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Gearing up
Lufthansa Cargo CEO Peter Gerber

Handling premium
Priority investments for CTOs

Pharma focus
Making data sharing work

Asia report
Markets in motion

Perishable progress
CEIV Fresh launches

World Cargo Symposium Report

The innovation challenge

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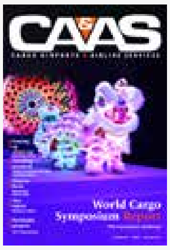
in shipping are "on time"



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Editor's Notes

Unprecedented innovation

At WCS in Singapore, IATA's Glyn Hughes said air freight has become more innovative than at any time in its history, with everyone talking about new initiatives they are working on, often reflecting new possibilities that technology opens up.

And a shift towards 'solution-led standards' from 'standard-led solutions' means companies and individuals are now trying new things that can then lead to the basis for new standards. That is faster and much more dynamic, encouraging greater innovation, Hughes notes, enabled by dramatic advances in digital technology.

Indeed, almost all of the tracks at WCS featured a strong vein of digitalisation, along with information-sharing and collaboration. And those three themes are common for most areas air freight needs to address, Hughes believes.

Importantly, there also now seems to be unprecedented support for pursuing initiatives to meet these challenges, with heads of cargo 'bullish' about embracing technology, and in a hurry to do so, he notes.

As well as being themes within this magazine's coverage of WCS, they are common themes within the other articles: from the interview with Lufthansa Cargo CEO (and IATA Cargo Committee chairman) Peter Gerber on page 4, to the discussions about investments in cargo handling infrastructure on page 14; the dynamic changes within Asia highlighted on page 18; to the articles on data-sharing and new quality standards within pharma and perishables handling on pages 24 and 44, respectively.

Hughes noted how optimistic people seemed at WCS, despite the year starting relatively poorly – in terms of air cargo demand and uncertainty in the wider global economy. He suggests the sector has become more resilient than in the past, perhaps also buoyed by continuing strong demand from certain special cargo verticals, particularly e-commerce, in the last few years.

He believes this is one of the most significant 'structural' changes the sector has seen since the global financial crisis and growing protectionism slowed 'the multiplier between international trade growth and GDP growth' from around 2:1 to just 1:1. The 'modal windfall' from those special verticals means air freight is now 'somewhat cushioned' from the full depth of any slowdown in international trade.

IATA's conclusion is this: while there has been a slowdown in recent months, once the uncertainty – e.g. from the US-China trade war and Brexit – is resolved, the industry can go back to a higher growth trajectory.

And in the meantime, there is a lot of innovation – notably involving digitalisation, data-sharing and collaboration – to be getting on with. And that all seems to make sense. In theory, at least!

Will Waters

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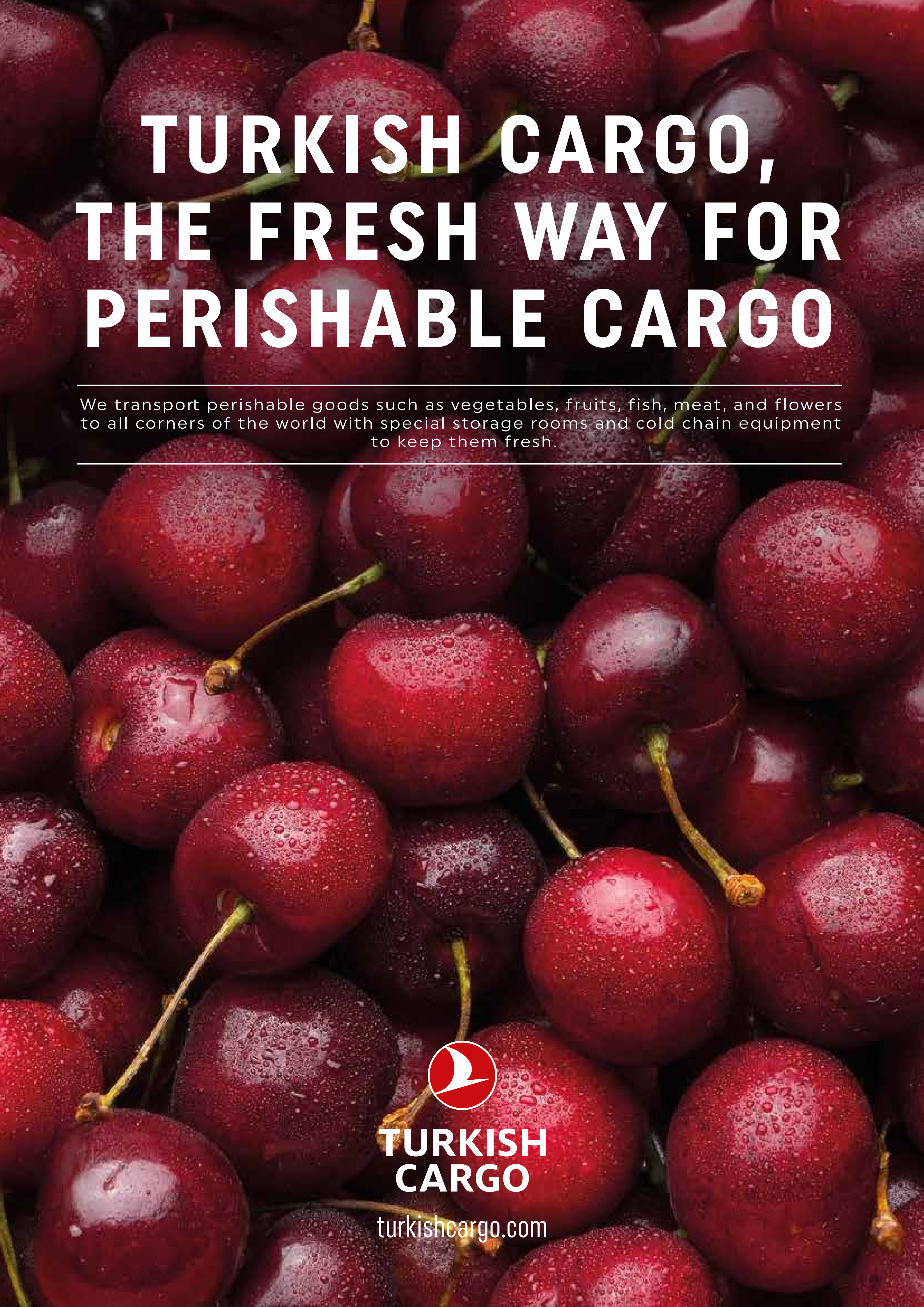
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Gearing up for the future

The biggest issue driving the €400m renewal of Lufthansa Cargo's Frankfurt freight hub is the need to modernise and develop new ways of handling and processing cargo fit for the digital age, CEO and executive chairman Peter Gerber tells *Stuart Todd*


Peter Gerber, CEO and executive chairman, Lufthansa Cargo

SOURCE: LUFTHANSA CARGO

Lufthansa Cargo increased both revenue and yield by 7% in 2018, posting the second-best operating profit figures in the company's history, in terms of adjusted EBIT. However, following two exceptional years, the air cargo sector is now confronted with tougher market conditions amid a backdrop of economic and political uncertainty, acknowledges CEO and executive chairman Peter Gerber.

But there are plenty of other items on the German combination carrier's agenda in 2019, which include continuing its fleet renewal programme, finalising plans for the €400 million upgrade of its cargo hub at Frankfurt Airport, and developing a distinctive e-commerce offering – while further driving its digital transformation.

Market trends and outlook

Commenting on the first quarter of 2019 and what the remainder of the year was likely to bring, Gerber says: "I think it's pretty clear that the market has cooled somewhat. The start to the year was a softer one than we expected, but if you go back to December 2018, this was the first month in two-and-a-half years where the market shrank year on year. January and February followed a similar trend, but perhaps the good news is that the shrinkage is slowing down.

"Also, another important factor to take into account is that the market is shrinking from a very high level. If you remember in December 2017 and the following months, we had a capacity crunch where there was so much demand that we could barely handle it. Clearly, the shrinkage is a concern, but when you consider where the market has come from, it's not catastrophic either, and we should keep this in mind."

Gerber notes that the softness of demand in the early months of 2019 could probably be attributed to the cautious stance adopted by many of Lufthansa Cargo's customers in response to what he describes as "the turbulence around the world", a reference to US-China trade tensions and other significant factors contributing to economic uncertainty such as Brexit, rather than the initial signs of an impending economic slowdown.

Shipper caution

"It's psychological," he says. "Shippers are cautious and what this means, to a certain extent, is that as long as there is no good news, they will put off their decisions. And if decisions are not made, the production (of goods) is affected, with the knock-on effect on the transport business.

PETER GERBER

Peter Gerber has been Chairman of the Executive Board and CEO of Lufthansa Cargo AG since May 2014. Besides his duties as CEO, Gerber is also the Chairman of the Supervisory Board of Lufthansa CityLine as well as in the supervisory board of Albatros. He studied law and business management at university and later completed a senior executive programme at Columbia University in New York in 2008. Gerber started his career with Lufthansa in 1992. He was appointed to the Executive Board of Lufthansa Cargo AG with responsibility for Finance and Human Resources in June 2009.


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"What we are seeing is that the market is getting a little bit better, in view of the normal spring peak, but at the same time it is difficult to say what's going to happen in the second half of 2019. One could presume that if there is some resolution on the trade disputes and the UK leaving the EU then we may well see a good second half of the year. If not, it will be not so good."

Fleet renewal

This year sees Lufthansa Cargo take delivery of four new B777 freighters, the next stage in the carrier's ongoing plans to replace its fleet of MD-11Fs. Two B777Fs have already arrived and are in service and a third was set to join late-March. The fourth one is scheduled to be ready for the end-of-year peak.

"By the end of 2019, Lufthansa Cargo will have 11 B777Fs in service, which will include four operated by AeroLogic, (the cargo airline's joint-venture with DHL Express). We also have options with Boeing for a further three B777Fs," Gerber explained.

It currently operates 12 MD-11Fs, but two are scheduled to leave its fleet this year. "The idea is to do a complete roll-over to the 777 freighter. The cost advantages from having a fleet composed of a single type of aircraft are considerable," he notes.

Gerber confirms there is a plan to phase out the MD-11s completely by around 2025, noting: "The Lufthansa Group's policy is not to fly aircraft that are more than 25 years old, and we got the last (MD-11) production freighter in the year 2000, so by 2025 everything should be over. We could decide to shorten the timeframe for the full retirement of the MD-11s, or maybe we could prolong their utilisation a little bit. It will all depend on the market situation and secondly, if the MD-11s continue to deliver on operational stability. This is the flexibility we have with this roll-over process and we are quite glad to have it."

Lufthansa Cargo continues to see the 777 as the best freighter on the market for its needs; but looking long-term, Gerber says the company wouldn't say 'no' to a newer, better version of it if one came on to market, or another type offering similar performance.

Customer dynamics

Asked about the prospect of major consolidation in the forwarding space and whether this will lead to the emergence of larger groups with greater bargaining power when negotiating capacity and rates with airlines, Gerber replies: "That's perhaps a question for them. But when you look at the market share of forwarders - and on the airline side for that matter - it's quite fragmented. Nobody has a big market share: it might represent at most 8%. So, if you compare air cargo with other business sectors, this consolidation is a normal development. But regardless of what's happening on the M&A front with forwarders, the primary question

Lufthansa Cargo is taking delivery of four new B777 freighters this year, part of ongoing plans to replace its fleet of MD-11Fs

The bulk of Lufthansa Cargo's traffic is routed through Frankfurt Airport

With a turnover of €2.7 billion and 8.9 billion revenue tonne-kilometres in 2018, Lufthansa Cargo is one of the world's leading air freight carriers. The company employs about 4,500 people worldwide and serves around 300 destinations in more than 100 countries with its own fleet of freighters, the belly capacities of passenger aircraft operated by Lufthansa German Airlines, Austrian Airlines, Brussels Airlines, Eurowings and SunExpress, and an extensive road feeder service network.

for us remains, how can we fulfil the needs of customers 100%?"

On the question of digital disruption, Gerber acknowledges that one forwarder to capture the headlines of late is 'digitally driven' Flexport, which has secured investment of $1 billion to fund its development.

> *As long as there is no good news, shippers will put off their decisions*
>
> PETER GERBER

"They (Flexport) have built a real 'front-end' for customers and are pretty strong there. However, a lot of other things that Flexport does is rather like those of a 'normal' forwarder. They perhaps have a little bit of a different vision of how the business will look in the future, but they still share a lot of the normality of other forwarders. It'll be very interesting to see whether this transformation into a 'digital' forwarder functions in all parts of the production chain. This would be something quite new, but for the moment we haven't seen it.

"I look forward to seeing how the company develops and obviously they have received a great boost with the $1 billion in fresh capital. Of course, as they grow, we would like to get more business from them."

One area where Flexport has followed in the steps of some traditional forwarders is in operating its own dedicated freighters, a tendency among forwarders that Gerber is generally skeptical about.

