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Vertical Focus: E-commerce

Developing a 'hybrid'
delivery solution

Inside View: Flexport's Mathijs Slangen

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Editor's NOTES

Will Waters

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A changed geo-economic landscape

One year on from the start of Russia's barbaric and brutal attack on Ukraine, the global geopolitical and economic landscape has changed significantly, along with aspects of the international air freight landscape. Higher fuel and food prices are now baked in and have broadly stabilised; Russia has been cut off from large parts of the western economic sphere, along with its air freight companies and capacity; and China's tacit support for Russia looks set to drive a further wedge between China and the US and its allies, just as China comes out of its Covid lockdown slowdown. The recent trend towards nearshoring looks set to be accompanied by a tenancy towards 'friendshoring' – trade favouring nations with shared cultural and political values and security interests. That's likely initially to mean tech-related manufacturing that could have security or military implications, but it may eventually include a much wider range of industries.

Meanwhile, the growth of e-commerce, and its carriage by the air freight sector, looks set to continue, even if at a slower growth rate than seen in the last couple of years. As highlighted in the E-commerce Focus article on page 4, air freight stakeholders have a big opportunity to capture more of this market by developing a 'hybrid' delivery solution that sits between those offered by postal and express operators, and some companies are moving to develop these capabilities.

In the first of our regular 'Inside View' articles written by freight industry experts, Flexport's Mathijs Slangen (on page 12) highlights that most logistics managers have now moved out of the crisis management phase triggered by the supply chain disruptions of the last two or three years, and are able to look forward again to more strategic management of their supply chains – with data and technology playing an ever-more key role in managing the associated freight movements.

This edition's North America Report on page 14 notes that the softening of air freight markets has reduced traffic flows through some specialist cargo airports. But alternative gateways have become an ever-more important part of the options that some major freight forwarders offer their customers, and their role seems set to continue developing.

One of the highlights of this Spring issue is our annual Outlook Report, featuring insights from more than 20 influential stakeholders across the air freight sector. Outlook 2023 includes sections featuring contributions from key associations, airlines, charter brokers, GSSAs, cargo handlers, airports, and tech specialists. We are grateful for their contributions and I hope you enjoy reading them.

CAAS will, from now on, offer opportunities in each issue for intelligent thought leadership and briefing articles written by air freight industry specialists on a variety of themes, so please get in touch with any proposals.

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The past few years have demonstrated that cooperation and partnerships deliver greater results than the sum of their parts, says Martin Drew



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Collaborating to compete

Technology can help air freight stakeholders develop e-commerce products to meet the huge opportunity for a ‘hybrid’ delivery solution that sits between those offered by postal and express operators, reports Megan Ramsay

According to IATA, the annual value of global retail e-commerce sales was forecast to exceed US\$4.4 trillion by 2025 but reached this milestone in 2021, accelerated by the Covid pandemic. Retail e-commerce sales in 2022 were estimated at around \$5.5 trillion, and the new forecast for 2025 now stands at \$7.4 trillion.

With e-commerce sales now estimated to make up more than 20% of total global retail sales, and 20% of air freight traffic, the prolific growth of this sector

continues to present ever-more significant opportunities for the air freight sector and its main stakeholders.

IATA believes one of the still untapped opportunities is for air freight to offer a “hybrid delivery product” that sits between “postal shipments being a bit too slow, and express shipments too expensive” for many shippers, commodities or products. With airlines able to “offer speed, visibility, reliability and consistency”, IATA says carriers are “well positioned to deliver on these promises”, although “only a few have entered this market, by collaborating to

meet this hybrid modal”.

Amar More, CEO of freight tech specialist Kale Logistics Solutions, says e-commerce companies “are always concerned about Amazon as it continues to increase capacity – and are looking for fast, efficient alternatives to ship packages to customers. Airlines can meet this need, expand their revenues, and provide a competitive offering for e-commerce shipping that allows the retailer to compete with Amazon effectively.”

Currently, the only competitive alternative to e-commerce giants like Amazon, Alibaba or JD.com is the to-door

parcel delivery service offered by postal operators; China Post, for instance, is a big player in this market. The integrators are significantly more expensive, based as they are on the provision of express services at a premium price.

So why are most scheduled airlines, which have the fastest connections between any two points, still not in the game?

Stan Wraight, president and CEO of aviation consultancy SASI (Strategic Aviation Solutions International), believes it is because they have paid too little attention to air cargo, and given control of much that happens on the ground to third parties. Plus, airports are not equipped to process so many small parcels, and there is a lack of companies that would work with an airline to provide first- and last-mile services plus Customs clearance.

“No airline has really made too much of an effort to think about how to put together a network that can offer the same quality, transparency and cost-effective price by managing it themselves rather than giving it up to a third party,” he says. “That is where the dilemma now comes for the airlines.”

Virtual integrators

In order to compete in the e-commerce space, he believes carriers should professionalise the way they approach e-commerce, acting as what SASI calls “virtual integrators”.

On domestic routes, this is relatively simple – but cross-border shipments involve significant complexities, not least Customs and security as key hurdles. Historically, airlines have not encouraged handlers to develop the extra services that are needed to support cross-border e-commerce: Customs clearance, first/last mile, and IT systems that allow transparency. Plus, handlers tend to be geographically isolated, and communication between them is often a stumbling block.

“You need to create an end-to-end/door-to-door IT platform that scheduled airlines can use,” Wraight believes.

Fundamentally, in order to compete with existing e-commerce giants, integrators and the largest, cheapest

e-commerce delivery provider of all – postal operators – the air freight industry must offer the speed, transparency, quality, compliance and convenience of e-commerce at a competitive but still-profitable price – and a choice of providers. So, airlines must invest in creating a dedicated product portfolio for e-commerce, in Wraight’s view.

If this is organised under the ‘virtual integrator’ model with the right partners – IT, handlers, first- and last-mile delivery, Customs clearance and security – he is certain that it is possible to set up an e-commerce service that is faster than any integrator or e-commerce giant on any direct point-to-point route.

Dedicated e-commerce products

Some airlines are developing dedicated e-commerce products. Rivo sits on

top of Air Canada’s domestic network to provide door-to-door e-commerce deliveries across Canada. Turkish Airlines has partnered with Singapore-based e-commerce platform Shopee to build “air cargo bridges for cross-border e-commerce shipments”.

Emirates, meanwhile, offers an end-to-end e-commerce shipping solution called Emirates Delivers, for both small businesses and individual customers, with deliveries from the US into the UAE. As reported by CAAS in December 2022, the airline has been able to deliver shipments almost within 48 hours, including last-mile delivery.

Another example is Lufthansa’s heyworld B2C e-commerce product, which – in cooperation with partners – covers first-mile, export Customs clearance, A2A (airport to airport), import Customs



Sebastian Wouters
Kuehne+Nagel



Amar More
Kale Logistics Solutions



Boris Hueske
Lufthansa Cargo



Stan Wraight
SASI



Coordination at handover points is essential to ensure timely delivery of e-commerce shipments

clearance, last-mile, and different return solutions including open box.

heyworld’s modular design enables it to adapt depending on country, setup or customer, such as different ways of providing return labels; documentation in various forms; insurance; CO2 reporting; implementation of customer tools or standards into the process; or various return solutions.

heyworld focuses on B2C shipments. Its customers are mostly shippers, marketplaces and online retailers who wish to send goods to their own customers. Given the difficulties in ensuring Customs compliance in a C2C setting, heyworld plans to stick to B2C business.

Managing shipments individually

“The main challenges result from the number of parcels that must be handled,” says Boris Hueske, joint managing director of heyworld.

“On the physical side of things, each parcel must be separately scanned, weighed, measured, and labelled as each

parcel’s recipient is different. Also, for Customs inspections, parcels need to be singled out. With our sorting machine, we can offer high-quality and reliable services at scale.”

On the digital side of things, once again there is a need to manage each shipment individually. heyworld enables all parties in the supply chain to access information pertaining to shipments to ensure smooth cross-border transport, including compliance with Customs regulations.

Role of technology

A key function of technology for e-commerce is that it supports the speed required in this vertical, as compared with traditional business-to-business cargo – especially at handover points such as to or from an airline, Customs clearance, and injection into the last-mile delivery system.

More noted that the logistics industry has varying degrees of IT maturity among its stakeholders. “Large players have sophisticated IT solutions to manage their end-to-end operations, but small

or medium enterprises (SMEs) are still on Excel-based data or, worse, maintain physical files.

“With different contours of IT systems, the movement of cargo across the supply chain suffers. Data discrepancy, time-consuming operations, and a lack of trade visibility and transparency exist, thereby making the entire supply chain inefficient and non-conforming,” he says.

Kale Logistics Solutions offers a cargo community system that supports the entire supply chain; it can automate the shipment journey, beginning with the online transaction at the retail shopping site. More points out, noting that the Cloud-based platform provides real-time data visibility and seamless transparency between all parties via mobile applications.

Orchestrated movements

Not all e-commerce shipments are equal: some are bulk orders bound for distribution centres or retail outlets, while others are individual packages on their

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way direct to the end consumer. In this latter scenario, the existing forwarder's business model can still work well, while in the former case there remains the potential for forwarders to perform services such as consolidation from multiple vendors, for instance.

In addition, Sebastian Wouters, global head of e-commerce at forwarder Kuehne+Nagel, notes that some of the larger e-commerce players' distribution networks and inventory are to some degree decentralised so as to optimise last-mile delivery and therefore overall transit times. Different models have different requirements in terms of how shipments need to be broken down and forwarded on to their next destinations, and forwarders can play an effective role in the deconsolidation and regional distribution of smaller shipments.

Consolidation is critical

Consolidation is critical when it comes to e-commerce. Moving tens of millions of shipments of small individual items a day is hugely complex and costly – so there needs to be much more focus on consolidated e-commerce and breaking down e-commerce at the destination, in

More's view.

He describes Kale's Logistics e-Marketplace as a "game-changer" in this regard. The platform connects shippers and end-users with features like price discovery, reviews and ratings, airline schedules, route optimisation and predictive analysis.

"Bringing logistics service providers together on a unified technology platform is a huge step for the e-commerce industry, known to be highly fragmented," More says.

Hueske stresses that there is already a great deal of co-operation, combining the strengths of different partners along the e-commerce supply chain to build seamless, quality services for cross-border e-commerce customers. With preferred time windows for certain services, the optimisation of the delivery time from the moment something is ordered until the end-customer receives his parcel must be consistent and minimal, he says.

Collaboration is essential if the industry is to cope not only with changing customer demands but also shifting regulatory requirements (such as those outlined in the text box '*Changes: Near-shoring and new regulations*').

Forwarders remain crucial

"It will be hard for airlines to [succeed in e-commerce] without the forwarders, and vice versa," says Wouters. "E-commerce has the same underlying needs as general cargo – such as bookings, consolidation, onforwarding – so the traditional freight forwarding paradigm is still valid for the future of e-commerce, but the requirements and needs do evolve."

And forwarders, who have access to multiple carriers, can coordinate the supply chain better than any single carrier, he remarks – certain that freight forwarders can help customers in the e-commerce space to find the best options, capacity and routings for their required transit times.

"We orchestrate the journey from origin to destination," he notes.

Some of the larger forwarders are going further, using their substantial purchasing power to put their own planes in the air. Kuehne+Nagel entered into a long-term charter agreement for two liveried B747-8Fs operated by Atlas Air last year; Geodis is another forwarder that controls its own air cargo capacity. In this context, smaller and medium-sized forwarders should see airlines as strategic partners – even "a

Lufthansa Cargo's heyworld e-commerce product focuses on B2C shipments



life-saver”, says Wraight.

“Partnering with airlines to offer airport-to-door services protects revenue, data and customers, and makes it possible for a small or medium-sized freight forwarder to compete with the large forwarders, e-commerce giants and integrators.”

Future trends

E-commerce will grow beyond national boundaries to find new markets, More says. In addition: “The combination of machine learning/artificial intelligence and big data can do more than automate – it can automatically optimise several processes that currently either take tremendous amounts of time and effort or can’t be done at all.

“One area it’s set to drive is increased e-commerce personalisation that can help

give customers a better store experience,” he continues. “With the rapid expansion of direct to consumer (D2C) brands and their customer-binding ethos, the e-commerce sector has counterbalanced the resumption of in-store shopping, alongside an increased focus on omnichannel and social commerce.

“E-commerce will also see growth as hyper-local and cross-border. We will see an entire range of new products being added, such as groceries, agro-produce, medicines and even services. It will capitalise on customers’ expectations for instant gratification and use innovative technologies like blockchain to simplify logistics.”

EU rule changes

Digital handling at piece level will likely be the most impactful change that will

support the improvement of e-commerce services, Hueske believes. “With the upcoming changes due to ICS2 (Import Control System 2), this change might be coming sooner than later,” he adds. “Automatic status reports and API integrations for carriers might improve the overall performance here.”

Release 1 of ICS2 in March 2021 required express carriers and designated postal operators established in the EU to provide a minimum set of advance electronic data. By 1 March 2023, all goods imported by air in postal, express, and general cargo consignments will require the full ENS (entry summary declaration) data set.

More outlines several other trends that he believes will shape the industry:

- Voice commerce and headless technology (where the back end of a website is decoupled from the front end) will open the door to automated commerce.
- As consumers become vocal about climate change, e-commerce will follow the sustainability trend in its operations, processes and supply chain.
- Excess capacity in cargo warehouses will be evaluated and potentially repurposed into modular e-commerce logistics centres and distribution facilities.
- Forwarders and ground handlers will consider entering the first- and last-mile business with innovative solutions and “new-age” vehicles such as drop boxes, multipurpose lockers, or drones.

The convenience of e-commerce, and its utility for dispersed populations, mean it is here to stay. Wouters says the challenge for the whole air freight industry is how to cope with the expected growth in demand in the coming years. If there is not enough capacity, prices will rise again and the attractiveness of e-commerce could diminish, Wouters warns – emphasising that this is not about competition, but about collaboration.

“Parties working together in the industry will be a key enabler to keep up with future growth and innovation,” he concludes. ■

Changes: Near-shoring and new regulations

Several shifts are affecting the e-commerce logistics space. For example, Hueske says: “Some large fashion brands are opening production and warehousing facilities in Turkey, shortening their distance to the European market. We also see Turkish marketplaces investing in warehousing and fulfilment infrastructure in Germany to enable them to deliver faster to their end consumers.

“This is impacting the demand for cross-border e-commerce shipments; however, we currently only observe these strategic developments in the very large organisations who have the financial means as well as a long-term strategy for these markets,” he adds.

Second, the introduction of the new IOSS (Import One Stop Shop) regulations in Europe requires shippers from abroad to register themselves for importing e-commerce goods into the EU. This is now the only way to use central hubs like Liege to import goods

for the whole EU at a single entry point.

“If not registered at IOSS, the shipper has to deconsolidate the shipments at the EU entry point, bring them to the destination countries and import them locally,” Hueske explains. “This comes along with much higher cost than importing as bulk at the point of entry.”

In addition, VAT exemption for the import of goods with a value below €22 was abolished in July 2021. This has resulted in a sharp decline in e-commerce shipments from Asia to Europe, he observes.

