



The weekly newspaper for air cargo professionals

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# Boom times gone for good?

**S**hippers have permanently turned their back on airfreight as the sophistication of their supply chain grows, reveals Robert Mellin, head of supply and logistics at Ericsson.

Speaking at the TIACA Executive Summit in Dallas, Mellin revealed the telecommunications giant had a target this year of sending 80 percent of its products by surface freight, instead of the 20 percent it used to a decade ago.

"We achieved that last week," he said. Looking around the delegates, he added: "I cannot see any smiling faces here."

Over 70 percent of Ericsson's logistics spend is on airfreight, despite it only accounting for 20 percent of its volumes. "Those numbers speak to me," said Mellin. "As a shipper, you are suicidal if you do not get rid of airfreight."

He explained the source of the company's shift: the Icelandic volcanic ash cloud in 2010. "I loved that volcano. We had to go from air to surface in one day. It forced us to



think differently, to look for ways to go under the cloud. It forced us to find a new solution and forced the customer to have a dialogue with us about lead times. It worked. Then we realised we could swap between different modes without

constraints and that gave us flexibility to adapt to other situations."

That flexibility has created significant changes to how shippers, such as Ericsson, organise their global supply chain, which suggest the glory days of the 1990s will not

return for airfreight.

"We now have warehouses all over the world and buy hardware closer to our customers, so we need to transport products less distance," says Mellin. "For example, we used to fly batteries from Sweden to Brazil. That was really not smart. Now we buy them locally or put them on a boat."

"Surface transportation is also more reliable - boats are arriving on time. Combined with greater supply chain visibility, better transport management systems, and track and trace we know when the boat will arrive late and we can mitigate that."

It is not all bad news though as Mellin insists airfreight will remain a valuable part of Ericsson's supply chain: "We will continue to transport by air; you are extremely important to us, but airfreight needs to make itself more attractive, more sexy, for us to want to continue to use it. Otherwise, we will have to reduce its use even more and use more sea freight."

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## Southern Air out of Chapter 11

**SOUTHERN AIR HOLDINGS** has left Chapter 11, the US bankruptcy protection process, having completed its financial restructuring.

Southern Air CEO, Daniel McHugh, says: "We have emerged from restructuring with substantially less debt, improved operations and resources, and financial flexibility, as a well-capitalised global air cargo carrier."

Southern Air entered Chapter 11 on 28 September and left it on 15 April after meeting all closing conditions to the company's reorganisation plan.

Southern Air operates four 777Fs around the world for DHL. It also operates 747-400F aircraft, and provides intercontinental widebody ACMI/CFI services.



## Europe faces delays from new security

Widespread delays to international airfreight are predicted when new EU regulations come into effect on 29 April. Under the new regulations, any shippers not already inspected and approved for security standards will have to submit all freight for x-ray screening before flight. Despite a three-year transition period since the introduction of the legislation in 2010, many shippers appear to be unprepared, according to emergency logistics specialists, Evolution Time Critical.

Brad Brennan, the company's managing director says: "Although there has been a three-year preparation period, in several European countries the majority of shippers have not yet been able to meet the stringent

requirements to enable them to have their premises inspected and approved. From 29 April, they will have to join the queues for x-ray inspection or scramble for the dwindling spare capacity on freighter services. They face significant delays either way."

Evolution says that there are unlikely to be enough x-ray facilities to cope with the extra throughput, especially at the larger airports, nor is there sufficient spare capacity on freighter services for the transfer of some urgent shipments. It expects a spike in the demand for emergency logistics to help customers avoid delays. The biggest issues are expected to arise in Germany, where between 50 and 70 percent of freight will be classified

'unsecured' under the new regulations, and subject to x-ray inspection. It is estimated that only 10 percent of German shippers have known consignor (KC) status. Delays are expected to ease as the new systems bed in, more x-ray capacity is introduced and more shippers obtain KC status, but it is the early impact which is expected to be the most challenging.

In other EU countries a similar situation is expected, with many shippers unable to be approved to KC status ahead of the deadline. Despite investment in additional x-ray facilities, delays in freight acceptance of up to 24 hours are initially anticipated until more companies complete the accreditation process.



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# Boom times gone for good?