> *"Capacity isn't the biggest issue driving the renewal of our Frankfurt centre, but rather the need to modernise and gear up for digitalisation and the new ways of handling and processing cargo in the 21st century"*
>
> PETER GERBER

"We'll have to see in the end if this works out (for Flexport)," he notes. "Some forwarders have done this for a time - some still do. But in my experience, when the markets are no longer that strong and become softer, it's really difficult to operate the aircraft if you are not an airline."

Frankfurt hub

Gerber explains that Lufthansa Cargo is undertaking "a more or less complete renewal" of its cargo centre at Frankfurt Airport, refitting the existing buildings at the site with state-of-the-art handling equipment, on a multi-phase basis running to 2024, at a total cost of €400 million.

"This year will see the full plans drawn up for this project, with work starting in 2020," he notes. "Capacity isn't the biggest issue driving the renewal of our Frankfurt centre, but rather the need to modernise and gear up for digitalisation and the new ways of handling and processing cargo in the 21st century, which will also add to our competitiveness."

Growing air traffic congestion at some of the world's major airports has raised the question of whether scope exists to relieve some of the pressure on flight schedules by transferring some freighter operations to secondary airports, operating 24-7.

But Gerber insists this is not an option he expects Lufthansa Cargo to have to consider at Frankfurt, either in the foreseeable future or longer-term - nor a feasible one.

"First of all, I think there is enough capacity at Frankfurt and that in general, when such an issue does emerge, it can usually be managed successfully when all of the parties, both passenger and cargo, take a sensible approach on the operational side.

"But in any case, using secondary or all-cargo airports on a regular basis would not really be an option for us because it would mean splitting our operations and trucking freight from A to B, resulting in a significant loss of time while also raising service-quality issues. We continue to believe we can do everything in Frankfurt and it will remain the hub of our freighter operations. Of course, we do have hubs in Munich and Vienna and a smaller set-up in Brussels, which cater for regional markets."

E-commerce

Like many air cargo carriers, Lufthansa Cargo is looking to seize the opportunities from the boom in e-commerce.

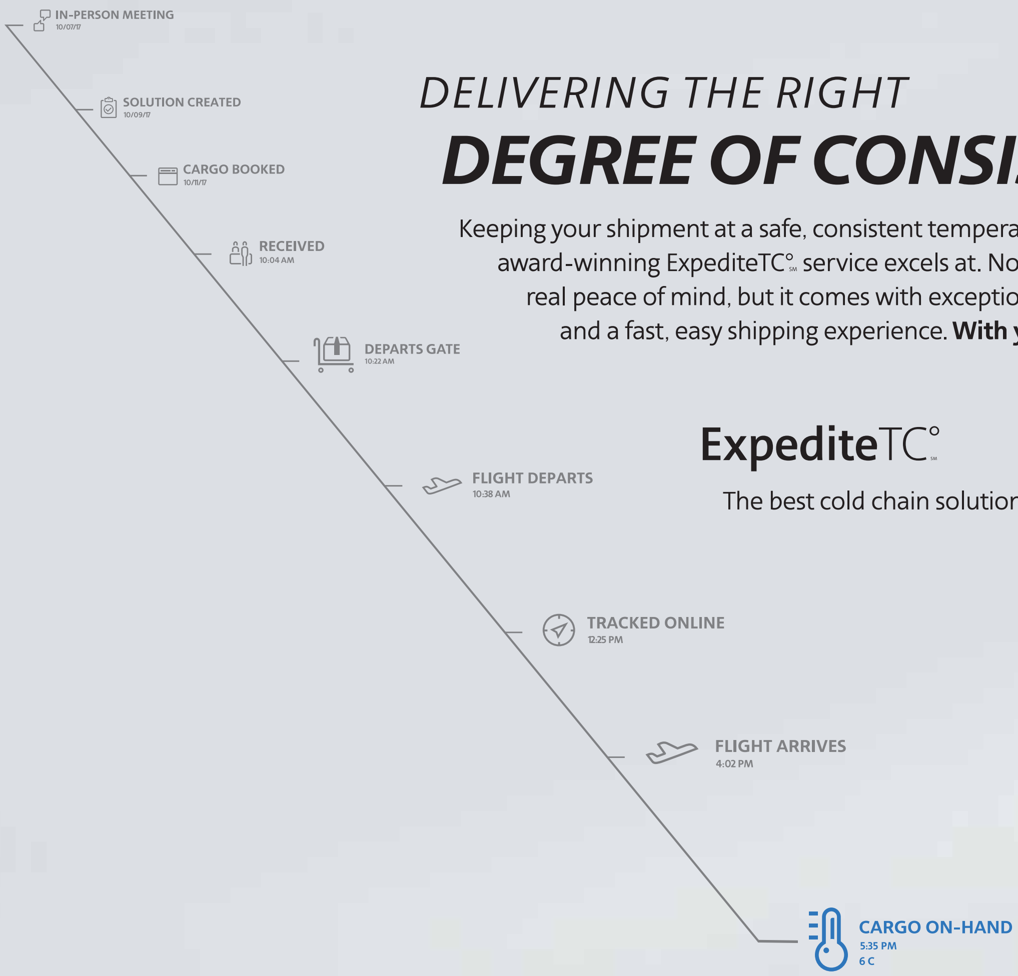
"It's very difficult to see how big e-commerce is for us already and what percentage of our business it represents due to the fact that it's included in our normal products. It could be on a pallet of standard cargo, be shipped express cargo, or go via mail. So, there are lots of different products where you see it," he explains.

But Gerber sees scope for Lufthansa Cargo to play a distinctive role in the segment beyond that of a simple transporter of goods sourced on the internet, with the offer of value-added services to e-commerce players. However, he prefers not to go into too much detail at this stage.

"E-commerce is straightforward enough as long as it's incorporated in our current product range and can be treated like other cargo," he notes. "But if some customers have specific or special needs, for example, dedicated handling, customs services, and to-door delivery, we maybe have to think about developing a completely new offering outside of Lufthansa Cargo."

By the end of 2019, Lufthansa Cargo will have 11 B777Fs in service, including four operated by the AeroLogic joint-venture with DHL Express

American Airlines Cargo



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Refitting the 30-year-old Lufthansa Cargo Centre at Frankfurt Airport with state-of-the-art handling equipment will cost around €400 million

He highlighted how Lufthansa Cargo had moved successfully into a different business line with its Time:Matters unit, which operates as a forwarder specialising in time-sensitive and time-critical cargo. "We'll have more to say about our e-commerce proposition in the very near future," he adds.

Continuing in the e-commerce space, the rapid development of Amazon's own freighter fleet has posed the question of whether the online retail giant could become more a direct competitor of integrators such as UPS, FedEx and DHL rather than just a customer - and in time even rival cargo carriers such as Lufthansa Cargo.

"At the moment, we clearly see them as a customer," Gerber notes. "Its airline operations are limited to the US and may one day be in Europe. But I don't see them flying intercontinental routes. With e-commerce getting bigger and bigger, what I'd really love to do is to give Amazon a good offer so that they don't have to build their own long-haul fleet.

"Intercontinental e-commerce is growing rapidly and the question of air transport provision to accommodate such growth will come up sooner rather than later - and we intend to be ready with the solutions that companies such as Amazon and Alibaba can be satisfied with," Gerber says.

Transformative change in the sector

Nevertheless, Gerber expects transformative change within the air cargo industry in the next 5-10 years, driven by digitalisation.

"There will be a 'technical overhaul', with communication between businesses becoming much more digital," he notes. "To a certain extent, there will be a direct connection through API (Application Programming Interface) to big customers, sales-channelled via platforms, and a prominence of e-data clouds where all of the information about a shipment can be seen by all of the partners in the transport chain. These are significant changes which will come about in the next few years. It's not the nature of the business that will change but the way it is carried out which will be completely different."

> *We are working relentlessly in adopting a digital approach because it clearly makes our product better*
>
> PETER GERBER

On Lufthansa Cargo's readiness to make the digital leap, Gerber remarks: "You can always be better prepared, but we have done quite a chunk of work already and would like to think of ourselves as one of the frontrunners of digitisation in our sector as we believe it does two things: it saves on costs and also raises the quality of service, which is very important to our customers - while also enabling a third: speed; we have to get faster again for standard cargo and digitisation provides the means to do this. "In short, we are working relentlessly in adopting a digital approach because it clearly makes our product better."

Paperless booking

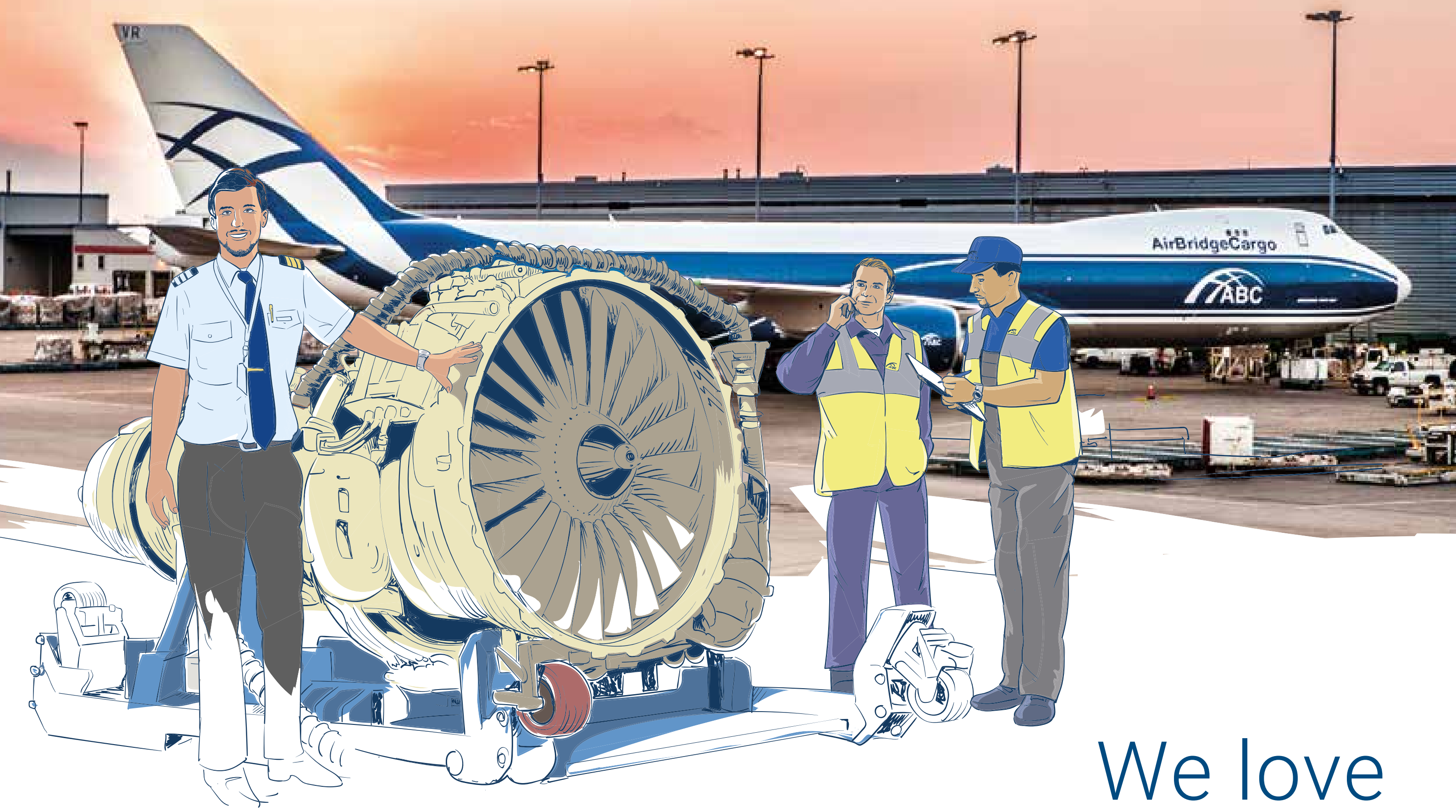
Gerber says Lufthansa Cargo was one of the first airlines to offer its customers "completely paperless booking and handling for standard cargo", while the company's new, fully digital PreCheck process "will now significantly accelerate and simplify handling processes for our customers".

He continues: "And we will also continue to roll out the eDGD electronic dangerous goods declaration so that even more customers and shippers will be able to benefit from this digital solution."

Joint-venture progress

The coming years are also likely to see Lufthansa Cargo deepening its joint ventures with airline partners in Asia and North America, which Gerber describes as "a kind of secondary consolidation". He concludes: "These tie-ups - with ANA on Europe-Japan routes, Cathay Pacific on Europe-Hong Kong routes, and United Airlines on Europe-US routes, have given us a market-leading position on major trade lanes.

