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FORWARDERS

DSV set for the top three with Agility GIL deal

Consolidation in the freight forwarding market continued in April as DSV Panalpina announced plans to acquire Agility Global Integrated Logistics (GIL) to create the world's third-largest forwarder.

The deal, expected to complete in the third quarter, is valued at around $4.1bn and is funded through the issue of 19.3m new shares in DSV, which will give Agility an 8% stake in the combined entity, making it the second-largest shareholder.

The deal is expected to increase DSV's annual revenues by around 23%, which will rank the combined company as one of the top three forwarders with revenues of around $22bn and a workforce of more than 70,000 employees.

The forwarder said that scale remains one of the key competitive advantages in freight forwarding.

Following completion, the air and sea division will transport more than 2.8m containers (TEUs) and more than 1.6m tonnes of airfreight annually.

DSV will be the third-largest forwarder following its purchase of Agility GIL

The move will also rank DSV as one of the top three airfreight forwarders.

The company has been growing rapidly in recent years having purchased Panalpina in 2019 and before that UTi.

Jens Bjørn Andersen, group chief executive of DSV, said: "GIL's global network, industry competencies and strong market position in APAC and the Middle East complement DSV's network well and will support our long-term value creation ambitions."

DSV said the transaction is expected to be earnings per share accretive (diluted and adjusted) in year two after completion.

DSV is not the only large forwarder looking to expand through acquisitions. In February, Kuehne+Nagel announced plans to purchase Apex International as it looks to grow its presence in the Asia Pacific market.

The deal, when completed, will make Kuehne+Nagel the world's largest airfreight forwarder.

AWARDS

Enter before it's too late!

Air Cargo News has extended the deadline for companies to enter its prestigious annual awards following overwhelming demand.

This means companies now have until May 14 to submit entries.

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: Air Cargo Pharma; 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 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.

The ceremony takes place at the Runnymede on Thames Hotel, close to London Heathrow, on September 16. *For sponsorship details contact richard.perry@aircargonews.net*

TOTAL CARGO MANAGEMENT

ECS group

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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
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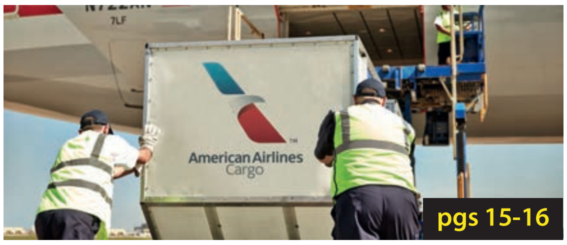

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FREIGHTER FIRST: SriLankan Airlines is planning to add its first freighter aircraft, to capitalise on growing international trade from the country. The airline said it will take delivery of the first freighter aircraft by the winter 2021/2022.

DPD ADDS FLIGHTS: A subsidiary of parcels giant DPD has signed a deal with Hainan Airways for twice-weekly PAX-cargo flights between Haikou in China and Paris. The round-trip flights will utilise 72-ton capacity B787 Dreamliners.

TOLL EXITS GLOBAL EXPRESS: Toll Group has entered into an agreement to sell its Global Express business to Australian private equity fund manager Allegro Funds. Toll's Global Logistics and Global Forwarding businesses are not included.

CONVERSIONS FOR MNG: MNG Airlines has ordered two Airbus A330-300 freighter conversions from EFW, the joint venture between ST Engineering and Airbus. The first aircraft was inducted for conversion in April, with the second starting in 2022.

SHORT-HAUL ADDITIONS: Virgin Atlantic has expanded its all-cargo short-haul network in response to demand with twice weekly flights between Frankfurt and its London Heathrow hub. The carrier will utilise 55 tonne capacity B787 aircraft.

AIRFREIGHT

Long-term rates rise on cards, predicts Ti report

Airfreight rates are expected to remain at an elevated level in the long term while freighters are predicted to gain market share, a new whitepaper from consultant Transport Intelligence (Ti) has predicted.

The whitepaper claims there is a high likelihood of structural change in the airfreight market as a result of the Covid-19 pandemic.

The report cites recent predictions from Boeing that the aviation fleet will grow by 3.2% annually over the coming 20 years, while cargo demand is expected to increase by around 4% each year over that same period.

"The logic of these numbers is that available belly freight capacity will fall. This suggests that the low freight rates seen in the 10 years previous to 2020 have come to an end," Ti states in the paper. This will also result in increased use of freighters to meet demand.

Ti also predicts consolidation.


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Pressure on belly freight capacity likely to keep rates high, says report

"There is likely to be consolidation in the airline market, reducing both competition and capacity," it states.

"Growth in passenger numbers is likely to be lower at least in the nearer term, something amplified by greater barriers to movement through the use of various 'health' measures. Demand for airfreight, however, is likely to remain strong, with e-commerce in particular underpinning long-term growth.

"This suggests that networked airfreight or 'air express' solutions will take a greater share of the market."

Researchers also looked at the impact of Covid-19 on the market in the short term, with volatile demand expected to keep the pressure on capacity. Ti predicted continuing constrained capacity, growing demand, geographically unbalanced demand, and continued high airfreight rates in the short term.

"Unusually the major problem is not demand but supply. This is very hard to estimate as it is unclear when passenger air services will recover," the report states.

"It is very likely that airlines will focus on fewer, more profitable services. Thus, belly freight capacity will remain depressed."

CONVERSIONS

B777-300 cargo conversion moves ahead

The physical work on converting the first Boeing 777-300 into a freighter will soon begin after the halfway point of the Supplemental Type Certificate (STC) development was reached.

Programme partners Gecas and IAI said the halfway stage of the STC is a key milestone for "the Big Twin" passenger-to-freighter conversion as it now moves from planning into the physical modifications of the aircraft.

Yosef Melamed, IAI executive vice president and general manager of aviation group, said: "The Big Twin is scheduled to be officially inducted into the IAI 777-300ER P2F Line 1 in Tel Aviv to commence the Prototype Conversion towards end of June 2021."

The prototype B777-300ER (MSN 32789) was delivered to IAI's facility in Tel Aviv by Gecas in June of last year.

EDITOR'S COMMENT

Damian Brett

Not just flights of fancy

Before the pandemic hit the world of air cargo, certain subjects were constantly in the headlines — drones, digitalisation, e-commerce, sustainability and Brexit were key amongst them.

But it seems attention is now turning back to some of these long-term developments, with the drone sector coming back particularly strongly.

In April, for instance, Xwing revealed that one of its Cessna Grand Caravan 208B aircraft had completed its first "fully autonomous gate-to-gate demonstration of a commercial cargo aircraft".

Japanese airline group ANA Holdings said it is collaborating with drone manufacturer Wingcopter on a new aircraft, while SF Express announced a drone project and said that in the next 10 years it will have more than 1,000 large vertical take-off cargo drones to meet remote delivery requirements.

UPS revealed plans to purchase up to 150 electric aircraft — that could one day be used as drones — as an alternative to fixed-wing planes for time-sensitive deliveries.

And at the start of the month, Dronamics launched a cargo drone airline that will manage same-day delivery services.

The aircraft will undoubtedly offer an alternative to smaller caravan-sized aircraft, but established cargo airlines won't be worried. They have the opportunity to invest in drone aircraft themselves, while manufacturers should be able to develop their own models or adapt existing aircraft to an unmanned setup.

Perhaps the bigger impact will be on trucks and vans that would have traditionally made the journey to remote locations. In fact, this potential traffic was outlined in several of the projects mentioned above.

But while the technology is proven, regulators have been slow to adapt over safety fears. It could be a couple more years until drone operations even to remote locations truly take off.


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FINANCE

ASL Aviation beefs up finances for fleet renewal

ASL Aviation Holdings has secured a $125m debt facility from Goldman Sachs that will be used as part of its fleet renewal programme.

The aircraft operator's group chief financial officer Mark O'Kelly said the facility would be used through 2021 to partially finance ASL's ongoing medium-haul fleet replacement programme.

The deal comes after ASL in March confirmed orders for 10 737-800 Boeing Converted Freighter (BCF) slots with Boeing.

"A total of 20 Boeing 737-800 aircraft will now be converted by the end of 2022, with the first three aircraft already delivered and aircraft four due later this month," ASL said in April.

O'Kelly added: "With a volatile market due to the impact of the pandemic, this new facility provides ASL with both stability and flexibility.

"It builds on our financial infrastructure to facilitate future capital expenditure and also enables us to manage our debt profile in Europe as required as the aviation industry works its way through the enduring effects of the pandemic."

A new debt facility will partially be used to replace ASL's medium-haul fleet

ASL said that during the pandemic, it had maintained utilisation of about 80% of the group's global fleet of 140 aircraft, and retained all 2,500 staff.

"Our airlines have continued to operate throughout the pandemic, carrying personal protection equipment and vaccines as well as industrial, business and personal goods that have been key for both the European economy and the well-being of citizens across Europe and the UK," said Dave Andrew, ASL Aviation Holdings chief executive.

