

2021 ROLLERCOASTER YEAR FOR AIR CARGO

2021 has already been a more difficult year than 2020 for air cargo operations around the world due to the level of uncertainties it unfolded every day. Now the concern for the air cargo industry is if all these challenges will be present in 2022 as well. And they have a good reason to worry.

■ **Libin Chacko Kurian**

The global air cargo industry experienced very strong and sustainable airfreight demand from the beginning of 2020 which continued in 2021 as well. However, limited capacity for cargo transportation increased the freight rates accordingly. Air cargo industry professionals rate 2021 as a real rollercoaster experience as there were many surprises.

According to Cargolux president & CEO Richard Forson, 2021 has been more challenging operationally than 2020. "At present, the challenge is the lack of capacity, for both sea and air freight. There are blockages at ports in the USA as well

as at certain airports in China. This is compounded by the fact that warehouses are full and trucking in short supply. In Asia specifically, testing and quarantine restrictions make it extremely difficult to operate our schedule optimally," he said.

2021 has been a rollercoaster according to Fedor Novikov, marketing director at Volga-Dnepr Group. "No one expected the Suez Canal crisis, port congestion, container shortages which created additional pressure on the air cargo sector as many customers opted for air freight instead of sea freight to avoid supply chain disruptions," Novikov said.

"The situation influenced not only



capacity but the rates which increased to \$13-15 per kilo – a record level in the air cargo industry. Unfortunately, many experts agree that the situation will still be tough in 2022 and beyond,” he added.

Anne Marie van Hemert, head of aviation business development, Amsterdam Airport Schiphol, said, “With the extreme rise in sea freight rates, demand for airfreight on charter flights has increased – predominantly on full-freighters, but we have also seen a further increase in ‘preighter’ operations.”

Adrien Thominet, chairman of ECS Group also noted that preighter conversion has been one of the major trends in 2021, but has opined that the norm will probably remain in 2022.

“Overall, the market has recovered well in 2021 in terms of tonnage compared to 2020 (+20.9 percent) and is almost back to pre-covid levels (-1.1 percent).

On the other hand, rates have increased sharply, around 55 percent compared to last year, but especially +84 percent compared to 2019 (although with significant fluctuations by region),” he said.

2021 will go down as the year no one expected accord-

ing to Glyn Hughes, director general, The International Air Cargo Association (TIACA). “Capacity challenges remained throughout the whole year with freighters carrying the bulk of air cargo. Passenger aircraft continued to be deployed with cargo in the cabin and a significant number of seats-removed passenger aircraft continued to fly critical cargo consignments. The pressure on capacity resulted in extremely strong yields and on ground congestion



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Alexey Zotov
AirBridgeCargo Airlines

became an issue in Q3 and continues up to year-end,” he said.

Frank Van Gelder, air cargo consultant and secretary general, Pharma.Aero, said, “One of the constant challenges that remain, especially in the pharma airfreight industry, is ensuring there is sufficient global distribution of vaccines to the entire world. The current systems are failing to provide vaccines quickly enough in emergency areas of the world and especially the African continent.”

Tristan Koch, chief commercial officer, Awery Aviation Software, noticed that, “Freighter operators continued to make strong profits, but the combination carriers struggled to make their passenger operations work resulting in continued capacity shortages on many trade lanes and sustained high rates.”

From the innovation and future developments point of view, 2021 witnessed environmental concerns and digitalization challenges taking centre stage in the air cargo industry.

Digitalisation and sustainability

Novikov said, “Air cargo has been rather fast to adapt to digital technologies and introduce more online booking options through various platforms, like cargo.one, WebCargo or CargoAI and others. This is mostly related to general cargo but we see options and potential for special commodities as well.”

“From the operational side which is also driven by sustainability efforts, we have seen more usage of lighter ULDs –





pallets, nets, containers which are also manufactured from greener resources to reduce the CO2 footprint of the air cargo industry. Operations and ground handling teams are optimizing pallet build-up and packaging solutions to use maximum capacity and avoid situations when planes transport 'air,'" he added.

