Initial signs suggest that the Asia-Europe trade lane is set for another year of air cargo capacity shortages and sky-high rates.

Contacts say it is unlikely that the tight capacity experienced in 2020 and the first part of this year will ease until passenger operations — and therefore bellyhold networks — get back under way.

However, the speed at which passenger services recover is open for debate and many have questioned whether the initial capacity that comes into the market will be on regional routes, which won't necessarily help with space shortages on long-haul operations such as Asia-Europe.

Meanwhile, e-commerce volume growth is expected to gather pace, volumes of personal protective equipment and Covid-19 test kits keep coming, and issues in container shipping are pushing some ocean traffic to air.

Busy start

The pace at which the year started can be seen through the continuation of high airfreight rates.

Data from the Baltic Exchange Air Freight Index (BAI) showed that in January average rates from Hong Kong to Europe were up by 51% year on year to \$4.28 per kg.

There was a dip in rates compared with December, but this is usual.

In February, average Hong Kong-Europe prices for the month were up 70% compared with a year earlier at \$4.30 per kg and were up slightly (\$0.02 per kg) compared with January.

Meanwhile, the usual slowdown in demand as a result of the Chinese New Year holiday, when factories typically close for two weeks, did not materialise to the same extent as usual.

Statistics from CLIVE Data Services show that in the first week of the Chinese New Year, which this year started on February 12, services from China to Europe saw demand drop by 25-30% compared with a



J Florian Pfaff, Lufthansa Cargo

week earlier, while capacity was reduced by about 20%.

This is “very different” from previous years, says CLIVE managing director Niall van de Wouw.

For example in 2019 and 2020, the first week of the holiday resulted in demand weakening by about 60% against the previous week as factories closed, he says.

As a result of the demand development, CLIVE's dynamic load factor for services from China to Europe dropped only slightly: from 94% to 93%. For comparison, last year there was a drop in dynamic load factors from 94% to about 70% in the westbound direction in that period.

It is thought that the lower-than-expected drop in volumes is a result of factories and production lines in China staying open, or reopening earlier than usual, during the holiday as a result of Covid-19 travel restrictions and a backlog in demand that factories were keen to clear.

The *South China Morning Post*



Guillaume Halleux, Qatar Airways

reports that train journeys in China were down by about 70% this year as people stayed close to their jobs, rather than travelling back to their home towns to visit family.

Factories and cities offered incentives for those willing to work, while travel restrictions were put in place as the government took steps to stop Covid-19 outbreaks.

Meanwhile, van de Wouw says, air cargo demand in January on services from Asia to Europe was back in line with 2019 levels — pointing to a recovery in volumes since the start of the crisis.

Other contacts say that the ongoing supply-demand balance means that rates will stay high.

James Wheatley, director at Davies Turner Air Cargo, says: “Rates will remain above historical peaks as capacity restraints are set to continue for at least the next six to nine months, with air cargo demand driven predominantly by coronavirus-related products and the

significant growth in e-commerce.

“As you would expect with this ocean disruption and many UK importers in the process of completing a post-Brexit restock, air cargo demand is unlikely to decrease in the short term, even with the additional freighters coming into the market.”

To try to mitigate space shortages, Wheatley says that Davies Turner Air Cargo is keeping its options open when it comes to carrier partners and is looking to avoid busier airports.

He says: “Airfreight is operating differently to normal, with space agreements becoming more difficult and passenger flights either vastly reduced or completely grounded.

“In order to look after our loyal customers, we are having discussions outside our usual preferred carriers and services, especially with freighter and charter airlines.

“In China, to maximise capacity, we are utilising smaller, inner city airports, which operate international services, as well as the usual major airports.

“Charters and part charters have become a more permanent part of our service offering.”

Demand momentum

J Florian Pfaff, vice-president Asia-Pacific, Lufthansa Cargo, agrees that demand has been “keeping a sound momentum” since the start of the year.

There had been the usual post-Christmas dip in demand but the market has picked up pace since then, he says.

“Japan is outpacing the overall growth; eastern China and Southeast Asia are also picking up speed compared with the very early days of this year,” Pfaff says.

“The demand for PPE in time-consuming services and industrial products is driving exports via airfreight.”

Pfaff agrees that capacity will remain constrained this year, owing to the loss of bellyhold capacity and demand growth.

“We expect the manufacturing



Davies Turner's freight and logistics hub introduced a structured Environmental Management System



E-commerce volumes at Qatar Airways are up by about 30% year on year



Lufthansa Cargo and DB Schenker are running CO2-neutral freighter flights

services that claim to offer improved environmental performance.

For instance, Air France KLM Martinair Cargo (AFKLM) has launched a sustainable aviation fuel (SAF) programme that allows customers to select how much of their freight they would like to be flown using SAF.

The “world’s first” SAF programme for airfreight allows shippers and forwarders to determine a percentage of their shipments that they would like to be flown using alternative fuels.

AFKLM says that it set up the programme to help stimulate demand for SAF as it is not yet widely available.

It hopes that programmes such as this will help make SAF more widely available at a more reasonable price, competing with standard jet fuel.

