

cargo vision

BREATHE EASY
RUNNING MAN
DAYLIGHT ROBBERY

E-FREIGHT D-BATE

ENDURANCE



■ Long-distance athletes use a variety of tricks to overcome fatigue and keep their bodies in motion. A runner listens to the thump of each foot hitting the ground. A swimmer feels only the hand that pushes against the water. A desperate explorer counts his footsteps as he struggles to survive a blizzard. All of these strategies have one purpose: to keep the athlete's attention on managing his effort in the present moment. Thoughts of the past, anticipation of the future and any other feelings are simply noise. By concentrating only on one small effort repeatedly and excluding all distraction, the impossible becomes difficult, and the difficult attainable.

Business today calls for similar strategy. Looking at the broad picture, we see only crisis: global warming, economic recession, the depressed state of the airline industry. We'd like to think it is just noise, but there are bills to pay and people to feed. To survive the difficult race, no, to succeed with grace, we concentrate attention and energy on the tasks at hand. In this issue of Cargovision, we examine some of the work that is currently underway.

One example is the e-freight initiative, a program designed to eliminate paper documents from the airfreight transaction. It has had a successful start since last year's launch of pilot projects in five countries. The program had expanded to 18 countries early this year, and our own tally increased from 30 shipments per week in January to over 220 per week in March. But we are still far from our goal. Although the initiative is helped by "the digitization of trade," as one source calls it, the move to automate customs filings and file advanced manifests as well as other concerns are obstructing more widespread use.

Emissions are another hot issue. When a major shipper asks its 'supply chain' partners to support its policies, forwarders need emissions data from carriers to explain how they can help reduce CO₂ emissions. Recently, AF-KL Cargo became the first company to offer CO₂ compensation with voluntary emissions reduction credits for air cargo customers. The new service, known as CO₂mpensation, is being offered as part of AF-KL Cargo's corporate social responsibility program.

The Triple Seven freighter enables customers to fly shipments with greater flexibility, fewer CO₂ emissions and less environmental impact. AF-KL Cargo became the first airline to operate the 777 freighter in February, a signal of the company's ongoing commitment to the environment and its customers.

Meanwhile, the impact of the ongoing economic crisis continues to spread. Intense cost pressure is driving manufacturers to demand lower rates from suppliers. If this forces logistics providers to reduce service standards, will it affect security?

All this and more in this issue of Cargovision,

Sincerely,

Jan de Vegt
Vice President Asia
Air France Cargo-KLM Cargo



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IATA's e-freight project got off to a successful start. But can it achieve critical mass? The general feeling is that it will, but there are doubts.

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Meta Ullings became SVP of Martinair Cargo sales and marketing in 1994. She reorganized the sales organization, bringing rapid expansion, healthy financial results and a 15th place ranking among cargo carriers.



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16 BREATHE EASY

Forwarders want information about CO₂ emissions. But does this influence their choice of carrier? For those with vigorous social responsibility, AF-KL Cargo now offers a new alternative: voluntary compensation for emissions.

19 RUNNING MAN

Andy Newbold is in charge of AF-KL Cargo's express product Equation. He is currently heading a drive to improve service by adjusting the way his teams report on activities and by improving communication between operational and commercial departments.



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AF-KL Cargo became the first carrier to operate the Boeing 777 freighter. The Triple Seven now enables customers to fly their shipments with greater flexibility, fewer carbon dioxide emissions, and less environmental impact.

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Under intense cost pressure, manufacturers are demanding lower rates from suppliers. If logistics providers reduce their service standards, how will this affect security?

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COVER IMAGE

Opening doors
 © Ryan McVay/Getty Images

E-FREIGHT D-BATE

BY PETER CONWAY

IATA's e-freight project got off to a successful start. Now the crucial test is whether it can achieve critical mass. The general feeling is that it will, but there are doubts.



■ Given the skepticism that greeted it in some quarters at its launch, IATA's e-freight project had a pretty good 2008.

The initiative, which aims to remove all paper documents from air cargo, started the year with proof of concept pilots in five countries, and had a target of expanding that to 14 countries. In fact, it managed to sign up 18 countries, including the US, Canada, most of the main European markets, six Asian countries, Dubai, Australia and New Zealand. This year, Malaysia, China, Japan, Switzerland and Belgium will join them.

Aleks Popovich, IATA's head of cargo, and his team can permit themselves just a brief pat on the back, however, because the challenge now starts. Most airlines say they are doing only a few e-freight shipments to a few destinations. The benefits of e-freight will only start to flow once the initiative is present in 44 locations, on routes covering 80% of air cargo capacity, and in use for at least 30% of shipments on those routes. Mr. Popovich is confident this can be achieved by the latter part of 2010, claiming that IATA's monitoring shows that the 15% of shipments that can move by e-freight do, despite all the countries added during the past year. But talk to airlines or forwarders and one gets a picture of a program that is still at its earliest stages.

AF-KL Cargo, for example, moved 220 e-freight shipments through Schiphol airport in March – a big increase over 30 per week in early January but still far from industrial-scale ramp up. Holger Bilz, head of global airfreight operations, quality, compliance and technology for DHL Global Forwarding, says that DGF is unable to industrialize e-freight. He suggests that other participants are only pursuing e-freight as a hobby.

WHO'S NEXT?

Why the slow ramp-up? Airlines say they are just waiting for forwarders to use e-freight. "The barriers are whether we fly to e-freight countries, whether forwarders have shipments for those countries, and whether they are using e-freight with AF-KL Cargo," says Jerome Fruchet, head of project for logistics and engineering at AF-KL Cargo.

Air France flew its first e-freight shipment in December and by early March was using it for export shipments only from Paris to Singapore. Mr. Fruchet says more routes are under preparation, but it is a question of doing IT tests on each of them and gauging forwarder demand. On the import side, Air France can theoretically monitor shipments from any e-freight country. The carrier does its best to participate in e-freight working groups in these locations, Mr. Fruchet says. "But this is an issue of staff time." >

> On the forwarder side, Mr. Bilz has a catalogue of challenges that stand in the way of greater e-freight participation. Moreover, since DGF is the only forwarder to try e-freight in all available countries, the views of Mr. Bilz have considerable weight.

Some of the problems have quick solutions but others will persist. One of the former is the need for IATA to agree on a new contract to replace that on the back of the paper air waybill. However, even this seemingly simple task presents a number of tricky issues. One is whether the electronic message should prevail over the paper document when there are discrepancies. Mr. Bilz says this will create problems for trucking companies that are not party to the e-freight program and rely on paper documents. For example, if a driver is stopped by police.

Mr. Bilz also rejects any requirement under the new contract for the airline Ready for Carriage message (FSU/RCS) to automatically update the forwarder air waybill message (FWB). "If I send an FWB that says 10 pieces, and the carrier only registers eight, they can't just change the FWB. We need exception management."

Maintaining shipper confidentiality is another problem. Some shippers have nondisclosure agreements that prevent forwarders from revealing a consignee's identity. However, Mr. Bilz says, several airlines – particularly in Asia – insist on receiving the house air waybill (FHL) (type-2) message that contains these details. "If they ask for that, I can't do e-freight."

SLOW TALK

Although these issues can be resolved by negotiation, forcing every forwarder and carrier to reach agreements individually will slow down e-freight adoption, Mr. Bilz adds. IATA needs to listen more carefully to forwarder concerns here and not just support the airline view, he believes.

Other challenges are more intractable. The biggest one is the need to scan and transmit dozens of documents that are not yet covered by electronic messages, Mr. Bilz says. It is not uncommon for the commercial invoice for a shipment of spare parts to have 128 pages. This adds a huge amount of work and strains IT systems. "If I have this extra work when I am doing 10 shipments, it will be a thousand times worse when I am doing 10,000."

One answer would be to have shippers send the information electronically, but they would first have to see benefits to themselves before investing in this process. The advantages could be faster transit times and customs clearance. However, Mr. Bilz says that many customs staff, even in e-freight countries, still demand paper documents. Mr. Bilz believes that IATA and airlines should pressure customs authorities to speed up the introduction of e-freight.

FAST AT LAST

AF-KL Cargo can at least help e-freight forwarders with faster transit times, says Jan Vreeburg, director of operation and innovation for its Schiphol hub, because it is now allowing them to deliver and collect full pallets at air-side. "This will reduce both cost and connection times, but

we need a critical mass of demand to realize the benefits."

It is this kind of vision that excites Dutch-based Rhenus Logistics, says Ivo Aris, managing director of its Dutch airfreight division. Rhenus sees e-freight as part of a new strategy for air cargo, where goods flow directly from airline to forwarder warehouse, where customs clearance will be automated and journey times will be cut by at least a day.