"They will allow us to enhance our offering to customers while at the same time provide a means to reduce costs and look into capacity and pricing together. Of course, there's a lot of work to be done over the next few years to really harmonise on IT, our sales teams, and products to the benefit of customers." ■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Handling premium

Airlines' ever-increasing focus on temperature-sensitive cargo has been forcing handling agents to put more resources into this segment – even if they are sometimes unable to charge carriers any extra to cover their investments, reports *Ian Putzger*

Lau: Philosophical on margins for handling special cargo

After two years of tearaway growth, demand for air cargo capacity has been on the retreat in recent months and uncertainty about the global economy is prompting concerns about future demand and yields. For example, average yields sank 2.5% in January, according to WorldACD Market Data.

This situation is likely to further reinforce airlines' efforts to chase a larger share of the premium cargo market. WorldACD's statistics for January indicate that high-yield traffic mitigated the general drop in volume: whereas chargeable weight overall was down 2% precipitated by a 5% decline in general cargo, special cargo grew 4.6%. Indeed, apart from general cargo, valuables and dangerous goods, all categories saw year-on-year growth, WorldACD notes, despite the overall decline in volumes. The big categories of perishables and high tech grew by 6% and 4%, respectively, while pharmaceuticals volumes grew by 5% and the much smaller live animals segment grew by 9%.

While the stagnation of general air cargo volumes is expected to continue this year, so is the upward momentum in specialist cargo verticals. A pharma market research report published by the Business Research Company last year projects the global pharmaceuticals market to climb from US$934 billion in 2017 to $1,170 billion in 2021, an increase of 25.1%. Technology research and advisory firm Technavio forecasts 8% compound annual growth for perishables in the 2018-2022 period.

As more and more airlines are homing in on these sectors, handlers are adjusting accordingly. For example, Worldwide Flight Services (WFS) is currently building new pharma facilities in Paris and Copenhagen. "We focus on which markets our clients want us to handle pharmaceuticals," says Dan Parker, WFS' senior vice-president of commercial and cargo for EMEAA.

"We recognise that for our clients to break into these specials, there must be investment on the ground. As regulations get tighter and tighter, marketing is no longer sufficient. You can't just talk, you have to make the investment," says Parker.

Hong Kong-based handler Hactl has also been investing heavily in equipment, resources, processes and training. Vivien Lau, executive director notes: "We have to move with the new trends in the industry, and what is attractive to our customers is attractive to us. We regard our investment as simply an essential aspect of our service partnership."

Culture change

This goes well beyond installing temperature-controlled facilities, confirms Robert Fordree, senior vice-president commercial at Menzies Aviation. "It's about changing the culture, and training is a big piece; it's not just getting somebody to build a cooler," he notes.

Andreas Behnke, Swissport's station manager and nominated CEO for Basel airport, notes that training is costly. All staff have to be trained to comply with international standards

"What is attractive to our customers is attractive to us. We regard our investment as simply an essential aspect of our service partnership"

Vivien Lau

like CEIV and the specific requirements of the clientele, who vet the set-up, he points out.

Likewise, WFS's new pharma facility at Paris CDG airport will be audited by all the big pharma manufacturers based in France, says Parker.

And the regulatory pressure will continue to increase, Behnke predicts. Increasingly the objective is to have a seamless operation, he says.

In addition to GDP certification, there is mounting pressure on handlers and carriers to embrace IATA's CEIV standard as well, a time-consuming and costly process. Some airports are striving to position themselves in tandem with others to create pharma corridors, which is upping the pressure on handlers on their turf to obtain the CEIV badge.

Requirements on the handling of perishables are less exacting, but there the bar is also going up. In early March IATA unveiled its CEIV programme for perishables. HACTL and the ground handling arm of Cathay Pacific were the first operators to get their operations certified.

Still, the processes to be observed with pharmaceuticals are a lot more complex. In addition, the use of devices monitoring ambient conditions that use lithium-ion batteries often requires checks for hazardous materials, although this is on the wane, notes Behnke. "Now more new loggers do not require DG checks," he says.

On the other hand, requirements for more seamless temperature monitoring mean that handlers have to invest in additional technology, such as IoT beacons to be installed in their facilities.

> *"As regulations get tighter, marketing is no longer sufficient. You have to make the investment"*
>
> DAN PARKER

"Integration of systems and increased use of IoT technology will become increasingly prevalent, as temperature-controlled supply chains demand ever greater visibility and control," comments Lau.

All of this is having an impact on productivity. Thanks to a dedicated zone and a fast track to move pharma shipments through Hactl's terminal, temperature-controlled cargo is not more time-consuming to handle than general cargo, but it is more resource-intensive, remarks Lau.

Demands on space

It is not just the additional effort and resources but also the demands on space that handlers have to contend with, says Fordree. This is most pronounced in gateways where Menzies is facing capacity restrictions.

"The capacity that pharma takes up is quite significant. It is not flexible, it is dedicated, so you don't have the ability to handle other product types in that space. It's quite restrictive," he says.

Saturated facilities

"We tend to be saturated in bigger facilities," agrees Parker. WFS has three facilities at Madrid-Barajas airport, all of which are operating above the 100% utilisation rate.

"Customers expect a full array of cargo products, which is a challenge. You try to be creative or aggressive in securing additional capacity," he adds. WFS has managed to get hold of a 6,400 sqm site at Barajas, which it intends to turn into a dedicated pharma facility.

In theory, cargo handlers can boost utilisation of temperature-controlled spaces by handling both pharmaceuticals and perishables there, says Behnke, but market conditions can get in the way. While Basel is the big gateway for pharma traffic, perishables are chiefly routed over Zurich, he notes.

For his part, Parker sees little scope to exploit synergies. Using cooler infrastructure to deal with both types of cargo is becoming increasingly unacceptable to shippers and regulators, he remarks.

"In large markets, you get different flows; you've got to have different processes," he says. "With perishables, you tend to see a different profile in their handling needs. Customers want to see imports shoot through the facility very quickly. For exports, you have to have ample cooling facilities. It's a different model from the tech-based process approach with pharma."

Rapid pharma growth

In response to rapid growth in pharma traffic out of Copenhagen, WFS is building a dedicated pharma facility that is located between its two existing terminals at the airport. According to Parker, this is "quite a significant investment".

Meanwhile, at Basel, Swissport is planning a cross-dock facility that will allow "seamless" loading of active temperature-control ULDs. Expected to come on stream in 2020, it will be an industry first, says Behnke. A pharma bypass is already in place in Swissport's Basel terminal; this allows moving ULDs from the warehouse to the hull of the aircraft in less than two minutes.

For the airlines, the investment in special equipment and capabilities to handle premium cargo generates better yields, but on the handling side the picture is less clear.

"In practice there is little, if any, difference between the standard contract rate and that for temperature-controlled cargo," remarks Lau. "We are led by the trends of the global handling market and by what our customers are therefore prepared to pay."

Swissport has a published tariff for pharmaceuticals that spells out a 15% premium on top of regular handling charges. At the end of the day, though, arrangements vary by customer, Behnke says, adding that he has no visibility on the margins that the airlines are making on special products.

Parker says: "We can structure our pricing in ways that ultimately suit our clients. This can be a negotiated premium in the core handling price."

Risk sharing

Cargo handlers say their agreements with carriers can vary considerably, whether under 'bonus-malus' schemes or a tariff structure.

Parker notes that a growing number of airlines

Fordree: Often the volumes are not there in the beginning

Behnke: Training is costly

are showing willingness to talk about risk sharing and 'bonus-malus arrangements', provided the handler can demonstrate added value. Still, in many cases it is still the airline's procurement department that selects ground handlers.

Some cargo handlers have also noted that airlines' pharma yields are not what they used to be, limiting the opportunity for handlers to charge a premium for what previously was a premium cargo product.

Hactl's Lau takes a philosophical stance on margins for handling special cargo. "Hactl does not really think in terms of handling costs related to specific cargo types," she says. "We exist to serve our airline customers, and that means we must provide a comprehensive capability to handle all and any cargo they choose to carry. We accept that some of this cargo is less resource-intensive, and other cargo requires more resource and manpower. We focus on making our customers competitive through the scope and quality of services we enable them to offer; and our reward is to share in their success through increased handling volumes," she comments.


Swissport's pharma flows out of Basel bring predictability

For Swissport, pharma flows out of Basel bring a lot of predictability, reports Behnke. "We don't have the same volatility as with the fashion industry. We don't have the spikes and capacity problems, and we are not so affected by seasonality. This helps with planning and staffing," he says.

It certainly helps that Basel is at the epicentre of the European pharma industry. Elsewhere the case for investment in pharma handling capabilities is less compelling. "In some locations the market is not there," says Fordree. In markets where it does make sense to invest, often the volumes are not there in the beginning for the facility to pay for itself, he adds, and it will take time for volumes to build up to a level where the investment pays off. ■

Markets in motion

Trade wars, shifting manufacturing production and rapid economic development are all playing a major role in reshaping Asia's air cargo business, reports Donald Urquhart

Chin Yau Seng: We have seen some trade flows change

The US-China trade dispute and its deeper ramifications in terms of manufacturing production has had a major role in shaping developments in and around Asia's air cargo market in recent months, along with other international trade-related developments and uncertainties, and these trends have continued into 2019.

Marco Bloemen, managing director of Seabury Consulting, warns that already 50% of China-US air freight is suffering from the tariff dispute and this situation could significantly worsen if no resolution is found, in which case 100% of all China-US air cargo would be subject to a 25% tariff.

"None of us wants to see trade diminish," says Chin Yau Seng, senior vice president for cargo at Singapore Airlines (SIA), but "unfortunately we have already seen some immediate impact in the January and February numbers".

But like many in the industry, SIA remains hopeful that some form of resolution will come sooner than later. Whatever the outcome is, the world's factory of Asia – both its key engine of China and the sub-component producers spread far and wide across southeast Asia – have probably changed for good. And with it, long-established supply chains.

One thing is for sure: the uncertainty and concerns created over the tariff dispute between China and the US has precipitated some degree of movement of manufacturing activities out of China into the likes of southeast Asian countries like Vietnam, Thailand and Malaysia, says Chin. "We have seen some of those trade flows change," he says.

But it's also unlikely there will be a wholesale shift of manufacturing out of China simply because it is such a huge manufacturing centre that it just isn't possible to have too major a chunk of it move overnight. "Supply chains just simply cannot adjust fast enough to such a move," adds Chin.

But from Chin's perspective, for companies with lower-end manufacturing in China who were already thinking of moving out, as China was re-gearing to try and shift to higher-value manufacturing, that pace has picked up as a result of trade tensions.

"Since about the mid-point of last year, some of the factories in Vietnam have really ramped up production," he notes. "We also see a lot more growth out of Indo-China, so as an airline, we have to adapt.

"Fortunately our network is quite diversified; it's not just concentrated with all the activity in China. We do have a very strong presence in southeast Asia including Thailand, Vietnam, Myanmar and Cambodia. So we are benefiting from some of those flows, even though this is coming at the moment, at the expense of some of the China cargo."

Indeed, being based in southeast Asia has advantages for SIA. "As an airline we are fortunate that we have a degree of diversification and that we can also leverage on the connectivity of the Singapore hub," to tap the broader market that it serves, Chin says.

For Vietnam-based Do Xuan Quang, vice president of cargo at the airline Vietjet Air, the trade dispute is clearly benefiting many countries in southeast Asia including Vietnam, Malaysia and Thailand. "For Vietnam, I see the clear result of this trade war, and I can see many investors from China moving to Vietnam," he says.

This is increasing the amount of exports from Vietnam to the US. In particular Japanese and South Korean manufacturers involved in high-tech production are shifting because they see Vietnam and also Thailand as alternative production markets, Quang says.

"In Vietnam, especially, we are benefiting from this in the short term, but in the long term there are many challenges. The trade war is very political and in the long term no one knows," he says, adding that Vietnam's trade deficit with the US has already been raised in a recent visit to the country by US President Donald Trump.

From a cargo handling perspective, Yacoob Piperdi, executive vice president for Gateway Services at Singapore handler SATS, cautions: "What happens to China exports reverberates around the region – it affects the CTO (cargo terminal operator) operations quite considerably."