Meanwhile, DHL Express has signed a deal with energy firm Shell Aviation that will see it being supplied SAF to power flights from Amsterdam Schiphol Airport.

DHL says the deal will enable it to operate flights using SAF, which is an “important step forward” in its steps to achieve zero emissions by 2050.

And Lufthansa Cargo and DB Schenker have teamed up to carry out the first-ever CO2-neutral freighter flights, powered by SAF.

The first of these flights took place on November 29 last year and operated from Frankfurt to Shanghai utilising a Boeing 777 freighter.

Wheatley says that the environmental agenda has been a focus at Davies Turner for some time, as part of efforts to differentiate itself and in response to customer demand.

“Over the last few years, we have also seen our clients seeking greater evidence that Davies Turner Air Cargo is fully engaged with environmental, social and governance issues or objectives,” he says.

“Some are making [environmental standard] ISO 14001 a requirement for suppliers with which they work, providing reassurance that they are dealing with a responsible company which understands its responsibilities for safeguarding the environment.”

Davies Turner Air Cargo’s freight and logistics hub and headquarters next to Heathrow airport, was one of four Davies Turner Group locations that introduced a structured Environmental Management System, which was externally assessed against ISO 14001.

In summary, it looks like it will be beyond 2021 until airfreight rates and load factors on services between Asia and Europe will return to pre-Covid levels. However, how fast this return to “normal” occurs is still open to question; some have concerns about economic recovery and what this could mean for demand, while the speed at which bellyhold capacity returns is debatable.

Oliver Roessler

growth and rally of economic activities will remain resilient for this year,” he says.

“However, the pace would depend on how quickly the pandemic could be moderated — for example, through the rollout of vaccinations.

“From a supply perspective, the capacity of freighters as well as freighters will very likely remain stable at a higher level, while [the return of passenger flights] is very closely related to a halting of the coronavirus.”

Pfaff says the key for Lufthansa Cargo this year is to remain agile. He explains that routes are flexible and led by customer demand.

“Therefore, we monitor all developments very closely and remain flexible with our network planning.”

Lufthansa Cargo currently operates 17 freighters and can arrange passenger freighters if necessary.

“In addition, increasing passenger services are expected, leading to increased belly capacity later this year,” he adds.

Guillaume Halleux, chief officer cargo, Qatar Airways, also believes the market will be under pressure from capacity constraints in the immediate future.

He says that many major airlines are not expecting passenger operations to return to pre-Covid levels for the next three years.

Even then, the speed of recovery

could vary from market to market, with domestic and regional operations likely to pick up faster than long-haul international flights.

“Airplanes are being retired, grounded and long-term parked,” he says, adding: “As long as that continues, air cargo capacity will be constrained.

“When I see the market dynamics with customers and how strong the demand for capacity is, this is the best signal that this is going to be a tight year.”

However, looking longer term, he is cautious about economic recovery and the impact this could have on demand.

He points out that many jobs are currently being supported through furlough schemes. It is hard to say what will happen when these schemes come to an end.

No recession?

Despite this, he remains positive: “As long as there is no recession — and at the moment we don’t see any signal of that — market demand is still strong.”

He adds that e-commerce is one of the main market drivers at the moment. The airline’s volumes in the segment are up by around 30% year on year, but this is expected to increase to around 50% as 2021 progresses, as a result of a series of new customers it has gained.

“The traditional commodities of airfreight are still there,” he adds.

New horizons?

Coronavirus made 2020 a catastrophic year for many, but in Africa, carriers were not affected as badly — and they may bounce back quickly. **Rachelle Harry** reports

Africa-based airlines may represent only 2.1% of the global air cargo market, but it's a resilient region with huge potential and one to keep an eye on in the future.

According to Brian Pearce, head of economics at IATA, Africa-based carriers' performance in 2020 was "among the best across the key regions", with volumes growing by 1% in a tough market.

The only other region to see its carriers register growth last year was North America. Worldwide volumes were down 10.6%.

Pearce attributes last year's performance to strong cargo volume growth (of 10%) on the Africa-Asia trade lane.

Additionally, capacity for Africa-based carriers experienced less of a decline than other regions in 2020.

Pearce says strong investment flows from China into Africa last year have continued into this year, further driving the region's performance.

More recently, the air cargo market in Africa has benefited from large freight forwarders investing in the region.

For example, in January this year, DHL expanded its capabilities in South Africa by investing in a new 10,000 sq m warehouse with pharma facilities near Johannesburg Airport.

Also in January, CEVA Logistics acquired Moroccan freight forwarder ASTI Group.

In December, CEVA also took a majority stake in Egypt-based IBA Freight Services, as well as a minority stake in Ethiopia-based MACCFA.

In the same month, DSV announced the acquisition of Globeflight Worldwide Express, a South Africa-based courier company.

Sanjeev Gadhia is the founder and chief executive of privately owned, Kenya-headquartered cargo airline Astral Aviation, and a trustee and vice-chairman at TIACA.

He says investment from forwarders will result in better and more secure infrastructure at airports — a key challenge currently faced by Africa-based carriers.