Rhenus expects to introduce this concept on a large scale after it moves to a new air-side facility in Schiphol Southeast in July 2010. By then it hopes to change its current processes to e-freight ones. For now, e-freight shipments are only a fraction of Rhenus' total volume, Mr. Aris says. They serve mainly as a learning process albeit an important one. "In the future, we will not make money by re-keying data. The world will change, and we are trying to evolve into a new business model. Many forwarders are ignoring this when, with very little investment, they could join in."

Although Rhenus says the investment needed to join e-freight is as much a question of time as it is of money or changes to IT systems, not all forwarders agree. Mr. Bilz says DGF made substantial changes to its IT system and messaging capability. Other forwarders have to tackle the problem – which DGF does not have – of having different IT systems in different parts of the world.

IATA also recognizes that there is a large category of small to medium-sized forwarders who might not have EDI connections to airlines and might be nervous about joining e-freight. To that end, the organization is holding a series of meetings with forwarders worldwide – the first was in Singapore in February – to listen to their concerns and resolve glitches.

NO ESCAPE

Another priority for IATA in 2009 is to add more airports in countries already signed up to e-freight, for example in the US, Canada, and the UK. This involves help and advice to forwarders, ground handlers and airlines at these locations.

Hopefully, this detailed, local work will gradually help win more users to e-freight, though there is a danger that, like many previous initiatives to change the airfreight industry, e-freight could also run into the sand. A worrying parallel is e-booking, which has not



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Faster handling processes, fewer data errors, less lost cargo and higher quality services

taken off as expected despite its much-vaunted benefits.

Proponents of e-freight reckon this time is different because the initiative is running with the tide of history. As a forwarder, Mr. Bilz says that the biggest driver for DGF is a feeling that without e-freight, import warehouses will simply clog up in five years. "Now we are in a downturn, but in normal times import warehouses are filled. Unless we speed up transit times, we won't be able to cope with growth."

Moreover, Rhenus' Mr. Aris points to what he calls "the digitization of trade", by which he means the automation of customs filings and advanced manifesting for security reasons – which is being

extended to Europe for exports in July this year and for imports a year later – as well as other legislation. "There is no escape from this. There will be two types of companies: those that ignore it and fail, and those that embrace it and survive."

From the carrier's side, both Mr. Fruchet and Mr. Vreeburg present a vision of faster handling processes, fewer data errors, less lost cargo and higher quality service. "That means less cost and more speed, and you will be able to measure all this with Cargo 2000," Mr. Vreeburg says. "E-freight simply leads to higher quality." ■

Jan Vreeburg:
"AF-KL Cargo can at least help e-freight forwarders with faster transit times, because it is now allowing them to deliver and collect full pallets at air-side"



Our quarterly review of industry news keeps you abreast of developments in key sectors around the world.



Aircraft production in Toulouse

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AIRCRAFT - World

SEATTLE

The worldwide jet freighter fleet shrank last year, says the Air Cargo Management Group. The current fleet of 1,686 freighters is 6% smaller than the 1,797 aircraft that flew a year ago. While the number of Boeing 747-400 freighters increased by 23 to 202, the number of classic Boeing 747 freighters declined by 31 or 19% and the size of the narrow-body fleet of 727-100, 727-200, and DC-9 freighters decreased by 100 or 27%.

TOULOUSE

In January, Airbus said that it would not deliver the first A330-200 freighter to Flyington Freighters Private Ltd. of India until early 2010 instead of in late 2009. According to an Airbus representative, production delays for the Boeing 787 have increased demand for the Airbus 330-200, which is comparable in size, prompting Airbus to build more passenger models.

HONG KONG

Kalitta Air parked one-third of its fleet of 20 747-400BC freighters. Cathay Pacific says it will ground two 747-400BC freighters for a year. The Airport Authority Hong Kong also agreed to let Cathay delay opening its new cargo terminal until mid-2013. FedEx postponed delivery of its Boeing 777 freighter for several months. Lufthansa Cargo suspended its wet-lease for two MD-11 freighters and a 747-400 freighter from World Airways. Since January, it has reduced its capacity by 10% and shortened work in hours for 2,600 employees in Germany. In March, Lufthansa grounded two MD-11 freighters based in Leipzig/Halle and parked two others at Frankfurt. Ocean carriers are using similar strategies. Maersk Line, "K" Line and Cosco have all laid-up ships due to the sharp drop in cargo volume.

CARRIERS - World

MOSCOW

Russia's cargo airlines fared well during 2008 compared to the previous year. Volga-Dnepr Group (Volga-Dnepr Airlines and AirBridgeCargo Airlines) transported 267,000 tonnes of cargo, up 25%. Aeroflot Cargo transported 150,305 tonnes of cargo and mail, up 11%. Aeroflot's freighter traffic increased 27% and belly-hold traffic by 1%. S7 Airlines carried 41,619 tonnes of cargo and mail, up 25%. Transaero Airlines flew 24,259 tonnes of cargo and mail, up 35%.

Aeroflot Cargo owes its parent company US\$100 million and Aeroflot is demanding that its cargo subsidiary pay up. The cargo airline incurred the debt in 2007 when it failed to meet its financial targets for 2006-2007, according to Aeroflot. The cargo carrier fell further behind when it decided to expand its fleet with Boeing 737s while it lacked timely measures to start MD-11 service according to the business plan. Aeroflot Cargo is now cutting expenses, reducing staff by 13% and using advanced budgeting technologies to recover its financial stability.

Aeroflot may need the money from its cargo subsidiary to support its bid for the 92% of Czech Airlines recently tendered by the Czech Finance Ministry. The Russian carrier is one of 10 firms interested. Aeroflot will seek loans to pay for the deal and will file a bid jointly with a financial partner to share payments. CSA's estimated worth is about US\$800 million, meaning that 92% could go for US\$735 million. A more precise figure will become available when CSA discloses its debt.

BEIJING

Air China was preparing in January to buy the 24% of its freight subsidiary, Air China Cargo that it does not own. Those shares are held by Capital Airports Holding Company and have an estimated worth of 798 million yuan (US\$116.7 million). Local observers believe that once Air China fully controls Air China Cargo, it will use the cargo subsidiary to establish a joint-venture airfreight company with Cathay Pacific.

DUBAI

Emirates Airline plans a 17% increase in cargo

capacity this year with the arrival of two new Boeing 777 freighters and 18 new wide-body passenger jets. Besides increasing the presence of Sky Cargo in China and Africa the new aircraft will increase cargo capacity by approximately 10% to Europe, 4% to Australia, 17% to the Middle East, and 15% to Africa.

Meanwhile, Maximus Air Cargo, recently acquired by Abu Dhabi Aviation, has ordered four C-17s and 12 C-130s, according to the company's original owner, Fathi Buhazza. The new aircraft are scheduled to begin arriving in 2012.

FORWARDERS - World

TOKYO

These difficult times are really new business opportunities, says Shunichi Yano Yusan, president of Air & Sea Service Co. Ltd, adding that the current market is forcing customers to demand more sophisticated and diverse logistics services. In January, Yusan incorporated representative's offices in Monterrey and Mexico City into the company so that it could oversee their

local operations more effectively. As US-Mexican cross-border logistics grow more complex, the new structure will simplify cooperation with Yusan's US branch. Yusan also began to reorganize offices and warehouses in the Hong Kong area during January. Better administration, integration and warehouse management are expected to improve pricing and service in this competitive market. In February, Yusan's Korean group combined its Busan branch and the Gimhae Airport office into one facility inside the airport's new cargo building. The new office has easier access to the logistics center at the port and simplifies working with both air and sea cargo.

DUBAI

Aramex reported a net profit of AED147.3 (€32 million) last year on turnover of AED2.080 billion (€477 million), 21% and 17% increases respectively. Fadi Ghandour, founder and CEO of Aramex, said 2008 was a good year for the company. Mr. Ghandour says that good cost control improved the result and that the company's strong balance sheet will enable it to make new acquisitions in strategic markets.

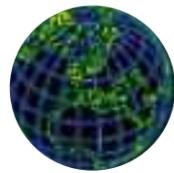
PANAMA CITY

The Women's International Shipping & Trading Association is setting up a branch in Panama to provide a forum for women in one of the small but significant maritime nations. From its headquarters in the United Kingdom, members of the association will help the new Latin American chapter establish links with women professionals in shipping, legal and insurance industries as well as its own 1,000 members worldwide.

Airport in Dubai



© Chris Jackson/Getty Images



GATEWAYS - World

DUBAI

Airfreight, a significant business at the Dubai airport through its Dubai Cargo Village operation, recorded 1.82 million tonnes during 2008, up 9% over 2007.

DELHI

Delhi International Airport wants to create a 150,000-m² cargo facility that can handle 1 million tonnes annually. It has requested bids to redesign and upgrade the existing terminal and to finance, construct and operate a new 70,000-m² terminal beside it. The plan would provide parking space for 10 freighters besides the six existing stands and boost Delhi's ability to handle express and perishables.