Yuval Baruch, CEO, Hermes Logistics Technologies, opined that 2021 was a year where air cargo stakeholders realised they could benefit from all the behavioural and cultural changes Covid had brought. "The further realisation was that digitalisation is a prime enabler and therefore we saw a massive increase in various customer requests, an increase in project and RFP issuing, and generally a much stronger willingness to invest in technology," he added.

As always, for Amar More, CEO, Kale Logistics Solutions, the 2021 challenge for the air cargo industry was the traditional method of tiresome and time-consuming paperwork, uncertain tracking system of shipments, and huge costs incurred during the process. "The challenges, like rising freight rates and capacity constraints, have opened up new opportunities for the industry to innovate with technology to keep the supply chain going even in the most uncertain times," he said.



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Anne Marie van Hemert
Amsterdam Airport Schiphol

Air cargo is one business community that demonstrated resilience throughout the crisis. In fact, stakeholders across the spectrum showed interest in collaborating with each other to solve some of the pain points. The only concern among many in-

dustry experts and associations is whether they will continue to collaborate once the crisis is over.

How industry responded to complexities of 2021

For example, "Despite the challenges," Hemert, said, "Amsterdam Airport Schiphol has continued to dedicate efforts towards its long-term ambition to become Europe's smartest cargo hub, supporting a number of digitalisation and sustainability initiatives, including the Smart Cargo Mainport Program (SCMP), Milkrun Export, Digital pre-notification, Holland Flower Alliance and automated nomination, which are all maturing at a good pace."

Andriy Blagovisniy, commercial director, Antonov Airlines, said, "To respond to the challenges of 2021 our company mobilized all available sources both technical and human. We completed heavy maintenance and returned to commercial operation the biggest aircraft in the world, AN-225, to bring additional transport capacity."

David Barker, divisional senior vice president for airport operations, dnata, said, "The pandemic had a strong impact on the industry in 2020-2021. We have continued to adapt business and operations to the rapidly changing environment such as passenger-cargo flights. We implemented new operating procedures and introduced innovative products and services in response to new customer expectations and business opportunities, while keeping a laser focus on quality and safety."

Meanwhile, Nathanaël De Tarade, chief commercial officer, Wiremind, commented, "I feel that there was a general atmosphere of rolling up our sleeves. I don't feel the general attitude was to passively 'enjoy' while the demand remains high. I saw initiatives, more enthusiasm for trying new things, being creative and offering solutions. Some airlines were extremely agile with their network, which is far from being an easy task."

From the air cargo point of view, many stakeholders are making money with their reported high yields. By understanding where they are putting this money could help us know the direction in which it is moving. This includes freighter conversions, orders for new production freighters, digitalisation, biosafety and sustainability.



PHOTO: Cargolux



Investment priorities

Antonov, in its bid to support the global commitment to environmental protection, is investing in the retrofitting of its fleet of aircraft. Blagovisniy said, "We think it is very important to take care of minimising damage to the environment. It is also the most important investment for future generations."

Novikov highlighted the investment they have made into biosafety. "This is a new cost item within our budget which covers disinfection of cargo and freighters, medical checks of our personnel, regular PCR tests, vaccination programmes (for flu and Covid-19). So far, this figure has gone beyond \$20 million since 2020 but this spending gives us confidence in the future and keeps our operations going," he said.

Forson reported that investment in new and used freighters and conversion of passenger aircraft into freighters, both narrow body and wide body, has significantly increased during the period of the pandemic, including 2021.

Talking about the investments at Schiphol airport, Hemert, said, "Since September 2021, the SCMP program, in which a broad representation of the cargo community participates, has implemented a digital pre-notification tool, minimizing physical contact between truck drivers



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Richard Forson
Cargolux

and warehouse staff enabling to speed up the export handling process."

Thominet mentioned the multiplying SAF (Sustainable Aviation Fuels) projects. "Sustainability has been a central topic for

several years and 2021 has been a gas pedal in the awareness of this topic," he said.