"Large freight forwarders have big pockets," he says. "They have a lot of financial resources — that's something really needed in Africa. They are able to construct warehouse facilities and can invest in equipment like trucks."

He adds: "Forwarders are also investing in communities in Africa by employing local people and training them up."

Ethiopian Airlines is directly benefiting from forwarders' interest in Africa. The carrier has formed a joint venture with DHL that enables it to offer multimodal logistics services to its customers.

Fitsum Abadi, managing director of Ethiopian Cargo, says: "Africa is attracting all kinds of investments — agriculturally and industrially.

"There are a lot of industrial parks in Ethiopia — we have around 15. Logistics companies like DHL know that Africa will be a future high-yield market. That's why they are expanding here."

Fast response

While Covid-19 has caused significant disruption to the global aviation sector, Pearce says: "Africa was not struck to the same extent as most other areas of the world, as lockdowns and travel restrictions were less strict and widespread than elsewhere. This has supported manufacturing activity and demand to a degree, and led to more resilient outcomes for air cargo."

Many carriers were negatively affected by the pandemic, but both Ethiopian and Astral were able to navigate the situation.

As passenger flights were grounded owing to travel restrictions, there was a significant gap between available capacity, which was low, and demand — particularly for PPE.

"Most airlines grounded their fleet, but at Ethiopian we shifted our strategy to focus on cargo operations," says Abadi.

The carrier initially upped its cargo capacity by transporting cargo in the cabins of its aircraft.

It then went one step further and boosted its air cargo capacity by removing the seats from 25 of its passenger aircraft and using them for cargo-only operations.

"These aircraft were predominantly used to transport PPE globally — and of the 54 countries in Africa, we delivered PPE to 52 of them," says Abadi. "The rest of our full-freighter fleet [10 B777-200Fs and two B737-800SFs] was used to transport other cargo to the rest of the world."

Cargo carried by Ethiopian includes perishables — 95,000 tonnes in 2020 — and agricultural exports to markets in Europe and the Middle East, as well as pharma, industrial parts and textiles predominantly imported from Europe and Asia.

Meanwhile, Astral Aviation also made the best of the circumstances brought about by Covid by maintaining supply chains between Africa and its key markets in Europe as demand increased.

Typically, Astral carries about 500 tonnes of perishable cargo — including flowers, fruits and vegetables — to Europe each week. It also transports express and e-commerce shipments, oil and gas equipment, as well as carrying out humanitarian tasks.

"With more people staying at home, demand for fruit and vegetables went up," says Gadhia.

He adds: "We were also able to adhere to quarantine requirements for our staff and were fortunate that none of our crew members contracted Covid during that time."

A focus for Astral Aviation is

delivering cargo to parts of Africa that are not as accessible as larger markets on the continent.

"Only 30 of the 54 countries in Africa are actively served," Gadhia explains. "The other 24 of them are disconnected from the rest of the world and a very limited amount of airfreight capacity reaches them.

"We have improved connectivity between regions in Africa, particularly those that are underserved."

To further improve its network in Africa, Astral Aviation is trying to set up hubs in southern and western Africa, with the long-term goal of operating a "sustainable intra-Africa network with Nairobi as our main hub", says Gadhia.

Yet overall air cargo operations in the region are limited by significant challenges.

Gadhia says: "In Africa, there are a lot of taxes added to the aviation sector because a lot of governments see it as a cash generator. They put taxes on fuel and ground handling, and they add airport fees. It makes the entire value proposition of air cargo in Africa so expensive."

Permit problems

Ethiopian's Abadi notes the difficulty in obtaining and using permits. He says: "In some instances, structured regulations have been put in place to give us permits that enable us to keep operating. Then, all of a sudden, the permits get withdrawn."

Additionally, infrastructure in some parts of Africa is not up to scratch. Abadi says this applies to hard infrastructure and also IT systems, which he dubs "completely backwards".

"Customs processes are really



Sanjeev Gadhia, Astral Aviation



Brian Pearce, IATA



Fitsum Abadi, Ethiopian Cargo

Ethiopian has adjusted its strategy to focus on cargo operations



complicated too," he adds.

However, there are some ways to get around the permit and customs issues, even though they are a little long-winded.

Ethiopian Cargo has established smaller partner airlines in different African countries, such as Togo and Malawi. These partner airlines enable Ethiopian Cargo to use a wider range of African hubs.

Meanwhile, Astral Aviation teams up with foreign carriers "because we can't compete with them," says Gadhia. Through these partnerships, he explains, Astral Aviation is able to deliver cargo from foreign carriers to the more remote parts of Africa that it serves.

Additionally, Abadi highlighted Ethiopian Cargo's involvement with, and benefits of, the African Union's Single African Air Transport Market (SAATM), which was established in 2018 and has been joined by more than half of the countries in Africa. It "eliminates the need for separate bilateral air service agreements" and "promotes multilateralism for air transport in Africa".

Abadi says: "This has enabled more flexible, simplified intra-African trade, especially for the e-commerce sector."

The global distribution of Covid-19 vaccines is under way, but many African countries are not expected to receive them in large numbers for

quite some time, says Gadhia.