Asked about recent news of cutbacks at e-commerce giant Amazon, Wouters is confident that this does not represent a lasting shift away from e-commerce. Rather: “The pandemic fuelled a spree in e-commerce growth that was much higher than ever before. Many companies invested in capacity and the ability to offer faster delivery times as a result. What we are seeing now is a course correction to a more normalised growth curve, and companies are stabilising their cost structures in line with that.” ■

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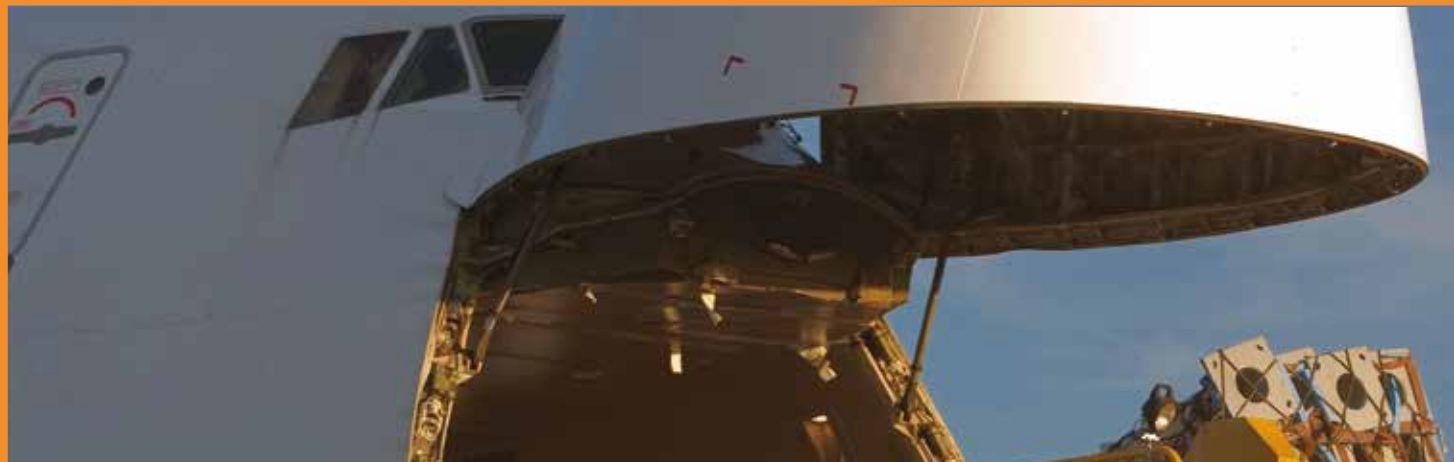
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From crisis management to supply chain management

Data and technology will be key to overcoming the supply chain challenges of 2023 and meeting customers' evolving expectations, says Flexport's Mathijs Slangen, as most logistics managers move out of survival mode and are able to look forward again



The start of 2023 has been calmer in comparison to the turmoil of the last few years, which brought port strikes, demand fluctuations, equipment shortages and factory closures. As a result, the past two and a half years have been focused on damage control and crisis management. Reducing delays and agreeing a freight rate that companies and consumers can absorb, as well as acting on the most urgent supply chain issues, have taken focus away from making long-term improvements.

Conversations with customers

In 2023, based on conversations with customers, most supply chain and logistics managers have moved out of survival mode and are now able to look forward again. For example, this month saw the time taken for complete ocean voyages on the Transpacific East Bound route at their lowest since late December 2020. While I predict that typical supply chain challenges around rates and inventory management will persist in

2023, we will also likely see a desire to find more structural solutions to the most pressing bottlenecks before they strike again.

*“
Most supply chain and logistics managers have moved out of survival mode and are now able to look forward again*

Mathijs Slangen

Finance executives are also putting more pressure on supply chain and logistics managers as the rise in costs has increased awareness of each and every business's supply chain. However, considering the current economic downturn, demand has shifted considerably, and the favourable supply chain conditions are now in contrast with worsening economic ones. Therefore, convincing all stakeholders in the organisation to reform may be challenging. Still, for organisations that

succeed, it is likely to create a competitive advantage, particularly as the potential of facing similar situations in 2024 and beyond must be considered.

With that in mind, what are the key supply chain trends for 2023 – and how should organisations prepare?

Increased automation and use of technology

The integration of artificial intelligence, machine learning and other technologies into supply chain operations is expected to increase in 2023, leading to greater efficiency, speed and accuracy. Not only do AI and machine learning have a role to play in automation, freeing up human workers from repetitive tasks such as data entry and warehouse stock management, it can also be used to analyse vast amounts of data to identify patterns and make predictions about future events.

In the context of supply chain management, AI in particular can be used to predict demand and forecast inventory levels, as well as optimise routes and schedules. Data analytics can be used to monitor supply chain operations in

real-time, enabling companies to quickly identify and respond to any issues that arise. This can help to improve delivery times, increase efficiency, and reduce costs.

Improved visibility will be the key to optimising processes and reducing costs, and by monitoring supply chain operations in real-time, organisations will be equipped to make better decisions and respond more quickly and effectively to changing market conditions and customer demands.

Defining the role of sustainability in the supply chain

In addition to making economic gains, companies are increasingly prioritising end-to-end supply chain visibility, to better understand where their products come from and how they are being produced. As the global net-zero target looms and governments tighten the sustainability obligations for private companies, the origin of raw materials and the manufacturing processes used to produce them are becoming important to assess, to ensure that supply chains are ethical and sustainable, as well as free from human rights abuses and environmental degradation.

This year and beyond, companies will need to work together to build more sustainable supply chains. This should involve collaborating with suppliers, customers and other stakeholders to reduce waste and optimise logistics, as well as utilising data analytics, to promote sustainable practices throughout the supply chain. New technologies such as renewable energy and electric vehicles will also help to reduce supply chain impact in the long-run, and we’re likely to see investments in green logistics and transportation become even more of a priority.

Meeting evolving customer expectations

The evolving customer expectations for speed, convenience and sustainability are the driving force behind changes in supply chain practices and strategies. Companies that invest in the technologies and practices that enable them to meet these changing customer demands are likely to gain a competitive advantage,

build stronger relationships with their customers and improve overall customer satisfaction.

For example, ensuring end-to-end supply chain visibility can help companies monitor the quality of their products and minimise the risk of defects and recalls. It also has the potential to reduce costs for customers by identify improving inventory management, which in turn leads to improved profitability.

How to use technology to respond to supply chain challenges

As organisations move towards recovery and plan for future events, a digital supply chain will enable organisations to better control their inventory, suppliers and labour to fulfil customer demands. This is where advancements in AI and machine learning can help, to allow for more automated, data-driven decision-making, powered by utilising dashboards, analytics and control towers.

Achieving this, however, will come down to interconnectedness and data. Data quality must be accurate, granular and consistent so that companies can take action – but to enable this, all members of an organisation must have visibility of goods and their whereabouts.

Though 2023 will hopefully see a reduction in the supply chain challenges of the past few years, there will inevitably, and always, be hurdles that will need overcoming. Therefore, the companies that invest in technology and make greater use of data in 2023 will gain a competitive advantage and stand to benefit from improved decision-making, increased efficiencies, reduced costs, and the minimisation of supply chain risks.

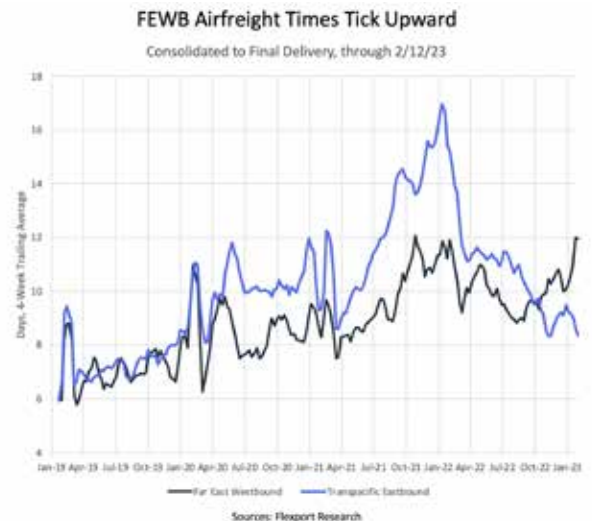


Fig. 1 Ocean Delivery Continues Downward Trend



“
As organisations move towards recovery and plan for future events, a digital supply chain will enable organisations to better control their inventory, suppliers and labour to fulfil customer demands
 ”

Mathijs Slangen

Mathijs Slangen is vice president for sales and marketing, Europe, at freight forwarder Flexport
www.flexport.com ■



Source: Rickenbacker International Airport

Slowdown impacts specialist cargo airports

The softening of air freight markets has reduced traffic flows through some alternative gateways, but they are here to stay, reports *Ian Putzger*

The downturn in global freight flows that began in the second half of last year has slowed, and in some cases halted, the meteoric rise of alternative air cargo gateways in the US and the rapid recent growth in their freighter operations. And as international passenger traffic is expected to continue its recovery, more belly capacity to the

established hubs is pouring into the market. This raises questions for specialist US cargo airports gateways such as Rickenbacker, Rockford or Huntsville, which have enjoyed large increases in traffic in the last few years, especially on international lanes.

Rickenbacker International Airport (LCK), a long-standing poster boy for freighter operations, saw cargo tonnages fall by about one third last year from its record

153,000 metric tons in 2021, following a 44% year-over-year rise in international tonnages handled at LCK in 2021.

Retailers, whose imports make up the baseload of the airport's traffic, had brought in stock early by ship to avoid supply chain disruptions and the peak rush did not materialise, reports Bryan Schreiber, manager of the airport's air cargo business development.

Forwarder EFL used to have three



Evan Rosen
EFL



Bryan Schreiber
LCK



Peter Weir
Menzies



Zack Oakley
RFD



Ken Ryan
RFD

scheduled freighters a week, courtesy of Emirates, touch down at Rickenbacker, in addition to charters with several carriers, but now this is down to one weekly frequency. EFL funnels traffic from southeast and west Asia to Dubai to connect to this service.

“Three times a week would be ideal,” says Evan Rosen, EFL’s president for the Americas region. With demand down and the higher cost of a dedicated operation to bear, this option is tough at the moment,

but EFL continues at the lower frequency until the market improves again.

Other forwarders, such as Flexport, Kuehne + Nagel or DB Schenker, are also continuing their dedicated freighter programmes, albeit at reduced activity. They see a permanent shift in the market towards controlled capacity – not for all traffic, but for a significant portion of it.

“Some of the freight will go at the cheapest rate – in passenger bellies – but the high-value or difficult freight will likely

continue to go on freighters,” comments Ken Ryan, director of cargo at Rockford.

Rosen hopes that the market will improve in 3-6 months, and with it the case for dedicated freighters and alternative gateways.

Peter Weir, senior vice-president of cargo for the Americas at handler Menzies Aviation, expects volumes “to bounce back with a vengeance very soon”, and he is bullish on the prospects for second-tier gateways.

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- Boeing 727-200F (22 TONS)
- DC-9F (14 TONS)
- BOMBARDIER CRJ-200F (6 TONS)



Menzies Aviation will occupy Building 3 of the International Cargo Center at Chicago Rockford International Airport

Although Rickenbacker airport’s cargo growth accelerated during the pandemic, LCK’s Schreiber points out that the rise of cargo for Rickenbacker was well underway long before the pandemic, with its international volumes expanding by around 60% from 2012 to 2019. On top of the regular cargo charters that the airport has handled for years, it secured scheduled B747F flights by Cathay Pacific, Emirates and Cargolux, which have continued through the pandemic.

Meanwhile, traffic levels have held up relatively well at Alabama’s Huntsville International Airport (HSV), which among other things has been a long-term air cargo hub for freight forwarder DSV – and before its acquisition by DSV, Panalpina. HSV’s air cargo volume for 2022 was slightly over 140 million lbs. (63,000 metric tonnes), compared to 132.6 million lbs. in 2021. This amounted to a 5.6% increase in air cargo volume at HSV. Some contributing factors to the volume increase include additional cargo flights controlled by Kerry Logistics and the expansion of its Brazil service from Huntsville by DSV, the airport’s operator says.

Trade-offs for forwarders

For freight forwarders, the choice of metro versus secondary airports involves

trade-offs in terms of speed, costs, and network options. Flexport has no plans to use alternative gateways, preferring to slot its freighters through major hubs, says global head of air freight Neel Shah. He cites a more advantageous cost structure and a preference to operate in a location where most of the firm’s imports and exports are.

“Getting exports from a place like Pittsburgh can be challenging,” he remarks.

EFL’s Rosen, on the other hand, favours alternative airports, where forwarders are in a better position to control their own destiny. “Other than cost, there is no negative. If customers are happy to pay the higher costs, I’d be happy to move all my traffic to alternative airports,” he says, adding that some customers insist on using the dedicated service.

Speed of flow is one major benefit. Asok Kumar, global head of air freight for DB Schenker, says cargo can be on a truck within 2.5 to 3 hours after touchdown at some alternative gateways.

Aircraft turnaround speeds

Air cargo consultancy Strategic Aviation Services International (SASI) has conducted studies for various clients on savings at alternative gateways. Landing and taking off can be performed within 50 minutes

– compared to up to 90 minutes at major hubs. At a rate of \$10,000 per aircraft block hour, this translates into considerable savings over a year that could free up time for two or three extra flights, says president and CEO Stan Wraight.

On top of this are the costs of higher fuel consumption spent in holding patterns before landing at a busy hub and on the ground, where the time for a plane to taxi can be 33% less at a cargo airport. Fuel burn at a major hub can be three times as high as at a second-tier airport, SASI found.

On balance, a carrier could save between \$3 million and \$4 million over a year on costs by using an alternative gateway, says Wraight, adding that the CO2 footprint could be 3,000 tons lower over a year with a B747F running four times a week.

Land to expand

Most major gateways are running out of capacity and have no land to expand, notes Kent Hinds, senior director and air freight lead of commercial real estate services firm Cushman & Wakefield. Many also have cargo facilities built over three decades ago, he adds; and doing upgrades and incorporating environmental aspects there are

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HSV reported a 5.6% increase in air cargo tonnages in 2022, thanks in part to additional cargo flights controlled by DSV and Kerry Logistics

impossible without tearing something out. It is easier to shift to a second-tier airport and have a new facility there, he says.

Chicago Rockford International Airport (RFD) completed the construction of a 50,000 sq ft (4,500 sqm) cargo building in January. “The next focus will be Building 4. That will potentially be 400,000 sq ft,” says Zach Oakley, the airport’s deputy director of operations and planning.

Before the end of January, Menzies signed a 10-year lease for Rockford’s newly finished building. Weir expects the facility to come onstream by July. “We plan to grow new business and attract scheduled operations,” he says.

Illustrating Menzies’ positive attitude to secondary gateways, Menzies has won the tender to run the new 150,000 sq ft cargo building that is currently taking shape at Philadelphia International airport, and Menzies will also set up shop at Baltimore Washington International. Weir sees promising potential in both locations.

“A lot of pharmaceutical and life sciences companies gravitate towards

Philadelphia. Baltimore has a lot of charter operations,” he says.

E-commerce opportunities

One player that is moving to get a lot of smaller airports into the game is Burrell Aviation. Among projects that it signed recently are Lincoln airport in Nebraska, Baton Rouge Metro airport and Colorado Springs. In Nebraska, Burrell is going to invest \$65 million to develop 210,000 sq ft of cargo facilities, while its commitment at Baton Rouge calls for the lease and development of a 53-acre parcel with runway access to turn the airport into a hub for air cargo and other aviation-related activities.

Burrell’s strategy is based on the growth of e-commerce to allow regional airports with available facilities and logistical support to compete successfully with larger, more congested airports. However, in many cases these projects are not limited to cargo but aim to pursue other aviation-related opportunities as well, such as aircraft service and maintenance, notes Hindes.

“Instead of doing MRO at Denver, why not do it at a place like Colorado Springs that’s a heck of a lot cheaper?” he asks.

Burrell has struck up partnerships with handling firm Alliance Ground International, Lemartec Construction, and Perez and Perez Architecture and Design to offer comprehensive packages for facility planning, construction and operation. It has also retained Cushman & Wakefield to market its portfolio of airport properties. Hindes estimates that the pre-development efforts by Burrell and its partners can reduce the development cycle by as much as 18-24 months.

Backhaul challenge

One challenge for aspiring cargo gateways has been the development of backhaul traffic to develop better economics and reduce costs for freighter operators, forwarders and shippers. After years of hosting inbound charters feeding the distribution centres of major fashion brands and retailers, Rickenbacker saw exports take off nine years ago



after Cathay Pacific had started regular freighter flights to the airport.

Over the past few years, Schreiber has witnessed a growing number of bio-medical firms set up shop in the area, which prompted the development of a handling facility for pharma traffic, which is nearing completion.

Near-shoring boost

Another boost is coming from the rising trend among US firms to relocate part of their sourcing to North America. Intel is investing \$20 billion in a new production facility in Ohio, which is about a 40-minute truck drive from Rickenbacker. Presumably this will draw in a number of tier-one and two suppliers.

“Intel will manufacture chips here for both domestic and international markets. And the export lanes are almost the same lanes in which our fashion comes in. It’s great backhaul,” says Schreiber.

This is likely to generate more scheduled traffic. On top of charter programmes by the likes of National and Kalitta, Rickenbacker

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Rickenbacker's cargo growth accelerated during the pandemic

has scheduled freighter services by Cathay, Cargolux and Emirates.