(Continued from front cover)

A good way to do that, he says, is to scrap surcharges. "We have a budget, a plan, a margin and we have told the customer how much we are going to spend. You cannot just increase the costs [with ad hoc surcharges]. It is not professional. You need to find a more stable way to work."

Another approach is to adopt e-Freight: "Ericsson flies one full 747-worth of documents every year," he says. "Think of the savings we could make if that was all digital."

These are just surface issues, as Mellin's comments suggest a need to overhaul the entire industry. "Forwarding? That is old school. Things are changing. We need logistics companies with sustainable, long-term solutions."

**MELLIN**

Forwarding? That is old school. We need logistics companies



"In the past, we were hostages to LSPs [logistics service providers] because we did not have the planning in place. Now though, we have planning, better tools, in-sourced intelligence; we know what we are doing. That puts us in a new position."

Collaboration is essential, he says: "There are solutions for you to become more efficient as long as we start discussing them. With better planning, we are able to give you a better forecast about our cargo demand. We are doing things that you will be able to bring to your favour."

## Volga-Dnepr Gulf begins Sharjah Airport operation



**VOLGA-DNEPR GULF** has started operations at its new facility in Sharjah, United Arab Emirates. Approval for operations at the hangar was granted on 8 April following checks by the Department of Civil Aviation.

Operations were kickstarted by the towing of the first aircraft into the hangar, an Antonov An-124 Ruslan freighter belonging to sister company, Volga-Dnepr Airlines. The procedure was carried out in cooperation with Sharjah International Airport ground-handling department and aero-safety management.

The hangar will be used to provide aircraft maintenance, component repairs and overhaul services by Volga-Dnepr Gulf, which represents Volga-Dnepr Technics in the Middle East.

Managing director, Victor Sherin, says: "Congratulations to all the team involved with the first aircraft towing into the new hangar for maintenance."

## Emirates leads the pack in e-Freight

Implementation of electronic-air waybills (e-AWB) has begun, with Dubai-based carrier Emirates SkyCargo leading the pack. The cargo division of the world's largest airline has long been a proponent of IATA's e-Freight initiative.

The multi-lateral e-AWB standard was recently ratified at the World Cargo Symposium in Doha. In the run up to its implementation, Emirates SkyCargo put in place over 120 bilateral e-AWB agreements with its customers to ensure a smooth transition from the current paper format.

Emirates senior vice president for cargo, Ram Menen, says: "We have received increased interest in e-AWB adoption from our customers [and a] heightened interest industry-wide. We are at an important junction for the cargo industry, with the future looking bright for e-Freight adoption."

The carrier has involved industry stakeholders in the adoption process for the e-AWBs, including customs, handling agents, freight forwarders and relevant government entities.