"The rest of the world will receive most of their required vaccines in 2021, but Africa will receive only 20% of its required amount this year. The remaining 80% of doses are expected to be delivered in 2022."

Pearce says: "Vaccination is not expected to become widespread in the region in the near term, and renewed Covid-19 outbreaks are likely to continue."

Gadhia adds: "It's likely that the vaccines will be made by AstraZeneca in India and will need to be transported at temperatures of 2 to 8 degrees Celsius. This will make transportation easier than other vaccines, which need to be kept at much lower temperatures."

Covax initiative

For now, Africa is receiving vaccines through the United Nation's global Covid-19 Vaccine Global Access Facility (Covax) initiative, which involves 145 countries receiving doses from the first half of 2021 to immunise about 3% of their population.

At the time of writing, Ghana and Côte d'Ivoire had received vaccines through Covax.

To support Covax, UNICEF signed up airlines including Ethiopian and Astral Aviation.

"We've got specialised [pharma handling] knowledge among our personnel and ground handling agent

in Kenya, which also has the largest cold storage facility at Nairobi Airport — it's approximately 3,000 sq m," says Gadhia.


Ethiopian's cold chain capabilities include a pharma warehouse and a deep freezer that can store cargo at temperatures down to -25 degrees Celsius, as well as cool dollies that can maintain temperatures of 7 to -29 degrees Celsius.

"We are also investing in a dry ice-producing machine that produces around 350 kg of dry ice per hour," says Abadi. "It will enable us to maintain the temperature of the Pfizer vaccine and some other types of vaccine, which must be kept at -70 degrees Celsius."

Outside of Covax, Ethiopian Cargo has already carried vaccines from Beijing to Chad, and it has other requests in the pipeline.

Abadi expects the increase in global vaccine distribution to boost overall air cargo demand in Africa in the coming months.

Gadhia is also optimistic: "Cargo demand is steady, but already much better than 2020. European markets are recovering and there's more of an appetite for perishables from Africa."

Pearce expects "strong investment flows from Asia will be maintained" in Africa. And: "Emerging markets in the region will continue to benefit from strong economic and demographic fundamentals." 

FREIGHTERS

K+N renews Africa B747 cargo deal

Leading freight forwarder Kuehne+Nagel has renewed its freighter deal with Network Airline Management covering flights on the Africa-Europe trade lane.

In December last year, the two partners announced the freighter deal had been extended by a further 12 months, covering a minimum of four flights per week from Nairobi in Kenya, to both Liege in Belgium and Doncaster in the UK.

Through the deal, Network Airline Management provides the forwarder Boeing B747 freighter capacity with a maximum payload of 120 tonnes on each flight.

The airbridge between Africa and Europe ensures the fresh supply of flowers and vegetables to the supermarkets in both the UK as well as mainland Europe, the partners said at the time.

Andy Walters, commercial director of Network Airline Management, says: "We are delighted to be renewing our contract with Kuehne+Nagel once again, to continue our strong partnership for the next 12 months.

"Kuehne+Nagel is one of the leading global logistics providers worldwide, with specialist knowledge in this perishable sector and our partnership continues to grow year on year."



AFRICAN FREIGHT SOLUTIONS

SCHEDULED FREIGHTER SERVICE

- Nairobi - Europe (London & Liege)
- Nairobi - Juba (South Sudan)
- Nairobi - Entebbe (Uganda)
- Nairobi - Dar-es-Salaam (Tanzania)
- Nairobi - Mwanza (Tanzania)
- Nairobi - Zanzibar (Tanzania)
- Nairobi - Mogadishu (Somalia)
- Nairobi - Pemba (Mozambique)
- Nairobi - Johannesburg (South Africa)
- Nairobi - Lusaka (Zambia)
- Nairobi - Maputo (Mozambique)
- Nairobi - Lilongwe (Malawi)
- Nairobi - Bosaso (Somalia)
- Nairobi - Hargeisa (Somalia)
- Nairobi - Djibouti (Djibouti)

HUBS

- Europe (Leige)
- UAE (Sharjah)
- China (Guangzhou)

ON DEMAND CHARTERS

- Covid Vaccines, Aid & Relief, Project Cargoes,
- Mining, Oil & Gas to over 50 Destinations in Africa.

Africa Flight Services Terminal, Jomo Kenyatta International Airport,
P.O. Box 594 (00606) NAIROBI, KENYA
Tel: +254-20-827222/6 | Cell: +254-733-827222, 710-827222
Email: info@astral-aviation.com | Web: www.astral-aviation.com









DATA HUB

AIRLINE DEMAND

Cargo volumes in rude health after virus shock

Air cargo volumes returned to pre-Covid levels in January with demand even increasing compared with 2019 levels for the month.

The latest statistics from IATA show that air cargo volumes in cargo tonne km terms were in January up by 1.1% compared with 2019 and 6.1% year on year.

Meanwhile, capacity for the month was down by 19.5% compared with 2019 and 19.3% on last year.

As a result, cargo load factors stood at 58.9%, which is a 12 percentage point improvement on 2019 and 14.1 percentage point increase on last year.