"The global aviation industry has been devastated and a full recovery will take time, but ASL is gearing for growth in Europe while undertaking a fleet renewal programme that will reduce our fuel use and carbon emissions as we are committed to our industry target of net-zero emissions by 2050."

ASL Aviation Holdings has five European airlines: ASL Airlines Ireland, ASL Airlines Belgium, ASL airlines France and ASL Airlines United Kingdom.

AIRLINES

KLM bags itself greater cargo capacity

KLM Cargo has begun deploying custom-made cargo seat bags on B777 flights.

Cargo equipment manufacturer Trip & Co adapted the seat bags to KLM's requirements, with the first set of 172 bags delivered to the airline on April 8.

The first operational flight using the custom-made seat bags took off on April 13 carrying around 950 boxes (10 tonnes) of medical relief goods and Covid-19 test kits from Shanghai to Amsterdam.

The two companies said the bags not only protected the interior, but also doubled loading capacity on the seats, as well as reducing physical strain during handling and preventing plastic waste.

Ton Veltman, KLM cargo in cabin project manager, said: "By doubling cargo in cabin capacity on our B777s, we now have capacity similar to what we had on our B747s."

The cargo seat bags are available in single-, double- and triple-seat variants.

PUTZGER PERSPECTIVE

Ian Putzger

Time to rethink the cargo conversion contenders

As the third wave of Covid-19 has triggered new rounds of lockdown measures to stem the spread of the virus, the recovery of the passenger business has lost momentum yet again. A stark reflection of this is the decision by Latam management to retire its entire A350 fleet in an effort to simplify its structure and ease its cost burden.

Airbus managers certainly were not thrilled by the news, but it may have added to their resolve to test the market for an all-cargo version of the A350.

According to several reports, the aircraft maker has been sounding out clients about interest in an A350 freighter.

The heady demand for freighters at the moment may look auspicious, but will the downturn last long enough — and keep yields at lofty heights — until an A350F is ready to haul cargo?

A conversion programme takes time to develop, not to mention the cost involved. According to one estimate, it would cost Airbus between $2bn and $3bn.

Observers are wondering if there are greater chances of the A380 returning as something close to a freighter. The giant plane has been in play for cargo missions during this pandemic, but there is talk of a more ambitious scheme that would see a kind of combi aircraft, with the main passenger deck converted to take ULDs, leaving the upper passenger deck for its original purpose.

Airbus has commented that it would pursue the possibility further if it found sufficient interest in the project.

At the end of the day, neither the A350 nor the A380 looks like a serious contender in the all-cargo arena in the foreseeable future, the current dearth of widebody freighters notwithstanding.

The more relevant contender is the B777, notably the B777-300ER. Long viewed with scepticism as it was optimised for passenger traffic, making for a complex conversion process, the first conversion candidate passed the halfway mark of the process at the start of April, where the work begins to shift from planning to physical modifications.

For the longer haul markets beyond the capabilities of the B767 or A330, the B777 faces no competitor going forward.

However, airline boards appear reluctant to act on this, which is understandable,

'Neither the **A350** nor the **A380** looks like a **serious contender** in the all-cargo arena in the **foreseeable future**'
Ian Putzger

considering what they spent on their B777s.

With the recovery in the passenger business hitting speed bumps, though, they need to revisit the calculations — assuming they view cargo as more than a distraction.

FREIGHTERS

Raya's Boeing buy brings fleet to four

Malaysia-based Raya Airways has taken delivery of an additional Boeing 767-200F aircraft as it looks to cater for growing e-commerce demand.

The carrier said the additional aircraft would expand its total fleet size to four aircraft, also encompassing two B767-200F jets and one B737-400F aircraft.

Mohamad Najib Ishak, managing director of Raya Airways, said: "The accelerated growth of e-commerce also has reshaped our commitment to anticipate and respond to the evolving needs of our customers and to expand our footprint in the region.

"With the added capacity, we are steadfast to continually extend our time-definite services to more destinations within ASEAN and potentially across Asia-Pacific.

"Our regional network currently consists of over 70 commercial flights per week, through which capital cities and other major business centres are interconnected."

He added that the addition would unlock network expansion opportunities and provide capacity to increase flight frequency and improve connectivity to and from Malaysia.

The B767-200F has a load capacity of approximately 40 tonnes and an estimated range of 5,500 km.

The aircraft was delivered from Wilmington Air Park Airport in the US and landed at Sultan Abdul Aziz Shah Airport on April 6, where Raya Airways' main base is located.

AIRLINES

Silk Way West

Stan Deal (L), Boeing, and Zaur Akhundov, Silk Way Group

Silk Way West expands fleet with B777F order

Silk Way West Airlines will expand its fleet through the addition of five new Boeing 777 freighter aircraft.

The aircraft will be delivered between 2023 and 2027 and as well as being the first B777Fs in the Silk Way West fleet, they are also the first purchased in the Caspian region and Central Asia.

The carrier said that the new aircraft would enable it to increase its capacity to meet growing cargo demand around the globe.

Until now, the airline has operated with B747F aircraft. At present, it operates five B747-8Fs and seven B747-400Fs from its Baku home hub.

Zaur Akhundov, Silk Way Group president, said: "This deal is an incremental part of our fleet renewal and our commitment to meet our customers' expectations.

"I am confident that the acquisition of new freighters will further strengthen our leading position on the global airfreight market for the next 15 to 20 years."

Stan Deal, president and chief executive of Boeing Commercial Airplanes, said: "Silk Way West Airlines has been rapidly expanding the geographic reach of their network."

He added: "With the global air freight market forecast to grow more than 60% over the next 20 years, this new order bolsters their ability to meet trade and e-commerce demand in CIS, Europe, the Middle East, Asia and North America."

Silk Way West Airlines is the largest cargo airline in the Caspian Sea region with an annual cargo turnover of 350,000 tons.

Rashad Nabiyev, the minister of transport, communications and high technologies of the Republic of Azerbaijan, said: "I believe this contract will help solidify Azerbaijan's position as a regional transportation hub and a reliable airline partner in international trade and commerce."

Based at Heydar Aliyev International Airport, the airline operates around 350 monthly scheduled flights to more than 40 destinations worldwide.

The B777F offers capacity of around 100 tonnes and a range of 9,200 km.

Boeing has previously announced that it will discontinue its other widebody, long-range freighter programme — the B747-8F.

This leaves the B777F as the largest production freighter available on the market at present, although a conversion programme is being launched.

TECHNOLOGY

Etihad joins up with CargoWise

Etihad Cargo, through its partnership with WiseTech, has listed its airfreight capacity on cloud-based digital air cargo platform CargoWise.

Freight forwarders using CargoWise can now access the carrier's flight schedule and rates, as well as booking its airfreight capacity.

Martin Drew, senior vice-president of sales and cargo at Etihad Aviation Group, said: "It is essential for the air cargo industry to accelerate its embrace of digital technologies. Etihad Cargo is carefully selecting partners to enhance customer experiences and streamline booking processes to provide additional convenience."

LOGISTICS

CEVA adds capacity with its own network

CEVA Logistics has launched its own-controlled airfreight network as it looks to counter market volatility.

The forwarder said that it has purchased recurring capacity on key routes to create a "global network of available capacity" as part of its Skycapacity programme.

The network covers destinations in North and South America, Europe and Asia Pacific, utilising multiple carriers and including freighter, pax-freighter and passenger capacity.

"Current and new customers are able to benefit from CEVA's owned, controlled capacity of dozens of flights every week, offering consistent pricing and guaranteed capacity despite market peaks and lows," the forwarder said.

"The network is also available as a spot cargo solution for customers, and weekly spot rates will be available on the CEVA Logistics website and via a weekly bulletin."

Peter Penseel, chief operating officer, airfreight, CEVA Logistics, said: "Our new owned, controlled capacity network provides peace of mind in the midst of a supply chain experiencing significant volatility.

"We have already signed long-term contracts with customers looking for stability, reliability and consistent pricing, and we believe that this programme will continue to be a key differentiator in 2021 and 2022."

Earlier this year, CEVA parent company CMA CGM secured freighters and launched its own Atlantic air cargo service with flights from Liege to Chicago, New York and Atlanta. Part of that capacity is provided to CEVA.

The company also launched a new Time Critical Solution, which ensures on-time shipment with the fastest routing possible. The service also includes full insurance and customs clearance, ensuring the quickest possible transit times. CEVA said the service would target the healthcare, automotive, aerospace or manufacturing environments, where specific parts or products are needed in emergency or a short time frame.

Penseel said: "CEVA is investing in an experienced team to deliver round-the-clock solutions for our customers' time-critical shipments."

E-COMMERCE

DHL adds South Asia hub capacity for e-commerce

DHL Express has added capacity between destinations in Asia Pacific, the US and Europe to meet growing demand, particularly for e-commerce.

The carrier said it will utilise Boeing 777 freighters to offer weekly capacity of almost 2,350 tonnes.

One of the B777Fs will be operated by DHL Express partner airline Kalitta Air, flying five times per week from the US to DHL Express's South Asia hub in Singapore, via Sydney.

From Singapore, the aircraft will stop at Hong Kong and Japan before returning to the US. Kalitta Air will also operate a new route for DHL Express between Singapore and Sydney, six times per week.