From the comments, it is certain that nobody in the air cargo industry is expecting a back-to-normal in 2022. In fact, many are already concerned that the challenges will continue and the professionals need to remain vigilant to stay on the top and help businesses to move their goods on time.

Concerns for 2022

Alexey Zotov, commercial director, Air-BridgeCargo Airlines points out that 2022 imposes the same (or even higher) level of responsibility on cargo carriers to guarantee uninterrupted supply chains for various products and goods across the globe.

"The biggest concern will be to handle cargo capacity and align it with growing volumes of e-commerce, high tech, automotive and fashion goods which are expected to be on the rise," he said.

Forson is concerned about the emergence of new variants and the continuous strain on supply chains that could hinder the return of belly-hold capacity for months to come. "The industry could continue to face shortages and bottlenecks moving into 2022. A lot of uncertainty remains as to the outcome of restrictions worldwide and the opening of borders for business purposes," he said.



Hemert believes that 2022, and possibly 2023, will result in strong figures for air cargo. "Recovery for passenger flights is setting in slower than anticipated, which on the one hand limits belly cargo capacity, but on the other hand, cargo can lead to the continuation of passenger airlines and bolster their business," she said.

Hughes listed his concerns as congestion at key hubs, challenges with trucker shortages impacting off airport transfers, prolonged Covid travel restrictions which will impact passenger demand which in turn will delay passenger network recovery, as well as continued stresses in the maritime sector with the associated knock-on effect. "In addition to these operational issues, we need to pay close attention to the stresses on the workforce. The great men and women of the air cargo and broader logistics industry have been working under incredible pressure for the past 22 months," he added.

Meanwhile, Gelder's concern is that the industry is not investing enough time to share knowledge. "We should use the opportunity to learn from these disruptive situations and take the best lessons learned to improve our industry," he said.

Koch opines that despite the profits made by some, namely freighter operators, there is still a lack of investment by

the industry, particularly in IT. "The whole industry infrastructure is creaking – ground services, road transport, seaports, and airports – a perfect storm. Technology can help solve some of these problems,

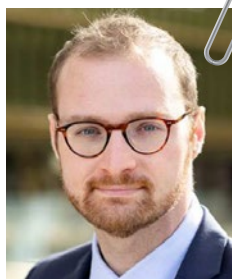
but it needs funding. There also needs to be more coordination of activities to avoid duplication of effort and ease integrations. IATA's attempts to help standardise Cargo APIs is a small but important step," he said.

Heading into 2022 More notes that resourcing and capacity, handling and facility space, and logistics will be an issue. "Presently, congestion has become a recurring problem for the air freight industry leading to delays. Although the goods are moved swiftly via planes, the cargoes have to be physically handled after they come out of the aircraft. This is where we are seeing considerable congestion. In some parts, there are not just enough crew to handle the massive cargo volumes. Additionally, many cargo handling companies curtailed their workforce after the pandemic. As a result, they were not at all prepared for this sudden surge in the air cargo business. This is yet another cause of growing congestion in airports," he said.

On a similar line, Baruch is also concerned about finding the right talent for the air cargo industry. "I have three concerns... resourcing, resourcing, and resourcing. There are strong plans in terms of deliverables and innovation; however, to meet our customer's expectations as well as our ambitious internal goals we will need to recruit exceptional talent," he said.

Last but not least, Tarade of Wiremind thinks that the air cargo industry has to be careful to keep a good balance between several aspects of the business that can sometimes be in conflict. "Short and long term is a good example, especially in a time where rates are very high - but who can say with confidence what they will be in 1 or 2 years? Another aspect is making sure that all initiatives are really helping the structural way that we work and improve our processes - I believe that stakeholders who will invest now are clearly those who will be in a good position to navigate through uncertainty in the coming years."

2022 will definitely be another year of a rollercoaster ride with new challenges and opportunities for air cargo. But the way the industry is making its decisions and investments will make or break not only the businesses and cargo it handles but also the global economy that it helps to get back on track. ■



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