“

We see a lot more growth out of Indo-China, so as an airline, we have to adapt

”

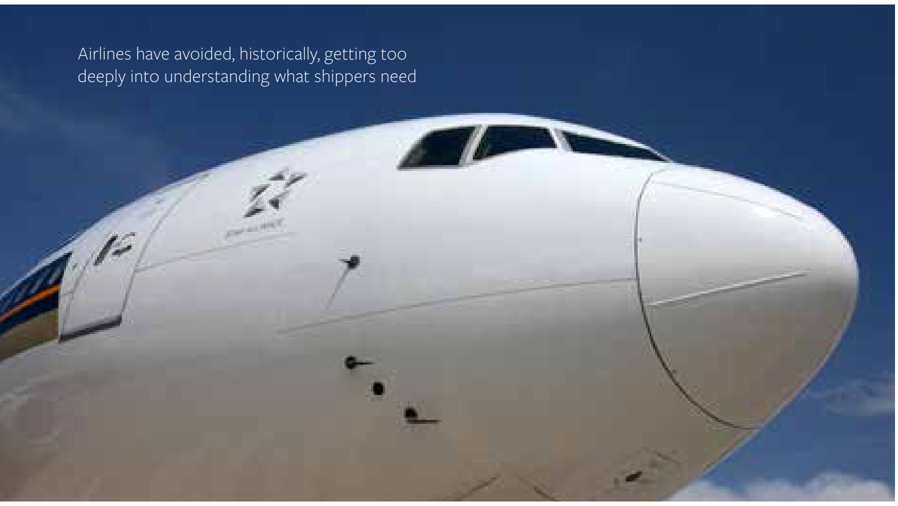
CHIN YAU SENG

But he notes that just taking Singapore as an example, over the last two decades the tiny island state has signed more than 53 free trade agreements, promoting duty-free exports through the Singapore hub. "While there is clearly an impact of the 'China effect' on trade, there is also a great deal of opportunities for exports and re-exports out of the Singapore hub, and the business of a CTO is really to grow and transform," Piperdi adds.

He cites the airside perishable centre – the first in Asia – that SATS built back in 2010 that has more than doubled in size from about 140,000 tonnes in 2010 to over 300,000 tonnes last year.

"If you build the right infrastructure, you also help to divert trade flows," Piperdi says. "And I think that's important from a ground handler perspective – whether it's a cargo management system that allows us to share data so that we gain more efficiency with others in our ecosystem, or build new facilities to support new growth areas in the cargo business like e-commerce, all of these are positive things, notwithstanding the challenges of trade wars."

Singapore Airlines has a very strong presence in southeast Asia



Airlines have avoided, historically, getting too deeply into understanding what shippers need

Wider trade disputes

But in this current environment, Andrew Herdman, director general of the Association of Asia Pacific Airlines (AAPA) says it's important to consider that the US under Donald Trump has picked trade fights with a number of countries and trading blocs, notably the EU, South Korea, Mexico, India, Turkey, Canada. "We should be careful focusing too much on the China-US trade war and the resolution of that," he says. "It may be temporary; it may be on only certain items, and it might also see trade attacks elsewhere."

He notes that strategies for production and reducing dependence on one country are strategic decisions, and businesses at least in this case, make strategic decisions in response to what are "essentially tactical political games being played by states".

OILING THE WHEELS OF COMMERCE

Two important free trade agreements look set to help "oil the wheels of commerce" in Asia in the coming years , according to IATA's chief economist Brian Pearce.

The first is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), otherwise known as the 'resurrected TPP' after the US ditched it following Donald Trump's election as US President.

For international trade expert Deborah Elms, executive director of the Singapore-based Asian Trade Centre, this trade agreement is worth paying attention to, saying it is "the most consequential agreement we've had in decades, since NAFTA – not counting the European Union," she said at the LogiSYM conference in Singapore.

The CPTPP represents a substantial 13.4% of the global gross domestic product, or roughly US$13.5 trillion. All-told, 11 countries make up the CPTPP including five in Asia – Singapore, Malaysia, Vietnam, Brunei and Japan – plus Australia and New Zealand and four countries on the other side of the Pacific Ocean – Canada, Mexico, Peru and Chile. With Australia's ratification last year and Vietnam shortly thereafter, the CPTPP entered into force at the end of December 2018 and is now coming into effect.

Three key aspects of the TPP are important to understand, Elm notes. For starters it's much broader than most agreements as it covers all goods – every last tariff line is covered and almost every tariff line will go to zero, mostly from the beginning.

"Many of them are very steep tariff cuts, so if you want to export things to Mexico for instance where the country has crazy high tariff levels, where 35% is not uncommon, many of those drop to zero on day one." But in some cases she notes, the tariffs will go down gradually, like Vietnam for instance, where most tariffs will go to zero over 3-5 years.

And significantly, almost all service sectors are covered as well, including warehousing, retail, food and beverage. "This is revolutionary, especially in this region where services are very protected," she says citing the example of Japan where services are very restricted at the moment.

Also covered is government procurement and e-commerce. "So this is much broader than any other agreement we've ever had. It's also deeper, including new rules on special property rights, standards, some new things on the environment, labour rights, some competition rules and some new rules on Customs.

Pearce estimates that the full effects of this agreement may only be felt by air cargo in the next few years.

Another important agreement, still under negotiation, is the Regional Comprehensive Economic Partnership (RCEP), which includes the 10 member states of the Association of Southeast Asian Nations (ASEAN) and Australia, China, India, Japan, South Korea and New Zealand.

"So if you look at how much trade, especially how much Asian trade, is covered by just two agreements, it's massive and growing all the time," Elms says, meaning "many new opportunities are on the horizon.

Herdman continues: “But I do see people diversifying their risk in terms of where they are sourcing; I see them making their supply chains more resilient, and from an air cargo perspective, we have to respond to that. We are used to being nimble and adjusting to developing markets and the ups and downs; we have to be even more mindful of the fact that it is an unpredictable game.”

Fortunately for airlines, the assets are very movable. But airlines need traffic rights, they need support on the ground, they need logistics and they need market contacts, he points. “So you have to cultivate those even in markets that seem small today,” he says, citing the case of Vietnam that fairly recently was a very small market exporting primarily seafood and perishables.

“The idea that it would be a very competitive manufacturer with the likes of Samsung seemed like a very far-off dream,” Herdman notes. “But Vietnam has delivered on that, as it has revolutionised the competitiveness of Vietnam in terms of manufacturing, not just in terms of footwear and apparel, but into high tech manufacturing of smart phones and so on.”

As Chin noted, Herdman says a key driver of this diversification of production is labour costs, noting: “Chinese labour costs have been rising spectacularly in line with economic growth, and that has meant a lot of the movement and diversification away from China has been a result of lower labour costs.”

Logistics connectivity

But lower labour costs are not the only factor, he cautions. Land, energy supply, and good logistics connectivity is also important. Hence the slow move to Myanmar, with much lower labour costs than the rest of southeast Asia. “It’s not enough just to have a pool of cheap labour when you need all of these other things,” he highlights.

But while Vietnam, Malaysia, Thailand and others may benefit as companies diversify their manufacturing away from China, there’s also a downside. Many of these countries already have extensive supply chains across the region and are suffering from the disruption of Chinese exports to the US, because they are providers of China’s intermediary components. “So, there are pluses and minuses to the southeast Asian economies, even though they may see some upside from the trade dispute in the short term, and that is beginning to affect confidence in some of those markets,” Herdman adds.

And echoing Quang’s sentiments, Seabury’s Bloemen says that while he’s heard from some shippers that they are considering moving up to 25% of their manufacturing capacity out of China, “which country would you go for, and what if a dispute is started with the country you just moved to”?

Piperdi: Growth potential in Indonesia is very strong

Herdman notes that with Trump’s de-globalisation leanings encouraging on-shoring, it’s not just about Asia; Latin American countries have also seen some windfall, particularly Mexico in the automotive realm. But even there, this confrontational US president has also raised trade issues.

Nevertheless, in terms of Asia, Herdman adds: “Vietnam has done very, very well and has a bright future. The playbook is written; you just have to execute it. But that’s not an easy challenge for all countries,” he says citing the importance of education, workforce development, foreign direct investment friendly policies, infrastructure and most important, being connected to the global supply chain.

Picking up on this theme, SIA’s Chin highlights the oft-quoted figure that air cargo only carries 1% of world trade by volume and 35% by value. “So we are not the only player,

“What happens to China exports reverberates around the region – it affects CTO operations quite considerably”

Yacoob Piperdi

and obviously when it comes to production, supply chains are a lot more complex than just airport-to-airport," he says.

"Going forward, the challenge for supply chains is to adjust - for us to be more sensitive to where the moves are, what the pressure or pain points are. You have to line up a lot of ducks to make sure everything goes well and in our business I think it has been a long, long time that the airlines have tried to stay out of getting too deep in understanding what the shippers need."

Chin concludes: "I think we cannot run away from that. To provide the right solutions especially for our part, airport to airport, whether it's by transhipment or direct, we really do need to get a bit deeper into understanding some of these companies when it comes to relocating their supply chains. Increasingly, that will be our challenge and we have to gear up for it."

Growth potential

Despite the short-term trade fluctuations, the growth potential in Asia is very clear, adds SATS' Piperdi. He agrees that Vietnam, in particular, has grown substantially, but also highlights that within the next five years the growth potential in Indonesia is very strong. Indonesia, he says, will have the third-largest middle-class population in the world in the next few years.

> *"To provide the right solutions, we need to get deeper into understanding companies when it comes to relocating their supply chains"*
>
> CHIN YAU SENG

And despite the most-recent downturn over the last few months of 2018 and early 2019, there is substantial opportunity in Asia, Piperdi highlights, noting: "There are bright spots in pharmaceuticals and e-commerce. We will continue to invest in facilities that will help customers grow these verticals through the Singapore hub and other airports where we have operations."

Adding to the opportunities, Quang notes that the Asian Economic Community (AEC) is already well on its way, and this will create not only economic opportunities, but air traffic growth as well.

And while all agree that growth is clearly a feature of Asia going forward, infrastructure remains a critical issue that must catch up with this dynamic growth being experienced across the region. ■

Changing Mindsets

Established practices and concerns over how data will be used are delaying meaningful progress in data sharing. But customer demand, improving technology, and potential outside intervention mean this has to change soon, reports *Donald Urquhart*

SOURCE: AA CARGO

Heinz: Real-time data challenge

While there is increasing recognition of the need to share data, within air freight in general and in highly sensitive and valuable special product sectors such as pharma transport in particular, a number of factors continue to hold back this process.

A discussion panel within the Pharmaceuticals Track at IATA's World Cargo Symposium in Singapore titled 'Addressing Air Freight Operational Challenges' agreed that the data is available and the technology exists, but established practices and concerns over how the data will be used are delaying meaningful progress.

"There is a bit of a challenge in terms of changing the mindset," says Nina Heinz, global head of network and quality at DHL Global Forwarding. "We all move air freight shipments and hopefully we're good at it, but the challenge then comes in sharing real-time data about those shipments."

Customers are asking for the data, she says, for a variety of reasons, including for risk-based planning, to analyse how to improve the supply chain and reduce costs, and also to plan for new product launches. "So, there is real interest in getting the data," she notes. "We see it now even in the bids and RFQs coming up, that it is required."

Data partnerships

In the pharma transport business, Heinz says companies look for partnerships with the parties they work with to obtain that data, "because we don't have all the data; the data comes from everybody, and we depend on everyone in the collaboration to be open to share that data so that we can derive value from it and support shippers with it".

From a shippers' perspective, Eddy Weygaerts, transportation manager for Pfizer gives an example of what is important for him. With a typical pharma shipment worth millions of dollars, if it is lost or damaged the company would of course file a claim, but Weygaerts says that brings little satisfaction. "What does bring me satisfaction is to know 'where do we need to assist'? and secondly if there is a failure then we make sure that the next time there is no failure. That is the only thing I am interested in," he says.

> ***"There is a challenge in terms of changing the mindset"***
>
> **NINA HEINZ**

But this highlights a very real barrier to sharing data, points out Winnie Pang, SATS' assistant

VP for Coolport and eCommerce AirHub: there is a real concern over how the data is going to be used. “Is it going to be used for quality checks, or is it going to be used for litigation purposes?” she asks. But once you overcome such issues and you build a layer of trust that the data is used in a proper manner – and it’s useful to the pharma shipper and ultimately to the end consumers – “that helps to resolve a lot of the conflicts”, she says.

Compliance issues

Another challenge involves corporate compliance issues. Frank Van Gelder, secretary general of best-practice organisation Pharma. Aero, highlights that when the organisation was being formed, it wasn’t difficult to get people interested in participating, but the real difficulty was in getting the inter-company policies aligned, the legal departments aligned, in order to share the data.

“One of the most important things when we launched the Pharma.Aero project is indeed to create this trust,” says Van Gelder. “What data are we going to share, who will see what, etc.”

From a technology point of view there is no issue, he says, but one thing that is important is to build a team approach within stakeholders. “Zoom into a wider team through our single point of contact to say: ‘okay, who within the company will be available? Who needs what data? What do they want to see? And what don’t they want to see’?” he highlights.

It’s a slow-moving process, he notes, “but it’s the mindset that has to be created that’s the most important.” He adds that when Pharma. Aero started looking at what different data was available, it was obvious that everyone has data; “data is everywhere”, he says. “But it’s only when you layer them over each other, that you start combining all those different sources and you create this beautiful window of different kinds of data.”

Scattered nature

Ong Geok Suan, general manager for key accounts and verticals at Singapore Airlines Cargo, says her airline has been sharing data, but one problem is the scattered nature of it, noting: “A lot of this data is actually available, but it is just in different forms, on different platforms. Sharing is about putting all your information, as much as possible, on a platform that is accessible.”