Other aircraft on the routes will be operated by AeroLogic, the joint venture between DHL Express and Lufthansa Cargo. The AeroLogic aircraft will fly six times per week from Leipzig to Hong Kong and Singapore. They will then stop at Bahrain before returning to Leipzig.

B777F jets will enable DHL to offer weekly capacity of almost 2,350 tonnes

With online retail in Asia Pacific expected to be worth $2.5trn by 2024, according to a report from Forrester, DHL Express said its new services will help to facilitate cross-border commerce, while making best use of the location of its South Asia hub.

Sean Wall, executive vice-president of network operations and aviation, DHL Express Asia Pacific, said: "The rapid growth of e-commerce will continue to demand higher efficiency and delivery speed from supply chains and airfreight transportation."

Ken Lee, chief executive of DHL Express Asia Pacific, added: "With the new routes, businesses and consumers from Australia and New Zealand can expect the transit time for their shipments to and from the US and Europe to improve as they look to expand their reach to the rest of Asia Pacific, the US and Europe.

"Shipment volumes into and out of the Oceania region have grown exponentially. Our investment in the new aircraft and dedicated flight routes with increased frequency signify our confidence in the region's growth trajectory."

SUSTAINABILITY

DB teams with Lufthansa to cut the carbon

DB Schenker and Lufthansa Cargo have teamed up again to launch a regular CO2-neutral freighter route, operating between Frankfurt and Shanghai.

A proportion of the fuel requirements on the flights are covered by sustainable aviation fuel (SAF), which the companies said will save around 174 tonnes of conventional kerosene each week.

A Boeing B777F aircraft was used for the first flight on the regular route, which took off on April 1 from Frankfurt.

In November last year, Lufthansa Cargo and DB Schenker partnered for the first time to carry out the first ever CO2-neutral freighter flights powered by SAF.

A maximum mix of 50% SAF is allowed to be used on a flight, but airlines are able to offer a higher proportion by allocating a representative amount of SAF from a centralised pool, rather than measuring the SAF that is used on a particular journey.

SHIPPER SPOTLIGHT

Zoe McLernon

The use of digital twin technology in airfreight

Air cargo requires precision and planning to ensure optimal efficiency within a complex sector.

In the view of Logistics UK, technology plays a crucial role to ensure this efficiency, with the business group consistently supporting a move towards automated systems to enable greater efficiency and flexibility, while maintaining safety and security.

One of the fastest-emerging technologies in transport is "digital twins" — software representations of a physical asset, system or process.

Digital twin software uses "real world" data to create simulations that predict how a product or process may perform in the physical realm.

This software could prove crucial within the air cargo sector in improving the process of loading, unloading or moving freight.

By using digital twin technology, data points of a package — such as its size and contents — can be analysed.

This can then be used to simulate the loading or unloading process to optimise the space available, while also considering weight balancing and the segregation of dangerous goods and other specialised cargo.

Digital twin software also collates real-time data on individual shipments; this is key to improving efficiency across the whole supply chain.

The data — which includes information on the shipment's location and any delays to its journey, as well as package temperature requirements — can be shared across the supply chain to those that have access to the digital twin technology.

'It is vital that all the components **of the chain** have access to the most up-to-date information'

Often, cargo is transported via multiple modes and businesses; goods that are shipped via air and are often then transported to distribution centres or warehouses via vans, lorries or trains.

The supply chain is highly complex, and it is vital that all the components of the chain have access to the most up-to-date shipment information, so optimal efficiency can be achieved.

Overall, digital twins can provide a high quality of data and precision; and by simulating more efficient operations and streamlining business processes, it can reduce operational costs.

With the rise of e-commerce resulting in an increased demand for air capacity, Logistics UK will continue to support the use of automated technologies to increase efficiency.

Zoe McLernon, policy manager for multimodal, Logistics UK

Empire on the move

E-commerce giant Alibaba wants customers to have confidence in its deliveries and so is building Cainiao, its huge logistics operation. Roger Hailey spoke to supply chain GM James Zhao

Homeworking and lockdowns caused a rapid rise in e-commerce as global consumers, denied access to shopping malls and high street stores, turned to online shopping, some for the first time.

In China, e-commerce was already riding high before the pandemic but, according to forecasts by research group eMarketer, some 52.1% of the country's retail sales will come from e-commerce in 2021, up from 44.8% a year prior.

Alibaba has been at the centre of China's e-commerce growth, not just selling goods but transporting them through its Cainiao Smart Logistics Network subsidiary.

Cainiao's stated mission is for 24 hours delivery to anywhere in China and 72 hours to anywhere globally.

Key milestones achieved so far include more than 3,000 logistics partners, processing 16trn pieces of logistics data every day, and transporting 250m items of PPE during the pandemic to 159 countries.

James Zhao, general manager, Cainiao global supply chain, joined the business in 2014 after 12 years in a number of product and marketing management roles at eBay, FedEx, and TravelSky.

As a platform business, Cainiao does not own nor operate any aircraft but instead works with airline partners: "We have always had air cargo service via our global logistics network," says Zhao.

Collaborative approach

Recent examples of that close collaboration have seen Cainiao link up with Hong Kong Air Cargo to launch cargo flights to Southeast Asia, and with Saudia Cargo for services from Hong Kong to Liege in Belgium.

It is also establishing seven "eHubs" at — or close to — airports where it can quickly carry out consolidation, transhipment and other activities to keep cargo travelling at speed.

At the time of the HK Air Cargo deal, Zhao said: "As one of the fastest-growing e-commerce markets in the world, Southeast Asia is projected to achieve a 23% compound annual growth rate to reach $172bn in 2025."

He added: "With more cross-border e-commerce goods moving from Mainland China to Southeast Asia, the launch of cargo flights via Cainiao's eHubs will allow us to create a seamless logistics network that will improve efficiency and reduce shipping time."

As part of its flexible approach and rapid response to emerging challenges, Cainiao teamed up with Ethiopian Airlines to launch an airfreight pharma service for temperature-controlled medicines from Shenzhen Airport.

Says Zhao: "We are continuing to expand our air cargo network to support global distribution. Our recent partnership with Saudia Cargo will help to link up China with Europe and the Middle East."

'The launch of **cargo flights via Cainiao's eHubs** will enable us to create a seamless logistics network'

James Zhao, Cainiao

Cainiao's global network will see massive expansion to handle growing e-commerce volumes across all modes. It already has an eHub close to Kuala Lumpur (KL) airport, with a second eHub due to open this summer at Liege and a third at Hong Kong.

What will this mean for Cainiao's distribution capabilities and will there be more reliance on freighters and strategic partnerships with airlines?

Says Zhao: "[We gather] a large amount of cargo from within and outside the Alibaba economy.

"We gather cargo from South China, for example, and ship it to the eHub in Hong Kong, and then to the Cainiao Aeropolis eWTP Hub (eHub) in KL by air to distribute it across Southeast Asia.

"In this way, we can benefit from greater agglomeration effects. In this sense, products can be moved globally in a highly efficient manner from one eHub to another in a different region, which can then be distributed intra-regionally via air or land."

He adds: "With the Cainiao Aeropolis eWTP Hub (eHub) in KL, one of the seven eHubs managed by Cainiao globally, we would have established a global logistics network via a hub and spoke model which increases efficiency and stability via the provision of end-to-end logistics services.

"The eHub involves multiple partners carrying out numerous functions to facilitate cross-border trade. They include an e-fulfilment hub based near KL International Airport, which will function as a customs clearance, warehousing and fulfilment centre for the region.

"A one-stop, online, cross-border trading services platform that will link the Malaysian eHub to the original one in Hangzhou, allowing for easier trade for [small and medium-sized enterprises] between the two countries, training programmes for start-ups and it also works to support Malaysia's digital ambitions."

Zhao says that the eHub in KL will serve as a distribution gateway into Southeast Asia and reinforce air, sea and land connectivity for greater operations efficiency.

Last but not least, the eHub will leverage smart technology such as automation, Artificial Intelligence and knowledge transfer, which will aid in the overall digital transformation of the industry.

But how does Cainiao intend to develop its relationships with freight forwarders and 3PLs, and what is the ideal commercial partner?

"Going back to two of Alibaba and Cainiao's core values, which talked about placing the customers first and how trust is key to making everything simple, these values can be applied to the way we approach relationship management as we expand our network globally," says Zhao.

"As a digital logistics platform, we adopt a collaborative approach to deliver value to partners.

"We empower the partners onboard our platform with an innovative and open data platform which improves efficiency along the entire value chain.

"For our commercial partners — ie, business to business — we are looking to strengthen our warehouse and trucking network to support businesses' import and export needs.