EFL has been running freighter flights through the airport for over ten years. Elsewhere in the US it uses the major passenger gateways to move its freight.

During the pandemic it tried out another aspiring second-tier airport, but that experiment did not prove very successful, recalls Rosen. "They took on more freight than they could handle," he says.

Willingness to invest

Feedback from industry insiders indicates that aspiring cargo gateways that succeed have experienced cargo teams, and they are willing to invest. Rockford, for example, is gearing up to launch a cargo community system. Progress on this was slowed by the development of the new cargo facility, but with this completed the focus can shift to the electronic platform, which is now expected to come onstream later in the year. ■

E-commerce reversals and capacity cutbacks

Avital engine for recent air freight growth and airport development has stalled in recent months, although it may be more a correction due to overambitious or premature expansion triggered at the height of the pandemic. The meteoric rise of e-commerce has lost momentum since last summer and major parcel carriers are scaling back their freighter activities.

FedEx led the retreat with a programme to cut over \$2 billion in costs after its earnings in the quarter ended 31 August had fallen off a cliff. On the aviation side, this led to the grounding of five freighters, with 11 more to follow before the coming September.

FedEx management has made it clear that it does not expect its route cuts implemented since last summer to be reversed. Instead, it will lean more on commercial lift, as belly

capacity is on the rise.

Amazon shifts into reverse

Recently, Amazon's fleet growth also shifted into reverse, and leasing firm Air Transport Services Group announced that the e-commerce giant would extend the leases on only four out of 12 B767 freighters that are expiring this year. The lessor intends to scrap three of the remaining planes and noted that Amazon may not renew the leases for the other five.

Although Amazon stands to take delivery of two converted A330 freighters this year, it will end 2023 with fewer planes in its fleet than it currently has.

The news was hardly surprising, as Amazon had already decided to close or cancel completion of 44 warehouses after a \$3.8 billion loss in the first quarter of last year. It has also embarked on a significant reduction of its workforce, aiming to eliminate more than 18,000 jobs.

Amazon's fleet expansion had already slowed through the spring and summer of last year. Amazon Air's flight activity grew by a comparatively slow 3.8% from March through August, down from double-digit expansion through the preceding 12 months.

The company's balance sheet for 2022 shows a \$2.7 billion deficit for the year, suggesting further cutbacks may well be on the cards. At the same time, consumer demand is forecast to remain muted until later this year, owing to high inflation, slower job growth and the personal savings rate near a record low level.

Despite the broad slowdown, most observers as well as carriers predict e-commerce will remain in expansion mode over the long term, which should fuel growth in freighter activity. However, FedEx observed a shift to slower, less expensive delivery options, which may have a knock-on effect on freighter needs. ■

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David Lindford

An air cargo community and world in transition

From new customs regulations to the quick and easy implementation of APIs and similar technologies, the digital landscape of air cargo can rapidly change, says CHAMP's *David Lindford*

Air cargo is a resilient industry. Despite the challenges we have faced in the last few years, it has proved itself to be diverse and adaptable. According to IATA, airlines around the world

are on track to return to profit this year after the heavy impact of the COVID-19 global pandemic – but it also warns profit margins will remain thin. Nevertheless, the industry can turn its eyes to new solutions, innovations, and sustainability efforts to support its growth and competitiveness.

Industry drivers

While IATA forecasts airlines to return to profit in 2023, it also predicts a 4% volume decline due to sluggish economic growth. With this in mind, air cargo stakeholders are more eager than ever to adopt the latest technologies, streamlining their operations and optimising their business processes to stave off a potentially difficult year.

The circumstances also come with rising warehouse automation needs. We are seeing increased demand for real-time data syncing from the warehouse floor through solutions like Cargospot Mobile to better manage these shipment flows for ground handling agents (GHAs) and provide better visibility to their customers. Robotisation within handling has quickly gained pace and will change the face of warehouse operations in the coming years.

An ever-moving process

Innovation is an ever-moving process, something that requires diligence and dedication if you want to keep pace with the market. Artificial Intelligence tools and smart automation technologies have provided new horizons of possibility in air cargo. These may include everything from pricing automation to route planning to data analysis. As these technologies become more commonplace, air cargo must also advance its interests alongside them.

All the while, 2023 brings new regulations that will affect much of our shipment flows around the world, impacting the landscape of trade and transport. Import Control System 2 (ICS2) will be implemented for EU imports in the first half of the year and with rising concerns around fuel efficiency and emissions, sustainability will continue to mean business as usual will no longer suffice. Air cargo is expected to operate better, faster, and more efficiently. With data accuracy rising in importance, digitalisation must reach new heights.

The latest compliance software, such as CHAMP's Traxon Global Customs and Security, not only streamlines filing operations; the solutions' automated

data verification and workflows enable and improve data quality – leading to data-driven business decisions.

With data accuracy and availability expected to rise further, appetite for more real-time information and visibility will increase too, continuing the transformation to a digitally and data-driven industry. Services like CHAMP’s MarketAnalytics will continue to evolve with the data volume and quality and provide stakeholders with vital resources to make savvy business decisions.

As an example, our air cargo market tracker shows that in December, our industry did not see the usual increase in air cargo volumes – although yields did hold up. And we can see that in February 2023YTD, air cargo volumes are down compared to this time last year. This is the first public industry tracker that is updated daily. It allows you to drill down by origins and destinations, and can show how some trade lanes were up and others down. You can interact with it on champ.aero/MarketAnalytics.

Opportunities in collaboration

With APIs (Application Programming Interfaces), the possibilities for speedy development and implementation of industry-changing innovations are limitless. There is already proof of their adoption in the market, reflected in the 10m API calls that were triggered within a single month in 2022. More importantly, with new players constantly innovating, and a dedicated channel to push them (CHAMP API Partner Portal), 2023 will bring even more functionalities and value to everyone across the supply chain.

New governmental and regional partnerships will mean greater transparency for tracking – not just cargo, but also revenue streams throughout the world. Having just contracted with Shanghai Government to assist in automating the tracking of revenue and shipping flows, industries outside air cargo will start to benefit from CHAMP’s well-established tracking solutions that will bring new transparency, security, and efficiencies

“
With APIs, the possibilities for speedy development and implementation of industry-changing innovations are limitless
”

David Linford

in global trade. More organisations may find it beneficial to pursue such technologies in tracking their operations and auditing revenue streams.

Conclusion

When we look into the future of our industry, we do so with the knowledge that it will be challenging yet open to tremendous possibility. From new customs regulations to the quick and easy implementation of APIs and similar technologies, the digital landscape of air cargo can rapidly change.

So, we enter 2023 with our innovative spirit, which has proven time and again that we are ready to rise with the key



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changes in our industry. Air cargo brings new and updated tools to better analyse and adapt to these advancements, with greater visibility to live data to help us

make informed, strategic decisions. And we bring our partnerships, new and old, which only continue to flourish and strengthen considering ever-changing

systems and requirements.

David Linford is VP for sales and account management at CHAMP
www.champ.aero ■



Amar More

Opportunities for air freight industry transformation this year

Cargo Community Systems being implemented at dozens of airports and ports across the world will drive growth and innovation, connecting the varied stakeholders on a common platform and changing the industry forever, highlights Kale Logistics Solutions' CEO *Amar More*

Air cargo demand will likely decrease in 2023 compared to 2022 as spending on goods is declining from pandemic-driven highs. Furthermore, global inflation, looming war, and other factors like modal shifts are all acting against air cargo growth.

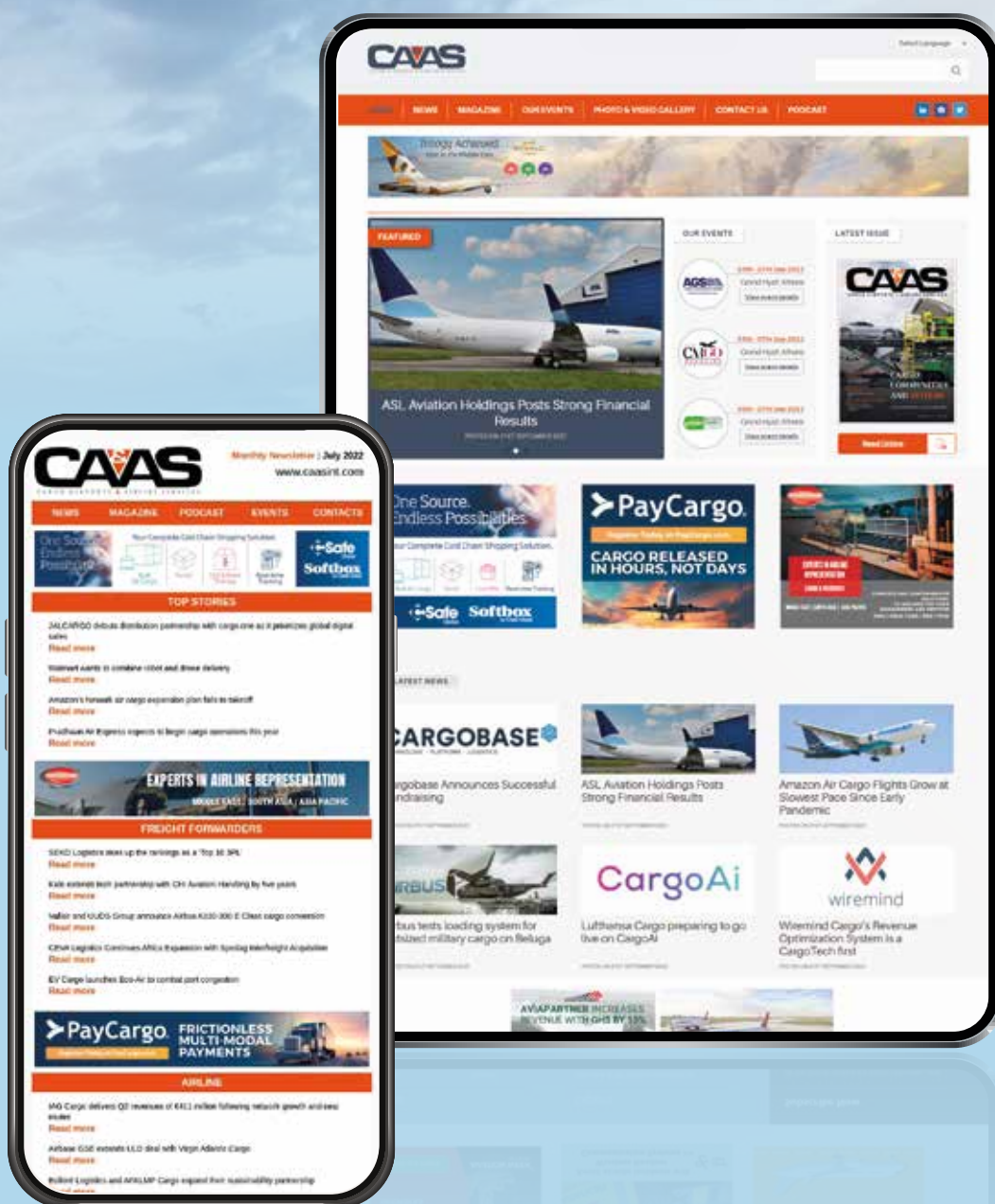
But 2023 is full of opportunities for those who inspire customer confidence. The outlook for the year is positive with fundamental trends such as digitalisation and sustainability. The year will not require a core change in strategy but (the industry) should continue to drive measures already underway and maintain a forward-looking willingness to learn. Also, according to IATA, the global airline industry is expected to finally return to profitability in 2023.

Cargo Community Systems (CCS) will drive a lot of growth and innovation in the industry. These platforms will connect the varied group of stakeholders in the air and maritime industries on a common platform, changing the industry forever and for the better.

These CCS act as an accurate 'Air Cargo Single Window' system that eliminates duplication of data entry (in the air cargo value chain, the same data gets entered at least six times, if not more), reduces unnecessary paperwork, addresses

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airport congestion issues, enhances the security of the air cargo supply chain, and brings shipment visibility to all stakeholders.

An airport being an anchor of such a platform will transform the whole industry as the airport is a strong neutral player in the supply chain. In Kale's estimates, Air Cargo Community Systems can unlock over \$9bn annually and save around 120,000 trees a year, thereby contributing to environmental conservation.

Challenges and opportunities

The logistics industry has varying degrees of IT maturity among its stakeholders. Large players have sophisticated IT solutions to manage their end-to-end operations, but the small and medium-sized enterprises (SMEs) are still on excel-based data – or, worse, maintain physical files. Though they are disparate in operations, what links them is the common data and the same cargo they handle at various times during the shipment journey. With different contours of IT systems, the movement of cargo across the supply chain suffers. Data discrepancy, time-consuming operations, and a lack of trade visibility and transparency exist, making the entire supply chain inefficient and non-conforming.

Making the logistics fraternity aware of the benefits of digitisation is the most critical part. In several regions, they are still reluctant for various reasons. Stakeholders believe that digitisation will bring extra costs and that they need to set up a separate infrastructure. However, only some understand that the tech solutions do not require a different infrastructure cost.

Kale has created this airport and port community system platform where the data, instead of being exchanged on pieces of paper, is exchanged electronically. This helps eliminate congestion and unnecessary paperwork, and it brings in a lot of visibility to processes. The cargo community systems are accessible, affordable, and scalable to the needs of the airports/ports, thereby synchronising the entire supply chain.

New and emerging technologies

Technologies like Blockchain, AI and Machine Learning, IoT, mobile apps, robotics, and big data will shape logistics and cargo movement in the future. Let's look at some of them:

Blockchain - Transparency and data privacy are critical issues for air cargo stakeholders. Right from sharing crucial advanced information safely to securing the information from phishing attacks and data thefts, the need to safeguard data is pretty high. That's where Blockchain comes into play. Blockchain has seen an upward adoption in use cases like Bill of Lading, Crypto, Certificate of Origin, and Digital Trade Corridors.

Artificial Intelligence - Predictive and cognitive capabilities is the need of the hour for the logistics industry, especially for the transportation companies to identify faster routes to reach the airport/port terminal. Data sets about inventory, supplier performance, demand fluctuations and even conditions along a route, such as weather or customs delays, can be used to plan and/or act in real time, facilitating decision-making and increasing speed.

IoT and Wearables - In the past few years, wearable gadgets have engulfed the markets pretty much globally. The next trend is creating wearables that enable performing business functions remotely. 24/7 cargo movement tracking and receiving and sending advanced information are some examples of activities that can be performed with wearables.

Robotics - Chatbots and language models like ChatGPT have the potential to revolutionise the logistics industry. By providing instant, accurate information and streamlining communication, ChatGPT can help logistics companies improve efficiency, increase customer satisfaction, and reduce costs.

Working together more effectively

Any Cargo Community System thrives and grows only with the industry participating and contributing. The beauty of this platform is that it can

accommodate competing companies to provide complementary point solutions by honouring data rules that are not conflicting and proprietary.

The air cargo industry continues to be dominated by paper-driven legacy systems and procedures which are time-consuming and expensive to comply. Clearly, there is a need to expedite some of the technology initiatives to not just automate all information systems but also to streamline redundant processes and regulations. There is a need to integrate air cargo infrastructure and overall global and regional logistics infrastructure – with the likes of multi-modal logistics hubs specifically catering to airports – and create hubs for transshipment of air cargo by simplifying processes.

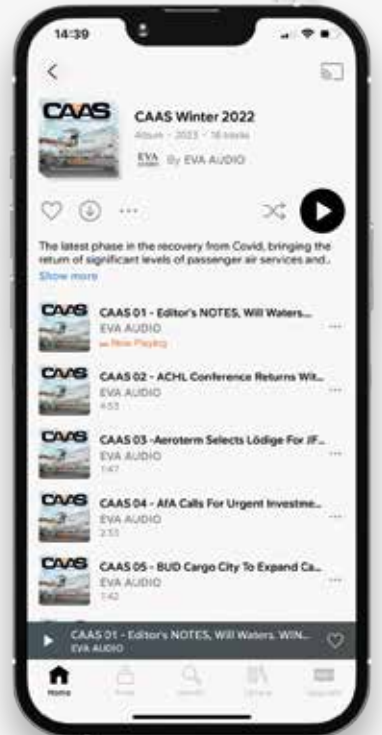
Improving air freight processes in 2023

We are working on some of the game-changing technologies that have the potential to change the way cargo is handled. Digital transformation is now an integral part of the functioning of logistics enterprises, governments and communities. We continue to play a critical role in this transformation, helping clients embrace new technologies initially to cope with the crisis and, since then, to innovate at scale and grow their businesses. As we engage with more than 100 airports and ports across the world to simplify their technology landscape and strengthen their core by building a cloud-based digital foundation and embedding intelligent automation into their cargo operations, we are also on a mission to create the world's largest Digital Logistics Cloud-Enabled Platform for the international supply chain.