> “*A lot of this data is available, but it is in different forms, on different platforms*”
>
> ONG GEOK SUAN

But there are other significant problems with data as well. Fedor Novikov, deputy general director for products at AirBridgeCargo Airlines, says that he is “not fully satisfied with all the data”. He notes there is a lot of discussion not only about the quantity of data, but also the quality. "A lot of information shared in the industry is shared on paper," he says, like check lists. The industry needs to shift from information sharing to data sharing, he emphasises.

Heinz says: "We are an industry known for speed of deliveries, but I don't know if we are known as an industry for its speed of data sharing." Echoing Novikov's sentiment on paper-based information – check sheets, manually filled out information, excel spreadsheets – she says: "We need to go beyond this – this is 'old-school'; we need to move into an industry where we are working towards digitalisation where we have this kind of data that can be shared."

Common standards

Then there is, of course, the issue of standards, something that is currently being worked on by the IATA working group ONE Record. Novikov highlights the XML industry interest group, "which will probably come up with a solution for different kinds of data exchange, and we hope that we can also push this from a pharma perspective and say 'these are our requirements from pharmaceutical companies', for instance."

He also notes the importance of getting standards in place as soon as possible, because if the air cargo sector takes too long talking about it, others "will solve the problem without us" – which may not produce the best fit for the industry. ■

The Pharmaceuticals Track panel (from left to right): Frank Van Gelder, Eddy Weygaerts, Nina Heinz, Ong Geok Suan, Winnie Pang, Fedor Novikov, Joachim von Winning (moderator)

Global Pharma Tracker programme launches

The air freight transparency and visibility initiative has completed a successful proof of concept and pilot phase in a collaboration between data-sharing specialist Nallian and Pharma.Aero, reports *Will Waters*

Data-sharing specialist Nallian has launched an early-adopter programme for its Global Pharma Tracker data-sharing platform, following a successful proof of concept and pilot phase in collaboration with pharma transport quality-improvement and best-practice grouping Pharma.Aero and its members.

Nallian describes the Global Pharma Tracker as "the world's first third-party data-sharing platform for end-to-end tracking and monitoring of temperature-controlled pharma shipments by air". Claiming that it provides unparalleled levels of transparency and visibility, Nallian said the service "empowers pharma actors to efficiently detect, act upon and ultimately prevent costly temperature excursions – currently causing billions worth of product loss every year".

Redefining temperature-controlled pharma shipments

Launching the early-adopter programme at IATA's World Cargo Symposium in Singapore, Nallian highlighted the fragmented nature of the global pharma air cargo supply chain, involving multiple partners including shippers, carriers, ground handlers, forwarders, cold-chain service providers and airport authorities. "In this fragmented supply chain, detecting excursions and defining why and where they happened is today a complex, time-consuming and manual process," it noted. "With data sitting in silos, detecting, examining and acting upon temperature excursions is time-consuming and costly."

The Belgian IT specialist firm said the Global Pharma Tracker platform integrates logistics, temperature, and quality data from this fragmented supply chain into a single, real-time view, noting: "This gives all stakeholders access to an enhanced data stream, providing valuable insights into their cargo flows and end-to-end visibility across the network. It empowers them to efficiently and unequivocally answer questions such as: 'where did the excursion happen?' and 'what caused it?'. Historical performance analysis will ultimately allow them to adopt a pro-active approach that prevents excursions from happening in the future," Nallian said.

It said the platform registers all events and responsible parties, using participants' legacy systems and investments to tap into existing data in order to create a "unique overlay of temperature, quality and logistics information"

The platform integrates logistics, temperature, and quality data from across the fragmented supply chain that will include MAWB, HAWB, and IoT data. But "only parties related to a shipment" can see the data, and only those parts that are shared with them, Nallian stressed, noting: "The data owner always stays in control of who sees which part of his data."

Early adopters

The Global Pharma Tracker Platform is now being made available "to pharmaceutical actors who are keen to gain full control of their pharma shipments and set the standard for global pharma visibility", Nallian said, following its successful proof of concept and pilot phase. Those initial trials were conducted in collaboration with Pharma.Aero and its user group, including leading pharma shippers, handlers, airport authorities, forwarders and carriers such as Pfizer, Johnson & Johnson, MSD, Brussels Airlines, Singapore Airlines, Mumbai Airport, Brussels Airport, Changi Airport, and DHL Global Forwarding.

Pharma.Aero selected Nallian to develop the data-sharing capabilities for the programme following the successful use by Pharma. Aero founding partner Brussels Airport of the 'Nallian for Air Cargo' suite of products, which has helped to connect and build the airport's now-thriving cargo community and their communications capabilities and collaborative activities. Nallian for Air Cargo is a "collaborative solution suite that enables cargo communities to operate in a connected, integrated way – improving performance and transparency for all actors in the network".

Jean Verheyen, CEO of Nallian, commented: "We are excited to bring the benefits of our open data-sharing platform to the pharmaceutical industry. Proven to generate transparency and efficiency across local cargo communities, expanding these to a global network such as the pharma supply chain is a logical next step in our ambition to bring the benefits of digitization and collaboration to the air cargo industry.

"Users of the Global Pharma Tracker will leverage the benefits manifold: internally, within their local community, across validated pharma corridors, and ultimately across the global network. With a cost of US$35 billion caused by temperature excursions, we trust the Global Pharma Tracker represents a major opportunity for the industry." ■


Verheyen: Logical next step

Nallian was founded in 2012 by Jean Verheyen, an experienced entrepreneur and senior manager in the global B2B integration market.

ECONOMIC OUTLOOK

Air freight in an era of unilateralism

IATA's downgraded 2% growth forecast reflects a shift away from global multilateralism, explains chief economist *Brian Pearce*

IATA's decision to downgrade its 2019 growth forecast from 3.7% to just 2% reflects a shift away from an era of global multilateralism to a new period of "aggressive unilateralism" that has been contributing to air freight's stagnation in the last 12 months, the association's chief economist Brian Pearce told the 2019 World Cargo Symposium in Singapore.

While IATA recorded a headline overall growth rate in FTKs for 2018 of 3.5%, Pearce notes that once this figure is seasonally adjusted, it becomes clear that all of the growth had taken place by January 2018. Since that point, the industry-wide FTKs have not grown – and in fact in the last few months of 2018 experienced some contraction, on a year-on-year and month-non-month basis.

"The hard reality of the last 12 months is that we've actually seen no growth in industry-wide volumes at all," says Pearce.

Explaining how the average for 2018 was still 3.5% higher than the average for 2017 despite there being no growth after January 2018, he told *CAAS* that this was "because of the profile: fast growth through the second half of 2017 until it stopped in January 2018". He confirmed that although there had been several months of year-on-year monthly growth between January 2018 and last autumn, FTK levels never exceeded the FTK levels of last January.

He said that the current weakness is also quite widespread – all the major trade lanes show a consistent picture of the slowdown. And in the the last few months, particularly in Asia – which is considered the bellwether for the industry, being the manufacturing and assembly hub of the world – has shown particular weakness.

A key indicator – export orders – remain in negative territory, with the expectation that they will shrink further, Pearce says. With export order data typically preceding movement in air cargo by two or three months, Pearce says the impact will still be felt for some months to come.

Beyond restocking

This manufacturing contraction is partly due to the restocking cycle that unexpectedly peaked in 2017, driven by businesses around the globe that were surprised by a surge in demand. This, of course, led to a very good year for air cargo in 2017.

But Pearce notes that not only has this cycle ended, but "it's clear in the last 12 months that the situation has gone beyond the typical industry restocking cycle – it's more than that."

Problems with world trade rather than general economic weakness are behind this. He notes that GDP growth is still in "pretty good shape". The issue, he says, is that "cross-border trade is weakening sharply; that's what's damaging our business in air cargo."

He also highlights that this year's cargo growth forecast downgrade to 2% growth, "is quite significant". Pearce says this is in a large part due to what has happened already from late 2018 into early 2019.

Pearce: GDP growth is still in pretty good shape

“

Cross-border trade is weakening sharply; that’s what’s damaging our business in air cargo

”

BRIAN PEARCE

The outlook for the rest of the year and five years that IATA has projected are based on the trade situation not getting any worse and based on world trade figures forecasting global growth of 3.5% this year.

“Our projection – 2.0% this year and 4.4% on average over the next five years – is based on air cargo outperforming world trade, reflecting the increasing impact of structural changes like e-commerce, which favours air cargo over other modes of transport,” Pearce notes.

“But obviously if we see a deterioration of the trade situation – and I don’t think we are out of the woods yet – we could see a weaker trade environment.”

He highlights there could be other trade disputes, not just between the US and China, but Europe being pulled into US issues over auto components – an important air cargo product.

“It does look like we are on a cusp of a deal between the US and China, but we need to have open eyes on the trade-policy situation,” he adds.

“We are in a different world today, post-global economic crisis: aggressive unilateralism rather than the multilateralism the world pursued some time ago.”

E-COMMERCE

Responding to the e-revolution

Collaboration is crucial for air cargo to get up to speed on e-commerce, speakers at WCS say

Collaboration among members of the air logistics chain is crucial if the air freight sector is to get up to speed and take advantage of the opportunities presented by rapidly growing cross-border e-commerce traffic, according to speakers at the 2019 World Cargo Symposium (WCS).

"The digital train has left the station – most of the economy will be 'e' very soon and that impacts everyone," says Wolfgang Lehmacher, a senior supply chain executive who was head of supply chain and transport industries at the World Economic Forum and a former CEO of GeoPost Intercontinental.

Saying that it is becoming harder and harder to distinguish traditional commerce from e-commerce, Lehmacher says the air cargo industry must think more about digitalisation.

While e-commerce is a hot topic and clearly inspires excitement among the air cargo supply chain, Michael Steen, EVP and chief commercial officer at Atlas Air Worldwide cautions that while e-commerce currently represents 10-12% of total global commerce, a good chunk of that figure is pure digital, like streaming for instance, and not carried on aircraft. "But if we think about the addition of 2 billion more middle class consumers by 2025, it's a massive amount of people entering the consuming class," he adds.

Moderating the session, Glyn Hughes, global head of cargo at IATA, highlights that if you take out the streaming portion, the percentage of physical goods moving as a result of e-commerce becomes only single digits.

Growth challenge

"But already it is having a major impact on supply chains," he says, pointing to Amazon's Prime Air as an example. With this in mind, Hughes points to the elephant in the room asking: "Will the industry be able to handle the potential volumes?"

Steen: There are too many unilateral investments

Lehmacher: The bottleneck is imagination

> *On the asset side, we are lagging behind; on the digitalisation side, we are a lot behind*
>
> MICHAEL STEEN

For Steen, it's not going to be an exponential growth, but something more gradual. "There are still many issues like taxation, customs, financial deregulation, infrastructure – obstacles that need to be overcome," he notes.

But overall, Steen feels the industry is not in a place to cater to future e-commerce growth. "On the asset side, we are lagging behind; on the digitalisation side, we are a lot behind. We need to think about this and figure out how to be relevant to these e-commerce platforms," Steen adds, highlighting that some 800 freighters will be retired in the next 10 years.

Ground infrastructure

Infrastructure on the ground also varies widely. Using southeast Asia as an example, Singapore is very good, but Indonesia has some way to go, he says. In the Indonesian example, "geography lends itself to e-commerce, so this will revolutionise infrastructure there".

Among the challenges the air cargo supply chain faces in being a true player in the e-commerce space, Lehmacher says integrating digitally is one of the major prerequisites to be a good player.

He notes: "I'm not so worried about capacity, but digtalisation in order to plug into all the platforms is crucial." He highlights that two-thirds of the value global business creates is via platform transactions. "This means the industry has to support this," he says, adding that some are more ready than others. "As an industry, work must be done to build platforms and standards to support them."

The issue for Steen, is less about insufficient investment and more about how the industry views these investments. "There are far too many unilateral investments – we should look at it as an integrated industry," he says

While noting that the ability to have complete visibility through entire supply chain is absolutely possible today in technological terms, "it can't be done without alignment, harmonization and collaboration between the various players in the fragmented industry".

The way integrators came about disrupted the general cargo industry; we now see e-commerce platforms doing same thing, Steen adds.

For Lehmacher, it's important that the industry changes the way it looks at the business. "Will technology revolutionise the logistics industry? Amazon already has," he emphasizes.

"I don't believe individual players alone are capable of setting up what is needed to bring the industry up to speed," he says. "There has to be a new model of looking at industry and it's about collaboration. It is about learning across the supply chain, learning in the ecosystem."

Lehmacher adds: "The bottleneck is not money but imagination." It's the tech talent that can build the solutions and this industry is competing with every other in the world for talent, he cautions. "We can learn from other industries, but we must build capacity within the industry and within the companies themselves." ■

Glyn Hughes joined IATA in 1991, initially to enhance and expand the Cargo Accounts Settlement Service. He led a number of IATA Cargo initiatives before becoming global head of cargo in June 2014.