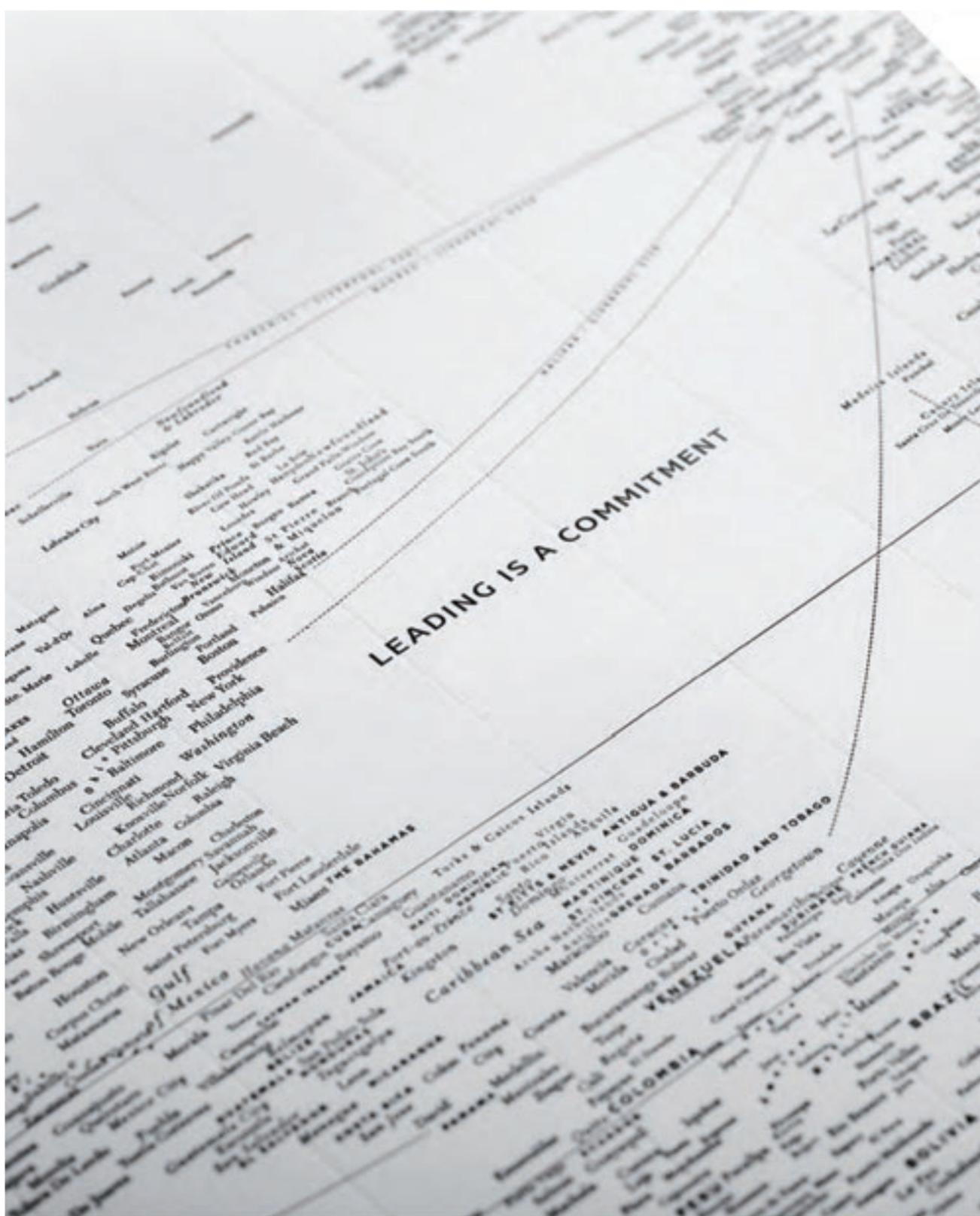
Menen says that the e-AWB process gives flexibility, making it easier to manage processes electronically with customers.



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WORLDNEWS

**AIR CARGO GERMANY** has suspended its cargo operations. The suspension came into effect as of 18 April. Comprised of four aircraft, the cargo-only carrier runs operations between Frankfurt and destinations in Africa, Asia and Latin America. CEO, Michael Scaecher, says: "The suspension is temporary, with the airline and its shareholders currently reviewing a solution." Shareholders include the Russia-based carrier, Volga-Dnepr Airlines, which holds a 49 percent stake.



**POLAR AIR WORLD CARGO** has announced that it will initiate a daily express freighter service between Cincinnati, US, and Tokyo.

The new service will utilise a Boeing 747-400 and is set to begin at the end of April. An existing daily service is already operated by the carrier between Cincinnati and Nagoya, Japan. In addition, the carrier has also said that it will double the frequency of its widebody freighter connections to Australia. This should assist in optimising the intercontinental networks of Polar World Air Cargo clients, including DHL Express.

Executive vice president, Thomas Murphy, says: "The Ohio valley has a concentration of Japanese manufacturers that require an increased and reliable daily service."

# Customs still confusing

The difficulties of navigating global customs still causes forwarders and shippers problems, says Harald Schoenfelder, managing director global trade services, FedEx Express EMEA. He offers some advice that forwarders should completely understand and then try to educate new shippers about to help ease cargo flows and prevent delays.

"Probably the most essential piece of advice is that 'preparation is everything'. You need to spend more time on the front end; that way you can hit the ground running. You also need to understand the process [and] the differences between countries. Customs procedures are in constant flux and each product/commodity has different rules associated with it. I am not saying that it is essential to understand every single customs rule and regulation for each destination country in detail...but it could be a good idea to have an overview of the basic rules.