We have kept the innovation wheel churning, offering e-services to enterprises, and designed a Sea-Air Corridor for multi-modal cargo movement, introduced the Logistics e-Marketplace, Enterprise Logistics and Customs Control Tower.

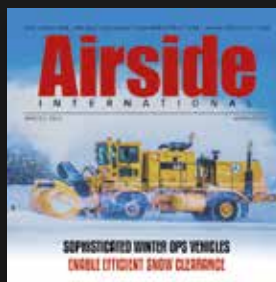
Amar More is CEO of Kale Logistics Solutions. www.kalelogistics.com ■

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OUTLOOK 2023 REPORT

As in previous years, CAAS asked a small number of selected people and organisations involved in the international air freight sector to contribute to the 'Outlook 2023' report, reflecting on their experiences of another extraordinary year in 2022 and sharing some of their

expectations for 2023.

Some of the contributors responded to a set of specific questions, while others took a more free-form, narrative approach. The result is a rich variety of analyses, reflections and updates that I think you will find an interesting and worthwhile read. As ever, we are grateful for their thoughtful contributions. ■

Building resilience in air freight forwarding

Key issues in 2023 will include capacity and infrastructure to handle growing demand for e-commerce, keeping professionals' skills up to date, and conformity with new safety and security regulations, says Dawit Woubishet, chair of FIATA's Air Freight Institute

Key trends for the global air freight community in 2023 will include an increasing focus on capacity and infrastructure to handle the growing demand for e-commerce, keeping handling and transportation professionals' skills up to date, fair and open competition, as well as conformity with the new safety and security regulations.

E-commerce is expected to reach \$5.7 trillion this year and \$7.3 trillion in 2025, and the air freight industry needs to focus on increasing capacity and infrastructure to handle the continued growing demand for e-commerce and express delivery services, as e-commerce demand will continue to present a source of growth for

air cargo providers in 2023.

Fostering safety and security

2023 will bring new Pre-Loading Advanced Cargo (PLACI) Information Requirements for aviation security purposes, which are set to come into force in various countries shortly. This year, we will face the "go live" of the European Union's new customs advance cargo information system (ICS-2 Release2), which will impact the air freight industry around the world in respect of goods entering or transiting the European Union. FIATA welcomes the multiple filing option in the ICS-2 Release 2 and other PLACI programmes, which allow freight forwarders as the bearer of first important information, to file data directly with the authorities. This requires guidance and capacity building,

and FIATA is working to support freight forwarders and the industry at large in the implementation of these new requirements.

Last year, FIATA established a taskforce to focus on the implementation of Advanced Cargo Information requirements, which under the lead of FIATA's Customs Affairs Institute (CAI) and Advisory Body on Safety and Security (ABSS) has contributed to capacity building, raising awareness among the freight forwarding industry, and ensuring a continuous dialogue with the Airfreight Institute to better understand the needs and challenges of the industry.

Addressing ULD challenges

ULD (Unit Load Device) packaging is a crucial topic in the air freight industry. ULDs are containers used to consolidate



Dawit Woubishet is chair of the Air Freight Institute at FIATA – International Federation of Freight Forwarders Associations

and secure air cargo for transport. They come in various sizes and designs, and are essential for handling, loading and unloading air cargo efficiently. In 2023, the air freight industry needs to focus on addressing ULD challenges to ensure smooth and efficient operations. This can include investing in modern and durable ULDs, improving the maintenance and repair processes, and ensuring compliance with industry standards and regulations. By addressing ULD challenges, air freight companies can ensure the safety and security of the cargo, reduce operational costs, and enhance the overall air cargo experience for customers.

Developing a global programme

FIATA represents over 40,000 freight forwarders operating across all transport modes in over 110 countries. In the past, freight forwarders often operated as agents of the airlines. Today, however,

freight forwarders are no longer agents, but rather, customers of airlines, as buyers of air cargo services. Despite this, the IATA Cargo Agency Programme continues to be the main framework governing air cargo, which was established at a time when agency relationships were the norm. There is therefore an urgent need to modernise the air cargo framework to develop a global programme that is fit-for-purpose to respond to the needs of the global industry and reflect commercial realities, homogeneously around the world. This is important to ensure a balanced commercial relationship and improve service levels to accommodate new markets and overcome new challenges.

FIATA continues to work towards the development of a global programme that can benefit all regions around the world. This has included collaboration with IATA and relevant industry stakeholders,

and seeking the feedback and expertise of its members from all regions to ensure a relevant and fit-for-purpose programme. The further development and roll-out of the future Global Programme will be discussed during the upcoming FIATA HQ Meeting in March 2023 in Geneva.

New talents for the industry

For many years, the air freight industry has been facing difficulty in recruiting staff which is becoming an increasingly serious and widespread issue that could exacerbate issues in the supply chain. At the same time, the airfreight industry is changing and becoming more complex, requiring new skills and adaptation from the new and existing workforce. Some good solutions could include designing and setting up fresh new apprenticeship programmes, and promoting digital learning and training, to modernise and elevate the new generation of leadership with the necessary competencies.

FIATA is well-placed to promote logistics careers and support its members to equip the industry with the skills for the future. FIATA acts as the bridge between successful and recognised freight forwarders and young promising talents, and in 2023 it will stay as one of the top priorities on FIATA's agenda. Through the FIATA Young Logistics Professionals (YLP) Award and in collaboration with the IATA Future Air Cargo Executives (Faces) programme, we are giving more visibility to young people – the next generation of workers – as well as showing that this industry can be attractive and innovative. The annual FIATA World Congress is a good example of this. In 2022, FIATA dedicated a day to the YLP during FIATA World Congress in Busan to attract and promote young people in the freight forwarding industry, and we can look forward to the same at the FIATA World Congress in Brussels in 2023.

Air cargo is a crucial component of multimodal logistics. As such, it is key that we ensure it functions well, and that it is able to fulfil its vital role in the supply chain – as if issues arise in air cargo, it will endanger the entire supply chain. ■



Brandon Fried is executive director of the Airforwarders Association

A more favourable environment for shippers in 2023

Despite adjusting volumes, demand for air freight services remains strong among Airforwarders Association members, says AfA executive director Brandon Fried – who expects an uptick after the first half of 2023, as warehouse inventories deplete amid sustained consumer demand, especially in e-commerce

Market expectations in 2023
While the freight shipping industry is seeing less volume compared with this time last year, 44% of Airforwarders Association members say that their business is up significantly or that they're seeing an

increase. Despite adjusting volumes, demand for our industry's services remains strong. We still see our shippers and consignees making solid plans, especially in charters and booked space commitments, despite the normalising of trade flows. E-commerce has been the trend for the past several years, and we don't expect this to change.

We expect capacity, especially out of Asia to the United States, to increase as passenger flights resume in the wake of discontinuing China Covid lockdowns. The increased cargo space should result in a favourable rate environment for shippers.

Our expectation is for an uptick in volumes after the first half of 2023, as current full warehouse inventories deplete amid sustained consumer demand, especially in e-commerce. The reliance on “on-demand” ordering of goods, especially in the consumer products arena, continues at a strong rate, still creating air cargo demand. Unless last-mile delivery costs increase considerably, and consumers no longer wish to pay for that convenience, that shouldn’t change significantly.

Challenges and opportunities

Our most significant challenge is finding suitable talent to work in our offices and freight facilities. The pandemic idled many workers, who have yet to re-enter the workforce, so staffing continues to be a struggle for many of our member companies.

Of course, we remain concerned about recent flight interruptions, especially because of the FAA’s technology failure a few weeks ago. Our members and their customers depend on reliable and efficient flight scheduling, so we hope the U.S. federal government avoids a recurrence of that recent incident. Fortunately, the freight forwarding business model allows for elasticity since most of our members do not own the planes used to fly their freight. As world events unfold, including the war in Ukraine, and economic uncertainty prevails, this flexibility will help us to quickly respond to changing shipper needs.

Unfortunately, infrastructure in the US remains challenging, with outdated and often cramped facilities in and around airports. Our Airport Congestion Committee has taken on that topic and is aggressively following this issue and advocating for solutions. We worked with our legislative partners to ensure that this issue (not only airports, but their surrounding infrastructure) was understood and addressed. The resulting Bipartisan Infrastructure Law that

Congress passed, and the President signed last year, will go a long way toward improving this challenge for all of us.

New technologies, better connectivity

Airforwarders Association members continue to invest in technology and process automation at unsurpassed levels. We expect this trend to continue as shippers now demand ease of use, shipment transparency, and access to status information in managing their supply chains.

Our industry continues to rely on strong partnerships with the airline, ocean carrier, trucking, and rail industries. These relationships are built on solid communication and connectivity of automation systems. However, there are instances where this conductivity can be a struggle. We are, therefore, delighted to see more development in the Artificial Intelligence space, allowing these hurdles to subside and different technology platforms to communicate more effectively. Hopefully, we will see this cooperation continue in the future. ■



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James Hookham is secretary general of the Global Shippers Forum

View from the shipper's desk

With supply chain managers still trying to empty warehouses of goods imported 'just-in-case' during 2022, there is currently no pressure to replenish inventories quickly, notes James Hookham, secretary general of the Global Shippers Forum. Other challenges this year include the implementation of the EU's ICS2 scheme for pre-notification and clearance of EU air cargo imports from March

Forecasting the future of logistics is fraught with difficulty, even for the near-term. It's a hands-on, day-to-day sector, running 24/7/365, fully exposed to the impulses and shortcomings of politics, economics, society and technology, not to mention the forces of nature. The past three years have been testament to that!

Making things even more tricky at the beginning of 2023 is the uncertainty about the single biggest influencer of the sector's fortunes – the state of the world economy. Especially the uncertainty of outlook for the consuming economies in Europe and North America, currently poised on the knife-edge between recovery from pandemic-induced inflation and a recession due to lack of

demand and by high interest rates. It will be the speed and timing of any recovery in consumer spending on goods that will dictate the pace at which logistics markets generally, and the air cargo sector in particular, picks up from its current lull.

There was some optimism from Central Banks at the beginning of February that the trend of worsening inflation and raised interest rates could be over by mid-year. But with supply chain managers still trying to empty warehouses of goods imported during 2022 – 'just-in-case' they could be sold, rather than 'just-in-time' to meet a firm order – there is currently no pressure on them to replenish inventories quickly. Indeed, some shipping lines were using this as an excuse to slow ships down last year to save on fuel.

Whenever the upturn in demand for air cargo does arrive there will be no shortage of capacity to carry it. Assuming another Northern Hemisphere spring and summer free of Covid-restrictions sustains the recovery in passenger numbers, then these flights alone will bring more belly-hold capacity into play for established carriers. That will be supplemented by the arrival of new dedicated freighter aircraft and conversion capacity ordered before the downturn last year.

Then there are the newest and most unexpected suppliers of air freight services, the deep-sea container shipping lines. Although their capacity is currently tiny compared to incumbents, these experienced asset managers and operators will be out to leverage their existing

“
Many shippers have strategic objectives to make meaningful contributions to carbon savings from their operations, starting now
 ”

James Hookham

customer base to turn the logic of this move, plus their other recent acquisitions in warehousing, forwarding and last-mile distribution, into a seamless shipper experience. However, real growth in demand will be needed for these services to thrive – otherwise a price war or rapid exit may beckon.

Environmental factors

Ask a shipper what the biggest barrier is to them using more air freight, other than cost, and they will probably list carbon footprint and environmental impacts. This is not some personal angst

on the part of the individual shipper. Greenhouse gas emission inventories are now an embedded reporting metric in listed businesses as part of Board-level commitments to reach a Net Zero emissions target by 2050, or earlier. Many shippers have strategic objectives to make meaningful contributions to carbon savings from their operations, starting now.

Therefore, one prediction that can be made with some confidence is that the drive to reduce aircraft emissions will continue through 2023. And following the adoption of IATA’s own Net Zero commitment by world governments at ICAO last September, these aspirations need to move off the drawing board and into production in short order. Recently reported moves by global branded shippers and airlines to lock in the costs and carbon benefits of sustainable aviation fuels (SAFs) are small but powerful steps forward as they demonstrate how to turn green rhetoric into bankable credits, to the benefit of the

fledgling SAF producers and the Scope 3 carbon inventories of major shippers.

EU’s ICS2 scheme

Another known event this year is the implementation of the EU’s ICS2 scheme for pre-notification and clearance of EU air cargo imports from 1 March. (The other modes follow over the next three years). Whilst this task will mainly fall to forwarders to perform, it will further stimulate a more general trend of shippers and forwarders wanting to maintain visibility of their shipments.

Industry-level agreement is close on the approval and acceptance procedures for shipments containing smart trackers – which are capable of recording and reporting cargo temperature, orientation, shock impacts, as well as location in real time to a mobile phone app – which should allow path-finding enhancement to customer service, with huge potential in other modes, to finally reach the market this year. ■

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Taking stock of the value air cargo brings

Despite mounting challenges, positive developments include e-commerce continuing to grow, China's lifting of COVID restrictions, and an industry in a better place than it was in 2019 – financially stronger and more efficient with advances in digitalisation, says Brendan Sullivan, head of cargo at IATA



Brendan Sullivan is head of cargo at IATA

Air cargo markets will come under increased pressure in 2023 due to ongoing economic and political uncertainty. Volumes are expected to decrease to 57.7 million tonnes, from a peak of 65.6 million tonnes in 2021. And revenues are expected to reach US\$149.4 billion. That is \$52 billion less than 2022 but still \$48.6 billion stronger than 2019.

As belly capacity grows in line with the recovery in passenger markets, yields are expected to take a step back. It will, however, take time for these measures to bite into cargo rates. The good news is that average yields and total revenue for 2023 should remain well above what they were pre-pandemic. That

should provide some respite in what is likely to be a difficult trading environment in the year ahead.

Despite challenges mounting, there are some positive developments to note: e-commerce continues to grow; China has lifted its COVID restrictions earlier than forecast; and high-value specialized cargo, such as pharma products, are proving resistant to economic ups-and-downs. The air cargo industry is in a better place than it was in 2019 – financially stronger and more efficient with advances in digitalization.

As we start 2023, I see four priorities for the industry:

- Securing its licence to grow by making air cargo sustainable
- Continuing process modernisation
- Safety
- And making air cargo attractive to new talent

Sustainability

Sustainability is the industry's licence to grow. Shippers are becoming more environmentally conscious and are being held accountable for their emissions by their customers. Many are now reporting how much their supply chains produce in emissions, and they are looking for carbon-neutral transportation options. Meeting customer expectations is essential for the highest standards of sustainability.

The industry has committed to achieve net-zero carbon emissions by 2050. This commitment aligns with the Paris Agreement goal for global warming not to exceed 1.5°C. The strategy is to abate as much CO2 as

possible from in-sector solutions such as sustainable aviation fuels, new aircraft technology, more efficient operations and infrastructure, and the development of new zero-emissions energy sources such as electric and hydrogen power. Any emissions that cannot be eliminated at source will be eliminated through out-of-sector options such as carbon capture and storage and credible offsetting schemes.

The path from stabilising to reducing net emissions will require a collective effort. All industry stakeholders across the supply chain as well as governments must each individually take responsibility to address the environmental impact of their policies, products, and activities. And they must work together to deliver sustainable connectivity and ultimately break aviation's dependence on fossil fuels. We are already seeing some great examples in air cargo; this needs to continue into 2023.

Modernization and efficiency

The pandemic accelerated digitalisation in some areas as contactless processes were introduced to reduce the risk from COVID transmission. Building on this momentum will be critical in 2023 not only to drive improvements in operational efficiency but meet the needs of our customers. The biggest growth areas are in cross-border e-commerce and special handling items like time- and temperature-sensitive payloads. Customers for these products want to know where their items are and in what condition at any time during their transport. That requires digitalisation and data.