Goh: Compliant lithium batteries are safe to transport

Goh Choon Phong joined SIA in 1990 and worked as executive vice president for marketing and the regions and also served as president of Singapore Airlines Cargo from 2006 to 2010.

SHIPPER SURVEY

Danger signs

IATA's latest shipper survey highlights a surprising lack of DG awareness among customers in the transport of e-commerce products, reports *Donald Urquhart*

IATA's latest Shipper Survey turned up an alarming result, with 40% of respondents saying they are unaware of dangerous goods regulations pertaining to the transport of e-commerce products.

"That is an alarming figure considering e-commerce is effectively enabling millions of small shippers to open up new markets," says Glyn Hughes, global head of cargo at IATA.

Michael Steen, EVP and chief commercial officer for Atlas Air Worldwide, says: "We should be extremely concerned about it."

Catastrophic consequences

Steen notes that the consequences of undeclared dangerous goods DG such as lithium batteries on board an aircraft can be "catastrophic in nature – and that can't be allowed to happen".

An Atlas Air B767 cargo aircraft operating on behalf of Amazon flying from Miami to Houston in February crashed just east of Houston, with the loss of all three crewmembers, although the cause of the crash has not yet been established.

Steen adds that one thing that should be done on a global basis "is to criminalise anybody who is trying to put any form of cargo on an aircraft that is unsafe and hasn't been declared properly. There has to be criminal punishment for that because you are jeopardising people's lives," Steen adds.

This year's IATA Shipper Survey saw over 400 responses from individuals and companies representing almost the entire breadth of the industries that use air cargo.

Green shoots

The survey did contain some positive notes, with some 52% of respondents foreseeing using more air cargo in 2019 than in 2018. "So, there are some optimistic green shoots we need to embrace," adds Hughes.

And overall, 16% said they were 'very happy' with air cargo while, 8% indicated they were 'very unhappy' with the air cargo services they received. Overall the industry was given a grade of 7/10 – the same score the industry received two years ago after the first round of surveys.

And on combatting shipment of illegal items, 83% of respondents said they are ready to sign a code of conduct to combat counterfeits, illegal wildlife trade, and illegal narcotics. This shows a high ethical approach to social responsibility, Hughes says, noting that he would like to see that translated into supply chain partnerships

Cargo priorities

Hughes adds that this year will see continued engagement over key issues like digitalisation, engagement with international trade and development bodies, efforts to attract the next generation of air cargo leaders, and e-commerce related aspects like lithium batteries.

"We as an industry have taken this on board and have an outreach programme for dangerous goods; and our safety team are engaging with a number of platform providers encourage them to do more and make the message far reaching."

Hughes notes that the IATA Cargo team has been working over the last 12 months with governments around the world, battery manufacturers and suppliers throughout the supply chain in a collaborative fashion, "to ensure that the issues that this industry has highlighted reach the ears of those who can actually make the changes that are required."

Goh Choon Phong, CEO of Singapore Airlines, notes that when lithium batteries are "manufactured, packaged, presented and tendered in accordance with international regulations, they are safe to transport".

Hughes agrees, adding that "the challenge we have as an industry is to work with regulators so that they can actually identify rogue shippers and manufacturers who are not in compliance with international standards and ensure that they do not get into the supply chain in the first place.

"It's a global consumer risk and it's one that we in the supply chain are working with governments to try and eradicate," Hughes concludes.

Dumont: Rolling out digitalisation programme

> *Unilode's digital transformation programme will improve control, visibility, transparency, accuracy and safety in the air cargo supply chain with a breakthrough end-to-end solution*

BENOÎT DUMONT

INNOVATION AWARDS

Unilode wins 2019 Innovation Award

Bluetooth-based ULD tracking solution promises to improve control, visibility, transparency, accuracy and safety in the air cargo supply chain

Unilode Aviation Solutions has won the IATA Air Cargo Innovation Award for 2019 for its Bluetooth-based tracking solution for unit load devices (ULDs) that promises to help accelerate air freight's digital transformation and improve control, visibility, transparency, accuracy and safety in the air cargo supply chain.

An independent jury that included industry experts, academics and CEOs evaluated 56 entries from across the industry, ranging from small start-ups to large multinationals. Projects were evaluated based upon the idea, its potential to create value, and the likelihood of achieving success. Entries covered a wide-range of areas including ULDs, digital solutions and track and trace that used cutting edge and emerging technologies such as block chain and big data to develop innovative solutions to benefit the industry.

Three companies were shortlisted to present their projects during the closing plenary of the 13th World Cargo Symposium in Singapore to over 500 audience members, which subsequently cast their vote for their preferred innovation project. The award and its US$20,000 first prize went to Unilode, with the two runners-up prizes both also going to ULD-related innovations.

Digital Transformation

With piece-level tracking of air cargo still rarely available, IATA said that Unilode's 'Digital Transformation' concept will allow customers to use the ULD as a proxy for the air cargo shipments located inside it in order to track location and transmit status updates on the temperature, light and shock exposure and humidity of the ULD and its contents.

Outlining the solution, Markus Flacke, head of product management and solution development for Unilode Aviation Solutions (Germany), explained that Unilode's concept "will allow for the fast and easy introduction of Internet of Things (IoT) to the world of ULD management and to the air cargo supply chain. Unilode has developed, together with its partners, a Bluetooth-based tracking solution for load devices potentially creating transparency across the whole supply chain.

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A key ingredient in the Airport's passenger and cargo air service development plans is Hartsfield-Jackson's innovative Air Service Incentive Program (ASIP).

ASIP is designed to stimulate international air cargo and passenger growth, particularly along routes that link Atlanta to the world's fastest-growing economies.

The incentive program waives landing fees for up to two years for qualified passenger airlines starting international routes not already served from Atlanta and matches up to one-half of promotional costs, capped at $50,000. International cargo service carriers benefit from a waiver of both landing and parking fees during the same periods.

The highest tier of benefits is available to carriers starting service to major economies with the greatest potential for passenger and cargo growth, namely Brazil, Russia, India, China, South Africa, Latin America and the Caribbean.

China is among ATL's top five cargo destinations, and Asia overall contributes nearly half of ATL's total 2018 freighter cargo volume of more than 693,000 metric tons. Continued growth is expected in cargo volume originating from China.

New direct routes to China and other destinations throughout Asia will help encourage direct investment and a steady stream of business opportunities both in the Atlanta region and the targeted destinations in Asia.

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In the area of cargo service development, increasing ATL cargo operations remains a key goal toward making ATL the leading U.S. hub for e-commerce, pharmaceuticals, aerospace, automotive and perishables. ATL connects the Southeast to the world!

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"In this model the Bluetooth-equipped ULD will allow customers to use the load device as a proxy for tracking and transmitting status updates of their cargo whilst offering improved inventory control and damage reduction of their ULD fleet. The applied technology will at the same time record temperature, humidity, shock and light information that can be used by the customer to create their own service offering for products like perishables, valuables or sensitive cargo."

Commenting on the award, IATA's global head of cargo Glyn Hughes said: "One of the biggest growth areas in air cargo is special handling items, like time- and temperature-sensitive payloads. Customers for these products want to know where these items are, and their condition, at any time during their transport.

Tracking innovation

"Unilode's tracking innovation will make this a reality. I congratulate the company on their achievement and use of data to drive improvements in operational quality."

Unilode CEO Benoît Dumont said: "Unilode is extremely proud to have won the IATA Air Cargo Innovation Award with its digital transformation programme, which will improve control, visibility, transparency, accuracy and safety in the air cargo supply chain with a breakthrough end-to-end solution. Unilode's aim is to deliver enhanced value to various stakeholders including airlines, ground handlers, shippers and freight forwarders to solve common issues relating to ULDs and cargo, and is looking forward to continuing the development and roll-out of its award-winning digitalisation programme."

The runners-up

The two runners-up prizes went to entries from Air New Zealand Cargo in partnership with Cargo Composites, and to SITA in partnership with Safran and CHAMP.

The 'Keep it cool with aeroTHERM' entry from Air New Zealand Cargo & Cargo Composites highlighted how Air New Zealand had recently tested and launched new thermally-insulated aeroTHERM ULDs aimed at better protecting temperature-sensitive shipments and reducing cost.

Designed by Cargo Composites, aeroTHERM is "an industry-first container fabric door that insulates 25 times better than regular ULDs and curtains, allowing shipments to stay within desired temperature ranges for longer, reducing the use of thermal covers, wraps and heavier temperature controlled ULDs". The aeroTHERM curtain, coupled with the aeroBOX's insulated honeycomb panels, frameless design and secure closure mechanism, work together to minimize energy exchange, keeping shipments cooler or warmer for longer.

For the 'Smart ULD' entry from SITA, Safran and CHAMP, SITA's Arnaud Brolly explained that Smart ULD "is an innovative solution combining the latest mobile, IoT and blockchain technologies to solve major pain-points on ULD management". Smart ULD digitally tracks and monitors ULDs during their transport, providing geolocation, temperature, shock, vibration, pressure alerts, and digital damage reports. It aims at reducing the disrupting impact the loss or misplacement of ULDs, as well as moving ULD handling from paper to digital formats.

Smart ULD

Smart ULD "leverages a specific event-driven blockchain, to organize the full supply chain", in order to bring "more visibility and event transparency to all stakeholders in need to exchange data", contributing to enhancing the efficiency of supply chain processes.

The IATA Innovation Awards were launched in 2014 to encourage and promote innovation in the air cargo industry.

"To attract demand in new market segments, the air cargo industry must improve its value proposition," said Hughes. "Innovation holds the key to industry development, sustainability and success and we are committed to help unlock its potential. It's important to recognize the individuals and companies that are driving change." ■

SME SOLUTIONS

Cargo iQ unveils new solution for SME forwarders

Portal promises to provide 'vastly improved planning and control' for air freight shipments to small and medium-sized freight agents

Air freight quality body Cargo iQ has successfully trialled a new solution that it claims will provide "vastly improved planning and control options" to small and medium sized freight forwarders that work with its member airlines on a small-scale or regional basis.

The IATA-sponsored initiative said its Small and Medium Enterprise (SME) Solution will enable a 'Route Map' and status updates to be made available to the forwarder for individual consignments in line with the common business practices and milestones set out in Cargo iQ's Master Operating Plan (MOP).

Cargo iQ members have developed the MOP as a system of clearly defined common business processes in order to help air freight forwarders plan a route map for their shipments and measure the progress of the shipment against that original plan and the various milestones within that plan. However, it has struggled in the past to attract SME forwarders into its community of users and has tended to be dominated by the larger global groups.

"With Cargo iQ SME, we provide a turn-key solution for independent freight forwarders to benefit from shipment planning and control through shared Route Maps and operational visibility for various milestones along the shipment lifecycle," said Chris Davies, manager for product and technology at Cargo iQ. "Cargo iQ's members work together to continuously improve the value of air freight for customers and, by expanding our solutions

portfolio, we are opening the door to a wider section of the air cargo industry."

After registering with an accredited Cargo iQ SME IT Service Provider, forwarders can benefit from Cargo iQ performance-management tools straight away, Cargo iQ said.

Forwarders that join the SME portal will also have the option to apply for full Cargo iQ membership, to benefit from additional performance reporting, benchmarking, collaboration, and insights. "Upgrading allows smaller freight forwarders to put the Cargo iQ stamp of approval next to their names after a vigorous audit and certification programme, and provides access to other tools, such as our member-only Door-to-Door Performance Management System," said Davies.

From shipper to consignee

The Door-to-Door (D2D) solution allows Cargo iQ members to measure the movement of freight from shipper to consignee, rather than just the airport-to-airport leg of a shipment's journey, and has also been developed based on the MOP. D2D provides implementable business rules and use cases to track and measure shipments, operational visibility in real time on an individual House Air Waybill (HAWB) basis, as well as comprehensive metrics on pick-up and delivery performance, Cargo iQ explained.

All route map data for D2D is provided by Cargo iQ to generate analytics, which is then reported to members in Cargo iQ's Air Cargo Intelligence Hub.

The SME Solution trial started with Italian IT and cargo community system (CCS) specialist CCS Italy, using Riege Software's back-end Cargo Data Management Platform (CDMP) technology. CCS Italy specialises in IT solutions for freight forwarders, air cargo carriers, and ground handling agents.