TASHKENT

Korea's Hanjin Group recently struck a deal with the Uzbekistan government to turn Navoi Airport into a logistics hub. Beginning this year, the Korean Air parent will start to build up the airport's infrastructure, including its cargo terminal, equipment and ground connections. A second phase, to be completed by 2013, will concentrate on increasing the airport's cargo capacity, expanding its airfreight network and attracting global logistic companies. Hanjin believes that Navoi can become an important hub in Central Asia and stimulate growth in the surrounding industries.

MARSEILLE

Marseille-Provence airport handled 44,311 tonnes of air cargo last year, 9% more than the previous year. This surpassed the 44,163-tonne record set at the French Mediterranean gateway in 1996. Most of the growth came from express traffic, which increased 19% to 36,859 tonnes.

INDUSTRY - World

LONDON

If the price of crude oil remains in the US\$45-billion range, it will have the effect of giving oil importing countries a stimulus of US\$1,000 billion, more even than the US Administration's US\$787-billion stimulus package, says Nobou Tanaka, executive director of the International Energy Agency. Lower prices this year mean oil producing nations are expected to earn US\$400 billion in overseas sales, less than half of the record US\$970 billion they earned in 2008.

MARKETS - World

ITALY

In February, the owner of Cargoitalia, Alis Aerolinee, said it would buy Alitalia Cargo for €14.5 million. The price does not include aircraft, takeoff or landing slots. Cargoitalia said it would operate one of Alitalia's five converted MD-11C combis, which were retired in December, and employ 15 pilots after the deal closed in March. It would also hire 15 additional pilots for each MD-11C that joins the fleet during the next two years. Meanwhile, three other airlines are rushing to fill the vacancy left by the demise of Alitalia Cargo in Europe's second-largest airfreight market (Germany is the largest). In December, Cargolux applied to Italy's aviation authority to form an Italian all-cargo subsidiary that would begin service in April. In January, Air France KLM agreed to buy a 25% stake in the new Alitalia, thereby increasing its access to the Italian market. In February, Lufthansa began twice-weekly MD-11 freighter service from Milan to New York and Chicago.

SINGAPORE

Leaders in the Lion City continue to display breathtaking agility in spotting global trends and directing resources to profit from them. The individuals who staff the local offices of the multinational forwarders are just as nimble in providing complementary logistics services. Schenker recently earned certificates from the pharmaceutical industry in Singapore for Good Distribution Practice for Medical Devices and Good Distribution Practice in the scope of Active Pharmaceutical Ingredients and Medicinal Products. The forwarder's next step will be to complete a dedicated healthcare logistics hub in the Tuas Biomedical Park in 2009 that is designed and built to meet strict healthcare requirements, including pest control and sealed docks. Panalpina recently opened a new logistics complex near Changi airport. The 11,277-m² facility has the latest equipment for handling and storing chemicals, pharmaceuticals, and electronics.

VLADIVOSTOK

The Russian port of Vladivostok is finally seeing some love. Over 1 million passengers used Vladivostok's airport during 2008, an increase of 8% over 2007. During the year, 14 airlines, 11 Russian and 3 international, operated 5,100 flights, an increase of 11%.



Station of Changi Airport in Singapore

© SOT/Getty Images

With Vladivostok scheduled to host the APEC summit in 2012, work is already underway to improve the airport. In May, Netherlands Airport Consultants BV presents a 20-year master plan for development. Construction begins later in the year, with completion scheduled for late 2011. In June, Moscow's Sheremetyevo Airport will form a company to build the 50,000-m² project at a cost of RUB12 billion (€90 million). The new facility will include a new terminal, parking, hotel and offices, along with rebuilt runways, new taxiways, and parking for wide-body jets.

Meanwhile, TNT Express is expanding domestic and international air links in the Russian Far East. In March, it launched two line-haul flights between Vladivostok and Khabarovsk and between Vladivostok and Novosibirsk. Both are commercial flights that operate on a regular timetable independent of cargo quantity. Shipments of the dominant traffic on these routes – documents, spare parts and equipment – should arrive in one or two days. TNT also plans to connect the Russian Far East with its Asian-Pacific network through direct airline service between Vladivostok and Seoul. When the Korean connection starts, possibly later this year, customers should see delivery in one to three days for most of Asia, instead of the current four to five days. TNT's airline services also enable oil and gas industry workers on Sakhalin Island to exchange parcels and documents with colleagues in Yuzhno-Sakhalinsk, Vladivostok,

Blagoveshchensk or Komsomolsk-on-Amur in one to two days. Also in March, a cargo and passenger ferry began linking Vladivostok with weekly service to Donghae in Korea and Sakaiminato in Japan. And an express shipping line began weekly service between Suzhou's Taicang Port in northwest China and Japan's Port of Shimonoseki. The 36-hour transit for the 300-TEU vessel is said to be faster than air transport at 20% of the price. Most recently in March, the Russian government ordered the transfer of its 52% stake in Vladivostok Air and 100% stakes in two other Far East airlines, Dalavia and SAT Airlines, to the state corporation Russian Technologies. Russian Technologies and the Moscow government will fold the three airlines into a new holding company they are forming called the alliance of Russian airlines. The group will also include Atlant-Soyuz's route network and fleet, as well as AiRUnion, state-owned airline Rossiya, and several other airlines. Russian Technologies will have controlling interest in the holding company.

ENVIRONMENT - World

HONG KONG

The Aviation Global Deal Group was formed in February by Air France KLM, British Airways, Cathay Pacific Airways, Virgin Atlantic Airways, and BAA. The collective will lobby during the United Nations climate summit this December in Copenhagen for a common set of requirements for aviation emissions. Aircraft emissions are currently not regulated by a single



cargovision news around the world

body. The European Union intends to include aviation in its carbon trading scheme while ICAO is formulating its own cap-and-trade system. The new group wants to ensure that upcoming regulations are environmentally sound and fair to all.

HELSINKI

Schenker CEO Thomas Lieb made an interesting case for sustainability at the 24th Logistics Seminar in Helsinki in February. Globalization is here to stay, Mr. Leib said. It means that specific industries are concentrating in selected regions. For example, Singapore is evolving into a focal point for biomedicine. Recent studies indicate that high oil prices only slightly affect the customers' total procurement costs. Nor will higher wage and transportation costs curb the international division of labor. Therefore, logistics providers must devise satisfactory solutions to a steadily rising demand for world-spanning supply chains. With customers' increased sensitivity to sustainability, logistics companies must be able to offer them an intelligent combination of all transport modes that will reduce CO2 emissions.

ONLINE - World

SINGAPORE

Small and medium-sized logistics firms can adapt quickly to change. To help them take advantage of the radical developments in today's markets, e-global Logistics Network (eGLN) offers a set of e-commerce tools for building low-cost networks. eGLN's solutions link customers and supply chain partners through scalable web-based services with the goal of reducing costs, increasing revenues, and improving sales effectiveness.

ISTANBUL

Turkish Airlines became the 28th airline to join the 60 airlines, freight forwarders, ground handlers, trucking companies and IT providers in the Cargo 2000 program.

MUMBAI

Last November, Unisys said it would offer Kale Consultants' cargo revenue accounting system in its air cargo portfolio as both a hosted and licensed service. In March, Cathay Pacific said it would use a revenue accounting system and share it with its subsidiary Dragon Airlines.

LUXEMBOURG

CHAMP Cargosystems said in March that it would cooperate with OAG Cargo to offer real-time rate and booking services to the air cargo market. The agreement enables carriers and forwarders using the system to exchange rate information over the internet more quickly than before.

MOSCOW

Aeroflot Cargo has signed a five-year commitment to use a new cargo booking system from CHAMP Cargosystems, a subsidiary of SITA. Aeroflot Cargo is expanding its MD-11 freighter fleet this year and increasing the amount of cargo carried on its passenger aircraft. The new Java-Oracle based system is designed for web access.

Sheremetyevo-Cargo updated the information management system in its Russland-Cargo terminal. IntegProg, a logistics software support specialist, modernized the system and migrated the data to an Oracle database managed by an HP-UX operating system.

GUANGZHOU

How long before this idea spreads to the air cargo business? Guangzhou Hengliu Network Technology Co. launched E6W6.COM, an online service for marketing container space, a standard unit that is easily quantified. The website lets someone buy space on the spot market, with online carriage charge offers, booking and selling space in advance, and banking services for transactions. Users can also engage in hedging, cost-saving, trust-upgrading and procedures optimization. The site joins with banks to carry out capital transaction, which helps reinforce forwarders' financial credibility and boost IT applications in the forwarding industry.