The modernisation agenda also includes governments. The international agreement brokered through the World Customs Organisation is a major step forward in supporting a more efficient regulatory framework for international shipments.

The Revised Kyoto Convention brings standardization, technology, predictability and speed to trade facilitation. It entered into force in 2006. The challenge is to double the number of contracting states from the current 131 and to make sure that the contracting states are indeed implementing that Convention. Universal adoption and implementation will deliver the greatest benefits.

We are still seeing far too many diverging requirements by governments in areas that should be harmonized by the convention. This needs to change quickly so we can continue to support global trade – and its vital contributions to economies and the UN Sustainable Development Goals – with modern and efficient air cargo.

Safety

Safety, specifically finding better solutions to safely carry lithium batteries, remains a priority for the industry. Progress has been made but there is more to do.

We need regulatory authorities (EASA and FAA) to accelerate development of a test standard that can be used to demonstrate that fire-containment pallet covers and fire-resistant containers are capable of withstanding a fire involving lithium batteries. In addition, we urge government authorities to step up and take responsibility for stopping rogue producers and exporters of lithium batteries.

Another area under the safety umbrella that

will affect the industry in 2023 are the new and changing Pre-Loading Advance Cargo Information (PLACI) requirements, including EU-ICS2. Effective March 2023, the European Union (EU) will implement the Release 2 of its new “Import Control System” (EU-ICS2) regulations. As a result, all air cargo and mail shipments carried to or via EU Member States will need to comply with EU-ICS2. Non-compliance could result in penalties and even sanctions on carriers and global traders. This will be a big transition for the industry in 2023 and one that we will be supporting the industry with.

People

The last topic that I see high on the agenda for 2023 is people. They are at the core of any improvement in what air cargo can deliver. And these last years of COVID have been brutal. We are now competing for talent in a very tight jobs market. And when we do find the right and willing talent, training and longer-than-usual security clearance processes

delay their entry into the workforce. We need to do a better job of attracting, onboarding, and retaining talent.

Conclusion

There are challenges. There is real and hard work ahead for all of us. And global economic and political developments make the going even tougher. But it will be nothing compared to what we have been through with COVID-19. As an industry we should sometimes take stock of the value we bring to the world.

Every day, air cargo supports the global supply chains that secure the jobs of hundreds of millions of workers around the planet. Among the important cargo that we deliver are medicines and vaccines. During the pandemic, in times of crisis and natural disaster, the humanitarian aid we carry can be lifesaving. Air cargo also contributes to 7 of the 17 United Nations Sustainable Development Goals (UNSDGs) – critical enablers of a better future for all. ■

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Quality, efficiency, and communication enhancements

Effectively delivering improvements requires investment in better technology and improved training of operators for each individual stakeholder, as well as better communication to eliminate frictional losses at the interfaces, says Lothar Moehle, executive director, Cargo iQ



Lothar Moehle is executive director of Cargo iQ

How can you and other stakeholders in the air freight supply chain work more effectively in 2023 (and beyond) to streamline cargo operational processes and improve cooperation across the air logistics chain?

As Cargo iQ, we believe that applying the principles of the Master Operating plan (MOP) is the first step for any stakeholder to streamline their operation. The MOP outlines the optimal journey of an airfreight shipment from house-to-house, and following these MOP milestones by implementing the prescribed operational processes as standard in your operation is key to standardising the shipment process.

Cargo iQ' Quality Management System is collecting members' data all the time to identify areas for further process and messaging improvements.

Due to the Cargo iQ principle of encouraging co-operation within our community and our ongoing initiatives to eliminate unnecessary process steps, we strongly believe that we have done the groundwork and are enabling our members to benefit from substantial cost reductions by working more effectively and achieving quality improvements.

What have you been doing in 2022 to improve air freight efficiency, processes, operations and communications, and what will you do in 2023?

We honestly can state that our members have been able to improve efficiency simply by applying Cargo iQ standards during the course of 2022. Improving the efficiency of operational processes is an ongoing development and achievement of ours. This is, of course, only possible because our members – representing stakeholders from across the breadth of the transportation chain – talk to each other regularly and, together, identify areas where improvements can be made.

In 2022, our members brought tangible enhancements to the quality of air cargo movements, and they have the data to document and share these improvements.

Cargo iQ has – together with its members – started to work on specifications to improve planning and measurement possibilities in Road Feeder Service operations. We began a pilot to test our specifications in July last year and as the next step we are going to work on the messaging and data/information exchange between the airline and IT providers with the truck driver.

Apart from our RFS project, we

continue to work on Smart Data to improve data analytics for our members, and on the enhancement of Door-to-Door planning and measurement to include a 'broken chain' metric - for example, when more than one forwarder is handling a shipment from origin to destination. Our Care Protocol initiative is also high on our agenda this year.

Can you share any other observations about your expectations for air freight in 2023?

In general, we strongly believe that the request for quick, precise, and accurate information exchange will continue as the shipper/ customer must have better planning data, greater visibility, and higher quality for the service they buy from the air freight industry.

To deliver these improvements, it will require investment in better technology and improved training of operators for each individual stakeholder, as well as better communication to eliminate frictional losses at the interfaces.

Cargo iQ is here to support and work with the community to achieve these quality, efficiency, and communication enhancements. ■

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Bringing air freight together

The challenge of attracting, retaining and developing an inclusive and diverse workforce will continue, requiring innovation in recruitment and training – and presenting the industry’s value proposition, says TIACA’s director general Glyn Hughes



Glyn Hughes, director general of TIACA

What a difference a year makes... We ended 2021 with record industry volumes, load factors, yields, and entered 2022 with a huge degree of optimism that was dashed in February with the Russian invasion of Ukraine. The subsequent impact on the global economy, initially with rocketing energy costs then record levels of inflation and consequential central bank actions to curb the rise. These conspired to slow the global economy and with a slowing outlook we saw job contractions and defensive consumer behaviour. The impact on air cargo was evident and we entered into 2023 with lower volumes, lower PMI – indicating continued lower volumes and reduced yields, although still much higher than pre-covid levels. We are seeing some modal shift as maritime rates have dropped – in some cases by 80% during 2022.

However, there is some optimism that the second half of 2023 may offer some green shoots of recovery. Over the past two years, global auto sales are down dramatically, smart phones are dramatically down, and the chip sector has been hit with numerous production challenges. So, consumer demand may finally get unleashed when inflation shows signs of reducing. This may be enhanced as wage levels have increased in response to the high inflation numbers.

Challenges and opportunities

The challenges will revolve around investment and positioning during this period of reduced demand in order to effectively capitalise as an industry when the recovery arrives. Technology and innovation investment must continue as the world we serve continues to evolve. E-commerce solutions demand further innovation as does the need for enhanced airport infrastructure.

Embracing new technology is a critical component of future industry success, particularly solutions in the areas of distribution, customer interaction, process and shipment monitoring and regulatory compliance. As shipper demands become more sophisticated, we must collectively be ahead of that evolution.

Working more effectively together in 2023

As a trade association we feel we have an important role to play in bringing parties together, sharing ideas and best practices, challenging traditional norms and showcasing excellence to motivate and inspire even greater success.

TIACA introduced a number of new programmes in 2022 designed to support the industry further. We launched the TIACA BlueSky programme, which is the industry’s first independent assessment programme designed to provide organisations with a complete assessment of their sustainability credentials across a number of critical areas. We also launched

our regional events programme, which is designed to focus on the unique and specific opportunities and challenges at a regional level. This valuable input will feature into our overall work programme. And, consistent with the TIACA Boards’ desire to strengthen our focus on regional challenges, we have employed our first Regional Representative to enhance local support and member engagement.

Other observations

In March, the EU ICS2 programme will get extended to general cargo and thus additional compliance complexity will need to be incorporated into airline and forwarder processes.

The challenge of attracting, retaining and developing an inclusive and diverse workforce will continue and we will need to be innovative in all areas of recruitment and training and how we present the industry value proposition to ensure we can meet staffing needs.

Additionally, the area of sustainability will continue to grow in prominence as regulators, financial institutions, customers, partners and employees will increase their expectations for improvement. Aviation has adopted a net-zero target for 2050, much of which will be based on the use of Sustainable Aviation Fuel (SAF); but with current production levels only accounting for about 1-2%, it means considerable government investment and incentives will be required, and the time to start is now. ■

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Continuing the momentum in 2023

Further elevating performance levels this year means finding ways to better leverage technology, using the agile approach developed in the pandemic to build new solutions for customers, and introducing enhancements to current offerings, says Roger Samways, VP commercial at American Airlines Cargo



2022 was a really important year for us at American Airlines Cargo, illustrated by the fact that we produced 43% more revenue than in 2019 while operating with 21% less cargo capacity. Not only was this the second best year in our history, but we also continued to make great progress in terms of leveraging our new technology platform as we continue along our modernization journey.

This helped to enable us to further improve our customer experience by re-defining processes for team members and customers, increasing shipment visibility through enhanced scanning, and making increased use of technology – including AI and Robotics Process Automation – to help speed up and improve decision-making while our

teams focus on more strategic work. Together with the efforts of our fantastic team, these capabilities, are helping us to deliver industry-leading operational performance, something that we are looking to build on further in 2023.

Our focus on technology is enabling us to further grow in the digital space. In 2022, we launched our network on two industry-leading distribution platforms: WebCargo and cargo.one. These partnerships allow us to expand our reach and also offer our customers more options when booking with us. We expect to grow our offerings in this space this year.

In 2023, we're going to build on the momentum we've brought with us into this new year, keeping our customers' needs central in all of our thinking as we look to further elevate performance levels. In

practice, this means finding ways to better leverage our technology, using the agile approach we developed in the pandemic to build new solutions for our customers, and introducing enhancements to current offerings, like our temperature-controlled product, where we see continued growth and demand in the market.

The air cargo environment is certainly changing as we move into 2023, and this is reflected in changes in the supply and demand balance. However, we also see great opportunities as we continue to align our network capacity to heavily support long-haul international routes, supported by continued strong passenger demand. This growth in international capacity, particularly on Transatlantic and into Latin America, is going to help us to create more solutions for our customers. ■

Advancing on the ‘Destination Digital’ journey

Initiatives this year at IAG Cargo include a series of process changes to better utilise capacity, through more robust weight and dimensional measurements, highlights John Cheetham, chief operating officer

2022 was quite the year for IAG Cargo: from pushing our sustainability initiatives to enhancing our digital offering, we welcomed new routes across our network, reintroduced routes that were paused and welcomed new colleagues into the business.

It’s been great to see regularity return to our schedules in 2022 as the aviation industry recovered from the pandemic and passenger flying returned. We’ll continue to look at re-opening key trade routes across the globe and looking forward to reopening our direct connection between China and the UK, whilst adding new routes and increasing capacity across our network.

Trialling electric airside vehicles

As we move into 2023, sustainability will remain high on the agenda for the industry as we all work together and challenge the way we do business to reduce our impact on the environment. Adopting sustainable practices is incredibly important to us, and we are proud to have made some significant changes last year from the use of sustainable aviation fuel (SAF). We know that SAF is one of the most viable options for sufficiently reducing emissions today and over the coming decades, but at the moment there is a real lack of supply. In our ground operations we’ve been trialling electric airside vehicles new sustainable film for wrapping cargo – a solution that is 100% recyclable and biodegradable by landfill benefiting global customers.

Digitalisation continues to be a hot topic in air cargo and is one of the most important business trends of recent years.

Here at IAG Cargo as well as enabling more agility, we have seen it support us improve communication with our customers, enhance their experience, with forwarders enjoying instant access to rates, route availability, and the ability to make and manage bookings in real-time. Our ambition is to continue to invest in digital solutions enhancing the customer online

booking experience.

Our ‘Destination Digital’ journey is seeing us partner closely with our customers to adopt digital processes, to both support more sustainable operations whilst offering better user experience. As an industry with an unsustainable reliance on paper, IAG Cargo is supporting customers to transition to digital through initiatives such as e-AWB.

Additionally, our new Chief Digital and Information Officer, David Walker, has been leading a series of process changes to allow us to best utilise capacity through more robust weight and dimensional measurements, that we’re excited to enhance in 2023. ■



John Cheetham

Confident of a peak in the last quarter



The arrival of more capacity in 2023, including the airline group's own B767Fs, means Challenge Group is expecting lower yields this year. But commercial vice-president Or ZAK remains confident yields will stabilise to a sustainable level between their levels in 2019 and the highs achieved during the pandemic

What are your expectations about how the market will develop in 2023?

The first 6-9 months will likely be in line with the second half of 2022, with a notable slowdown. But we expect and hope for an upturn in production in China that will revitalise the market. We are ready for the challenges that 2023 will bring and remain confident of a peak in the last quarter of the year.

What challenges and opportunities do you anticipate, and how do you plan to respond to these?

Challenge Group is a highly diversified conglomerate, capable of managing air cargo transportation from the beginning to the end of the supply chain. This diversification allows for risk mitigation. In addition, we have diversified our routes, the markets in which we operate, and our partners. We are constantly exploring these new markets, as the recent opening of the route to Istanbul demonstrates.

For 2023, we expect a good mix between schedule and charter. But beyond that, our expertise is well recognised and our reputation in handling complex verticals has been proven several times. More than 65% of

the cargo carried by Challenge Group is non-standard and requires special handling.

What role will new and emerging technologies play?

Digitization has been a key topic for some time now, and not just in our industry.

Indeed, we are moving towards an app-driven society. We must not forget the lesson learned from the pandemic when digital tools saved us from the general inability of staff to get to the workplace, for example. The e-business model should be seen as a guide to create a digital environment that will facilitate the various interactions within the supply chain. But technology must not forget the human factor that it will ultimately serve. Efficiency is a goal for us and we have a coherent digital strategy in the pipeline...

We will be making announcements in this regard shortly.

How can you and other stakeholders in the air freight supply chain work more effectively in 2023 (and beyond) to streamline cargo operational processes and improve cooperation across the air logistics chain?

Cooperation is the DNA of our value proposition: our approach to business is based on strategic partnerships, in line with the concept of the shared economy, and our mission is focused on our customers'

success. This is why we trust the constant support of our business partners, as we have been able to create strong and lasting relationships over time. Moreover, one of the scopes of our digital journey is to streamline our processes towards more-efficient operations.

What have you been doing in 2022 to improve air freight efficiency, processes, operations and communications, and what will you do in 2023?

Our internal structure has evolved to better respond and adapt to the changing market. For example, our Charter department has been strengthened in anticipation of the demand. At the same time, we set up a key account procedure and raised the operational standard CEIV Live animal. Without forgetting, of course, the strengthening of our fleet, with a fleet expansion plan built on twin-engine aircraft, either B767 or B777.

Any other observations about your expectations for air freight in 2023?

2023 will see the arrival of more capacity, including our B767Fs. Therefore, we are expecting a lower yield, but we stay confident that it will stabilise to a sustainable level between what was in 2019 and during the pandemic. ■

A 'challenger brand' entering the freighter business

Launching its first all-cargo operations this year, WestJet Cargo executive vice-president Kirsten de Bruijn says the key to success will be preparedness

What are your expectations about how the market will develop in 2023?

I think this year will be interesting. We know that cargo is cyclical and so we choose to focus on both the short and long-term strategy of WestJet Cargo. In recent years, our industry has seen yields at all ends of the spectrum, and managed to not only survive, but thrive during a global pandemic. History tells us that, even when faced with the most adverse challenges, cargo will come out better and stronger. For me, challenges create opportunities and the potential to innovate. At WestJet Cargo, innovation is at the heart of our vision. We look forward to modernising our cargo business with the arrival of our first four freighters and we are so excited to enter this new chapter.

What challenges and opportunities do you anticipate, and how do you plan to respond to these?

I think that the launch of our freighter operation presents an incredible opportunity with a unique set of challenges. We have a few competitors in Canada that serve as the benchmark of air cargo and I really look forward to showing them the challenger brand that has defined the WestJet group for over 25 years. The challenges we will see exist in the launch of any newly formed operation – the key to success will be in our preparedness, and trust me, we are prepared! The WestJet Cargo team is hard at work running exercises and building manuals and constructing a really thorough operational playbook.

WestJet Cargo is the newest branch of the WestJet Group and we are really excited to see the business grow and mature. We kind of have a blank slate and a neat opportunity to forge our own path ahead and are so fortunate that we can do that as part of a business that already has an established network of wide and narrowbody carriers. The foundation is here for us to build on.