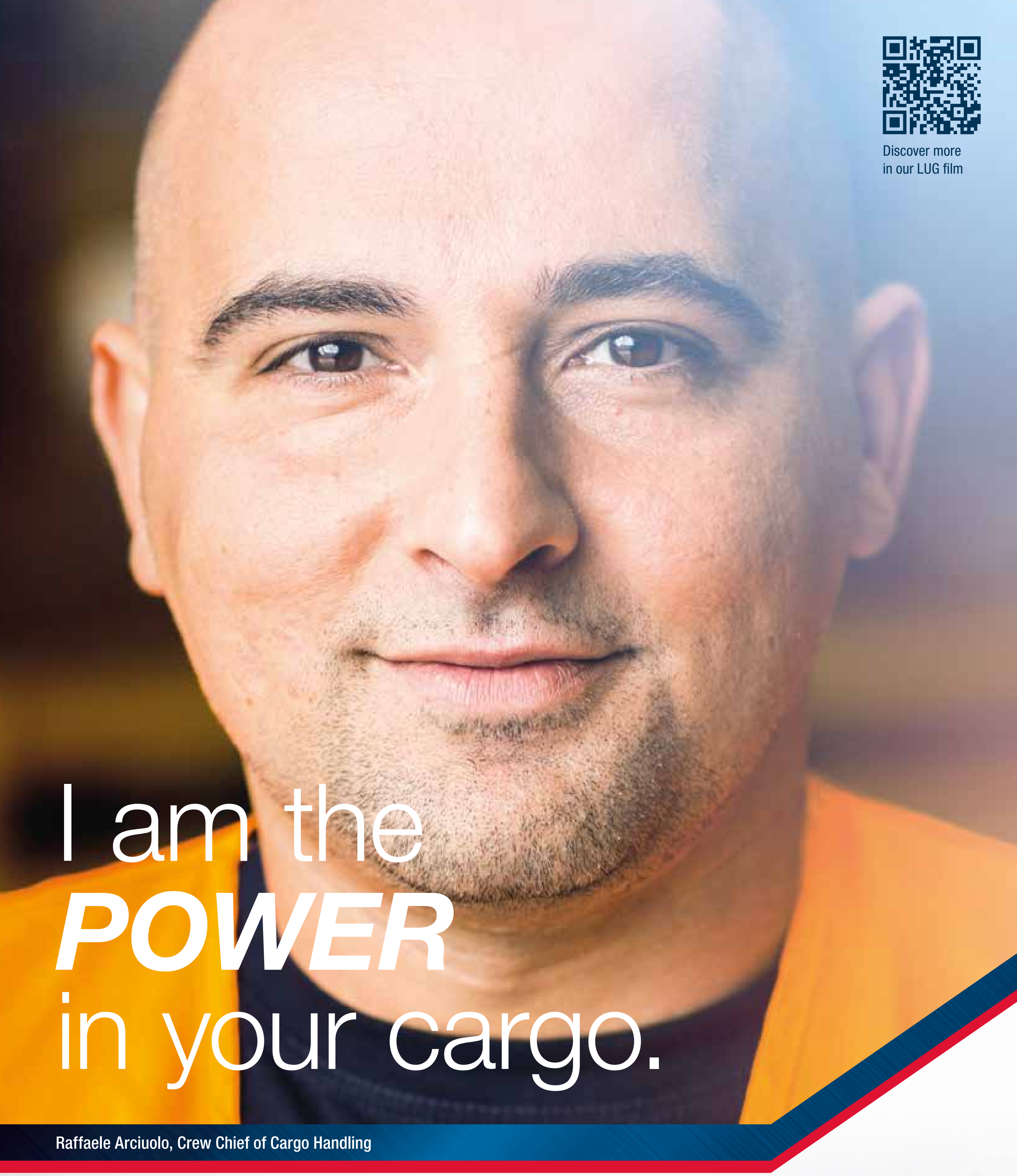
"Taking part in Cargo iQ's SME Solution trial is a great opportunity for CCS Italy to demonstrate how independent freight forwarders can work with air cargo carriers to benefit the overall air cargo industry," said Gianni Mauri, senior consultant for CCS Italy.

Christian Riege, managing director of Riege Software – which specialises in cloud-based software solutions for the cargo industry – commented: "We always put our focus on scalability, to serve customers from the smallest to the largest on the same high technological level. To expand this approach to IATA's Cargo iQ initiative targeting SMEs was an extra stimulus – with the awesome outcome of facilitating SMEs' access to Cargo iQ."

An official launch date for SME will be announced in the coming months, following an evaluation of the trial phase.

> *"With Cargo iQ SME, we provide a turn-key solution for independent freight forwarders to benefit from shipment planning and control along the shipment lifecycle"*
>
> CHRIS DAVIES

From left to right: Benjamin Riege, marketing director and Johannes Riege, founder and chairman at Riege Software; Filippo Passeggieri, IT cargo expert at CCS Italy; Chris Davies, technology and product manager for Cargo iQ; and Ariaen Zimmerman, executive director of Cargo iQ.



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Picking up the pace

IATA Cargo Committee calls for faster adoption of industry projects, reports *Donald Urquhart*

The 13th IATA World Cargo Symposium in Singapore concluded after three intensive days of conference discussions and meetings, with over 180 speakers presenting 1,600 slides in the 12 conference tracks.

Among more than 20 industry committee meetings and workshops was the key IATA Cargo Committee – currently chaired by Peter Gerber, CEO and executive chairman of Lufthansa Cargo – which evaluated the current status of industry projects, directing IATA to pick up the pace of adoption.

"The message that they would like us to carry through for the next 12 months is: 'We have to embrace and adopt far, far, far quicker'," says Glyn Hughes, global head of cargo at IATA. "No longer have we got the time available to say: 'Not this year, but next year'. The time is now and as an industry we have to embrace the changes."

One Record vision

The Cargo Services Committee had a number of key actions, endorsing the One Record vision (which envisions end-to-end digital logistics and transport supply chain where data is easily and transparently exchanged in a digital ecosystem of air cargo stakeholders, communities and data platforms) and adopting a recommended practice to standardise internet-based data sharing.

The Committee also adopted recommended practices to provide the necessary business processes to support communications between carriers and their supply chain partners. And initiatives to help standardise and harmonise training requirements and training standards across the various disciplines were also endorsed.

The Cargo Agency Conference engaged in discussions on ways to improve the relationship between forwarders and airlines and looked at how they can, together, accelerate the adoption of standards. The Horizon workshop that met a day prior to the official start of the event showcased innovations supporting cargo operations.

The FACES (Future Air Cargo Executives Summit) event saw a record number of attendees and focused on how the industry can collectively address the growing need to support and educate cargo leaders of the future.

Support for digitalisation

In the Dangerous Goods track, unanimous support was voiced for digitalisation – a common theme through much of the discussions in all of the tracks, Hughes notes. He also highlights that Singapore Customs has acknowledged that digitalisation leads to improved compliance and therefore enhances safety, "and that was a very powerful message, well-articulated", he adds.

The ULD track celebrated the historical contributions that the humble Unit Load Device – now celebrating 60 years in the industry – has made to both aviation safety and efficiency. The track also focused on the importance of developing standards for enhanced compliance as 'smart ULDs' evolve.

The Digital Cargo session agreed there was an absolute necessity for industry-standard APIs (Application Programme Interfaces), as the way forward, enabled by the One Record initiative.

Addressing the air freight challenges and concerns over collection and sharing of data in a partnership based approach was a key focus of the Pharmaceutical track. "There are solutions that exist, but the industry needs to be convinced of how they can embrace those collaboratively, to make sure the pharmaceutical shipments that are being transported today are handled in the best possible fashion," Hughes says.

The Live Animal track looked at continuous learning and the increased competencies necessary and again, how the industry can embrace new technologies to ensure that the transport of live animals is in full compliance with regulations.

Cargo Operations saw a keen focus on airlines and handlers and how they can embrace the need to implement common handling standards. An important emphasis was placed on partnerships in order to improve global safety and efficiency.

Standardised practices

Again the issue of standardised practices was paramount in discussion in the Perishables track, with an overall recognition of the need to increase standardized practices leveraging digitalization in the handling and transport of perishable Products. The pressing need to embrace training was also highlighted.

Asia came into focus with its own track, that underscored the need and necessity for collaboration between regional and international trade associations and how collective collaboration could improve initiatives, implementation, awareness and understanding of things like the Belt and Road initiative, which will benefit the ASEAN (Association of South East Asian Nations) community as well.

Freighter challenge

The Freighters track looked at challenges and the pros and cons of freighter operations in uncertain times, with the unanimous view that freighters were more important than ever, given the strong need going forward due to rising numbers of global middle-class consumers.

The cargo security track discussed the use of new technology solutions and non-technology-based solutions such as canine and other methods of security screening. Also highlighted was that the integration of multiple platforms for more efficient decision-making is absolutely an imperative.

And lastly, the popular E-commerce track examined global volume and projections. It also looked at the transformations and operational developments necessary to support the growing commerce sector and how everybody along the supply chain needs to effectively transform their operations.

Discussions also centred around the role of communities and e-commerce and how innovations need to be accelerated to serve the e-commerce environment. ■

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Rising to the challenge

Air cargo is at its most innovative point in history, says IATA's *Glyn Hughes*

The air cargo industry is "at its most innovative that it's ever been at any point in its history," was the upbeat assessment by IATA global head of cargo Glyn Hughes speaking to media at the conclusion of the three-day World Cargo Symposium in Singapore.

The Symposium's Innovation Awards are clear evidence, he says, that there's plenty of innovation to be had within the industry. A full 56 entries vied for the top prize of US$20,000, with Unilode taking home the gold medal with its Bluetooth-enabled ULD offering.

Hughes notes that if you talk to anyone in the industry – be it carriers, forwarders, ground handlers – everyone is talking about new things they are working on specific to the changing global environment. "And that, to me, is the most fascinating aspect of where the industry is now," he adds.

Solution-led standards

What is also changing is a shift to solution-led standards from standard-led solutions. Rather than developing standards and then finding solutions to address them – typically a very long process of years – companies and individuals are now trying new things which can lead to the basis for new standards, Hughes says.

"I think that's leading to a much more dynamic environment and fostering greater innovation," he says, adding that all of this is being enabled by dramatic advances in global digitalisation, something the industry has been taken to task for over recent years for not moving fast enough.

Indeed, virtually every single one of the dozen tracks at the Symposium featured a strong vein of digitalisation. Also central to this were the themes of information-sharing and collaboration.

"Those three themes are common for every area of activity this industry needs to tackle," emphasises Hughes. "So I think we've got some challenges to really embrace this."

Bullish about technology

But importantly there is high level support for meeting these challenges, he says, noting: "I've never seen heads of cargo so bullish about embracing technology; but they're saying we don't have five years – we have to do the things in three years because if we don't, somebody else will.

"And I think that's a very strong message that we are going to carry through the next 12 months," he adds.

Hughes was also upbeat on the overall tenor of the event, pointing to the "buoyancy, optimism and the passion", that was displayed by participants despite the fact the year started particularly poorly with a contraction in January, year-on-year.

"There was no pessimism," he says, suggesting the sector has not only become more resilient than it has been in the past, but that positive signs – the proverbial 'green shoots' – are evident, thanks in part to special cargo and in particular e-commerce.

"I think that's one of the resounding structural changes that we've seen over the last couple of years," suggesting that it is one of air cargo's most significant developments of the last 10-15 years, after the global financial crisis and growing protectionism slowed air cargo growth to a trickle.

"But now with e-commerce and with the special cargoes, it's almost the built-in resilience to other factors, but will certainly mean we are somewhat cushioned from the full depth of the slowdown in international trade."

Hughes goes on to note that even if the multiplier between international trade growth and GDP is now 1 to 1, the fact that air cargo has its positive influences such as e-commerce, means the modal windfall for air cargo generates an additional positive multiplier on top of that multiplier.

"So, while there was a slowdown in the beginning of the year, we are very confident that once the uncertainty (in particular, the US-China trade war and Brexit) is resolved, the industry can go back to the higher growth trajectory," he says. ■


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IATA launches CEIV Fresh

Perishables transport quality certification initiative builds on PCR regulations and success of the association's CEIV Pharma standard

The International Air Transport Association (IATA) has launched a new industry certification to improve the handling and the transport by air of perishable products.

Its CEIV Fresh (the Centre for Excellence for Perishable Logistics) initiative builds on IATA's Perishable Cargo Regulations (PCR) and on the success of the CEIV Pharma air freight industry standard for the carriage and integrity of life sciences products, launched in 2014 and adopted as best-practice by dozens of air logistics specialists.

IATA said the specific time and temperature requirements for food and plant products make the handling and transporting of perishable products challenging. But it said the CEIV Fresh programme meets these exacting requirements - primarily based on the IATA Perishable Cargo Regulations (PCR), which combines professional regulatory and operational input from industry and government experts.

Glyn Hughes, IATA's global head of cargo, said IATA had taken a community approach to developing CEIV Fresh, "recognising that the successful shipment requires the alignment of many stakeholders", piloting the scheme with key stakeholders at Hong Kong International Airport. This community approach helps align the needs and responsibilities of all stakeholders involved in the handling of perishable goods, IATA said.

"Shippers can have peace of mind knowing that every entity handling their goods is operating to the same standards," Hughes said. "Understanding the value of this to the success of its customers, the Airport Authority Hong Kong (AAHK) pioneered the world's first CEIV Fresh certified airport community."