IATA director general and

chief executive Alexandre de Juniac said: "Air cargo traffic is back to pre-crisis levels and that is some much-needed good news for the global economy.

"But while there is a strong demand to ship goods, our ability is capped by the shortage of belly capacity normally provided by passenger aircraft.

"That should be a sign to governments that they need to share their plans for restart so that the industry has clarity in terms of how soon more capacity can be brought online.

"In normal times, a third of world trade by value moves by air. This high-value commerce is vital to helping restore Covid damaged economies — not to mention the critical role air cargo is playing in distributing life-saving vaccines that must continue for the foreseeable future."

The return of cargo demand growth reflects economic indicators, IATA said.

It pointed out that conditions in the manufacturing sector remain robust despite new Covid-19 outbreaks, inventories remain "relatively low" compared with sales figures and export order indicators suggest continued growth — although this metric was

"less robust" than at the end of last year as the resurgence of the virus negatively affected business in emerging markets.

Looking at regional results, all areas apart from Latin America in January recorded an improvement on last year, but performance was mixed when comparing with 2019.

Demand at Asia Pacific-based carriers was in January down by 6.8% compared with 2019 but was up by 0.6% on last year. Load factors of 66.5% were the highest of any region.

Carriers based in North America saw January demand increase 11.7% on 2019 levels and by 15.8% on a year ago.

"Economic activity in the US continues to recover and its January manufacturing [indicators] reached a record-high, pointing to a supportive business environment for air cargo," IATA said.

European carriers were down 0.4% in demand terms in January compared with 2019 but registered an improvement of 4.7% on the month in 2020.

Airlines based in the Middle East region saw their cargo volumes in January increase by 6% on 2019 levels and by 7.4% compared with 2020.

"Of the region's key international routes, Middle East-Asia and Middle East-North

America have provided the most significant support," IATA pointed out.

Airlines based in Latin America had a tough month with volumes down 14.2% on 2019 and 15% on January last year.

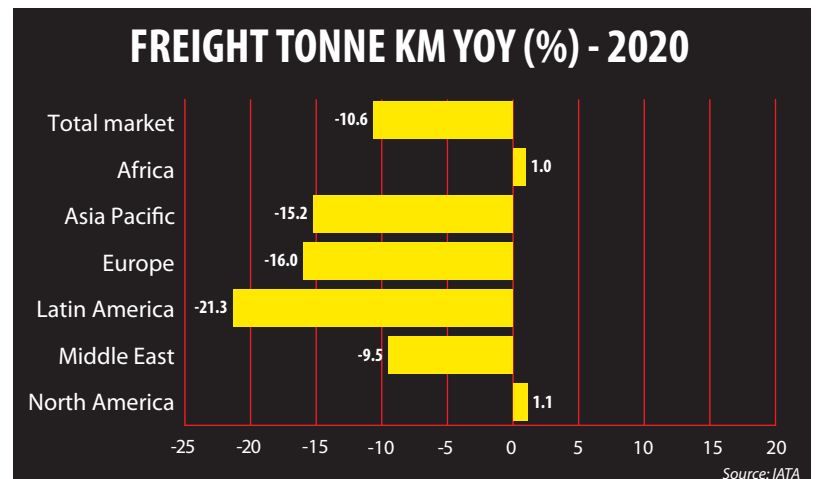
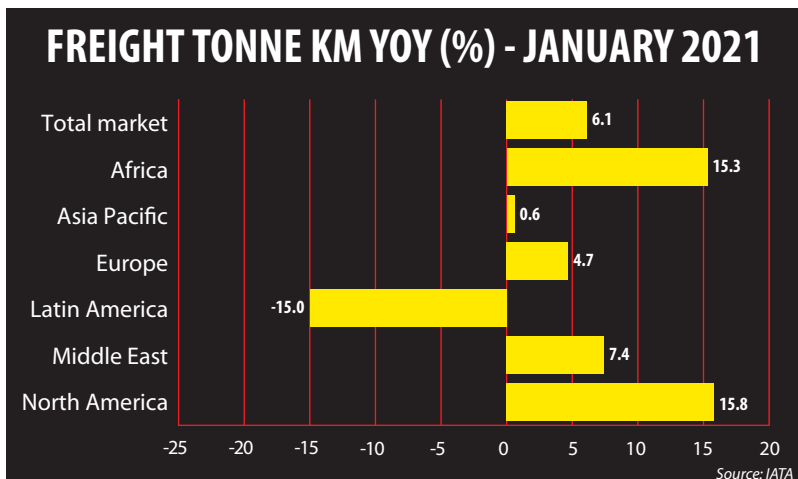
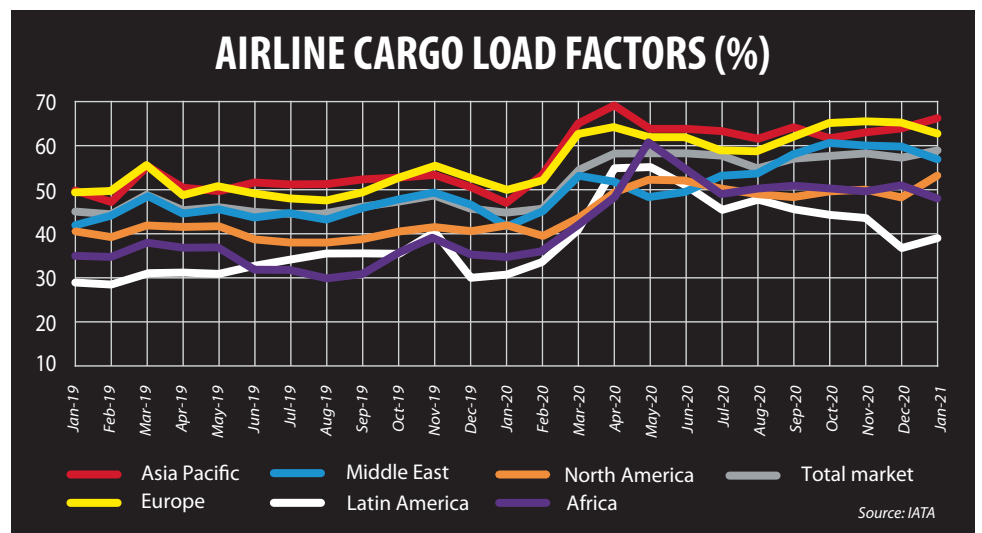
"[The] drivers of air cargo demand in Latin America remain relatively less supportive than in the other regions," IATA said.