SECURITY - AMERICA

WASHINGTON

The aviation lobby wants the US government to share any added costs that follow the introduction of 100% cargo screening in 2010. Asa Hutchinson, chairman of the Safe Commerce Coalition, an industry lobby, could not predict the exact cost of the August 2010 mandate. It could include higher consumer prices, flight delays, lost business opportunities, and the possibility that foreign governments and air carriers will retaliate. Half of the air cargo shipped on passenger planes in the United States is now screened as required by a

2007 law. Brandon Fried, Executive Director of the Airforwarders Association believes that the 50% requirement is not a hardship. But he expects that 100% screening will cost US\$10-billion over 10 years, a significant burden on the US\$17-billion US forwarding industry. The Airforwarders Association plans to seek funding in the fiscal 2010 Homeland Security appropriations bill.

LOS ANGELES

The US Transportation Security Administration said over 100 facilities were certified for its cargo screening program as of February. Moreover, it was adding 30 new companies each week. Mercury Air Cargo became one of the first independent cargo screening facilities at its 200,000-ft² terminal at LAX. Using an independent screening facility helps small and medium-sized forwarders, who cannot afford to do in-house screening or keep up with the TSA requirements.

MOVING ON - World

Michael Vorwerk

became president of Cargo Network Services in March. CNS is the US subsidiary of IATA. As part of his new role, Mr. Vorwerk will also become executive director of Cargo 2000.

Terry Coyne

joined Air Logistics in Houston as a consultant in January. Simultaneously, Air Logistics became the general sales agent in Houston for Coyne Airways. Mr. Coyne represented Coyne Airways in the region for the past decade and will continue sales and business development for the firm in his new role.

David Richardson

was appointed president of Lynden International last November. Mr. Richardson has been with the company since 1980 following the retirement of company founder Dennis Patrick, with Steve Tofts taking the post of international vice president.

MAY 12-15

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MAY 19-21

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JUNE 8-10

European Supply Chain and Logistics Summit 2009
Swissotel
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SEPTEMBER 8-10

Air Freight Asia 2009
AsiaWorld-Expo
Hong Kong
www.airfreightasia.com

SEPTEMBER 20-23

CSCMP Annual Global Conference
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Chicago
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SEPTEMBER 20-29

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OCTOBER 12-14

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LEADING LADY

WITH ANDY WESTON

Meta Ullings became SVP of Martinair Cargo sales and marketing in 1994. She reorganized the sales organization, bringing rapid expansion, good performance and a 15th place ranking among cargo carriers. Mrs. Ullings earned her executive MBA at Nijenrode University. Since the KLM group became the sole shareholder of Martinair on December 30, she has been working hard to implement the first steps in the cooperation with Air France Cargo-KLM Cargo.

SUNDAY

My flight landed early this morning after an interesting week in which I visited Singapore, Hong Kong, and Sydney. Next to greeting my staff, I had the pleasure of meeting with our esteemed key accounts during several business lunches and dinners. I thank our clients as well as my staff for their warm welcome.

MONDAY

I start my day working through the vast quantity of email received since I last checked my BlackBerry. Next, I study reports from the weekend shifts and our preparations for the rest of the week. At 11:00, we begin our business unit meeting where we review the past week's performance and plan for the week ahead. At noon, I meet with our board of directors over lunch. The ongoing economic crisis is the main topic. I spend the rest of the day in bilateral discussions with our CEO and VP of European sales and marketing.

TUESDAY

At 10:00, our top team meets. We discuss current affairs at Martinair Holland, focusing on the progress of integration with the Air France-KLM Group, initiated in January. In the afternoon I meet with Arend de Jong, the network SVP of AF-KL Cargo. In this alignment, we have to combine three carriers, each with their own characteristics. We are in the process of optimizing the combined networks and this demands changes by all. Since we became part of the AF-KL Group, we have sought

opportunities for synergies. I end the working day together with my management assistant, analyzing topics such as the upcoming internal and external communication campaign on network adjustments.

WEDNESDAY

In the morning, I start my day welcoming colleagues who came to visit us from all over the world. Twice a year, we offer new colleagues the opportunity to visit our headquarters at Schiphol. Today, they will be shown our maintenance and cargo warehouse facilities. The rest of the day I spend in meetings with our AF-KL colleagues. At the end of the day, I meet with one of our high potentials, who is participating in our management development program, in which a select group of candidates is assigned to challenging posts under the guidance of a mentor.

THURSDAY

My day is blocked entirely with emergency response training. Kenyon, the company who keeps us informed and up to date on recent developments concerning emergency response, will challenge us in an interactive session. My role in the emergency response team is honed once more by the reality and stress that comes with an emergency situation. And the evening brings further excitement at the Schiphol Aviation Awards ceremony. I am proud to see Martinair Cargo win the Environmental Capacity Award for the full replacement of its Boeing 747-200 cargo fleet with the newer and

quieter 747-400 aircraft. Not only is the 747-400 quieter than its predecessor, it also emits less carbon dioxide and nitrous oxide.

FRIDAY

I take a weekly conference call with our area VPs. Our main topics are integration with AF-KL Cargo and the current economical imbalance. In the afternoon, I have a bilateral meeting with our director of strategic development. During this strategic session, our AF-KL Cargo colleagues are invited, for the first time, to discuss alignment progress. Because excellent teamwork is a must to succeed in this competitive market, we decide to end the session with an informal dinner, to get to know each other on another level. We discuss an upcoming strategic meeting with our cargo management team. Later that day, I work out the details of the strategic meeting with my management assistant and secretary. I end my day answering emails and reviewing current affairs. Having left the office late, the glass of white wine that awaits me when I get home is very much appreciated.

SATURDAY

After a week of hard work, it is great to spend time with my husband on a weekend trip. The change of scenery brings with it the realization that I really enjoy my job. I am happy to have the opportunity to deal with so many different aspects of business and to realize that after my many years with the company I can still make a contribution to Martinair. ■



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BREATHE EASY

BY MARK W. LYON

Forwarders want information about CO₂ emissions. But does this influence their choice of carrier? For some, certainly. For many, price is still the key factor. For those with vigorous social responsibility, a new service from AF-KL Cargo gives them a choice: voluntary compensation.

■ The basic equation does not change: burning a hydrocarbon in oxygen produces carbon dioxide (CO₂) and water (H₂O). The worrisome part of the formula for airlines is that burning 1 liter of jet fuel creates 2.5 kilograms of carbon dioxide.

Although aircraft and engine designers are steadily lowering fuel consumption, jet engines will expel CO₂ for as long as they burn hydrocarbons. It is an uncomfortable dilemma. Society cannot afford to give up aviation's benefits, but responsible people want to lower its environmental impact.

"There is no alternative fuel for aviation today," says Anne-Wil Dijkstra, AF-KL Cargo's marketing manager. "The only way to compensate for the CO₂ produced when a shipment flies in an aircraft is to generate an equivalent amount of energy without producing any CO₂, for example through windmills or solar panels."

Recently, AF-KL Cargo became the first company to offer CO₂ information and compensation with Gold Standard VER (voluntary emission reduction) credits to air cargo customers; this service is called CO₂mpensation. The offer is made as part of AF-KL Cargo's corporate social responsibility program, which also aims to reduce the environmental impact through purchasing fuel-efficient aircraft, researching alternative fuels, minimizing ULD weights, and many other projects.

CO₂ VACUUM

Shippers are requesting more emissions data, according to Harm van Brussel, Global Corporate sustainability manager for Geodis Wilson, a forwarder that has been evaluating carrier emissions biannually since 2004. Most of these questions come from global accounts or from customers in consumer markets that need to report sustainability measures or simply want to benchmark vendors. Either way, the demand for environmental data has increased in the past year, Mr. van Brussel says.

Geodis wants to give customers this information. While the company can calculate emissions on trade-lane and shipment levels, it is difficult to ensure broad coverage, because most air and ocean carriers do not provide adequate data, Mr. van Brussel says. "When a customer asks us to support its sustainability policy, we need the respective data from our >



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WHAT IS CO₂ COMPENSATION?

The idea of using compensation to reduce climate change has been brewing for more than a decade. The United Nations Framework Convention on Climate Change, formed in 1992, created mechanisms for negotiating mandatory emissions limits, the most recognizable one being the Kyoto Protocol. Adopted in 1997, Kyoto set emissions targets for most industrialized nations and provided an alternative to meeting those targets through purchase of certified emission reduction (CER) credits from developing nations.

People and businesses not bound by Kyoto can still contribute to climate control by purchasing voluntary emission reduction (VER) credits. Both credits enable someone to offset the CO₂ created from their activity by paying someone else to generate the same amount of energy without producing any CO₂. The two actions cancel each other, leaving the amount of CO₂ in the atmosphere unchanged.