**SCHOENFELDER**  
preparation is everything

"You also need to know the local markets and local customs rules. You should think like a local – the more firsthand information you have the better. To achieve real competitive advantage, you must be able to develop intimate knowledge of the local environment and ensure you meet the requisite local standards.

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## Schiphol to help drive off inefficiencies

**DUTCH BUSINESSES** including Schiphol Cargo, Cargonaut, KLM Cargo and Air Cargo Netherlands have signed an agreement to advance the process of information exchange in the logistics chain.

The agreement, known as the Neutral Logistics Information Platform (NLIP) will allow supply chain partners to input information once and then share it throughout the entire chain.

Schiphol Cargo senior vice president, Enno Osinga, says: "We are very pleased to be a partner in this initiative. We strongly support any move that drives in-

efficiencies away from the supply chain; the NLIP's goals exactly match our own."

Osinga says he believes the NLIP will further strengthen Schiphol's position as an "integral element of the Netherlands' multi-modal hub proposition". In the longer term, he hopes that the move will set an example to the global logistics chain, and provide a "healthier future".

The NLIP is comprised of 16 signatories. Alongside the input from Dutch businesses, the scheme has governmental support, with the country's Ministry of Economic Affairs signing up to it.

## Ruslan shifts oil platform component



**RUSLAN INTERNATIONAL** has been involved in the movement of a 101-tonne oil platform component from Bergen, Norway, to Busan, South Korea.

Carried out on an Antonov An-124, the operation surrounded the movement of two support frames and a separator.

Ruslan International commercial executive, Alexander Kraynov, says: "This highly unusual cargo once again proved the exceptional capabilities of the An-124."

Due to the size of the shipment, and the fact that it exceeded the main cabin height of the An-124, Ruslan's load planners had to design support cradles for the load and attain approval from Antonov's design bureau for the flight.



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MTOW: 355,000 LBS / 328,000 LBS • Fuel Burn: 1,650 GAL / HR / 1,550 GAL / HR

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# CBI calls for cuts to night-flight limits



**T**he Confederation of British Industry (CBI) has called on the UK's government to ease current restrictions on night flights.

"Night flights are an important ingredient of a competitive business environment," says Mark Dittmer-Odell, the CBI's senior policy adviser of infrastructure. "[They] form an integral part of the business models of many of the UK's key sectors, boosting exports through

enhanced connectivity, increasing productivity, creating resilient supply chains and enhancing international competitiveness.

"The relationship between direct flight connectivity and trade is now well-established. Based on analysis of growth in direct flights and trade between the six largest EU economies and the eight largest fast-growing economies, recent independent analysis conducted by Steer Davies Gleave for the CBI indicates that where

flights have flourished, so too has trade. Analysis shows that eight additional daily routes to emerging economies could deliver a boost to trade of £1 billion a year alone.

"At a time when the UK is looking to business investment and exports to kick-start growth and boost our performance as a trading nation, the government should be doing all it can to encourage businesses to explore their options in the global marketplace."

Dittmer-Odell admitted that this must be balanced with further work by industry. "There is still more to do, and further reductions in noise can be expected as manufacturers continue to innovate at pace and airlines and freight companies replace older planes, but now is not the time to shift the goalposts. The government should maintain the existing regime, while leaving sufficient headroom in forecasting to avoid hindering economic recovery as the UK returns to growth in the coming years."

## WORLDNEWS

**CARGOLUX** has released its full-year results for 2012, which show that the company made a \$35.1 million loss on revenues of \$1.7 billion. Despite the huge drop, the carrier performed better than expected, due to an uptick in demand during the last quarter. This increase prevented it making the \$57 million loss it had budgeted for.

**ASIA AIRFREIGHT TERMINAL (AAT)** saw a four percent increase in cargo tonnage throughput for the month of March, according to figures released by the company last week. Export cargo rose by one percent to 47,565 tonnes. Imports into the Asian hub grew by eight percent to 19,617 tonnes.

## Emirates SkyCargo to fly into AFS

A NEW CARGO-HANDLING partnership between Worldwide Flight Services (WFS) and the South African airline SA Airlink, has landed Emirates SkyCargo as its launch customer in the South African cities of Johannesburg and Cape Town.