What role will new and emerging technologies play?

Technology always has and always will play a huge role in our business. The speed and efficiency options we can utilise and provide to our customers will be a major contributor to our success.

WestJet Cargo has recently launched a relationship with SmartKargo that provides really extensive digital solutions that we know will transform the way we're doing business. This will continue to be a priority for my team as WestJet Cargo grows and evolves.

How can you and other stakeholders in the air freight supply chain work more effectively in 2023 (and beyond) to streamline cargo operational processes and improve cooperation across the air logistics chain?

An obvious challenge since the beginning of the Covid-19 pandemic has been availability of resources. It is our top priority to bridge the gaps we can identify in the supply chain and to ensure our customers receive their goods when they are expecting them. In addition to the partnership with GTA Dnata, we work extremely closely with the ground handlers at all our stations. We really benefit from existing relationships within the WestJet Group and



Kirsten de Bruijn Executive Vice-President, WestJet Cargo

are thankful that we have a strong team of support to make sure our operation is reliable and on time.

What have you been doing in 2022 to improve air freight efficiency, processes, operations and communications, and what will you do in 2023?

My top priority after arriving to WestJet Cargo in 2022 was building my team. People are the cornerstone of WestJet Cargo and it was imperative to recruit and train the most passionate and reliable team I could.

In 2023, we have been working hard to finalise the best possible conditions for the launch of our freighters. It has been challenging to establish a newly formed cargo operation within an existing passenger operation – the processes are very different. For every similarity we found, we discover a difference and so we have invested a lot into technology, building processes and manuals and education.

The remainder of 2023 will see us continue our development and ensure our processes are infallible. We are working hard to get our roots into the market and are keen to show customers all over the world why they should choose WestJet Cargo.

For 2023, we will of course continue our development and ensure we have better processes to be one of the best partners, especially in the North American market. ■

Charter market faces evolving capacity challenges

Following the capacity challenges of the pandemic period, air charter brokers had hoped that supply and demand would return to a better balance. But the market has faced further capacity and demand challenges, highlights Stefan Kohlmann, joint MD of air charter broker NEO



Stefan Kohlmann is joint MD of NEO, an air charter broker based in Germany

After the capacity challenges of the pandemic period, we had hoped that supply and demand would return to a better balance. But the loss of Volga-Dnepr Airlines' (VDA's) IL76 and An124 fleets due to sanctions has significantly reduced the capacity for outsize and offline operations. VDA is still operating, but not for the western world and (due to sanctions) only in a very limited area: it can't be chartered by any EU, UK or US companies. That leaves eight An-124 aircraft – seven from Antonov Airlines (Ukraine), and one from Maximus (UAE), and not all these aircraft are full-time operational. This limited availability is reflected in higher charter prices. The An-124 and IL76 markets will, without a doubt, remain limited until sanctions are lifted, as there are no realistic replacement aircraft types on the horizon.

Strong energy sector demand

At the same time, charter demand in the energy sector – especially oil and gas-related traffic – has increased again recently; the

classic energy charter market is currently strong and probably will remain so throughout 2023 and beyond. High oil prices are encouraging the sector to invest in future projects again, and there is still a strong need for classic energy sources, as well as a desire for green energy technology. Due to the sheer size of wind farm products, and the siting of production facilities not very far away from installation sites, these products don't generally require air charter services. Meanwhile, solar farm components are mostly transported by road, sea or scheduled airfreight at present. But increasing global demand for green energy production may still create future potential for the charter market.

The loss of the AirBridge B747F capacity has been less of a problem: it happened at a time when the boom for freighter capacity had just started to slow down, and the capacity gap could be readily filled by a number of other conventional freighter operators, so the effect on the market was manageable. In general, the worldwide cargo airline fleets cover market needs and there will be more aircraft coming into service in the foreseeable future, as airlines take delivery of orders

already placed with Airbus, Boeing and the P2F convertors.

The slowdown in general air freight demand is currently increasing charter capacity, and causing a marked decrease in charter prices; although, of course, high fuel prices are preventing a return to pre-covid rate levels. During the Covid period's high demand levels, several charter operators started to operate new scheduled routings – especially Asia-EU and EU-US; but they have now begun to withdraw these again due to reduced demand and the return of scheduled bellyhold capacity. This has provided us with an increase in route flexibility, as these charter airlines are no longer tied to their hubs and driven by crewing demands.

Looking forward, digitalisation will certainly play a greater role in the air cargo charter sector, as it is already doing in the mainstream market. NEO is in the process of creating its own bespoke platform to make our charter and onboard courier services more easily accessible to our forwarder and LSP clients, with the aim of saving their time and enabling them to respond more quickly to their own customers' needs. ■

Adapting to the ups and down of the market

Chapman Freeborn sees itself as a niche player in the global air freight market that has diversified its business to smooth the regular ups and down of the market, says Reto Hunziker, president of the air charter broker's Europe region



Reto Hunziker
Chapman
Freeborn

What are your expectations about how the market, or your main areas of business will develop in 2023?

The Chapman Freeborn Group is very much a niche player in the global air freight market. We have diversified our business to the point that we are not so heavily affected by the now regular ups and down of the market.

The outlook for 2023 is very much the same for us as everyone else in the industry and will be subject to the ongoing volatility of the global economy. Saying that, we are very upbeat and positive about our own group's business strategy, continued growth plans, and added-value offerings to our global customers.

What challenges and opportunities do you anticipate, and how do you plan to respond to these?

The Chapman Freeborn Group is celebrating 50 years in the aviation industry this year. We have, like many companies, gone through major changes in how we do business. The challenges we have faced and continue to face over all these years have taught us to be flexible, creative, and not to fear investing in new ideas, particularly when others are. So, going forward nothing will change; 2023 will be business as usual.

What role will new and emerging technologies play?

I believe that the industry is moving very fast and new technology means more effectivity and efficiencies that, at the end of the day,

will make using air freight in general faster, easier, and more attractive for shippers globally. Everyone in the air freight chain will benefit from cohesive and simple processes fueled by ongoing technology development. I would add, however, that technology cannot replace certain specific human knowledge and experience that is vital to ensure success. Behind great technology you need great people to support it and understand it.

How can you and other stakeholders in the air freight supply chain work more effectively in 2023 (and beyond) to streamline cargo operational processes and improve cooperation across the air logistics chain?

This is a tough question. With so many different stake holders with so many P&L's and with so much market volatility, it really is difficult to bring everyone together. The quest to achieve better processes and improve cooperation should however always be the goal in the interest of the final customer – the shippers. ■

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Creative solutions to workforce and other challenges

Emerging technologies will play an essential role in addressing labour shortages currently affecting air cargo handlers, with investments in technology increasing productivity and also helping attract bright new talent, highlights Robert Fordree, executive vice president for cargo at Menzies Aviation



Robert Fordree

What are your expectations about how the market or your main areas of business will develop in 2023?

It's our belief that we will remain in a cyclical downturn for the remainder of 2023 and into 2024 as a result of multiple economic and geopolitical reasons.

History has shown that there is always a bounce back and our best estimate for this is Q2/3 2024. From a Menzies point of view, our business is expected to continue to grow as we have several business-development projects underway and we're looking forward to announcing some new markets in the near future.

What challenges and opportunities do you anticipate, and how do you plan to respond to these?

Workforce challenges will continue for the foreseeable future; it is different from region to region, but the general view is that people are looking beyond aviation for new jobs at this time. We are, therefore, adjusting our people approach and recruitment processes accordingly.

What role will new and emerging

technologies play?

Emerging technologies will play an essential role in addressing the labour challenges. We must continue to heavily invest in technology, not only to ensure we are increasingly productive but to help attract bright new talent to our industry.

We need to make aviation attractive again by appealing to the current generation by adopting new technologies, automation and creative ways of working to become a more sustainable and appealing industry. For example, our robotic technology trials in cargo are going from strength to strength and are already producing fantastic results for our London cargo business. We are also investing heavily in warehouse management systems of the future, which we will be announcing in due course.

How can you and other stakeholders in the air freight supply chain work more effectively in 2023 (and beyond) to streamline cargo operational processes and improve cooperation across the air logistics chain?

By embracing new technologies and investing in innovation and growth, the

industry continues to consolidate and our goal will always be to provide a service to our customers that they can rely on throughout our global network – in the same manner as well-known coffee shops and burger restaurants.

What have you been doing in 2022 to improve air freight efficiency, processes, operations and communications, and what will you do in 2023?

Despite the current downturn in cargo volumes, overall, we are feeling confident about our outlook for 2023. In 2022, we took some very bold decisions and investment commitments in innovation, thanks to the support of our forward-thinking Board. These are now being trialled across our network before they can be fully implemented, but early results are promising. We're also working on a significant technology project that will transform our service offering throughout our global network – so it's a case of 'watch this space' for Menzies cargo as we will be making some exciting announcements in the months ahead. ■

Approaching 2023 with optimism

The events of the last few years have taught us that life can be unpredictable. Frankfurt Airport operator Fraport expects 2023 will remain challenging, but will work with air freight stakeholders to ensure 2023 is still a successful year, says Dr. Pierre Dominique Prümm, member of the Fraport executive board and executive director for Aviation and Infrastructure



Pierre Dominique Prümm

A key feature of aviation in the past year 2022 was the rapid rise in passenger numbers. This increase in travellers has been good news for us at Frankfurt Airport and for the entire industry, but it has also given us major challenges. The rapid growth in traffic went hand-in-hand with ongoing high rates of staff illness and an above-average number of flight delays – one cause of which were airspace closures resulting from the war in Ukraine.

Handling challenges

Particularly at our airport, at which both passenger and cargo traffic are equally important, these challenges were also keenly felt in ground handling. Last summer, the loading and unloading of cargo aircraft was often possible only with long wait times. The situation was not satisfactory for anyone, least of all for us. The cargo business is crucial for us at Frankfurt Airport. Even if the cargo community last year once again proved its strategic importance – given the many essential items that were shipped via FRA – external factors led to cargo volumes slipping some 13% in 2022, to around 2 million tonnes. While we were able to almost maintain the pre-crisis levels in the first quarter of 2022, the downward trend accelerated as the year went on, driven by lower demand and capacity constraints resulting from the Ukraine war. In the summer months, the operational

challenges noted above were an additional dampening factor.

This trend impacted many airports, not just Frankfurt. The figures were also seen in economic indicators, such as purchasing managers' indices (PMIs). These once again fell significantly over the course of 2022 due to coronavirus-related restrictions, particularly in China, and the effects of rising inflation. These framework conditions will continue to have an impact on the cargo industry and its operations in 2023, as will the general economic downturn. This outlook is supported by various early economic indicators.

Staff deployment predictability

As far as passenger numbers are concerned, we are expecting further growth in 2023. On the one hand, this will boost belly capacity. Nevertheless, 2023 will remain challenging for the cargo sector and aviation in general. This is because on top of continued staff shortages at many service providers, the ongoing lack of skilled labour will further exacerbate the situation. For this reason, it is even more important to create predictable staff deployment schedules to ensure efficient processes. To achieve this, we, as the airport's operator, are pushing ahead with the digital transformation. New technologies will provide us with opportunities for a standardised transfer of data.

A specific example of this is our commitment to 'Digital Test Field

Air Cargo', a sector-wide and multi-location research project backed by the German Federal Ministry for Digital and Transport. We're using the project to lay the foundations for the automation and autonomisation of aviation handling and transport processes. By doing so, we are seeking to play a leading role in the development of digital air cargo standards. For example, the use of driverless transport systems such as cargo and baggage tugs can boost predictability, reduce the number of staff tied up in the job, and improve resource management. We are providing support for relevant trial operations at Frankfurt Airport.

We are also continuing the successful development of Frankfurt Airport's CargoCities, including their infrastructure. At the start of the year, we filed an application to build one of the biggest cargo warehouses in CargoCity South. We're planning to lay the foundation stone for this modern hall, which is being built for DHL Global Forwarding in accordance with the latest standards, in the second half of 2023. The building's design is also intended to meet challenging environmental criteria. Fraport has set itself ambitious climate protection goals, with the aim of being carbon-free by 2045.

Even if the events of the last few years have taught us that life can be unpredictable, we are approaching 2023 with optimism. It will remain challenging for us, but together we will do our best to ensure that 2023 is still a successful year. ■

Smarter ways of working



Wilson Kwong

New technologies and innovations promise a pathway through the latest challenges, providing greater efficiencies, helping combat recruitment challenges, and making the sector more resilient, says Hactl CEO Wilson Kwong

2023 promises no respite from the headwinds of 2022, and we recognise the need to continue adapting and perfecting in order to safeguard our business. Here at Hactl, therefore, we are continuing our constant drive for smarter ways of working, and innovation based on the latest technology remains a vital focus. Technology is playing an ever-greater role in our business, and will do so throughout our industry, as we all look for greater efficiencies, combat recruitment challenges, and make our industry more resilient.

Autonomous vehicles are one of the areas we believe is most likely to see development in handling in the next year or two. Hactl is already involved in a trial with Hong Kong Airport Authority for the use of autonomous tractors for dolly transfers between our terminal and aircraft on the ramp. We are also working on the possible use of autonomous forklifts for cargo movement within our warehouse.

Robotics may also play an increased role in our business. We have now been operating our robotic Automated Parts

Store successfully for over a year, which has provided useful practical experience. An obvious further area for robotics would be the very labour-intensive process of pallet-building, but this is fraught with challenges because of the complexity of reaching pallet weight and volume at the same time, working with cargo pieces that are never uniform, stacking heavier and less-fragile items first, and so on. Others have tried and given up on this, but we are prepared to attempt to solve the issues.

IoT will be an increasing trend for the logistics sector, as it can contribute to the end-to-end visibility required, especially for eCommerce and special handling cargo. Hactl will explore with any interested customers (either airlines or forwarders) the deployment of IoT devices for cargo tracking and condition monitoring where it brings mutual benefit. IoT devices are already being used by Hactl for GSE and dolly tracking and status monitoring, to improve asset deployment and reduce manpower in locating equipment for routine maintenance.

AI and Machine Learning are also in use at Hactl in a variety of functions, such as the logistics control systems that manage

our Automated Storage and Retrieval Systems, enabling them to use storage more efficiently and reduce processing times. We are also using AI and Machine Learning to assist in predictive analytics for more effective management decisions and resource deployment.

Video Analytics

Video Analytics (VA) is another technology that Hactl is using, in monitoring for wear and faults in our Container Storage System's power feed rails, unauthorised parking, and restricted area unauthorised access. We plan additional CCTV with VA capability using Edge technology, which could reduce reliance on security guards and improve the scope and timeliness of our surveillance. In the related area of Image Recognition, this could also be deployed in AWB scanning, pallet contour recognition, and special handling cargo label recognition (such as for dangerous goods) to minimise the potential for human error. There are many potential applications throughout the industry.

Virtual Reality (VR) is also already at Hactl, and being used for training new recruits in aircraft loading in a safe

environment away from the hazards of the live ramp. VR-assisted training is likely to become more popular when the technology becomes more mature, affordable and user friendly.

Data Analytics will play an increased role in the industry, as it does already at Hactl, in areas such as routing optimisation for our giant container handling system, improved staff deployment, and more responsive, agile rostering.

We are constantly setting up systems integration with our customers, to facilitate more sophisticated, seamless digital supply chains. This will facilitate the growing demand – particularly in e-commerce – for total end-to-end visibility for all parties. But overall progress towards the digital supply chain is still being hampered by the quantity of physical documents used by some carriers. Digital Cargo initiatives such as eAWB, One Record, and Cargo iQ, while useful, still have a way to go to achieve universal adoption. An added

complication in Hong Kong is the need to cater for forwarders who are largely SMEs, and therefore not able to invest a lot in IT, automation and adoption of e-initiatives.

There are a variety of other technologies that will see greater interest and use in the industry going forward, including voice recognition to replace keyboard inputs in the warehouse, wearable devices to improve workforce efficiency, and Next-Gen identity management (where, instead of using current smart cards, access controls will be based on biometric inputs).

Still a people business

Air cargo remains a people business and, given the continuing major challenges of recruitment and retention particularly here in Hong Kong, we have made caring for our staff, nurturing our talents, and conserving our collective skills base fundamental elements in our sustainability programme.