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> carriers to calculate how we can actually reduce CO₂ emissions along the supply chain by 10%, for example. Customers really want this data.”

If airlines had greater transparency in their sustainability reports, Mr. van Brussel adds, the emissions data would be easier to obtain. “AF-KL Cargo has information available for its fleet, but the majority of airlines is not able to deliver yet, even though it would be a competitive advantage to them.”

THE OFFSET

To establish actual emission levels for the CO₂ compensation service, AF-KL Cargo uses an Air France-KLM corporate model to calculate the energy required to fly each shipment and thus its share of the CO₂ produced by that flight. The formula considers freight weight, aircraft type, distance flown, and the ratio of passengers to cargo – in the case of combi and passenger aircraft. KPMG Sustainability gave assurance on the CO₂ calculation method for KLM and Air France data are accorded by ADEME (the French Environment and Energy Management Agency).

To provide an emission-free energy source, AF-KL Cargo funds a windmill park that generates electricity without producing CO₂. The wind farm is audited by independent inspectors and certified by the Gold Standard Foundation in Basel to ensure that its carbon credits are not only real and verifiable, but that they make measurable contributions to sustainable development worldwide.

AF-KL Cargo pays all the costs to administrate the CO₂ compensation service. Every euro it receives for CO₂ compensation goes directly to the windmill park. Customers can take advantage of the program based on a tariff of €6.05 per ton CO₂ (one-half to one-third of the current CER trading price). They can pay full or partial compensation for their shipments during a set time based on actual CO₂ emission.

THE DRIFT

Schenker intends to reduce its CO₂ footprint 20% by 2020, says Jérôme Orsel, assistant to Schenker S.A. Management Board Chairman Joël Moebel and environmental coordinator for southwest Europe. The forwarder asked 10 airlines to present their environmental policies last October so it could gather sufficient data to calculate its own emission levels for trade lanes between Europe, Asia and America. “We do not have our own aircraft and must pressure the airlines,”

Mr. Orsel says. A central service organization at Schenker’s headquarters manages the company’s environmental activity around the world.

Like Geodis Wilson, Schenker is interested in CO₂ emissions from all forms of transport, because it is anticipating customer requests for multi-modal services that create minimal impact. Regulators have concentrated on highway emissions for the past decade and are now turning their attention to airlines. The emissions trading scheme proposed for 2012 will intensify scrutiny and improve emissions reporting during the coming decade, Mr. Orsel says.

MONEY PLAYS

Still, without a global policy for airfreight emissions, there is no basis to recommend one carrier over another, says Jørgen Thorup, export director for Scan Global Logistics. “For the moment, the guys with the money decide – which means that, with the global financial crisis, customers tend to look at price before the environment in order to keep costs low and competitive.”

There are exceptions, however, such as the pharmaceutical industry, Mr. Thorup adds. It is a delicate business and management tends to be well versed on environmental issues. It’s also an industry with money to invest in the future and therefore a different, longer-term outlook for measuring its impact.

Shippers and forwarders that are less mindful of these issues may think twice about paying for CO₂ compensation, unless faced with the equivalent of a value added tax on carriers that exceed certain environmental standards, Mr. Thorup says. “To choose an airline, we must have a policy to work with reliable and trustworthy carriers with new fleets. A carrier who is at the forefront of environmental policy today will have a big advantage in the future.”

Someone must establish global policy and Mr. Thorup suggests that IATA would be a better choice than individual nations. He is looking for an equitable policy that would first standardize a measurement for all carrier emissions, for example either airport-to-airport or door-to-door. Second, create a competitive market without dictating price. And third, give equal advantage to all exporters. ■

RUNNING MAN

BY MARCIA MACLEOD



■ “I’m trying to reorganize the jobs of the Equation teams in each country,” says Andy Newbold, manager of AF-KL Cargo’s express product. “We need more formal processes to make sure we engage with the right people at the right time. Which is why I’m introducing a more structured way of working.”

Mr. Newbold is also tasked with improving the way Equation teams report on activities and developing better communication between operational and commercial departments, which will, in turn, benefit customers.

On top of all this, Mr. Newbold, who moved to Paris in December, is learning French, studying French history, and helping his wife and three children settle in their new environment. Judging by his background, however, juggling all these activities shouldn’t be a problem for him. “I left school at 15, with few qualifications,” admits Mr. Newbold, now 43. “I worked as a postman and drove a London double-decker bus. Then, in 1989, someone told me the people working at the airport were able to fly anywhere for almost nothing. And I loved to travel.”

It wasn’t long before Mr. Newbold was working for KLM at Heathrow, loading pallets onto aircraft. “I did that for about a year, but I really wanted to be in charge, rather than on the shop floor. The operations officers wore nice, smart uniforms and sat in nice, smart offices. By then, I realized KLM was a good company to work for. It treated its employees very well and the training was incredible.”

After a stint as operations officer, Mr. Newbold attended courses in customer service and dangerous goods; studied for an A level (a British school qualification) in business studies, funded by KLM; and completed a Certificate in Management at the British Institute of Management. ■

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TRIPLE SEVENS

BY TONY CARDING

Air France Cargo-KLM Cargo became the first to operate the Boeing 777 freighter in February. The Triple Seven now enables customers to fly their shipments with greater flexibility, fewer carbon dioxide emissions and less environmental impact.

■ AF-KL Cargo continues to innovate in difficult times. The eagerly awaited new 777-200 LR freighter arrived in Paris on February 21. It was followed shortly thereafter by a second Triple Seven, also decorated in the carrier's familiar colors. Three more are due for delivery next year.

AF-KL Cargo has deployed the first 777F to Asia, with an intermediate stop at Bahrain on the way to Hong Kong. The second aircraft is deployed to North America and this disposition will continue until the third 777F comes on stream.

Initially, the plan was to deploy the first 777F to the US, but a regulatory restraint meant that there would have been a week's delay before it could be flown there. A similar, but longer, delay would have applied to mainland China, and as a result it was decided instead to send the first aircraft to Hong Kong, taking advantage of its more relaxed rules.

Even with the fall in the price of fuel since the heady heights of 2008, the efficiency of the new aircraft still means a more economical operation, according to Thomas Gerbaud, Air France project manager for the introduction of the Triple Seven freighter. However, despite the superior economic performance of the 777F, AF-KL Cargo will continue to fly 747Fs and 777Fs. "We may put the decision on the table again, but for now, we plan to keep this mix until 2013."

Two factors are at play in this decision, Mr. Gerbaud explains. "First, due to the economic downturn, we are postponing aircraft purchases. Second, our 747s are quite young, especially the ERFs. We bought them in 2002 and they are still very efficient aircraft."

INCOMPARABLE

Each aircraft model has its own merits. "The most suitable routes for the 777 freighter are 5,000 nmi, about 9,000 km, and require a 100-tonne payload. Moreover, its capacity and fuel consumption enable AF-KL Cargo to manage the economics on routes with unbalanced traffic better than it could with the larger and less fuel efficient 747F. On certain Asian routes, such as Paris-Shanghai, lopsided demand forces airlines to fly almost empty to China but return with a full payload. The situation is similar, but reversed, on African flights. The aircraft flies full to Africa and returns almost empty.

"The 777 freighter is well suited to these imbalances because its break-even point is much lower than that of the 747F," Mr. Gerbaud continues. "If you fly full on the way out and on the way back, the 747F earns

AF-KL Cargo the first to operate the Boeing 777F

more revenue. However, if traffic is unbalanced, which is very common in the airfreight industry when producers are in one place and consumers in another, then the 777 is more profitable. The best distance-to-payload ratio is 5,000 nmi and 100 tonnes – a profile that describes nearly 60% of the routes in the Air France network." Favorable experiences operating 50 Boeing 777 passenger jets also helped Air France select the freighter version, Mr. Gerbaud says. The passenger and freight departments traditionally share the operating costs of this fleet.

There was also the factor of payload, Mr. Gerbaud adds. "It was our first requirement. For us it was 100 tonnes. The Triple Seven freighter is such a good fit in the AF-KL Cargo network that Air France had originally ordered five. Unfortunately, the fifth freighter may have run into some economic turbulence. "It is still unclear when we will receive the fifth aircraft."

LOVE AT FIRST SIGHT

Thus, when Air France encountered Boeing's 777 freighter proposal, it believed that the new model

could replace its entire freighter fleet. The company plunged into the design process with Boeing and is justifiably proud of its contribution to the product. Mr. Gerbaud says: "At that time, we were considering two options for our freighter fleet of the future: first, build what we call a 'flying truck', an aircraft dedicated solely to cargo. Second, build a derivative, an aircraft less specific to the business, but with an airframe from an existing passenger model." The freight department would have had to support the entire cost of the first option, but could share the cost of the second with the passenger department, including the costs of equipment and crew training. "We concluded that building the derivative was the best choice by far," Mr. Gerbaud says.