Named Africa Flight Services (AFS), the new venture has opened a 3,000 square-metre cargo handling facility at O.R. Tambo International Airport, Johannesburg. In addition, it has a 2,340 square-metre freight centre at Cape Town International Airport.

Presently, 64 staff are employed at the Johannesburg facility, while the Cape Town operation has 42 employees.

Chief operating officer, WFS, Barry

Nassberg, says: "AFS is a new brand for our expansion plans in Africa. This is an important and growing market for us. We want to give it a dedicated focus, but with the ability to draw on all the expertise of our network."

"We are proud to announce Emirates SkyCargo as our launch customer, and we are extremely appreciative of the airline's support."

Africa Flight Services will be managed by former Bidvest Panalpina Logistics general manager Malcolm Tonkin.

The two facilities have been equipped with pallet-handling systems, a fleet of forklifts, and new x-ray screening machines.

## Lambert-St Louis's cargo growth

**WITNESSING** A 3.5 percent increase in freight and mail movement, Lambert-St Louis Airport recorded its best first quarter result in two years.

The airport's outbound freight rose 3.6 percent, with total tonnage just shy of 8,000. Inbound cargo increased 2.5 percent to 8,452 tonnes.

Cargo development director, David Lancaster, says: "We have seen healthy growth in all sectors of our business so far this year. It's too early to say whether this trend will hold up throughout the year,

but there is certainly more optimism than there has been for sometime."

Lancaster went on to say that he hopes business will pick up even more once its international marketing campaign gains traction.

"Freighter operations face huge challenges right now, with a perfect storm of soft rates and high fuel prices," he continues.

According to Lancaster, the addition of one freighter operation will dramatically impact upon the airport's cargo statistics.



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## Overcoming obstacles



AS THE MANUFACTURING hub of Europe, Germany's export market offers a direct correlation to the health of the European economy. Even so, a 3.4 percent increase in exports during 2012 failed to offset the damage wrought by a decline in overall European exports, which fell 0.3 percent.

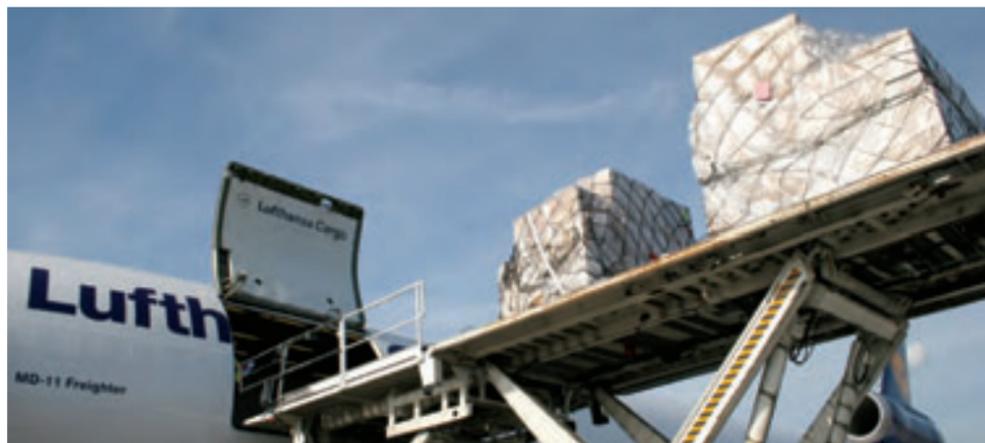
There are a number of discouraging signs and rumblings in Germany that could affect those in the airfreight sector. Government interference when it comes to the night-flight ban – look at Frankfurt – is denting

the aviation sector. At a time when economies are trying to kick themselves back into gear, this sort of obstruction provides an unnecessary headache. Of course, not all airports are under the constraints of a night-flight ban, Cologne-Bonn is just one example happily highlighting the fact that it can operate 24 hours a day without being hindered by the obstructive legislation.

Though it would be unfair to suggest the German market is plagued by problems, it is not all doom and gloom. Many are suggesting this year will be a pivot on which the German economy turns round.

Should these commentators be correct, the news can only be good for the manufacturers in the country. When manufacturing thrives, the export market thrives. This can only be good news for the airfreight industry.