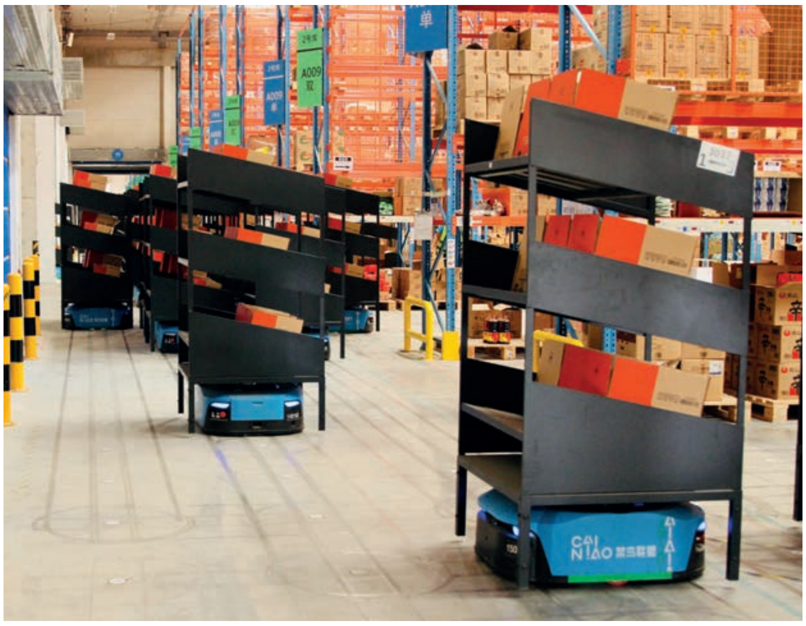
"To achieve maximum efficiency, these overseas warehouses [are] located near to ports to facilitate transportation and are able to provide services for pre-stocking, storage and serve as a container freight station.

"Partners supporting the trucking network will also have to be well-equipped with resources such as lorries and container trucks to handle transportation of goods between warehouses and to ports."

Cainiao last year launched a container booking service for seafreight, which did have an airfreight dimension. What has been the success so far for the airfreight aspect?

"So far, the demand lies mainly in seafreight container shipping given the current global container shortage.

"The launch of the container booking service is to alleviate the shortage crisis to benefit our customers who might otherwise be impacted by the surge in shipping rates."



Highly automated eHubs allow the business to speed processing of goods

Taking a lead

But are there any particular [air cargo] logistical achievements that Cainiao is most proud of from the 11.11 online shopping festival in 2020?

"In the lead up to 2020's 11.11 online shopping festival, we chartered more than 700 flights to deliver 90% of the parcels outside China which culminated in a 60% reduction in delivery time for more than half of the orders.

"Here, smart order consolidation, where we combine multiple parcels from various merchants into one package for shipment, also helped to bring about greater delivery efficiency on the whole.

"In fact, customers in key European cities such as Madrid, Paris, Berlin and Warsaw were able to receive their parcels in as fast as three days."

Zhao continues: "As the event grows into a global phenomenon, we are also witnessing increasing participation from overseas merchants who are selling to Chinese consumers.

"Last year, we operated chartered flights and cargo ships bound for China to meet the growing demand from Chinese consumers for these overseas goods. This resulted in a 10% increase in delivery efficiency for over 300m goods shipped into China from 84 countries and regions."

It is clear that Cainiao intends to grow its logistics capability, not just in airfreight, to meet the rapid growth in e-commerce across the globe. acn

FACT FILE

- Established in 2013, Cainiao Smart Logistics Network is a business of e-commerce giant Alibaba Group, founded in 1999 by Jack Ma.
- Cainiao is focused on meeting Alibaba Group's vision of fulfilling orders within 24 hours in China and within 72 hours anywhere else in the world.
- As of June 2020, Alibaba Group had a user reach of over 1bn global annual active consumers, including 807m in China and 194m outside China.
- Cainiao continues to build and operate a global fulfilment network together with logistics partners. It offers domestic and international one-stop-shop logistics services and supply chain management.

PARTNERSHIPS

Cainiao finds right partners as it moves to a Latin beat

Cainiao Smart Logistics Network's emerging air cargo route map for e-commerce is being built on a series of key airline alliances as parent Alibaba Group looks to expand beyond its massive home market in China.

Business data platform Statista estimates that e-commerce sales in China stood at $826.6bn in 2019 and that number is projected to nearly double until 2024.

Today, China has the largest digital buyer population in the world, amounting to more than 710m people. But it is e-commerce markets outside of Europe, China and the US that are growing faster than anywhere else.

As a result, Cainiao has thrown its net wider to meet the logistical challenges ahead, including deals with Saudia Cargo and Ethiopian Airlines Cargo, the latter being a pharma-focused alliance.

In April, Cainiao announced that it was teaming up in a Special Prorate Agreement (SPA) with Atlas Air and Latam Airlines to expand air routes in Latin America "amid global air cargo demand recovery".

The SPA was reached independently with Atlas Air, whose parent is already supplying freighters for Amazon Air and Latam Airlines.

The agreements will launch a "seamless" flight operation programme linking Hong Kong to Bogota in Colombia and Lima in Peru with Santiago in Chile or Sao Paulo in Brazil as the connection point.

The logic is clear: Cainiao reported that its daily parcel volume to South America transported in March grew 14% compared with February as global trade resumed, driving up airfreight demand, "which is almost returning to pre-pandemic levels".

Bellyhold capacity in a depleted passenger airline global network is likely to remain scarce and somewhat short of the 50% achieved pre-pandemic. Said William Xiong, Cainiao's chief strategist and general manager of export logistics: "This year, Cainiao plans to launch over 3,000 chartered flights to safeguard cross-border logistics and help Chinese merchants sell globally."

The collaboration ensures that the time taken for customs clearance, repackaging, container change and temporary warehousing in Santiago or Sao Paulo can be reduced as parcels delivered by Atlas Air will be transferred to Latam flights to Bogota and Lima, packed in the same container.

Merchants and customers will be able to track orders with the same shipping label back from Hong Kong.

The most popular products for Latin consumers from China are electronic devices, toys and beauty products. Shipping time to Colombia and Peru will be reduced by nearly 50%, and parcels can arrive in as fast as 10 days from China.

Sea change to recovery

While western economies are still feeling the effects of the Covid-19 pandemic, China is getting back to business and pushing airfreight rates higher, writes Roger Hailey

In the year of the ox, China's air cargo market is looking suitably bullish. Favourable domestic economics, a shortage of bellyhold capacity and delays in the deepsea container market have seen airfreight rates fly high and likely to maintain altitude.

Acquisitions and partnerships are also trending. European forwarding giant Kuehne + Nagel (K+N) bought China-based Asian logistics group Apex International in February, and soon after signed a pharma logistics partnership with Jointown.

February saw Chinese express and e-commerce giant SF Holding announce plans to pay around $2bn for a 51.5% majority stake in Hong Kong's Kerry Logistics Network.

While western economies are in the doldrums, China's industrial output surged 35.1% in January and February over the same months in 2020, partly due to a Lunar New Year break that saw Chinese factories closed for a shorter period.

Cathay Pacific Cargo delivered record revenues of HK$24.6bn in 2020 — an increase of 16.2% versus 2019 — in a year when capacity was down by more than 35%.

The Hong Kong-based combination carrier operated 5,648 cargo-only passenger flights and chartered 680 freighter flights from all-cargo subsidiary Air Hong Kong, as well as loading cargo in the cabins of some passenger aircraft. It also removed seats from four passenger aircraft to boost cargo capacity.

Hong Kong International Airport (HKIA), the world's number one hub for international cargo traffic, reported a 23.3% rise in February's year-on-year cargo volumes to 310,000 tonnes, while freighter movements for the month soared 36.8% to 4,615. Cargo throughput at HKIA increased 17.9% to 719,000 tonnes in the first two months of 2021.

Power plays

The surging market has seen some airlines decline to renew block space agreements with freight forwarders, preferring to leverage the spot market in expectation of higher rates.

There have also been trade press reports of penalty fees imposed by carriers if an express airfreight booking is cancelled.

Rick Keller, chief executive of U-Freight North America, says:

Kuehne+Nagel has signed a pharma logistics partnership with Jointown

"There has been a tremendous boom in the air cargo market for those who can get space. We were fortunate enough to have a space agreement in place to the end of March from Hong Kong into the US west coast.

"None of the carriers that we have taken a relationship with were willing to extend charters to us for the foreseeable future and I think that is because they are banking on being able to do better in the market with pharmaceuticals and Covid-related shipments rather than with general cargo."

Jack Liu, senior vice president, air logistics, Kuehne+Nagel (K+N) Asia Pacific, agrees that some carriers have shown "optimistic behaviour", but adds that the airlines have been heavily affected by the pandemic and are in "survival mode".

Says Liu: "The airlines need to keep running and so they need to make adjustments. However, the way they make adjustments will vary towards different partners and the sectors."

> 'If you want your airfreight to move **you will have to pay** what the current or daily commodity market is'
>
> Rick Keller, U-Freight

He adds: "In this business, strategic relationships carry much more weight in a crisis than in a time of commodity transactional trading.

"That is something that sets K+N apart. That is not to say we are immune to all of these adjustments, but they are carried out in a bilateral discussion and agreed upon, rather than in a one-sided way.

"We have a really good dialogue with our partners, and we are even forging long-term agreements in the middle of the pandemic."