Finally, carriers from Africa in January registered a 21.1% increase on 2019 levels for the same month and a 15.3% improvement on last year.

"Robust expansion on the Asia-Africa trade lanes contributed to the strong growth," IATA said.

'Air cargo traffic is back to pre-crisis levels and that is some much-needed good news for the global economy'

Alexandre de Juniac, IATA



AIRFREIGHT RATES

Capacity squeeze and optimism combining to keep rates high

Average monthly airfreight rates on key trade lanes were largely static in February compared with a month earlier but remain well above last year's levels.

The latest statistics from Baltic Exchange Air Freight Index (BAI) show that average prices from Hong Kong to North America in February reached \$6.42 per kg, which is flat when compared with January. However, compared with a year earlier, average rates on the trade were up by 101%.

Prices on the trade have been tracking more than 100% up on the year-ago level since November as a result of lost belly capacity and a gradual improvement in demand since the start of the Covid-19 crisis.

That improvement has been particularly noticeable on the transpacific trade as a result of a resurgence in US retail spending.

Rates on services from Hong Kong to Europe followed a similar pattern. Average February prices hit \$4.40 per kg compared with \$4.28 per kg in January.

Against a year ago average rates on the trade lane are up by 70.6%. This lags behind the year-on-year increases registered to North America, but European consumer demand has not bounced to the same extent as in the US.

On services from Frankfurt to North America average rates in February were up by a few cents compared with January levels at \$4.52 per kg, but had increased by 146%

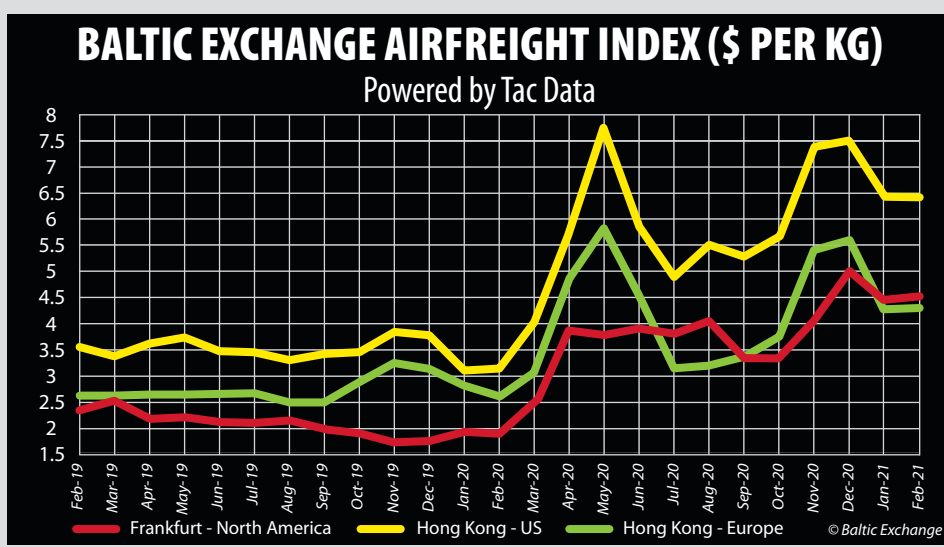
compared with a year ago.

Broadly speaking, rates at the start of the year tend to decline from the November/December peak, slowly start to recover in the summer,

ramp up in the third quarter and peak in the fourth quarter.

This year the market is more dynamic with the supply/demand ratio more

finely balanced. While this volatility is not reflected in the average monthly prices, its affect on rates can be seen when looking at week-by-week changes in pricing.



AIRPORT THROUGHPUT

America leads way out of trouble

Airports had a bumper start to the year as cargo volumes rose against 2020 levels.