## Reliant on Germany



Like many freight airlines, Lufthansa Cargo had its share of problems last year. The German freight carrier's operating profit plunged 58.2 percent, year-on-year, while its tonnage and revenue lagged a disappointing — albeit much less dramatic — 8.5 percent and 8.7 percent respectively. Fortunately, Matthias Eberle, the carrier's spokesperson, says, 2012 did offer some bright spots.

For starters, domestic traffic was relatively strong, with Germany outranking every other region in terms of cargo volumes. Tonnage-wise, Lufthansa Cargo saw high quantities of industrial goods on flights in and out of its Frankfurt Airport hub. Exports, however, continue to be Germany's bread and butter. The nation currently trails only China in terms of export volumes, thanks to its booming pharmaceutical, heavy machinery and automotive sectors.

What is more, Eberle says, the export of goods and services accounts for roughly half of Germany's gross domestic product. "But quite apart from quantitative norms," he says, "the German market is very important to us in every respect."

After all, Eberle says, a company's success is directly tied to its performance in its domestic market. "Each [carrier] has to be strong in its home market; only then can it compete well in other markets in the long term."

Despite this, Eberle admits to ACW that the traffic Lufthansa Cargo witnessed in Germany isn't as impressive as its growth in Asia. China,



### EBERLE

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## Big cargo, small crate



JETTAINER, THE GERMANY-based ULD management company, has helped Lufthansa Cargo expand its horse stall fleet.

The new drop-top design, from Dutch ULD company VRR, is collapsible – folding down to 1622 mm (63.9 inch) – allowing it to be shipped on a lower deck instead of the main deck.

The roof structure is profiled on one side to allow side-by-side loading in a variety of widebody aircraft, such as MD-11F, A330F, 777F and 747F, although it has been tailored for Lufthansa Cargo's MD-11Fs.

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## Airfreight drives German economy



**S**üleyman Demirci, managing director of Germany-based service provider Wisskirchen Logistik, says airfreight is more than a boon to Germany's economy — it is the economic engine. "Given the continuing demand for German goods, especially in high-quality segments, we assume that international air cargo will continue to grow at an estimated growth rate of about six percent, even though handling volumes in 2012 decreased temporarily by 2.2 percent to 4.3 million tonnes," he says.

Facilitating such growth has led numerous German airports to expand their cargo facilities, Demirci reveals. Unfortunately, he says, night-flight bans — such as that imposed at Frankfurt Airport in October 2011 — have drastically impaired the nation's freight capabilities. Since cargo carriers often fly at night, restricting their hours of operation cuts into their profit margins, Demirci explains. It has also compelled carriers to move their freight operations to secondary European airports.

The rise of low-cost carriers is ushering in a new era for German airports even further, he maintains.

"Similar to passenger air traffic, air cargo carriers are facing increased competition from low-cost carriers, as well as competition from emerging markets, and are forced to adjust their prices accordingly," Demirci tells ACW.

Add to this challenge the implementation of a new European Union directive on export airfreight security, and it makes for an even more difficult environment for German airports and freight carriers. According to Demirci, companies that weren't recognised as official consignors before the allotted deadline are now facing heightened freight costs, as well as risking significant delivery delays.

Demirci says Wisskirchen Logistik, which operates at Frankfurt, Munich and Cologne/Bonn airports, has responded to this challenge by developing integrated security services to complement the overall handling process. The company's services will be rolled out soon, he says, and will enable consignors to avoid lengthy and costly certification processes.

Wisskirchen Logistik's security initiatives will also help companies when the EU directive is applied to imports — legislation that is slated to take effect in 2014.

"Together with globally operating handling companies, we will be able to fulfil the requirements of this new directive by providing integrated security services already abroad — before goods are shipped to Germany," Demirci says.

He's hopeful that such advancements will enable the German airfreight market to better handle the influx of goods entering and exiting the region and allow cargo to remain the nation's preeminent economic engine in future.



### DEMIRCI

Night-flight bans drastically impair freight

## Frankfurt rebounds despite ban

**ROBERT PAYNE**, spokesman for Frankfurt Airport owner and operator, Fraport, says the hype surrounding the German airport's night-flight ban is a bit overblown.

In the 18 months since a German high court imposed the curfew, Frankfurt Airport has consistently ranked among the top cargo airports in the world, reaching ninth place in 2012, and in Europe it trails only Paris Charles de Gaulle (CdG) in terms of freight volumes.