We propose to make greater use of e-learning for staff engagement and

efficiency purposes, having proven the concept during the pandemic lockdowns. Succession management is vitally important to preserve knowledge and maintain quality; so we are introducing a company-wide Knowledge Management Initiative that uses video to capture and pass on experience and knowhow from senior and retiring staff to younger colleagues, in order to help build their own expertise. Our engineers, for example, can now access relevant videos via their mobile devices during their fault repairing and services tasks, anywhere in the warehouse.

Recent building refurbishments have embodied many features designed to create a happier and healthier working environment, but we are going much further – with a fundamental re-working of our Management Trainee Programme, introduction of more flexible working, and staff health care and wellness events such as health check-ups, physiotherapist assessments and nutrition awareness and guidance. ■



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Achieving more in a challenging market

While the overall market outlook for 2023 remains uncertain, Swissport will continue to focus on driving process optimisation and digitalisation, says global cargo chair Dirk Goovaerts



After a dynamic 2021, which saw Swissport post a record result in its air cargo business, global demand for cargo slowed noticeably during 2022. Global supply chain issues, the war in Ukraine and the tightening of monetary policies by leading central banks all contributed to the slowdown.

In the current geo-political and economic environment with persisting uncertainties, we expect the global market for cargo logistics to move sideways. A positive stimulus for the global economy could come with a further lifting of Covid restrictions in China and a rebound of the Chinese economy.

While the overall market outlook for 2023 remains uncertain, we continue to relentlessly drive process optimization

and digitalization. One such example is the Swissport Cargo app, which we are deploying on new mobile devices to increase efficiency. It eliminates paper-based processes and contributes towards Cargo iQ milestones such as RCF and NFD. Cargo kiosks, door management and slot booking are further innovations that drive process efficiency at our cargo centers and lead to increased security at the interfaces between forwarders, ourselves and the airlines.

Improved cooperation across the logistics chain

A big potential also lies in further improved cooperation across the logistics chain. Swissport has been connecting its systems with airport community systems, for example in Amsterdam, Frankfurt, Liege and Johannesburg, allowing forwarders to use the cargo community

system across all agents.

On the service side, we continue to focus on high-yield market segments and product lines. Here, logistics for temperature-controlled cargo, be it perishables or pharma, continues to support our top-line. Swissport has continuously expanded its global presence and currently operates 117 air cargo centres, several of which have been certified for pharmaceutical logistics by IATA's CEIV Pharma and by the British MHRA. We are proud to provide airlines with market-leading services in this segment.

A more recent product innovation was recently launched in Kenya, where Swissport established its Flower Corridor initiative. Creating a highly efficient and secure supply chain for fresh cut flowers and maximum handling efficiency, security, and prolonged shelf life for retailers. ■

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Signs of a soft landing

Sebastian Scholte, CEO of Kales Group, sees some positive indicators that point towards a relatively shallow and short recession that could help ease labour shortages and inflationary pressures

Sebastian Scholte

It is inevitable that we are heading into a recession. The purchase power, mainly because of high energy costs and subsequent wage inflation, is diminishing faster in Europe than in other parts of the world, which will have a bigger impact on imports into Europe. Also, European exports will decline. Transatlantic capacity is back to pre-covid levels and most likely will remain so, putting bigger pressure on yields. Moreover, increased protectionism will lead to more near- and multi-sourcing and less global trade.

Shipments of smart phones are a leading indicator of the state of our industry. Worldwide smartphone shipments declined 18.3%, year over year, to 300 million units in the fourth quarter of 2022 (4Q22), according to preliminary data from the International Data Corporation. The drop marks the largest-ever decline in a single quarter and contributed to a steep 11.3% decline for the year. 2022 ended with shipments of 1.21 billion units, which represents the lowest annual shipment total since 2013, due to significantly dampened consumer demand, inflation, and economic uncertainties. This tough close to the year puts the 2.8% recovery expected for 2023 in serious jeopardy with heavy downward risk to the forecast.

But there is some light in the tunnel.

Capacity ex-Asia, especially to/from China, most likely will increase. The recent lifting of the COVID restrictions has already had a big impact on the health system. But once stabilised, China will rebound, which will result in more demand and economic growth. The supply chain disruptions in the last two years caused product shortages



and also high inflation. With COVID more or less under control, these supply chain disruptions will be something of the past and global transport costs will decline. Inflation in the US is already declining, indicating that we may have a ‘soft landing’ and therefore a mild recession.

According to McKinsey, 15% of all freighters in 2019 were older than 30 years, whereas in 2021 it was already 21%, meaning that older less economically viable freighters are still in service – due to the higher demand and yields. The capacity/demand balance will most likely improve in the coming period because the older aircraft will be retired – thus helping rates to remain slightly above pre-covid levels.

Market correction

Overall, a correction is needed in the market and hopefully a small and

short recession will help improve the labour shortages and ease inflationary pressures. On the other hand, higher inflation will lead to higher interest, which again will imply that cost of inventory will go up, favouring air above sea freight for shippers with high-value density goods.

Forwarders will take less own-controlled freighter capacity and will start booking more on scheduled passenger flights.

The only certainty is that there will be uncertainty. At Kales Group we are adapted to change with our lean and agile organisation. One of last year’s highlights for our group was the total cargo management (TCM) contract for Norse Atlantic and the global strategic partnership with Cainiao. We expect TCM outsourcing and e-commerce business to continue to grow in the foreseeable future. ■

Changes are opening opportunities for GSSAs

By ECS Group's Adrien Thominet, executive chairman, and Robert van de Weg, chief commercial officer

With global economic growth expected to fall significantly and while inflation is tapering off – albeit at high levels still – 2023 is shaping up to be complicated. We have already seen a slowdown for several months. We forecast a 15-20% decline in volumes in Q1 of 2023, which will lead to an even sharper drop in industry revenues. These projections are confirmed by the analysis of new export orders as well as other indicators often significant for the industry's evolution.

We therefore expect a rather subdued start to the year, especially ex-Asia to the US and Europe. However, subject to macroeconomic and geopolitical developments, we expect a relatively strong rebound in Asian exports once 'restocking' takes place, hopefully in the second half of 2023. We expanded ECS Group's footprint in this region last year with the opening of two Globe Air Cargo offices, one in Korea and one in Japan. Indeed, we see markets re-emerging with the end of Covid, and Asia is one of them, as well as the Levant and South America. From a service perspective, the return of passenger flights and the increase in 'leisure travel' will generate further

need for 'total cargo management' services in these regions, as the airlines involved seek to optimise cargo revenues from belly capacity.

Other export markets such as Europe and the United States are expected to be 'flat' at best compared to 2022.

The changes that are impacting the market are opening up many opportunities. Indeed, in every difficulty, an opportunity can emerge and I think that as a GSSA, we have the possibility to attract new customers and to provide the market with our new services

by demonstrating their necessity. 'Cost control' will be a general issue for airlines, and ECS Group has the right tools to help them deal with it.

Challenges and opportunities

Airlines are increasingly looking for organisations that can manage end-to-end air cargo operations and have a technologically competent infrastructure. GSSAs have evolved from agents who arrange cargo bookings for airlines to strategic partners who help airlines develop their business objectives. In this sense, technology solutions play a key role. They enable greater efficiency, speed and transparency. Innovation is certainly a major driver.

ECS Group has already, for some time now, integrated this fact, offering and using technological solutions – within the ECS Group with the Cargo Digital Factory, or those developed within CargoTech, of which ECS Group is a founding member – and by having innovation at the heart of the development of our abilities.

Through our 'Augmented GSSA' strategy last year, we reinvented the traditional role of a GSSA to empower ourselves with the tools, strategies, and means to face the challenges of 2023. Our abilities will continue to be developed and positioned in a way that is tailored for both the current and the future market transformation. Furthermore, we plan on developing new digital tools, thanks to CargoTech, and integrating more and more CSR into our processes, as sustainability is also one of the main challenges of tomorrow.

How can air freight stakeholders work more effectively in 2023 and beyond?

The key word here is 'digitalisation'. We are witnessing a real acceleration of efforts in this direction, and for the better. Better efficiency, more transparency and fluidity, the benefits are numerous. Therein lies the solution for the air cargo industry to get through this period in the best possible conditions, in cooperation. ■



Adrien Thominet



Ismail Durmaz - Global GSA Group

More competition for every shipment

Ismail Durmaz, CEO of Global GSA Group, expects a slow start to the year, but is hopeful that the second half will see recovery

Market expectations

It's going to be a difficult year, and the entire industry agrees. Yields are falling, capacity is rising and economic growth is slowing in line with inflation, which has a direct impact on demand. Added to these factors is the uncertainty of potential new challenges that will emerge in the coming months. We therefore expect a slow start for the first half of the year. Hopefully, the second half will see recovery.

The market is even more competitive for every kg and every shipment. The main challenge is, therefore, to maintain good and constant load factors. But with each challenge often comes opportunities that must be seized. The role of GSAs is becoming more dominant and can make a difference to airline success. This may encourage airlines with their own structures to change their model and move to GSA models: airlines will surely review their P&L to reduce fixed costs, for example. 2023 will be an opportunity

for Global GSA to demonstrate that our slogan, 'Make the impossible possible', is even more relevant.

The role of new and emerging technologies

Technology will play a key role in this new environment, helping to smoothen the whole logistic chain. The challenges it helps to address are numerous: developing digital communication, improving pallet construction efficiency, making the industry more transparent, and shortening the supply chain. Aware of this, Global GSA is investing in tech solutions in order to provide its customers with the best tools and means to overcome this difficult period in the best conditions. Announcements will be made in the near future.

At Global GSA, we believe that technology solutions are a fundamental answer. As our industry slowly begins to realise this, we invite all stakeholders

to invest in technology. It will have a direct impact on their efficiency. Digital data transfer tools will also enable better cooperation because they will have an effect on the fluidity of communications. One of the most important aspects for the coming period.

Improving efficiency and processes

Improving efficiency requires investment in technology. To this end, we have invested in leading technology tools through CargoTech, a leading developer of software specifically designed for the needs and challenges of the air cargo industry. Thanks to their portfolio of tools, we have not only made our internal processes smoother, but we have also been able to provide our airline partners with valuable data and operational solutions. We will continue our cooperation with CargoTech, and have recently started to adapt with them the current tools to our specific needs. ■



Tristan Koch

Bridging air freight's technology gaps

The number of air freight transactions performed online remains relatively small, and many airlines and forwarders still lack the technical capability to move operations fully online, requiring tools to offer a pathway to full digitalisation, says Tristan Koch, chief commercial officer for Awery Aviation Software

What role will new and emerging technologies play in 2023?

Over the past year, the industry as a whole has congratulated itself on digitalisation growth, which has been accelerated by COVID. However, data shows that the number of transactions that are being performed online or through online exchange are still very small compared to the size of the actual market. Further, the industry is still reliant on email communication or other less-effective ways of communicating and currently, in many cases, airlines and forwarders don't have the technical capability to move operations fully online.

Awery has recognised this barrier to digitalisation and designed its eMagic tool as a means to bridge technology and offer a pathway to fully digitalising the industry. Awery's eMagic solution reduces the booking process from minutes to seconds, analysing

the content of an email to identify the key elements needed for a quote, pulling these different types of data into a single readable format, and eliminating the need for costly and time-consuming manual inputting. By creating a solution that is easy for operators to integrate into their existing systems, Awery is actively facilitating the digitalisation of the industry, one step at a time.

Market and technology expectations

We see the post-COVID market returning to a capacity that is more familiar with pre-pandemic levels, with trade lanes being re-established and passenger levels returning to that of pre-pandemic levels. However, the market has changed. The increased demand we saw during COVID has drawn a lot of new entrants to the market, including shipping lines such as CMA CGM and Mediterranean Shipping Company, freighter conversions, and freight forwarders (operating freighter capacity). Over the next 12 months, we predict these

new players will contribute to a competitive marketplace with an excess of capacity.

Technology will play an important role in making sure that this changing marketplace remains agile and is able to distribute and sell inventory in a more efficient and sustainable way.

There needs to be more collaboration and freedom of connectivity between forwarders, shippers, airlines, and shipping companies. Awery and its suite of software solutions, including CargoBooking, actively provides air cargo stakeholders with the tools to digitalise and benefit from the increased efficiency and connectivity this facilitates. CargoBooking is an online booking portal that allows airlines and their GSAs to provide freight forwarders with real-time air cargo rate distribution and bookings.

In 2023 Awery is focused on ensuring that an efficient, cutting-edge digital platform is available and accessible to all air cargo stakeholders. ■



Nathanaël De Tarade

Creating a digitalisation snowball effect

The tide is turning in the digital transformation of air cargo, with many major players launching large projects to implement new technologies, says Nathanaël De Tarade, CEO of Wiremind Cargo

What are your expectations about how technology in the air cargo industry will develop in 2023?

Based on the conversations we have had with our customers and peers in 2022, I can safely say that digital transformations and adoption of advanced tech are high on the agenda of all air cargo stakeholders. Moreover, initial planning or strategy discussions have shifted to actual implementations and investments, with many major players launching large projects to implement new technologies within

their organisations. Our expectation is that many of these projects will not only go live in 2023, but that they will create a snowball effect whereby less-mature organisations will follow suit.

Challenges and opportunities

We are particularly excited to see airlines review and modernise their commercial decision-making processes and invest in digital tools that help facilitate this, which we believe is a big untapped opportunity to maximise their cargo revenue and unlock efficiencies. We fundamentally believe that this is about enabling air cargo professionals to make better decisions and spend time on the highest value-adding

tasks by using carefully designed products, rather than a matter of outright automation and replacing the human component, which is why we consider our product portfolio as 'decision-support' tools.

With this opportunity comes the logical challenge of prioritisation, which applies to both solution providers like ourselves or direct industry players such as airlines and forwarders. In both cases, clear prioritisation is required to manage multiple IT projects without unlimited IT resources and to develop the expertise to deliver them over time. At Wiremind, we are tackling this by working closely with our customers to build differentiated products in an aligned roadmap and by

building in-house expertise in the fields of data science and software development through investments in our people. In terms of our progress, we are proud of the fact that the vast majority of our product features are developed together with customer feedback rather than as customer-specific change requests, and we have continued to grow our team.

What role will new and emerging technologies play?

Our view is that these opportunities go hand-in-hand with the use of data and developing best-in-class products which, in turn, are underpinned by emergent technologies. In particular, we see the areas of Data Science and DevOps as critical to our product portfolio, which typically relies on complex machine learning data models and advanced technical infrastructure capable of handling large data sets and/or significant server loads. To provide an illustrative example, our overbooking recommendation engine is built upon a

machine learning model that ingests entire air waybill datasets to identify common clusters and predict the show up rate of a booked cargo on a particular flight. Based on this forecast, an analyst is offered with various overbooking strategies to pursue.

One thing we can do at our level is to convince our customers to invest. The return on investments is often measured solely based on the direct financial impact of a project, but if you take a more holistic perspective, it often goes much beyond that. When leading players decide to adopt a certain innovation, it can snowball into industry-changing best practices or standards, which benefit everyone.

What have you been doing to improve air freight efficiency, processes, operations and communications?

Our capacity optimisation solution, SkyPallet, is a great example of how our products can achieve some of these outcomes. The premise is to help different airline teams maximise their available

capacity throughout the cargo lifecycle – whether it is an airline sales representative accurately determining the capacity required for a shipment, a flight analyst organising a flight to accept an additional booking, or an operations team using the SkyPallet solution for the operational build-up of pallets. We have seen the greatest successes with SkyPallet by embedding it into organisations' workflows and processes, often by integrating it into other systems such as the airline's cargo management system or CRM. In 2023, we will continue to improve SkyPallet as well as implement other decision support tools that can better facilitate improvements in air freight efficiencies and operations.

The 'tide is turning' in terms of digital transformation in air cargo. Even with the backdrop of a more normalised air cargo market, we are seeing that air cargo stakeholders are firmly committed to their digital strategies, and we are excited to be part of this in 2023, building on the successes of 2022. ■



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A new perspective in the air cargo value chain

Disruptive technologies like machine learning, AI, IoT, robotics automation, and advance analytics are changing how air cargo works and will help businesses make informed decisions – while also increasing efficiency and improving interactions with customers, believes Guillaume Halleux, chief officer cargo at Qatar Airways

What are your expectations about how the market will develop in 2023?