While the increases will be welcomed, year-on-year comparisons are affected by the later timing of the two-week Chinese New Year holiday; it began on February 12 this year, but started on January 25 in 2020.

Top air cargo hub Hong Kong International Airport (HKIA) saw air cargo demand

increase 14.1% year on year in January to 409,000 tonnes as freighter movements surged 37% to 6,055.

“In January 2021, cargo imports and exports at HKIA experienced growth of 37% and 24%, respectively,” the airport authority said.

“Transshipments experienced a double-digit decline due to a shortage of belly capacity on passenger flights.

“Overall, cargo throughput

to and from North America saw the most significant increase during the month.”

In North America, Los Angeles International registered a 29.4% year-on-year increase in January and Miami International was up by 6%.

Europe’s busiest air cargo hub, Frankfurt, saw cargo demand increase by 18.1% during the month to 176,266 metric tons, which represents

its second-highest January.

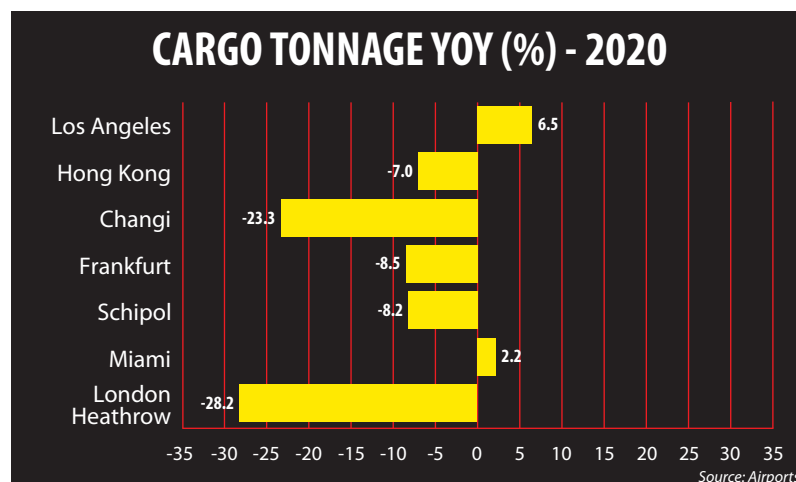
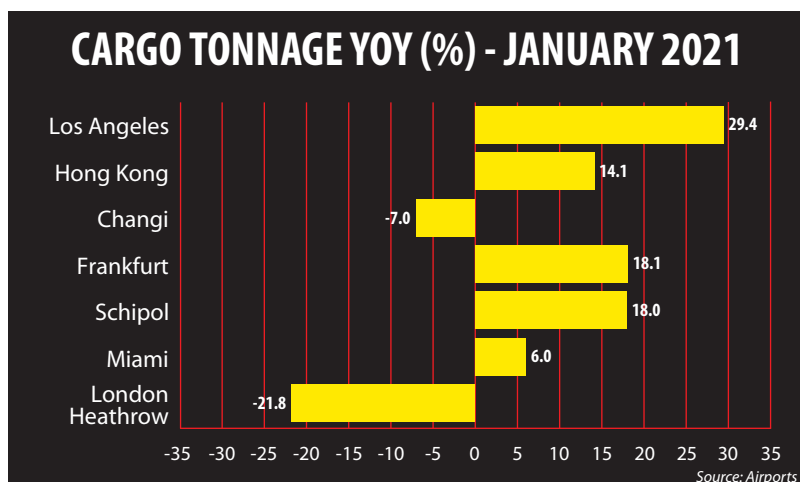
Schiphol in the Netherlands also registered an improvement in cargo demand in January as volumes increased by 18% on last year to almost 133,000 tonnes.

The number of all-cargo flights more than doubled, from 1,011 to 2,232 in January, compensating for the tonnage normally transported on passenger flights.

“The increase in the

number of all-cargo flights mainly took place in respect of North America and Asia,” the airport said, adding: “The number of cargo flights to other continents showed an increase in respect of 2020.”

Meanwhile, passenger heavy Heathrow and transshipment hub Changi both continued to see declines, with the UK airport dropping 21.8% and the Singapore facility falling by 7%.



CONTAINER SHIPPING

Delays keep rates high

There were signs of an easing of congestion on US west coast services in March, while the Asia-Europe trade had to deal with a blocked Suez Canal.

Figures from ocean booking portal Freightos show that in the middle of March services from China to the US west coast, which has suffered the most from issues in container shipping, saw rates decline by 5% compared with a week earlier — a sign that the situation may be easing.

Meanwhile, prices from China to the US east coast were up 6%.

Freightos research lead Judah Levine said that the differing rate performance may be down to shippers using the east coast ports to avoid congestion on the west coast.

He said: "Port congestion and delays are still a problem at the port of Los Angeles (LA)/Long Beach (LB), and all indications are that there won't be any meaningful decrease in ocean

freight demand in the near future.

"Through February, Asia-US import volumes were down 18% from January. They were still at about the peak pre-Lunar New Year level of January 2020, and March volumes are expected to be up month on month.

"But there are reports of it getting easier for shippers to secure capacity out of Asia to the US.