Claus Nicolajsen,vice president, air and ocean products, Asia Pacific at DSV, says that when negotiating due-to-expire agreements, some airlines have been "extremely hungry to get some very steep increases".

Says Keller of U-Freight: "Frankly, if you want your airfreight to move you will have to pay what the current or daily commodity market is, and maybe you can get a two week or three week block agreement, but you do not know how stable that is going to be."

DSV, thanks to its 2019 acquisition of Panalpina, has access to its own fixed and own controlled B747 freighter network.

Says Nicolajsen: "In Asia Pacific our charter network is carrying a nice share of cargo and this has been a huge success for DSV and has helped a lot of our customers keep their supply chains moving.

"We are constantly working with our airline partners on a mix of short and long-term capacities to match the requirements of our customers."

This can include trucking shipments to an airport where there is more airfreight capacity available than at the preferred airport.

Making the switch

Deepsea container shortages and box port congestion has provided modal switch volumes for airfreight, usually when a shipper cannot find available space or quick enough transit times for their ocean freight to meet deadline, or when they have ocean freight already in transit but require a smaller volume of airfreight for inventory catch-up.

There has even been a return of sea-air cargo — a planned supply chain of initial cheaper, slower origin seafreight to a major port which then switches mode for faster but more expensive destination airfreight.

K+N had renewed its focus on sea-air at the end of 2019, before the pandemic, and believes the bimodal product can gain market share.

"At the end of 2019 we started a strategy to build up our sea-air service under the airfreight product umbrella. We see it is a good supplementary to our customers, and last year we went full speed ahead," says Liu. "From the customers' budgeted point of view, sea-air makes a perfect combination in the middle ground with speed of airfreight and reduced carbon footprint of seafreight."

That point of sea-air being less polluting is echoed by Nicolajsen of DSV, which is also seeing ocean freight converting to air, particularly in the automotive industry, an important vertical for the forwarder.

Says Nicolajsen: "There is no room for delay or cargo not showing up. They have to convert to airfreight in order to keep their production running.

"We are seeing it in the healthcare vertical, not only for PPE but all the traditional material that you need on day-to-day basis inside a hospital.

"Healthcare shipments are being converted to air because there are so many factors implicated in the ocean freight supply chain right now which are all causing delays."

U-Freight is receiving requests for loads of up to 40ft ocean freight containers to switch mode, says Keller, adding: "The customers know that we're not going to move a 40ft container load in one shot, but they are willing to have it trickle in, as long as they can get some of it out as quickly as possible.

"Our general cargo customers are not in the consumer goods market in general, so we are seeing raw materials and components, whether raw materials for medical products or goods with integrated circuits and semiconductors. Those are the types of products that we're seeing converting over to airfreight."

> 'We do see e-commerce influencing the market, but I don't think this year you will see it **magically pushing out** all the other cargo'
>
> Jack Liu, Kuehne+Nagel

Known unknowns

The Chinese market in the remainder of 2021 is hard to predict, with so many variables, such as fluctuations in air cargo capacity, the time it will take to stabilise seafreight logistics, the growth of e-commerce and the effect of a global vaccine airlift. Crystal balls have been shattered.

Liu of K+N says that it is only a matter of time before the air cargo market is restored to pre-Chinese New Year levels and sees a market that will be in balance because airlines have the ability and willingness to take out excess capacity.

"If there is a small dip in demand then the first to go will be the few passenger freighters still flying and which have the worst operational cost base."

Liu adds of the carriers: "If there is a small correction of the demand capacity, they will be flexible enough to adjust the supply to keep the balance of supply and demand intact.

"That is not to say that there won't be certain parts of the week where there is a fluctuation, but the overall theme should not deteriorate."

On e-commerce and vaccines, Liu makes the point that e-commerce was already very strong before Covid, but has seen a number of new entrants come into the market.

He cautions that not all these e-commerce shipments are new but are traffic that previously moved in batch across borders and now move to destination in a different way.

"So not all of the shipments are newly created demand but are more like a shift from the transaction in China.

"We do see e-commerce influencing the market, but I don't think this year you will see it magically pushing out all the other cargo. It is a matter of balancing the dynamics."

On vaccines, those shipments will take priority but, says Liu, it will not be like PPE demand, where there was sudden demand for freighter charters: "Vaccine demand will be more spread out and so will not be significant enough to bump off a lot of the general cargo."

DSV's Nicolajsen believes that the balance in supply and demand will be maintained: "The opportunities will last as long as the bellyhold capacity is missing, but we think it will take a very long time for that to happen because some of the major airlines have restructured and handed back aircraft and even parked for good certain aircraft types."

Nicolajsen says that the markets have stabilised at a very high level for airfreight rates, but he too believes vaccine distribution "will not have a very big impact on airfreight in itself because some new vaccines are produced locally, for example in the US and European markets".

Keller of U-Freight says that there will continue to be airfreight spikes "on a not infrequent basis" and that those spikes could be up to 200% and 400%, but not reaching the eight-fold magnitude seen during the PPE rush.

Global supply chains radiating out of China during the pandemic have raised suggestions that logisticians, influenced by political pressure, may see an increase in local production, not just of pharma but other consumer goods.

Nicolajsen is not convinced this will happen on a major scale: "Someone may want to move their manufacturing from China to Poland, but you have to remember that the world's factories are in China and India, and that there are no economies that can replace those factories.

"Overall, we need to build supply chains around products continuing to come out of China and India for the future." acn

AIRPORTS

Brussels sets sights on a sustainable future

Brussels Airport's new director of cargo and logistics will be putting special emphasis on digitisation and sustainability as the airport positions itself for recovery. And he says Covid-19 has helped the public see the importance of the sector. Rachelle Harry reports

> 'Our partners can all see that something needs to be done in order to increase **compliance**, efficiency and **growth**'
>
> Geert Aerts, Brussels Airport

Geert Aerts — formerly a regional operations director at flight simulation firm CAE — took up the role of director cargo and logistics at Brussels Airport in early March, succeeding Steven Polmans, who had worked at the company for 10 years.

His first month at the hub has been "a blast", he says, and he has already met several of the hub's clients — albeit virtually.

"I've got a talented team here as well that has been very busy supporting the growth of the cargo and logistics operations at our airport," he says.

Aerts is continuing the hub's strategy, which has been in place for a few years. Key elements include focusing on its cargo specialisations — e-commerce, perishables, animal care, and pharma and biotech — as well as driving digital operations.

"With my background, the digital side is something I'm very passionate about," says Aerts.

He highlights the importance of BruCloud at the airport — the cargo community cloud-based data-sharing platform — which continues to "bring effectiveness and efficiencies".

BruCloud, which was launched in 2018, consists of apps that support Brussels Airport's customs, pharma, perishables, road feeder and slot-booking operations, among other things.

Goodbye paper

Aerts says that Brussels Airport — along with its cargo community, comprised of forwarders, airlines, handler and trucking companies — is working towards operating the landside management processes completely paperlessly by next year, an initiative that it calls the 'digital green lane'.

Also on the innovation path is the implementation of 5G across its network and more use of artificial intelligence using data generated by and stored centrally in BruCloud.

Having the infrastructure for digital operations in place at Brussels Airport will ultimately help the airport to run more sustainably, says Aerts.

The rollout of 5G will enable it to "not only digitise our landside and airside management process, but also bring digitisation from the airport to handlers' and forwarders' buildings and trucks.

"Our digitisation will definitely put a lot of focus into driving our sustainability goals — both as an airport and in cargo logistics overall," says Aerts. "It will help us to drive those goals with a focus on innovation, but also on the green lane in making a more sustainable future."

Next on the agenda is applying BruCloud solutions to the operations of all airside and landside partners that are based at the hub.

"This change is a big commitment for the community to make, but the partners that we have spoken to in the BruCargo zone can all see that something needs to be done in order to increase compliance, efficiency and growth," he says.

Brussels Airport is also supporting the sustainability goals of its partners, including DHL.

The hub is also in the process of electrifying its ground services equipment.

Cargo demand

Currently it's an optimistic time for the hub from a cargo perspective, with Aerts noting continuous cargo growth over the past year. This is a result of several factors, including increased demand as a result of the pandemic.

In March this year, the hub experienced a 40% year-on-year increase in cargo volumes. Volumes in March 2021 were also 27% higher than March 2019, before Covid.

Over the past few months, Brussels Airport has highlighted its pharma-handling capabilities and role in the distribution of Covid-19 vaccines, which in turn has played a role in its cargo growth.

"One thing that this entire crisis has done for cargo and logistics is that it has put the societal role of it on everyone's mind," he says.

He adds: "The value of the entire e-commerce chain and the need for it has been realised."

He also highlights the change in the type of capacity experienced at the hub: "On one hand, with fewer passenger flights in operation, there is a lot less bellyhold capacity at Brussels Airport. On the other hand, it has proved to be an opportunity for ourselves, our community and our partners to attract more full freighters to our airport. This type of capacity has compensated largely for the lost bellyhold capacity."

Aerts expects the air cargo growth seen at Brussels Airport over the past 16 months to continue — and he expects his role in delivering the hub's strategy to support this.