“2023 comes with uncertainty, as macroeconomic trends, as well as lingering geopolitical issues are expected to continue to slow down the overall economic growth, directly impacting air cargo. E-commerce will definitely surge; in fact, it has driven the types of cargo transported by air, leading to more demand for delivery of small

packages as more and more consumers are shopping online.

“We are also expecting a growing focus on sustainability through the use of efficient aircraft, waste reduction and recycling that will reduce the impact on the environment. We also see even more push for digitalisation for the many benefits it brings such as cost reduction, transparency and improved efficiency as well as contributing to environment.

“Finally, the global stabilisation of yields, specifically out of certain markets, will require Qatar Airways Cargo’s usual adaptability and flexibility, as well as customer centricity to ride the wave and strive to maintain our global leading position.”

What challenges and opportunities do you anticipate, and how do you plan to respond to these?

“In response to the emergence of new challenges and in anticipation of future demands, increased digitalisation and an ever-changing environment, Qatar Airways Cargo has launched ‘The Next Generation’, bringing a new vision to the way of doing business. Innovation is at the core of this strategy.

“In accordance with this strategy, we want to achieve a complete corporate mindset shift. We have begun taking a fresh new innovative approach to the business of air cargo, develop new talent while also attracting new ones, and tapping into the digital potential for an optimal user experience – as well as the transparency, convenience and speed that digitalisation brings. With this approach, Qatar Airways Cargo is defining its role in the air cargo industry. It is not about the younger generation, but about bringing a new perspective to everyone involved in the air cargo value chain.”

What role will new and emerging technologies play?

“The cargo industry, to be honest, has been lagging behind in terms of digitalisation adoption. However, the pandemic has shown us just how important automation and digitalisation are. New and emerging technologies will help facilitate seamless movement of air freight and greater cross-

border trade resilience while offering our customers complete transparency, visibility and the convenience of booking at their fingertips.

“Moreover, disruptive technologies like machine learning, artificial intelligence, block chain, the internet of things, robotics automation and advance analytics are changing how air cargo works. These new technologies also help businesses to make informed decisions while also increasing efficiency and improving interactions with the customer.

“In addition, digitalisation will help us replace the paper documents in air cargo,

which is a task that began many years ago.

“Indeed, at Qatar Airways Cargo, many of our digitalisation projects started before the pandemic and we are working towards completion of many other digitalisation projects such as engagements with marketplaces, online rate distribution, h2h API channel integrations with customers, and our continued support to IATA Digital Cargo initiatives – including the IATA One Record project – as well as ULD Bluetooth Low Energy (BLE) tracking, dynamic pricing, digitisation of the cargo sales funnel using Salesforce, data visualisation, data warehouse etc. On the operations front as well, we





Guillaume Halleux

are making optimal use of digitalisation to automate our processes.”

How can you and other stakeholders more effectively in 2023 (and beyond) to streamline cargo operational processes and improve cooperation across the air logistics chain?

“It is very important to connect with stakeholders to analyse the supply chain and identify pain points as well as weak areas and make improvements by prioritising them. Additionally, data analytics and digitalisation help to provide end-to-end visibility across the supply chain. The global pandemic accelerated digitalisation and we have a host of digital solutions at our disposal such as AI, cloud computing, supply chain automation etc. Lastly, I cannot stress enough that collaboration is key. We must collaborate vertically and horizontally, improving our communication with suppliers, partners and competitors to bring in much needed improvements in the supply chain.

“The success of any business can be attributed to its partnerships and

relationships and there are some key factors that helps us achieve success such as flexibility, open communication and transparency and accessibility.”

What have you been doing in 2022 to improve air freight efficiency, processes, operations and communications, and what will you do in 2023?

“The COVID pandemic changed the way air cargo carriers do business. We had already introduced digitalisation and fast tracked many digitalisation projects during the pandemic. Digitalisation has enabled us to re-evaluate our processes and tools so as to provide a more streamlined experience for both our internal and external customers. One of our biggest achievements during 2022 has been the introduction of the Digital Lounge, a premium booking experience, that provides a much more connected experience for our customers. In the new year, we will be taking this journey forward by elevating this booking experience with more focused enhancements tied in with clear operational strategies to complete the journey of cargo till its final destination.”

Operations initiatives

“On the operations front, we have achieved the ISO 45001:2018 standard, the occupational health and safety certification and the CEIV Lithium Batteries certification, endorsing our safety, handling and compliance to transport lithium battery products. I am a big advocate for the safe transport of lithium batteries, and we are glad to have our Dangerous Goods Manager on the advisory board of Qatar Civil Aviation Authority in the ICAO Dangerous Goods panel. We already introduced QKEs or Fire-Resistant Containers in 2021 and they allow us to accept lithium batteries from certain consolidators like Aramex and DHL in certain stations. We undertook several trials of fire-resistant bags for transport of mail and courier in passenger aircraft bulk and trials of technical detection where dogs that can sniff and detect undeclared lithium batteries. We have also identified x-ray machines throughout our network that are operated by our ground handlers, to ensure they are equipped with automated screening

of lithium batteries.

“Considering our extensive trucking network in Europe, we also have deployed trucking control towers at Frankfurt, Munich, Dusseldorf, Liege and Brussels to optimise our road feeder service planning and improve the management of the RFS providers.”

Cargo Bridging Facility

“In addition, the new Cargo Bridging Facility (CBF) with 12,000 sqm space inaugurated last year, will help bridge the capacity gap at Cargo Terminal 1 until the Cargo Terminal 2 is complete. It includes separate temperature-controlled areas for +2 degrees C to +8 degrees C, accommodating 176 ULD positions, and +15 degrees C to +25 degrees C accommodating 128 ULD positions, more than doubling our cool storage capacity at the hub.

“The CBF is currently used for storing transit intact perishable products and is also designed to provide a dedicated service for import / export in the Doha market, catering to global forwarders and logistics providers, and offers customs preclearance including direct delivery and pick up of cargo.”

Any other observations about your expectations for air freight in 2023?

“It will no doubt be a challenging year: geopolitical tensions, high energy prices, rising interest rates and persistent inflation are expected to constrain global trade in 2023. Revenues are expected to be \$149.4bn, which is \$52bn less than 2022 but still \$48.6bn stronger than 2019, according to IATA.

“The trade patterns around the world stand to be affected by the transition towards a greener world economy and the evolution of global supply chains. Trade patterns are also likely to be affected by the mitigation strategies.

“We will continue to strategise our network planning and commercial plans, adjusting the way we fly, where we fly and which aircraft we operate according to the market situation. We are becoming more cost conscious to ensure improved profitability for the airline and well as best value for our customers.

“There will also be a lot of focus on innovation in our processes, technology, people and skills.” ■

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Martin Drew,
SVP Global Sales & Cargo

A dynamic approach to challenges

The past few years have demonstrated that cooperation and partnerships deliver greater results than the sum of their parts, even in the most challenging conditions, says Martin Drew, senior vice president for global sales and cargo at *Etihad Airways*

What are your expectations about how the market or your main areas of business will develop in 2023?

“Although economic indicators suggest continued long-term growth for the air cargo market, significant economic headwinds will continue to impact the sector in the short term. IATA forecasts that global air cargo volumes will decline by 4%, year-on-year, in 2023, following an 8% drop in 2022. IATA further predicts cargo volume will decrease from 60.3 million tonnes in 2022 to 57.7 million tonnes in 2023 as the market normalises after significant

growth during the COVID-19 pandemic. According to IATA, cargo revenue is expected to reach \$149.4 billion in 2023, down from \$201.4 billion in 2022. However, this is still approximately 50% higher than pre-pandemic levels.

“While 2023 will present challenges for the aviation sector, there is certainly light at the end of the tunnel. We finally saw restrictions being fully lifted in China. While IATA still forecasts a drop for that region, we believe we will start seeing a recovery starting this year. Etihad Cargo is continuing to fill flights with cargo, albeit with a disciplined approach to yields. The unexpected

surge in passenger travel is having an impact on cargo capacity in the short term, but the effects will lessen as carriers start receiving the delivery of new aircraft in 2023 and beyond.”

A busy year

“For Etihad Cargo, 2023 is going to be a busy year. We are focused on building on the momentum we have gained over the last few years and achieving sustainable growth. We recently announced the return of four A380s. The return of these aircraft will potentially free up other aircraft that can be used to provide additional capacity

to other destinations. We have already announced the introduction of new destinations to our expanding network, including Copenhagen and Chennai, the reinstatement of other destinations, such as Düsseldorf, and increased frequencies to key stations, including Shanghai. We will continue to explore opportunities to expand our network and services to meet the capacity demands of customers.

“We will also be expanding our road feeder service network, enhancing the trucking service we provide in key markets.”

Investing in infrastructure

“Here in our Abu Dhabi hub, Etihad Cargo is investing in infrastructure, with the upcoming launch of a state-of-the-art cool chain facility that will significantly enhance our pharmaceutical and perishables capabilities and capacity. Additionally, we’ll be opening a new animal facility, which will enhance our LiveAnimals and SkyStables product offerings.

“Other key developments will be the continuation of our digitalisation journey, with the launch of new solutions and features that will improve the customer experience while enabling us to achieve greater efficiency in our operations.”

What challenges and opportunities do you anticipate, and how do you plan to respond to these?

“While 2023 will no doubt see some challenges, there is a tremendous opportunity for growth. Etihad Cargo is working closely with our partners and customers to respond to challenging market conditions dynamically, using them as an opportunity to enhance our products and services, and we will continue to focus on providing capacity on key routes and expanding our network and operations through a customer-centric approach.

“In terms of the challenges, inflation, the threat of recession, the slowdown of Chinese air trade, high fuel prices, and talent retention will no doubt continue to impact the air cargo sector in 2023.

We have already witnessed the softening of yields with the normalisation of the market and reintroduction of capacity. In some regions, yield rates have already returned to pre-pandemic levels, while in others, yields may take longer to return to 2019 levels. The return of widebody passenger flights has normalised freighter utilisation and reduced pressure on the air cargo market. However, if we continue to see the high levels of passenger travel witnessed in the last quarter of 2022, belly capacity will remain a challenge in the new year until carriers receive the delivery of new aircraft.

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Talent retention will no doubt continue to impact the air cargo sector in 2023

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Martin Drew

“While these challenges will need to be monitored, we already know what to expect in 2023, and Etihad Cargo is confident we have the right strategy in place. In terms of developments in key verticals and opportunities for Etihad Cargo, the pharmaceuticals sector remains high on our agenda. In recent years, Abu Dhabi has enhanced its position as a world-class pharmaceutical logistics hub, investing in strategic public and private sector collaborations to establish the emirate as a destination focused on global welfare and advanced life sciences. As the country’s national carrier, Etihad Cargo has fully aligned with Abu Dhabi’s vision and expanded its dedicated pharmaceutical transportation product, PharmaLife, to support the emirate’s ambitions.

Pharma hub potential

“Abu Dhabi’s unique location makes the city a prime candidate to become a global pharmaceutical hub. The UAE offers a bridge between not only Asia and Europe but also the USA and Africa. Etihad Cargo’s Abu

Dhabi pharmaceutical hub will serve all continents with the exception of South America, and this is precisely why we are focusing on Pharma Interline agreements that will provide connections with countries to which we currently don’t fly directly.”

Digitalisation opportunities

“Digitalisation will also present tremendous opportunities for the air cargo sector. Traditionally, the sector has lagged in terms of adopting new technology. However, we have seen a significant surge in the development and utilisation of digital solutions over the last few years. Etihad Cargo is using technology to enhance the customer experience and make the booking process easier, working closely with our partners. We will further enhance our digital offering, and we will be adding more features to our online booking portal and improving our customer service, as well as rolling out artificial intelligence solutions that will optimise efficiency and offload recovery.

“Last but not least, sustainability remains a top priority, and there is huge potential for us to lead the way in making our sector greener and creating a brighter future. Choosing sustainable solutions is paramount for the future of the industry. Etihad Cargo is committed to the Emirate of Abu Dhabi’s vision of achieving Net Zero by 2050, and this is demonstrated by our continuous achievements over the years, the latest being the first Net Zero Flight last year and our investments in alternative fuels and carbon offsets. In 2023, we look forward to rolling out the cargo carbon calculator we are co-developing with IATA, which will enable not only Etihad Cargo to make the transportation of cargo more sustainable but also the wider industry.”

What role will new and emerging technologies play?

“Of paramount importance is that digitalisation and emerging technologies are embraced not for the sake of new

technology but to enhance the customer experience or increase efficiencies in the transportation of cargo. Over the last few years, Etihad Cargo has accelerated its development of technology advancements to provide efficient and simplified customer experiences by establishing key partnerships. For example, in 2021, we launched an enhanced version of our online booking portal, offering a streamlined booking process with minimal data entry to help save Etihad Cargo's customers' time.

"Etihad Cargo's digital transformation also saw us automate solutions at our state-of-the-art Cargo Control Centre, which monitors and steers its global cargo flows round-the-clock. Smart solutions adopted include the automation of customer messaging, pre-alert messages to inform stakeholders at its hub and outstations, service-level monitoring of handling providers, identification of service failures or irregularities to allow for immediate response actions, and live tracking of trucking services.

"Etihad Cargo is investing in artificial intelligence (AI), and has entered a proof-of-concept agreement with SPEEDCARGO, a Singapore-based logistics technology solutions provider. We will utilise AI products to boost the capacity of flights.

"Etihad Cargo will also utilise this solution to improve customer satisfaction by minimising offload and automating accurate data receipts. Additionally, Etihad Cargo's customers will benefit from quicker response times for freighter charter quotations and highly transparent and accountable billing."

How can you and other stakeholders in the air freight supply chain work more effectively in 2023, and beyond, to streamline cargo operational processes and improve cooperation across the air logistics chain?

"Collaboration has been essential in the air cargo sector and will continue to be a key success driver in the future. The

past few years have demonstrated that cooperation and partnerships deliver greater results than the sum of their parts, even in the most challenging conditions. At the centre of successful partnerships and collaborations are transparent communication and a clear understanding of desired outcomes or results.

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The past few years have demonstrated that cooperation and partnerships deliver greater results than the sum of their parts, even in the most challenging conditions

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Martin Drew

"We have already witnessed great collaboration in Abu Dhabi, demonstrating the opportunities collaboration between different parts of the supply chain can bring. We established the HOPE Consortium in Abu Dhabi within weeks of the onset of the pandemic, and all partners committed to the procurement and delivery of COVID-19 vaccines to where they were needed. We worked together in setting the industry standard for partnerships, delivering hundreds of millions of vaccines around the world, and this was the first step toward establishing Abu Dhabi as a pharma and life science hub.

"Furthermore, Abu Dhabi has opened its doors to support the logistics industry by facilitating the relocation of key logistics companies to be based in the Emirate as a key hub connecting the East and the West. Abu Dhabi Airport offers a fantastic opportunity for large companies across a diverse range of sectors to build facilities in close proximity to the airport. In recent years, Abu Dhabi has cemented its position as a global hub for business, offering world-class infrastructure with easy

access to regional and international markets. The emirate facilitates investment in facilities linked to the capital's airport, offering companies a strategic location to enhance or expand their operations. Etihad Cargo will remain committed to collaboration and establishing partnerships that enable us to enhance our product offering."

What have you been doing in 2022 to improve air freight efficiency, processes, operations and communications, and what will you do in 2023?

"In 2022, we achieved Cargo iQ recertification, which is the core of Etihad Cargo's Service Delivery and Performance Management. We were the first Middle Eastern airline and only the third globally to hold IATA's CEIV Live Animals, Fresh and Pharma certifications in 2022. This globally recognised certification demonstrates Etihad Cargo's products meet strict quality controls.

"We also launched an enhanced booking portal that supports English and Mandarin. Following the roll-out of new updates, including an enhanced look-to-book feature, a dynamic newsfeed and personalised dashboards, bookings made via the portal have surged, increasing by 57%. We have also ensured a seamless connection with third-party portals to simplify the booking process for our customers.

"To enhance the customer experience, Etihad Cargo has launched a new CRM system, which has empowered customer service agents with more customer-focused data. The new system has also provided Etihad Cargo's customer service team with improved tools, including an updated case management system, and customer information, such as the customer's history, purchase records, sales interactions and a 360-degree view of customer queries.

"Etihad Cargo's agility, resilience and commitment to delivering on our promises have been key to our success over the last couple of years." ■

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