"The difference between us and CdG is that they have a major FedEx hub and get a lot of tonnage that way whereas our cargo tends to be much more diverse," he tells ACW. "We see everything from A to Z — car parts to pharmaceuticals to specialty products."

Currently, freighters carry roughly 60 percent of Frankfurt Airport's cargo, with the remainder transported in the belly of passenger aircraft.

Payne says the ban has actually had little effect on the quality of cargo that Frankfurt Airport handles, although he admits that it has disturbed Lufthansa Cargo's operations.

"Since they're our home carrier, the ban has been a challenge for them," he concedes.



Challenging environment or not, cargo volumes have been up lately. After more than a year of declines, freight traffic at the German airport swelled 1.1 percent in the first quarter of 2013, reaching 502,051 tonnes. March was a particularly strong month, growing 4.4 percent to 195,590 tonnes. Payne attributes these gains to a slight uptick in the global economy, as well as increased flight frequencies.

He hopes the airport will continue on its growth trajectory this summer, despite recording a 1.3 percent drop in weekly freighter departures. Even so, he says, it serves as the region's top logistics hub and offers the most inter-continental cargo connections to and from Germany — ban or no ban.



WORLD SKY GATE\_NARITA

# China turning inward?

**M**arch bore witness to a surge in imports into China, according to branch manager of Weiss-Rohlig Taiwan, Holger Stoelker. Even with the country reeling from an economic slowdown, its domestic logistics and distribution section remained buoyant, with Stoelker attributing this to increased consumer demand.

In the face of this apparent success, Weiss-Rohlig's man was reticent at becoming overzealous, opting to approach the news with caution: "There is a great deal of volatility in Asia, Europe and across the Transpacific; airfreight, overall, remains down."

Part of this pessimism possibly comes from how the Chinese airfreight sector is performing internationally. Where once China was the production hub of the world, its neighbours are offering it a run for its money, with lower production costs and a more reliable workforce. The knock-on effect of this is that the country

isn't shifting as much globally as it once was and would no doubt still like to be.

"Air and ocean rates, at an international level, are flat, and global freight forwarding has become commoditised. In China, the domestic market is where the action lies, for us at least," says Stoelker.

Over the next 12 months, Weiss-Rohlig will be hoping to consolidate its current operation and explore new areas for clients.

Through this, the company intends to become more efficient, with a look to reducing costs.

"We have been expanding across China and are now looking to opportunities in the central and western regions. Developing our network capabilities is where the future will take us," he continues.

Stoelker believes Weiss-Rohlig benefits from a flat management structure, allowing for the swift decision-making used to push this ahead.

In addition to its domestic movements, the company will be looking for new ventures across Asia and Europe.

"Opportunity is the biggest plus. Even though the freight and logistics sectors are very competitive, the business is still very open and expanding. In China, people work very hard and are ambitious, all of which drives things forward," he continues.

When it comes to the airfreight and logistics market as a whole, Stoelker is not the sort to pull his punches, and offers an answer that gets to the root cause of what is missing: collaboration.

"Closer collaboration between providers, customers, ports and airports would definitely



lead to greater efficiency throughout the supply chain. The technology is there to enable this

integration, it just requires a better approach from the people involved," he concludes.



**STOELKER**  
Opportunity is the biggest plus

## Is the tide changing in China?

**FOR THE PAST DECADE** China has consistently exceeded expectations in terms of economic growth. But last year presented the country with the first in which, to the surprise and chagrin of observers, it underperformed.

However, ACW suspects there are many in the west that would not snub their noses at economic growth in excess of seven percent.

Even so, it is a marked contrast to the traction the country had gained in the years preceding it. In addition, it may be indicative of the coming few years, as China prepares to go through the teething

stages of economic expansion. Increasing land costs are forcing rents up, and low wages are likely to further heighten the exodus of skilled workers. In a country where the workforce is incredibly mobile, retaining staff is problematic at the best of times.

The volatile effect this has on the airfreight and logistics sector will come as no surprise to many. While change always leads to the creation of new opportunities there will, however, need to be a change in direction and an element of adaptation if the air cargo industry wishes to survive through the turbulence.



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