"I'm very excited to have come on board with the airport at this point in time, when there is certainly a big drive to further grow cargo logistics activity at the hub, and the willingness to invest in it," he says. acn

Airlines ride the transpacific wave

Global commerce is bouncing back while PPE and vaccine traffic remains strong, meaning carriers are seeing great returns on transpac routes, says Michael Mackey

Transpacific cargo growth has been strong for carriers such as American, which has capitalised on the curtailing of passenger operations. As well as serving the US, it can offer onward connections to South America

Despite capacity constraints transpacific air cargo is proving resilient and likely to remain so for the foreseeable future, sources have told *Air Cargo News.*

"Transpacific looks very good and it's been a really strong market so far this year," Brian Pearce, IATA's chief economist says in an interview.

Pearce's argument is that Asia is the world's manufacturing centre and the large cargo fleets of Asian carriers mean goods don't need to wait for passenger flights to be moved.

"Transpac does better than other trade lanes because of the cargo fleet still flying," Pearce says, pointing out 90% of the goods moved are going on freighters.

Also helping is the onward factor as places like Miami, flown to by a number of Asian carriers, then move freight on to destinations elsewhere, usually in South America.

"We are seeing very strong growth on cargo between North America and South and Central America," adds Pearce.

In-the-skies airlines endorse that — and with enthusiasm.

"We're really pleased with the performance of our transpacific lanes," says Roger Samways, vice president of commercial cargo for American Airlines. "Over the past year, we've experienced record cargo demand in South Korea, Japan, China, Hong Kong and Sydney."

Changing fortunes

As Samways and many others point out, the demise of passenger flights took a huge swathe of capacity out of the market which meant demand for cargo-carrying flights relative to supply became stronger than ever.

This has two consequences; cargo divisions have suddenly become so much more important for airlines and yields are, in the words of Subhas Menon, director general of the Association of Asia Pacific Airlines "through the roof, as much as 50%".

Taking the passenger fleet out of the equation not only saw some carriers complete conversions or adapt their aircraft to carry freight, it also saw changes within the structure of the industry, as well as the route network — cargo, without either the support or constraint of passengers, had to find new ways to move.

Some of this is remarkable, with evidence that cargo from Asia is being moved to the US via Middle East super hubs simply because of constraints and costs on the transpacific routes.

"It's performing strongly," says IATA's Pearce after having analysed the Asia-Middle East and Middle East to Americas figures, "not as well as the direct Pacific flights [but] Middle East Super-connectors are playing an important role."

'We've experienced **record cargo demand** in South Korea, Japan, China, Hong Kong and Sydney'

Roger Samways, American Airlines

Plane speaking

One of the most noticeable changes is the increasing number of charters.

Wilson Kwong, chief executive of Hong Kong Air Cargo Terminals (Hactl) says: "Logistics service providers initiated a mixture of whole-plane charters and split charter services to provide for their customers' supply chain requirements, and based their operations on routes where there was the most demand and the best return on investment.

"Hong Kong-Mexico direct was one example, along with many charter flights to the US and Latin America."

Again, this is endorsed by airlines.

During the three quarters ended December 31, 2020 (the business year in Japan is from April 1 to March 31), ANA's revenue from the international cargo business was 101.6bn yen, a 30% increase from a year earlier.

"Traditionally, [before Covid-19], sales from our cargo operations ➜

➜ were limited, but with higher demand for goods, the business has expanded this year," says the airline.

Just to underline the point: "In 2020, ANA had a total of 12,785 cargo flights — a record high for the company."

New world order

Several factors are driving this bountiful situation.

The big one is that world trade keeps rolling despite the pandemic, which is actually helping some already established and booming sectors such as perishables and e-commerce do even better.

"Cargo demand from Asia to the Americas has held up reasonably well, notably for shipments of e-commerce as well as various electronics and consumer products," Hong Kong-based Cathay Pacific says.

According to airlines in the field, demand looks likely to remain strong, but the big variable is capacity.

"While this will depend on how and when passenger flights recover in the coming year, we are expecting the current trend to continue at the moment with high demand for electronic goods and increase in e-commerce," says ANA.

Hactl's Kwong says the industry is benefitting from what he terms "a perceptible growth in work-from-home commodities such as laptops, as companies and individuals adapted to the wide-scale concept of remote working".

Hactl speaks from experience, having equipped a large proportion of its office staff with laptops to enable them to work from home.

The other established sector which has gained is perishables and foodstuffs. "We've seen a strong increase in demand for high-value export goods from New Zealand during the pandemic," says Air New Zealand's (ANZ) general manager cargo, Anna Palairet.

"When restrictions are imposed on foodservice, we've seen strong growth through retail channels for premium

'Work-from-home' commodities are in demand, notes Hactl

> 'Covid-19 generated large quantities of PPE. **That traffic has now settled down** but is still evident'
>
> **Wilson Kwong, Hong Kong Air Cargo Terminals**

fresh foodstuffs, including chilled meats, seafood and fruit."

Nor do ANZ and others expect this to end when the world's restaurants reopen.

"As and when things tend towards a more 'traditional' setting, we're expecting some of these demand-side changes to remain in place," she adds.

What is new and has also helped has been strong demand for PPE — a new sector that many have been glad of over the past year but which is now felt to be waning as the vaccine rolls out, another likely source of business going forward.

"Covid-19 generated large quantities of PPE and other urgent medical supplies, particularly after the Chinese factories re-opened following the 2020 Chinese New Year holiday. That traffic has now settled down, but is still evident," Hactl's Kwong said.

On the vaccine front there have been some limits to how much is transported by air, such as where production is and where it is going to.

For instance, Pfizer-BioNTech's and Moderna's vaccines are mainly produced in North America and Europe and most of those supplies go to the US, Canada and the European Union. Vaccines are also produced in large quantities in China and India. At this stage, carriers are seeing limited inter-continental cargo movement of vaccines.

Taiwan's EVA Airlines says: "Most vaccine shipments we see in Asia now are the AstraZeneca shots produced in South Korea.

"Production and distribution issues lead us to believe we will not see demand for charter flights.

"Also, a vaccine shipment typically requires only one or two lower-deck pallet positions and won't have much impact on intra-Asia trade."

However, more recently, there have been some early signs that vaccine demand is perhaps beginning to pick up.

A still working world economy, more demand for perishables and yet more growth in e-commerce as well as new markets such as PPE and vaccines creates a positive outlook for transpac although people are aware issues like capacity need to be watched.

A shot in the arm

Tellingly, the debate in the industry is not about capacity but about how long this boom will last.

"We are reasonably optimistic that we will see a strong transpacific cargo market in 2021," says Cathay Pacific.

"As Covid-19 vaccines are progressively rolled out to a wider population globally, economic and manufacturing activities could see a recovery and air cargo will remain the preferred mode of transport to get inventory to market as quickly as possible."

The Hong Kong-based carrier was one of several to suggest another reason why this coming year will be good — more sea-converted-to-air shipments this year due to congestion in sea freight.

Whilst there is a general consensus this year will be strong — although with yields likely to decline in the second half as capacity comes back — what is surprising is that some think there is more to come and this is just the start of recovery.

AAPA's Menon sees "shoots of [economic] recovery in 2022" with the industry not returning to 2019 levels till 2024.

"The recovery really depends on the production of vaccines," says Menon. "Substantive recovery requires the world to be vaccinated."

But the ongoing vaccination programme would also benefit air cargo. The place to watch here could be Singapore where the airport, already an established hub, has a coolport — an abundant ecosystem and a biotech industry just down the East Coast Parkway.

SIA Cargo is already on the case and is engaged with various stakeholders across the supply chain and in pharmaceutical export markets to ensure it is well-positioned to transport the vaccines.

Against such buoyancy there are some wary of the problems extra capacity and the very nature of the pandemic bring into play.

More capacity as passenger flights resume brings more bellyhold back into the market. This means more goods can be moved but not as profitably as before. How that is managed is a challenge for the industry but not just yet. acn

Air New Zealand has profited from global demand for premium foodstuffs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DATA HUB

AIRLINE DEMAND

Cargo volumes outperform pre-Covid levels

The latest air cargo figures from IATA show that demand outperformed pre-Covid levels in February and volumes are now at levels seen prior to the 2019 US-China trade war.

Global airfreight demand in February 2021, measured in cargo tonne km, was up 9% on February 2019 (the month IATA used to demonstrate pre-Covid levels), and was 10.8% up on last year.

Meanwhile, global capacity, measured in available cargo tonne km, was 14.9% down on February 2019 and was 10.3% lower than last year.

Willie Walsh, IATA's director general, said: "Air cargo demand is not just recovering from the Covid-19 crisis, it is growing. One of the main challenges for air cargo is finding sufficient capacity. This makes cargo yields a bright spot in an otherwise bleak industry situation.

> 'Air cargo demand is not just recovering, it is growing. **Cargo yields are a bright spot** in an **otherwise bleak** industry situation'
>
> Willie Walsh, IATA

"Understanding how passenger demand could recover will indicate how much belly capacity will be available for air cargo."