"Some of this easing may be due to importers shifting orders from LA/LB to other ports, just as carriers are adding new Asia-US east coast services too.

"And spot rates may be starting to reflect that shift. Asia-US west coast prices have now fallen 13% from their February high, and are just 11% higher than their May-December plateau rate.

"Meanwhile, Asia-US east coast rates increased this week. They are just 5% below their January peak, and are 16% higher than they were in December."

It should also be remembered that rates are still far above the year-ago level. To the west coast they are up by more than 220% year on year and to the east coast they are up by around 125%.

Long delays

Meanwhile, others see no sign of the situation on the US west coast easing. Pilot Freight Services recently told *Air Cargo News* it is expecting congestion issues to remain well into the second quarter and even right through the summer.

Speaking in mid-March, Tom Pelliccio, executive vice-president international, said that ocean shipping services were facing delays of around five to seven days departing from China and Southeast Asia and multiple day delays offloading at US west coast and east coast ports.

Meanwhile, the Asia-Europe box trade found itself facing more supply chain chaos towards the end of the

month when an Evergreen-owned 20,000 teu containership became wedged across the Suez Canal, blocking the vital waterway for more than a week.

It was estimated that at one stage more than 360 ships were waiting to transit the canal.

Although the ship was eventually dislodged on March 29, supply chain experts were warning of ongoing delays as the sector played catch-up.

Lars Jensen, chief executive at SeaIntelligence Consulting, said: "It will take a while before the queues are cleared and the canal is back to normal flow of operations.

"We will continue to see the unfolding of congestion issues in Europe as the cargo arrives, blank sailings resulting from the severe delay of many vessels as well as a deterioration of the equipment situation.

"These ripple effects will take several months to be fully worked through."

aircargo NEWS

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

REGISTER TODAY

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

aircargonews.net/e-newsletter-sign-up

PEOPLE

Flexport appoints new senior director
Paul Rombeek
Freight forwarder Flexport has appointed Paul Rombeek to the role of senior director of network trade lane management, Europe, the Middle East and Africa. In his new role, Rombeek will develop the company's Europe airfreight operations "with a focus on the Far East westbound".



Americas focus at cargo.one
Chad Tibor
Cargo.one has appointed Chad Tibor as its vice-president and general manager for the Americas. The air cargo booking portal said Tibor, who joins from travel technology company Sabre, would shape its airline growth strategy, with a focus on the American continents.



A new EVP for dnata
Steve Allen
Handler dnata has promoted Steve Allen into the role of executive vice-president. Allen has worked at dnata parent the Emirates Group for 12 years in operational and support roles. He has been divisional senior vice-president since 2016, overseeing ground handling and cargo operations, and airport hospitality in the UAE. For the past nine months he has also been leading dnata's travel businesses.



Change of CCO at Hellmann
Patrick Oestreich
Hellmann Worldwide Logistics has appointed Patrick Oestreich as its chief commercial officer (CCO), succeeding Jens Möller who took over the position on an interim basis in August of last year. As CCO and member of the executive board, Oestreich will be responsible for the global sales leadership team, which manages the worldwide sales activities of all product areas.



QUOTE OF THE ISSUE

'Most of the major airports are very congested, so it's taking a lot longer to get in and out of warehouses'

Jason Breakwell, Wallenborn

Globally, **five billion people** have no access to safe and affordable surgery when they need it

It takes a crew to run a hospital ship. Different skills and different talents, from medical to marine, catering to carpentry.

Help eradicate the diseases of poverty. Volunteer onboard the *Africa Mercy*...



CHANGE THE ODDS



Be part of the crew
volunteering@mercyships.org.uk

Upcoming features

- China May 2021 issue
- Transpacific Trade Lane May 2021 issue
- Advertising bookings required by 9 April 2021
- Perishables June 2021 print issue
- Canada June 2021 print issue
- Advertising bookings required by 21 April 2021
- Top 25 Freight Forwarders July 2021 issue
- Energy Logistics July 2021 issue
- Advertising bookings required by 26 May 2021



For more information contact Richard Perry
Email: richard.perry@aircargonews.net
Mobile: +44 (0) 20 80924083



BREAKING NEWS

The next print issue
of *Air Cargo News*
will be JUNE

Book yourself a prominent
advertising position now!

Booking deadline April 21

Contact richard.perry@aircargonews.net



Air Cargo News is your media partner for the global air cargo industry, providing trusted news and information to help readers make smarter, better informed decisions. Reach your audience in our monthly print magazine, on our website, or through our twice-weekly e-newsletters, bespoke emails, breaking news bulletins, webinars, social media platforms and digital editions.



Air Cargo News (monthly)
13,957 circulation (Jan-Dec 2019)
audited by Kingston Smith LLP

Freighters World
Freighters World is devoted entirely to the all-cargo sector. It is a separate section within Air Cargo News' March, June, September and December issues



aircargonews.net
1.6m page views
(Jan-May 2020)

E-news bulletin
Every Tuesday & Thursday
13,000 circulation



Bespoke e-shot
Reach 10,000 recipients.
Promote your product, service
or innovation

Webinar
An ideal platform to
promote your brand as
a thought leader



WEBINAR