Alongside AAHK, the other CEIV Fresh launch partners were home carrier Cathay Pacific, and cargo handling terminal operators Cathay Pacific Services Limited (CPSL) and Hong Kong Air Cargo Terminals Limited (Hactl). CPSL and Hactl have successfully completed the world's first CEIV Fresh certifications, with Cathay Pacific undergoing final validation with the aim to complete in April.

Preparations for certification

Hactl said it began its preparations in October 2018, with key staff undergoing training by IATA in November and the company making a number of refinements to its terminal and processes. Assessment and validation were then carried out in December 2018 and January 2019, respectively.

Among its preparations, Hactl created a fast-track 'Fresh Lane' through its handling processes, designed to create an organised and structured journey through its facility nand so minimise the time taken to unload perishable cargo and either release it to customers, or place it in temperature-controlled storage. The Fresh Lane is modelled on Hactl's successful 'Golden Route',

which was introduced for the expedited handling of pharmaceuticals in 2013 and won it the first WHO GDP and IATA CEIV Pharma accreditations in Hong Kong.

Hactl's new perishables handling procedures are based around the 'HACCP' (Hazard Analysis and Critical Control Points) concept, which identifies and deals with potential threats to perishables safety. The over-riding aim of HACCP is to minimise the amount of perishables cargo that becomes unfit for consumption during transit, the handler explained.

Critical control points

Hactl identified four such Critical Control Points within its operations, which have been successfully dealt with through, for example, the use of thermal dollies to maintain optimum temperatures. Among other upgrades are the segregation of different perishable commodities through dedicated truck docks, and the mapping and visual marking of optimum storage positions in its cool rooms – its so-called 'Blue Belt'.

Dedicated active ULD charging areas have also been installed, already stringent hygiene and pest-control practices have been tightened further, and suppliers have been instructed on what they must do to comply with the new standard.

Benny Siu, Hactl's senior manager for safety, sustainability and quality assurance, commented: "The IATA training was an excellent starting point to ensure we understood the standard, and it gave us the opportunity to raise our own questions after reading the IATA PCR and IATA CEIV Fresh Audit Checklist. This enabled us to make a prompt start on the certification process.

"With CEIV Fresh, you have to forget the many years for which you may have handled perishable cargo: it's a hurdle if you think in this way. What we have done with CEIV Fresh is to further enhance our existing high standards through careful self-scrutiny, detailed planning, and making modifications where required."

Hactl CEO Wilson Kwong commented: "Certification such as CEIV Fresh is very useful to benchmark the quality and standard of an organization, and Hactl applauds both IATA's initiative in driving the adoption of CEIV Fresh throughout the industry, and HKIA's leadership of this project in Hong Kong. We urge all air cargo businesses to join this movement towards uniformity, which will create higher service standards for perishables handling across the industry."

AAHK's CEO Fred Lam commented: "We are delighted to be the first airport community worldwide recognised by IATA under the CEIV Fresh programme, which is a big encouragement to and affirmation of the capability of the Hong Kong airport community in handling perishable products. HKIA is the world's busiest cargo airport since 2010; with the new certification, HKIA is well-placed to capture the increasing growth opportunities in the market for fresh and perishable goods."

Alexandre de Juniac, IATA's director general and CEO, commented: "Perishable goods is a growing market for air cargo; ensuring that these delicate and short shelf-life products reach the customer unspoiled with minimal waste and loss is essential," highlighted. Shippers will have assurance that CEIV Fresh certified companies are operating to the highest quality and standards in the transport of perishable products."

The IATA Centre of Excellence for Independent Validators (CEIV) programmes are standardised global certification programmes that support excellence in the transport and handling of special cargo products across the world. CEIV Fresh follows on from CEIV Pharma for the transport of temperature-sensitive healthcare shipments and CEIV Live Animals for the transport of live animals. ■

CCA WELCOMES IATA'S CEIV FRESH INITIATIVE

The Cool Chain Association (CCA) has welcomed the launch in March of IATA's CEIV Fresh initiative and says it is keen to work with the airline body to help develop the programme.

The non-profit organisation, which represents all parts of the temperature-sensitive supply chain, last June said that the air cargo community "should drive its own standard for perishables, without waiting for other groups and agencies to establish them", and since then has worked on piloting a data-sharing initiative to improve the transport of perishables shipments by air.

Responding to the launch of CEIV Fresh, Stavros Evangelakakis, CCA chairman and global product manager for healthcare and perishable at Cargolux, commented: "CCA backs all initiatives which introduce standards and provide a framework for the industry to improve. With a third of all food produced going to waste, our industry needs to make sure we are working together to be part of the solution and the IATA initiative is a step in the right direction."

He noted that the CCA "has for some time been instrumental in developing ideas for standards, not only in perishables, but also for pharma, where we developed the Cool Chain Quality Indicator, for example".

Evangelakakis continued: "As we represent all parts of the supply chain, CCA members are in a unique position to trial transparent end-to-end data sharing and we are committed to funding an independent analyst to advise us on tangible action points so that we can help our industry to make a difference. We will be inviting IATA to share their ideas with us at our perishables conference in Venlo and will continue our open dialogue with them as they develop Fresh."

CCA's mission is to bring together all parts of the temperature-sensitive supply chain "to reduce wastage and improve the quality, efficiency, and value of the temperature-sensitive supply chain" by facilitating and enabling vertical and horizontal collaboration, education, and innovation amongst members and stakeholders.

CCA members launch perishables data-sharing trial

Consignments will be tracked on every stage of a cool chain trade lane to identify inefficiencies and help reduce food loss

Cool Chain Association (CCA) members will pilot a data-sharing initiative to monitor perishable shipments on trade lanes from Latin America to Europe and from the USA to the Middle East, in a bid to improve supply chain management and reduce food loss.

The pilot will involve tracking shipments of commodities such as avocados and berries from grower to consignee, with all members of the supply chain sharing data to identify temperature excursions and 'pinch points' and working together to find solutions.

The data will be analysed by food loss and waste expert Philippe Schuler, and the results made available to the industry to demonstrate how collaboration can tangibly improve the cool supply chain, CCA said. The pilot will start in April, with the initial results to be discussed at the CCA's Global Perishables Event in The Netherlands in May.

CCA told *CAAS* that the initiative and idea came out of discussions at the association's last AGM and Perishables event in Luxembourg, where Philippe Schuler presented results of a 'farm to fork' study commissioned by the CCA looking at the journey of papayas from Brazil to Europe. At the meeting, the overwhelming feeling was that collaboration and data sharing was the way forward and the board started to look into funding another, more extensive study, which has now been developed into this pilot project.

"As we move along the supply chain, we will use the information in a proactive way so that everyone within the value chain can adjust their procedures to improve the cool chain together," said Eric Mauroux, CCA treasurer and director for verticals and global head of perishables at Air France KLM Martinair Cargo. "We all have pieces of information but there is no platform so far for sharing it, and yet data sharing not only helps us improve but also helps create value."

CCA members as well as growers and importers will take part to track the consignments. "The data sharing will be based on information from recorders in the shipments and we will have the full coverage from the producer to the importer so that we can reconcile the temperature curve with the timeline of handling," said Mauroux.

"You can spend hours writing processes, but when it comes to making it happen on the ground, the best way to asses if it is working is looking at time, temperature, and tolerance. Moving forward, we can test and suggest the platforms on which data is shared."

The shipments will be monitored over a period of three months to give a sizeable body of data, which CCA said can be analysed to provide ideas for collaborative work flows to improve the cool chain.

The CCA is focused on reducing wastage and improving the quality, efficiency, and value of the temperature sensitive supply chain and has already worked on templates for global standards and certification projects for both perishables and pharmaceuticals. "With a third of the world's food going to waste, it is important that from grower to consumer, we all contribute to taking action," said Stavros Evangelakakis, CCA chairman and global product manager for healthcare and perishables at Cargolux.

"The freight industry can do its part, ensuring proper handling, and respecting temperature during storage, build up, and transportation. We can create value and have an impact on shelf life." ■

"Data sharing helps us improve but also helps create value"

Eric Mauroux

Turkish begins belly freight handling at new Istanbul Airport hub

Cargo division to use a temporary satellite facility from April, when the remainder of the airline's passenger flights move from Ataturk Airport, where freighter flights will remain

Turkish Cargo begins cargo handling operations at a temporary satellite facility at the new Istanbul Airport from 6 April when the remainder of Turkish Airlines' passenger flights move there from Atatürk Airport. But the airline confirmed that its freighter flights and the cargo handling operations for these will continue to be performed from the existing cargo terminal at Atatürk Airport "until construction of the Mega Cargo Facility is completed at Istanbul Airport".

The cargo division stressed that performing handling operations for the airline's passenger bellyhold cargo at the temporary facility was "completely satisfactory in terms of infrastructure", insisting that it would be "at the same level of quality and care as previously".

The airline said it had been getting ready for some time to maintain its operations from Atatürk and Istanbul airports under a 'dual hub' system. It also highlighted that Turkish Cargo will have the capacity to handle 4 million tonnes of cargo annually in its "new modern cargo terminal that will have an indoor area of 300,000 sqm when all phases of Istanbul Airport will have been completed".

Indeed, the ambitious new Istanbul Airport promises to become the world's biggest airport when fully operational, with an initial capacity to serve 90 million people that could be expanded to 200 million once all phases are completed. The airport had an official opening on 29 October 2018 but has operated since then on a highly restricted initial basis, hosting just a handful of weekly flights from home carrier Turkish Airlines. Plans for the airport's full opening – at least to passenger flights – were delayed initially to January, and then March, before the latest delay to April.

Turkish Cargo's and other operators' freighter flights are set to remain at Atatürk for most or all of 2019, with the companies having to truck cargo between the two airports, because of delays in completing some of the new airport's cargo facilities. *CAAS* understands that the new cargo terminals could not be completed in time due to the late delivery of the land by the construction company.

Mega Hub

The new airport's cargo handling capacity is expected to be around 6 million tonnes annually, including those 4 million tonnes of capacity for home carrier Turkish Cargo. At the end of first-phase construction, Turkish Cargo's 'Mega Hub' will cover an area of 165,000 sqm, with a capacity of 2 million tonnes per year available, rising to 4 million tonnes per year and a floor area of 300,000 sqm with the completion of the second phase.

The company has designed it with the capability to handle various differentiated services, with "diversified special cargo areas and more quality and lean processes for the special product groups". Turkish Cargo said the new Mega Hub will be the first air cargo terminal in which artificial intelligence is integrated into the operational processes and its automated handling systems.

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ABC doubles Rickenbacker capacity

AirBridgeCargo reinforces its position at the US 'cargo-friendly' airport with a second weekly B747F flight

A year after entering the Columbus, Ohio market, AirBridgeCargo Airlines (ABC) is expanding its scheduled freighter operations at Rickenbacker International Airport (LCK) to a twice-weekly frequency, doubling its air freight capacity at the cargo-specialist airport.

The carrier introduced Rickenbacker into its global network in April 2018 and has so far seen stable demand for the maindeck capacity of its Boeing 747 freighter services from growing trade flows to and from the area, and is confident of customers supporting additional capacity.

Sergey Lazarev, general director of AirBridgeCargo Airlines, commented: "In 2018, our volumes tipped over 5,000 tonnes to and from LCK and we feel confident that our performance and customer feedback means our second weekly flight will also be well supported. We feel that our weekly operations to and from Columbus greatly benefit our customers as we operate to this cargo-friendly airport, providing dedicated, high-quality services and leveraging the export-import volumes of the region."

The airline is planning to introduce its second scheduled weekly rotation from April, complementing its existing Thursday flights from Columbus and offering customers wider connectivity options.

Joseph Nardone, president and CEO of the Columbus Regional Airport Authority, which operates Rickenbacker, commented: "AirBridgeCargo's expansion is further proof that Rickenbacker is one of the industry's new global gateways. By moving imports and exports through Rickenbacker, businesses can eliminate hours and costs from their supply chain, creating better efficiencies and higher profits."

Located in Columbus, Ohio, Rickenbacker International Airport claims to be "one of the world's few cargo-dedicated airports" and is within a one-day drive to nearly half of the US population and one-third of the Canadian population. It has been one of the only US cargo-specialist non-metropolitan airports, outside of the main integrator hubs, to have achieved any significant cargo growth in the last 15 years – although the arrival of Amazon Air has provided a stimulus to some other US regional airports in the last two or three years.

"With regularly scheduled import and export service via AirBridgeCargo Airlines, Cargolux, Cathay Pacific, China Airlines Cargo, Emirates SkyCargo and Etihad Cargo, Rickenbacker specialises in expedited services that move cargo between planes and trucks faster and more consistently than other gateway airports," the airport pointed out. "FedEx and UPS also are onsite to provide domestic cargo service, which is critical to growing e-commerce activity."

ABC is one of the world's fastest-growing cargo airlines, with an expanding route network that connects customers in the largest trans-regional markets of Asia, Europe and North America, covering more than 30 major cargo gateways. ■