IATA said the manufacturing sector, which is "robust" despite spikes in Covid-19 outbreaks, has contributed to the climb in air cargo demand.

In addition, supply chain disruptions and the resulting delivery delays have pushed many manufacturers to use airfreight to recover time lost in the production process.

In February 2021, North American and African carriers were the strongest performers.

Volumes carried by North America-based airlines in February increased by 19.3% year on year and were up by 17.1% on 2019 levels.

Capacity was down 2.2% on last year and was up by 1.9% on 2019.

"The region's swift recovery has been supported by improving economic activity and the rising popularity of online shopping amidst lockdown restrictions," IATA said.

"The US inventory levels are well below the average since early-2021 which means that companies might prefer the speed of air cargo to refill their stocks."

Africa-based carriers saw demand increase by 33.1% year on year, while there was a 42.3% improvement on 2019. Capacity increased 3.7% on last year and by 6.6% on 2019.

"The smaller Africa-Asia trade lanes were the main driver behind the region's outperformance," IATA said.

Airlines based in Europe also improved as they posted a year-on-year increase in demand of 10.5% in February, while against 2019 there was a 4.7% improvement.

Capacity declined by 8.1% on last year and was down 13.1% vs 2019.

"Although many European countries faced new lockdowns, the region's manufacturing sector was largely unimpacted and remains supportive for air cargo," IATA explained.

Meanwhile, demand for Asia Pacific-based carriers climbed 9.2% year on year and 7.1% against 2019. Capacity was down 13.8% compared with last year and by 29.2% on 2019 levels.

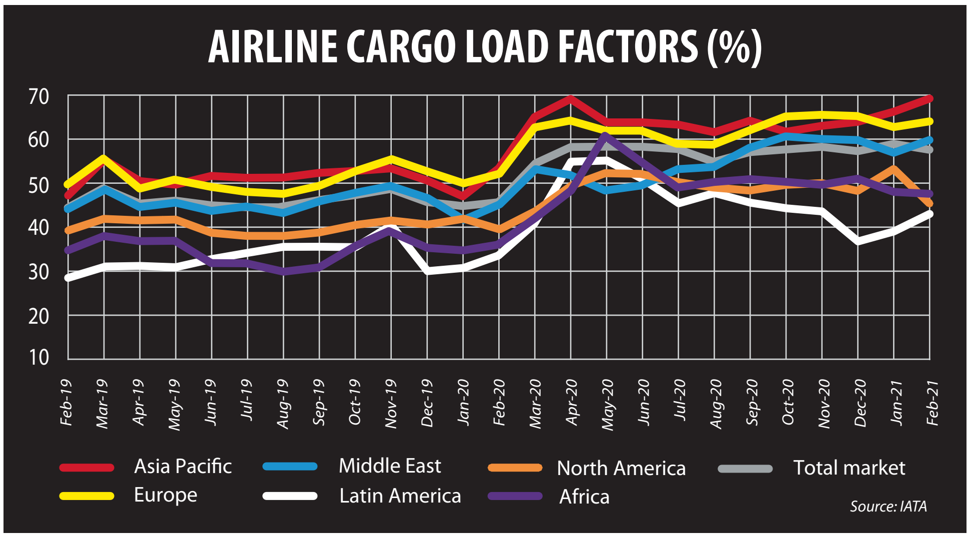
IATA said: "As the main global manufacturing hub, the region has been benefitting from the swift recovery of the global manufacturing sector and economic activity in general."

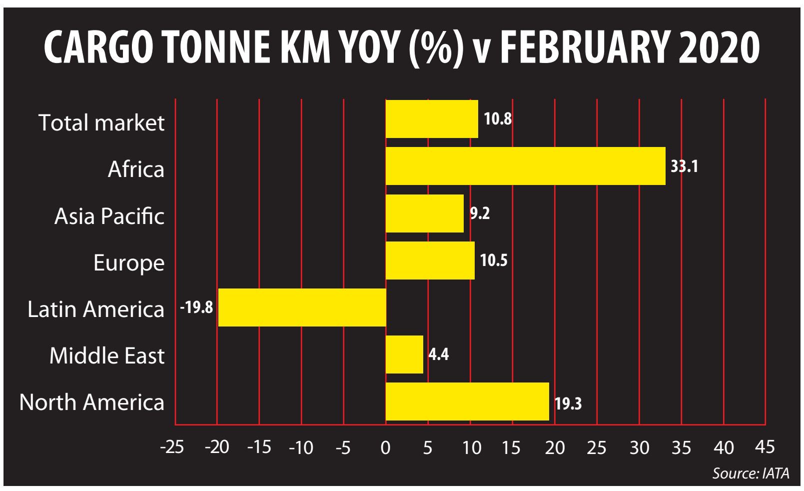
Air cargo demand for Middle East-based airlines saw a 4.4% year-on-year increase and a fall of 8.7% on 2019. Capacity decreased by 19.3% against last year and was down 14.8% on 2019.

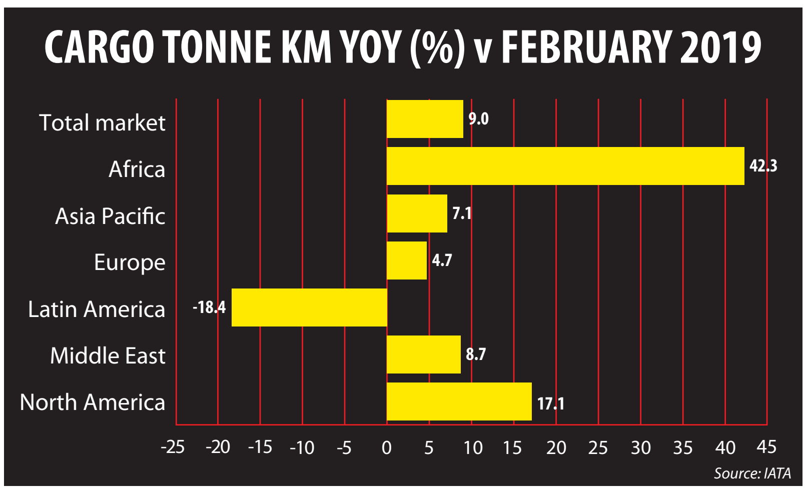
Latin America-based airlines posted a year-on-year volume decline of 19.8%, while there was an 18.4% dip on February 2019.

Capacity declined by 32% on last year and by 37.8% on 2019.

IATA said that weak Central and South America markets negatively impacted the recovery on North to Central America routes.







AIRFREIGHT RATES

Seasonal rate decline in March despite bellyhold shortage

Airfreight rates on major trade lanes continued their seasonal downward decline in March despite the ongoing capacity shortage.

Statistics from the Baltic Exchange Air Freight Index (BAI) show that in March prices from Hong Kong to North America slipped to $5.48 per kg compared with $6.42 per kg in February.

Rates for the month were up 36% on last year, but that comparison has narrowed compared with the first two months as prices in 2020 began to rise in March due to Covid capacity shortages.

From Hong Kong to Europe prices dropped to $4.05 per kg in March against $4.30 per kg a month earlier. Compared with last year, prices are up by 31.5%.

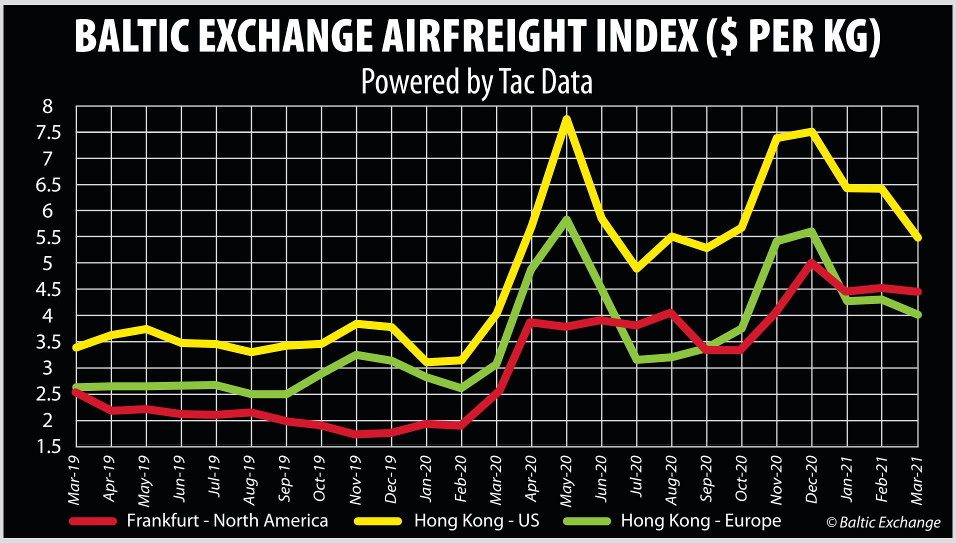
Frankfurt-North America prices, traditionally the lowest of the three, in March stood at $4.45 per kg, down from $4.52 on February and up 73.8% on last March.