Boeing had envisioned its next freighters as being derivatives of the 747 and especially the 747-8, and Air France and some other airlines had to convince the aircraft manufacturer to launch the 777 freighter program. Boeing's original idea was to produce the 747-8 first, and the 777F not until 2010. The manufacturer had to be persuaded to bring forward the 777F's launch, according to Mr. Gerbaud. ■

Mr. Gerbaud:
"We concluded that building the derivative was the best choice by far"



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DAYLIGHT ROBBERY

BY MARCIA MACLEOD

Under intense cost pressure, manufacturers are demanding lower rates from suppliers. If logistics providers reduce their service standards, how will it affect security?

■ Clever thieves recently stole millions in pharmaceuticals. They diverted a truck before it reached its destination. The consignee simply redirected the driver to an overflow warehouse by saying that the main facility was full. But this Samaritan was part of an organized gang and the overflow warehouse was rented by the criminals who transferred the entire load to another vehicle and stole it, literally, in broad daylight.

The load could just as easily have been clothing, consumer electronics, wine or any other cargo with a good resale value. Anyone who thinks robbery will never happen to them should know that cargo crime is not only a fact of life, it increases during a recession.

The Transport Asset Protection Association (TAPA) recorded 3,756 incidents of cargo theft in Europe, the Middle East and Africa during 2008. The number of vehicle thefts nearly doubled compared to the previous year and, although hijackings dropped by 47%, theft from warehouses increased by 50%. Most security

experts estimate the annual loss through cargo theft worldwide is about US\$50 billion.

Although warehouses and vehicles appear to be criminals' main targets, airport sheds, aprons and aircraft ramps can be vulnerable also. Airlines' premium services are intended to provide extra protection against known risks. However, some carriers have seen a fall in requests for high-value services. Not only is there less trade, up to 20% of air cargo is switching to ocean and sea-air as shippers try to lower costs.

SECURITY COSTS

"Pharmaceuticals previously went almost exclusively by air," says Bill Gottlieb, president of David Kirsch Forwarding and FIATA. "Today, they are increasingly shifting to ocean along with other industries, such as



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> garments and electronics, as manufacturers try to lower costs.”
 “Shippers are looking more closely at their supply chains,” adds Chris Edwards, director of airfreight for North West Europe for Kuehne+Nagel. “Perhaps they don’t need cargo tomorrow, or even this week. They may be able to wait two or three weeks for it to move by sea.”

During these times of financial stress, when many shippers and forwarders are reluctant to pay extra money for extra protection, even the most valuable cargo may be

placed in bulk consolidations and treated like any other standard commodity. When goods move as high-value shipments, they undergo intense scrutiny that greatly reduces the incidence of damage or spoilage.

“Shippers are asking us to move from premium to deferred services, including transshipments,” Mr. Edwards acknowledges. “It may take a week to get to destination, but it’s still faster than sea freight. Because demand has dropped, they have more time to plan their supply chains.”
 Some forwarders, like British company SBS, simply move shipping consolidations to midweek, instead of Friday, to save money for their customers.

In the past, abandoning premier services might have exposed cargo to greater risk of theft. However, international regulations have put security in the spotlight. “There is a greater awareness of international regulations and of security in general,” Mr. Edwards says. “In any case, our high-value shippers aren’t downgrading the services they buy, just trying to change their supply chains to cut costs.”

PROTECT YOURSELF

There are a number of measures forwarders and their customers can take to stay one step ahead of thieves. Premium airline services, such as AF-KL Cargo’s Variation Safe 2 product, guarantee extra protection and care for your cargo. Within your own facilities, don’t let strangers walk around the warehouse unattended. And ensure that CCTV, sensor-triggered flood lights and alarms are working properly throughout your premises.

Routines should vary. According to William McLeod, an agent with the US Department of Homeland and Security Immigration and Customs Enforcement, criminals are better at surveillance than the police. They will often watch warehouses and vehicle movements for weeks before a burglary. Drivers should not stop at the same gas station or café on every trip.

GPS in the cab – buried in the dashboard, not sitting in a cradle – can deter thieves, because they know the depot can trace the vehicle. Using the best seals on containers and vehicles can be helpful. Although experienced criminals can break any seal, it offers protection from opportunistic thieves. And a broken seal says that the load has been compromised.

Avoid branding. If thieves cannot identify the value of a shipment, they may pass it over. Keep paperwork safe. Once a thief has your paperwork, he can pose as a driver and collect the goods.

Lastly, double-check the references of all prospective employees, sub-contractors, and service suppliers. Get to know drivers. And if a different one turns up to collect cargo, find out why. Nearly 80% of cargo is stolen with help from inside. That is the most frightening statistic of all. ■



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SOUTH KOREA

BY MICHAEL WESTLAKE

■ Only a few years ago, South Korea was one of Asia’s five so-called Tiger Economies, along with Singapore, Malaysia, Taiwan and Hong Kong. Today, under the wave of depression brought by the world’s financial crisis, they are all growling far less fiercely. South Korea has been reinventing itself as a logistics-based economy, instead of relying totally on manufactured exports. However, the country still manufactures a lot of high-end electronics. It’s the same path previously trodden by Singapore and Hong Kong: become a cargo hub and make money by shifting other people’s exports. In like manner, South Korea now faces fallout from the global crises, with reduced demand in Europe and even more so in the United States.

According to the International Air Transport Association, air cargo represents about 10% of airline industry revenues. Because 35% of the value of goods traded internationally flies in aircraft, air cargo is a barometer of global economic health. But in early March, at the IATA World Cargo Symposium in Bangkok, IATA Director General Giovanni Bisignani warned: “The industry is in crisis and nobody knows that better than our cargo colleagues. Cargo demand has fallen off a cliff. After a shocking 22.6% decrease in December it dropped 23.2% in January compared to the same month in the previous year.” Airlines in the Asia-Pacific region, who fly 45% of the world’s air cargo, saw their freight traffic decline 26% during 2008, while North American carriers lost 22% and European carriers lost 21%. It’s not just air cargo. There has been an equally sharp decline in the volume of goods carried by sea. >



Kyongbok Palace in Seoul



International Airport Incheon

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NEED TO KNOW

- **Size:** South Korea totals 98,480 square kilometers, slightly larger than the U.S. State of Indiana.
- **Capital:** Seoul.
- **Population:** 48,379,392 (July 1998 est.).
- **Languages:** Korean; English is widely taught in schools and has become a very popular extracurricular subject.
- **Power:** Usually 220-240 volts AC, but can be 110-120 volts AC. North American-made appliances may need an adapter socket AND a transformer.
- **Currency:** The South Korean won. US\$1=1,513.78 KRW.
- **Climate:** Temperate, with heavier rainfall in summer than in winter. Occasional typhoons bring strong winds and heavy rain leading to flooding. November to March is often very cold. Some low-level seismic activity in the southwest.
- **Industries:** Electronics, telecommunications, automobiles, chemicals, shipbuilding, and steel.
- **Exports:** US\$419 billion f.o.b. (2008).
- **Export commodities:** Semiconductors, wireless telecommunications equipment, motor vehicles, computers, steel, ships, and petrochemicals.
- **Export partners:** China 22.1%, United States 12.4%, Japan 7.1%, Hong Kong 5% (2007).
- **Imports:** US\$435 billion f.o.b. (2008 est.).
- **Import commodities:** Machinery, electronics and electronic equipment, oil, steel, transport equipment, organic chemicals, and plastics.
- **Import partners:** China 17.7%, Japan 15.8%, United States 10.5%, Saudi Arabia 5.9% (2007).

Source: CIA – The World Factbook



The bank of Korea

> FALLING LEAVES

In South Korea, the government-run Korea Development Institute predicts a 0.7% GDP growth for the country this year, slightly less than the World Bank worldwide forecast of 0.9% in 2009, down from 2.4% in 2008.

AF-KL Cargo's market manager in Seoul, Rogier van Beugen, says this year's demand for air cargo space compared to last year's is down 20% from Seoul to Europe and 30% to 40% on transpacific routes. Seoul's Incheon airport, opened in 2001, is the only significant port for air cargo in South Korea, with access to the capital city by way of an excellent road system. Most exports comprise electronics, fabrics, automobile parts, tools and machinery. Major imports from Europe comprise such high-end equipment as electro-optical steppers used in making liquid crystal displays, plus high-end fashion goods and jewelry. Everything is processed through the highly efficient cargo village close to the airport, with a dwell time of up to eight hours for cargo arriving by sea and departing by air.