The decline compared with February levels is expected as the industry enters a quieter period. However, it should also be remembered that prices remain far above their usual levels due to cargo capacity being around 20% lower than pre-Covid while demand continues to pick up.

For instance, prices from Hong Kong to North America for March are 62% ahead of 2019 levels and from Hong Kong to Europe are up 55%.

Robert Frei from Tac Index questioned if the figures suggest some market stability: "In summary, rates in March and February did not show huge volatility month on month and the intra month volatility was not as big as in previous periods. Whether this can now be viewed as a relatively stable situation on a much higher level than in 2019 remains to be seen."

Frei added that it was interesting to see that rates on many of the main trades were higher at the end of March than they were a year ago when the urgent rush to transport personal protective equipment hit the market.



AIRPORT THROUGHPUT

All-cargo flights lighting the way

February was another strong month for many of the world's leading air cargo airports, while Heathrow and Changi continued to report demand declines.

Hong Kong International saw its cargo volumes increase by 23.3% year on year in February, while over the first two months of 2021 demand was up by 17.9%.

Year-on-year comparisons are beginning to be affected by the impact of the Covid-19 outbreak last year, while Chinese New Year started in February this year and at the end of January in 2020.

"The combined increase of cargo volume in January and February was largely driven by a surge in exports," the airport authority said.

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

"North America, the Middle East and Europe saw the most significant increase."

Frankfurt, Europe's busiest air cargo hub, recorded its busiest-ever February, with cargo volumes increasing 21.7% year on year. The first two months of the year saw demand jump 19.9%.

At Schiphol, there was a 7.6% rise in February and a 12.6% year-on-year leap over the first two months.

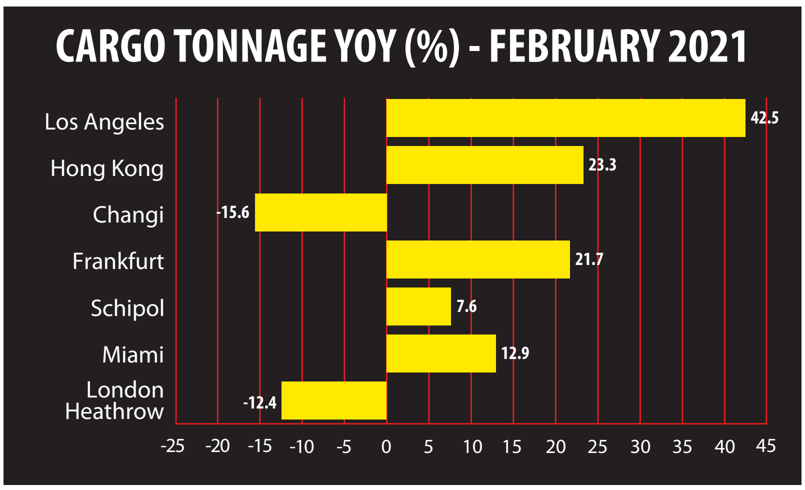
"The number of all-cargo flights more than doubled, from 1,072 to 2,211, in February in respect of last year," the airport said.

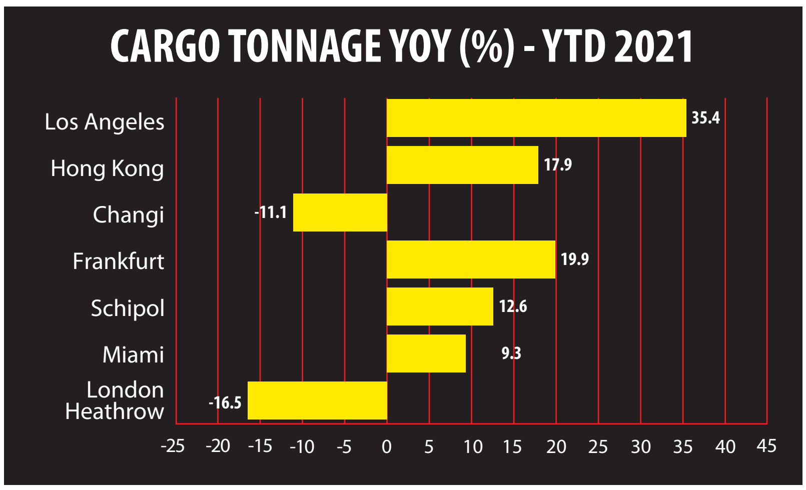
"This compensates for the tonnage normally transported on passenger flights, with the total transported volume increasing by 8% to more than 125,000 tonnes.

"The increase in the number of all-cargo flights mainly took place in respect of North America and Asia."

In North America, Los Angeles saw cargo volumes increase 42.5% in February and 35.4% over the first two months. Miami posted a 12.9% rise in February, up 9.3% for the first two months.

Meanwhile, there were declines at the transhipment hubs of Heathrow and Changi as they were unable to compensate for lost bellyhold capacity.





Suez adds to backlog

There are no signs that the container shipping industry will return to any form of normality anytime soon, as the fallout from the Suez Canal blockage and a raft of other ongoing issues continue to put pressure on the sector.

While the *Ever Given* vessel that blocked the Suez Canal for just over a week has long been cleared, the knock-on effects are expected to take weeks and even months to wash through.

Covid-19 also continues to affect crews, and even port/union disputes are beginning to hit the industry.

Lars Jensen, chief executive at SeaIntelligence Consulting, said: "It would be nice to be able to provide positive updates on the container shipping industry getting back to normality.

"But that is not really on the cards just yet, unfortunately. And the operational effects are often due to circumstances beyond the carriers' control — all they can do is try to mitigate the impact."

He gave the example of German shipping line Hapag-Lloyd, which was hit with four different incidents in one day.

Jensen said that one of the carrier's transpacific ships could not depart Los Angeles for at least 14 days because of a positive Covid-19 test among its crew. Another ship was held up in Tacoma because of a positive test.

And a labour dispute at the port of Montreal means the facility will operate on a five-day working week.

And finally, the German shipping line said the Suez impact in Europe means there is now another shortage of empty containers.

As a result, Hapag states: "It is unavoidable that in individual cases bookings will have to be cancelled."

Judah Levine, research lead at freight booking portal Freightos, said that as a result of the Suez blockage, carriers were warning of "critical congestion" at major ports such as Rotterdam and Felixstowe, and that there would be delays, equipment shortages and cancelled sailings as a consequence.

Rates to rise

Levine said that all of this means that already elevated freight rates are starting to increase even further.

Writing in mid-April, Levine said: "Freight rates have already begun to rise on some lanes, with Asia-US east coast rates now 8% higher than at the time of the blockage.

"Transatlantic rates have now spiked by 53% in the past two weeks to a multi-year high of $3,357 [per 40 ft container], as congestion is impacting empty container availability in Europe and carriers cancel sailings, possibly to move capacity to the directly impacted lanes.

"Estimates of how long the strongest ripples from the Suez [blockage] will last range from the next three to six weeks.

"Either way, it will likely take months to recover completely. Of course, 'back to normal' is a relative term this year, and with the recovery only in sight towards the start of peak season, observers expect no significant respite from delays and elevated rates before the end of the year."

Congestion problem

Levine added that rates on services from Asia to the US west coast had yet to show signs of increasing, but congestion is still a problem "with more than 20 ships now waiting outside not just Long Beach but Oakland too".

Levine said that the latest indications suggest that the demand driving the west coast backlog isn't showing any signs of letting up in the immediate future.

PEOPLE

New UK commercial director at WFS

Jennifer Smith

Worldwide Flight Services has appointed Jennifer Smith into the role of UK commercial director, cargo and ground handling. Smith, who has 20 years of experience in the industry, has previously held cargo sales management positions at Continental Airlines, American Airlines and Etihad Airways. She will be responsible for strengthening existing client relationships, as well as leading the onboarding of its new airline customers.

ACS's France expansion

Alexandre Busila

Air Charter Service (ACS) has appointed a new chief executive for its operation in France, as part of a wider growth plan for its Paris office. The charter broker has appointed Alexandre Busila as chief executive of ACS France. Busila was previously director at the broker's Geneva office and has worked for the company for more than a decade.

Tac Index adds to board

Gareth Sinclair

Air cargo rate data provider Tac Index has appointed Gareth Sinclair to its board of advisers. He has worked in the airline industry for almost 30 years, starting with the British Airways passenger business in financial and commercial management roles. In 2007, he joined British Airways World Cargo, to further develop its pricing and revenue management systems and processes and integrate the Iberia and Aer Lingus revenue management functions.

Leadership addition at B&H

Eddie Chan

Aerospace logistics provider B&H Worldwide has added to its leadership team in Asia with the appointment of Eddie Chan as business development manager, Asia. Chan brings more than 15 years' experience of the international aviation logistics business to his role. He will be based at the B&H Worldwide facility in Hong Kong and will report to group head of sales Michael Haskins.

QUOTE OF THE ISSUE

"The recovery really depends on the production of vaccines. Substantive recovery requires the world to be vaccinated"

Subhas Menon, Association of Asia Pacific Airlines

We're dedicated to providing innovative shipping solutions for our customers and keeping global supply chains running during this critical time.

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