Mr. van Beugen says South Korea, which was one of the earliest hubs to enter the world of e-freight last year with electronic documentation and clearances, has a highly skilled and disciplined workforce. Its customers favor e-freight's efficiencies. The country's move towards becoming a logistics center is producing major changes. While there is still a lot of manufacturing in South Korea, many companies have set up factories or partnerships offshore, particularly in China, with supervision for quality control performed by South Korean staff onsite in China.



Myungdong shopping district in Seoul

TWO IF BY SEA

The movement from air cargo to sea-air cargo has been straightforward. China's large northern ports are only a day's sail from Incheon, or even from Pusan on Korea's southern coast, with good road connections to the airport. The share of sea-air has grown over the past four to five years to about 30% of the total air cargo market, says Mr. van Beugen. One reason is that LCD screens have become a commodity instead of a luxury. Because manufacturers share much of the production between factories that apply different processes in Korea, China and Taiwan, it is now more economical to send them by sea for part of their journey, so the big flows by air are a thing of the past.

Competition is fierce on Seoul-Europe routes, with freight giant Korean Air taking a 42% share, Asiana 18%, AF-KL Cargo 15%, Lufthansa around 10% and British Airways, Singapore Airlines and Cathay Pacific sharing the rest. Seoul is used to ranking in the top three or four airports for tonnage of air cargo handled

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Office building in Seoul

each year. This year it's anyone's guess as to where it will place. What does the future hold? Two comments from agents and forwarders in Seoul overlapped, saying that government moves to encourage foreign investment in industry locally, as well as setting up additional free-trade zones around the airport, should create opportunities for the logistics business. Standing firm on strengthening the won would also help. Looking further ahead, offshore manufacturing in China faces that country's willpower trying to drive its industries up-market to attain world standards. Changes in China's rules on labeling and higher labor costs were persuading garment and fabric makers that Vietnam and Cambodia might be better places for manufacturing – or even back home in South Korea. ■

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TRAVELER TIPS

- **Visas:** Citizens of many countries are exempt for periods ranging from 30-90 days; citizens of around 20 countries, including the Russian Federation, China, India, the Philippines, and Nigeria, need tourist visa for stays of up to 90 days.
- **Weights and measures:** Both the metric system and ancient Korean measurements are used.
- **Domestic travel:** Taxis (many with English-speaking drivers), trains and buses are all very reasonably priced. Domestic flights are available, too.
- **Money:** South Korean won notes are in denominations of KRW10,000, 5,000 and 1,000. Coins are in denominations of KRW500, 100, 50 and 10.
- **Tipping:** Neither required nor expected, though leading restaurants and hotels add 10% service charge. When bargaining in markets, it's best to do so politely.
- **Telecommunications:** Korea is wire and wireless friendly, both for the internet and for phones. Either take your own roaming phone (expensive for local use) or rent one locally for domestic calls. Hotels often charge for international access. Skype to Skype calls are usually free.
- **Cash:** ATMs are a good way to avoid hidden charges levied by banks or money-changers, but beware: not all of them operate 24 hours a day and some have low withdrawal limits.
- **If you visit the Panmunjom border area between North and South Korea,** do not wear shorts and do not have shaggy, unkempt hair. Do not wave at or otherwise try to communicate with North Korean border guards.
- **Expect to be pushed or jostled when walking in the street.** Koreans regard this as the natural result of living in a crowded society.
- **If you visit a private home (or if staying at a traditional hotel),** take off your shoes. Also, take a small present for your host. Pour drinks for others. It's impolite to pour for yourself. Present items to people with both hands. Be prepared to use chopsticks.
- **You will be either the guest or the host when eating at a restaurant.** It's not done to share costs.
- **If you are served a meal covered in small pieces of green pepper,** take care, as you may find them very hot.
- **Do not blow your nose in public,** as it is considered disgusting. Go to the rest room or you may seriously offend people around you.

Sources: www.lonelyplanet.com and www.hoteltravel.com

FORECASTING IS WEIRD SCIENCE

BY DICK VAN DEN BERG INFOGRAPHICS OLÉ ONTWERPERS

Do the forecasters really know more than we do?
How seriously should we take their predictions?
Is it true that you get what you pay for? Let's take a look.

Fig.1.

Boeing could not have picked a worse time to come up with a new World Air Cargo Forecast than in November last year. Most airlines were already reporting negative growth in the double-digits. In the months after publication, the world fell into the deepest recession since World War II. Of course, most analysts did not see this crash coming and the Boeing forecasters relied on economic forecasts that were sunny as usual. Even so, it is a 20-year forecast, hence a little bit too early to judge.

Fig.2.

It is very clear now that expensive forecasts made by highly paid bankers and economic advisors have little value in a changing world. Boeing, Airbus and others rely on economic forecasts for their market outlook. Forecasting economic growth over 20 years is impossible, as demonstrated emphatically by these same economists' inability to predict six months ahead. This figure shows the forecasted economic growth for 2009 on different dates. Within 12 months, the outlook for the Western world in 2009 changed from sunny average growth to deep, red recession.

Fig.3.

The new Boeing World Air Cargo Forecast is the most detailed ever and the illustrations are impressive. Compared to the 2006 publication, Boeing lowered its annual world air freight growth for the coming 20 years from 6.2% to 5.9%. In the current situation this seems optimistic and in a normal economic environment, too high. The graph shows that the real development since 1995 was always lower than Boeing's forecasts. Using exponential growth always makes the far-away future looking bright, but the near future is more important, because airlines want to survive. Lord Keynes once said: "In the long run, we're all dead."

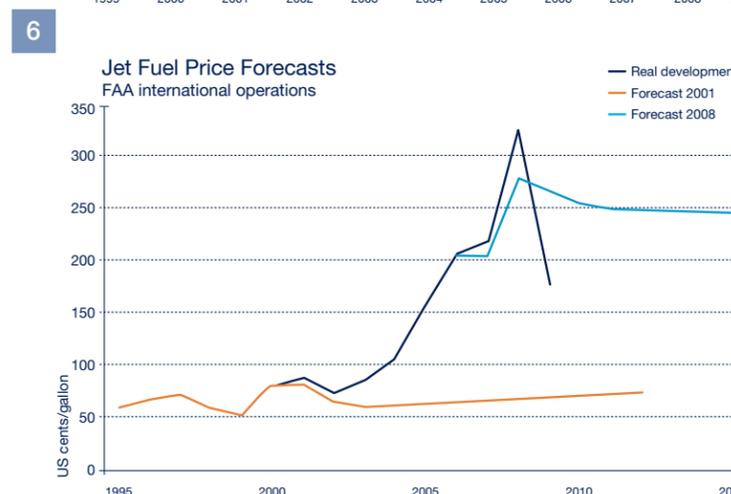
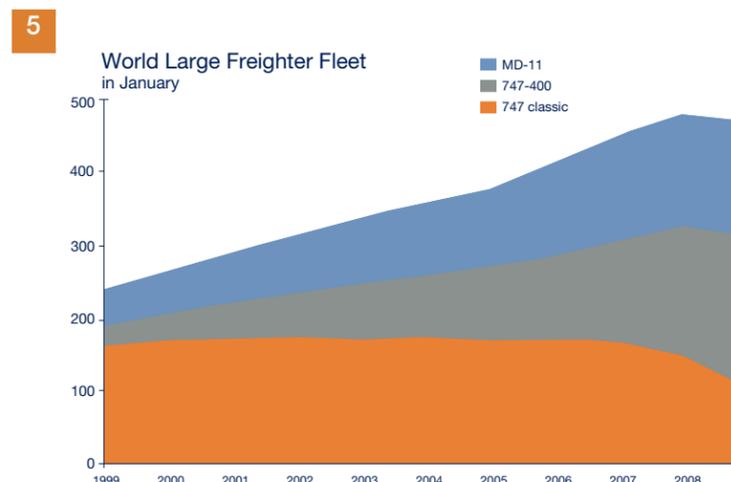
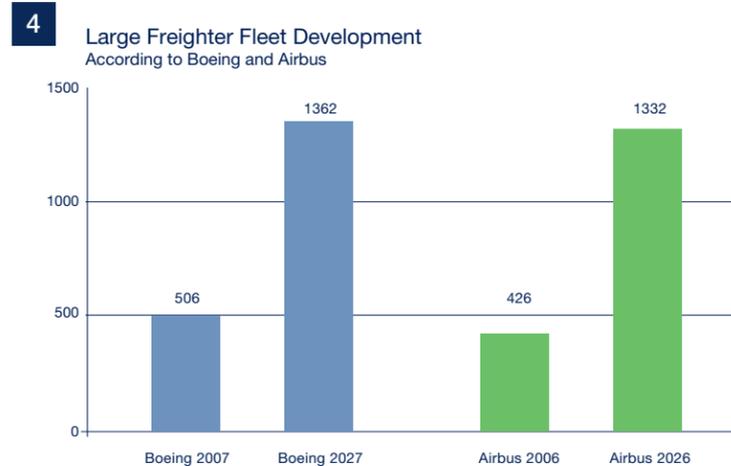
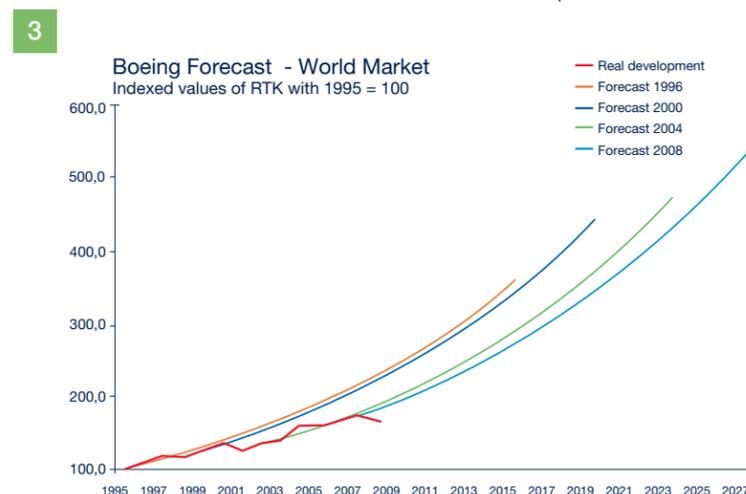
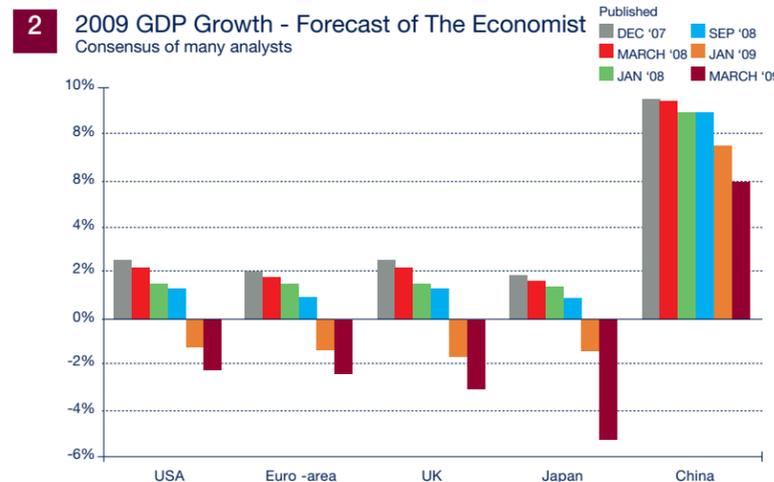
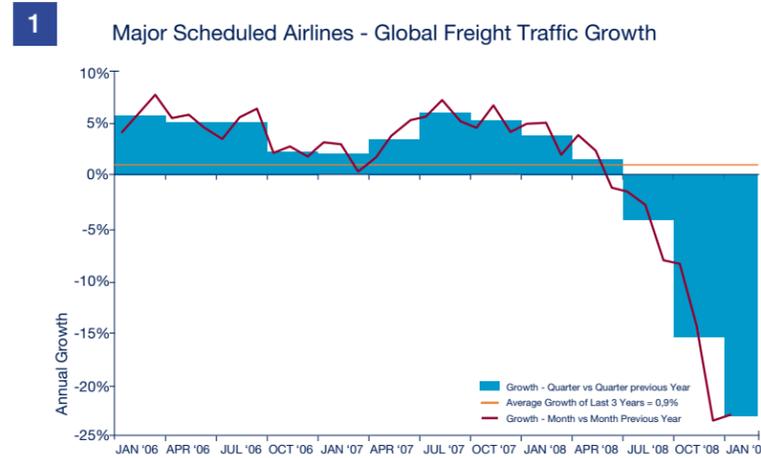


Fig.4.

Boeing and Airbus both see a large market for freighters in the coming 20 years. Especially the large freighter segment (above 65 tons per aircraft). Boeing forecasts that the number of large freighters will increase by 856 between 2007 to 2027. Airbus expects the total to increase by 906 aircraft between 2006 and 2026. An average annual increase of 40-50 aircraft in this segment seems quite high. Both manufacturers are bringing out new freighter versions, and brisk sales will be required to recoup their development cost.

Fig.5.

The history of the large freighter fleet, Boeing 747s and MD-11s, sketches a less rosy picture than that painted by the two aircraft manufacturers. Over the past 10 years, the large freighter fleet increased by 231 aircraft. In 2008, the world fleet decreased for the first time in history and 2009 is expected to be a disaster. The fleet of Boeing 747 Classics is declining fast, and some 747-400 freighters were even grounded in the last quarter of 2008. When an upturn comes, these parked planes will probably return to active service. This would make the outlook for new planes rather bleak.

Fig.6.

To make sound business decisions, managers need forecasts, whatever their industry. However, forecasting is like driving at night without headlights. Most predictions are based on current trends and do not incorporate changing trends. Hence, they should be handled with care. A good example is the development of the jet fuel price. We plotted two FAA forecasts and the real development. It is clear that the starting point for each forecast is the current situation. This reveals that forecasting is little more than guesswork and certainly not an exact science. But it is the best we have, and we will have to live with that.

FOR RENT

More than 11% of the world's 20,000 jetliners were parked in the California and Arizona deserts at the end of 2008. That's fewer than the 13% grounded at the end of 2001, but analysts expect the percentage to grow as retirements increase this year. To replace those derelict, out-of-work aircraft, Boeing and Airbus customers will find US\$1 billion and €5 billion available for new planes courtesy of Boeing and the French government respectively. However, cargo airlines could also consider taking advantage of this situation by looking to the ocean shipping industry. It is facing a similar trauma with 9% of the world's container fleet in mothballs, even more than the previous record of 5% laid up in 1986, when the entire US Lines fleet was frozen in bankruptcy. A potential solution for ship operators appeared in March when Toyota leased a cargo ship in Malmö to store 2,500 unsold cars. The logical evolution of this idea suggests that an air carrier could offer a new logistics service where it would fly cargo to any destination and simply leave the aircraft parked on the tarmac as a temporary warehouse. Backhaul would no longer be an issue. ■

DOG BITES PLANE

A confused dog left Auckland on a Qantas-Ryanair code-share flight to Melbourne in January. Seated in economy, he nevertheless accepted several glasses of champagne before takeoff. Once airborne he barked at the flight attendant, wagged his tail in a friendly manner and otherwise communicated that he'd like to relieve himself. The attendant, misunderstanding the request, brought him eyeshades. She started to suspect her error when the dog unbuckled his seat-belt and scampered into business class. Not long after, and in the manner of a Hollywood movie where the hero and villain



© Annie Marie Musselman/Getty Images

pursue one another through the vast spaces between the walls of the passenger cabin and the plane's exterior skin, the animal's canine instincts detected a faint but familiar odor. Looking through a nearby door, he became momentarily confused by the marble floor, mirrored walls and stunning panorama of Kowloon Harbor, seen through the wall of glass that supported a row of beckoning ivory-tinted urinals. His doggy heart pounded in anticipation, glistening strands of saliva hung from his quivering lower jaw. As he raised a paw to enter, the lights blinked, a mild electric shock coursed through his body and a female voice commanded, "One euro, please. Please deposit one euro in the slot on your left to enter the loo." Upon learning that he'd have to pay a fee to pee, and being a dog with no pockets and no cash, he decided to sniff out other options. Again, his instincts led him through long corridors filled with wiring bundles, hydraulic tubing and air conditioning ducts. After an hour search, he could find only two discarded rags and a can of bug spray. In desperation, he finally decided to dig a hole in the cargo hold and began tearing through the interior panels and wiring bundles with his teeth. Alas his tunneling exploits set off alarms

in the cockpit, something that seldom happens in Hollywood movies, and the captain landed the aircraft. The dog greeted his rescuers with a friendly growl and a tail wag. The ground handlers who took him into custody would say only that he was in a "distressed state." ■

"Ryanair is serious about charging its passengers to use onboard toilets, its chief executive, Michael O'Leary, said today, adding that it would involve using a credit card rather than a coin slot on the door."

Source: *guardian.co.uk, Thursday 5 March 2009*

"A hungry dog was behind strange electrical problems which forced the grounding of a Qantas A330 jet after a flight from Auckland to Melbourne last month."

Source: *nzherald.co.nz, Friday 23 January 2009*

MARK W. LYON, EDITOR-IN-CHIEF

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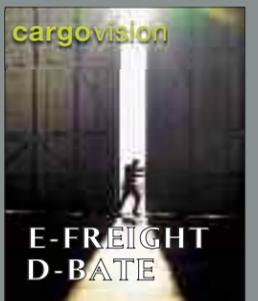
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with every shipment



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