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DECOUPLING FROM CHINA

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Editor's NOTES

Will Waters

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A new equilibrium

The IMF's latest World Economic Outlook in April forecasts a "rocky recovery" from the recent global economic challenges, with growth forecast to slow from 3.2% in 2022 to 2.7% in 2023 – "the weakest growth profile since 2001, except for the global financial crisis and the acute phase of the Covid-19 pandemic". These figures are reflected in a continuing year-on-year drop in global air freight activity, although average rates remain significantly higher than pre-Covid.

There is also a lot going on still in various areas of the market, including continuing growth in certain product categories such as the 'evergreen' Pharma sector (see page 14), where operators continue to invest in better facilities and processes. But there are also fresh waves of air freight developments and initiatives from the tech side, plus further M&A activity among major freight forwarding and cargo handling companies.

In Asia (see page 6), there are signs that the US and China are indeed decoupling in many fields, although the picture is a complex one – in part determined by the availability of logistics and air freight capacity in alternative countries in the region. Vietnam, Malaysia and Thailand are among the countries that have seen the most manufacturers set up their additional Asian locations – under a 'China+1' supply chain model. Various southeast Asian countries are gearing up with improvements to existing infrastructure and entirely new facilities, and new free trade agreements look set to further boost their opportunities.

On the freighter side (page 25), the market is continuing to adjust to the dramatic changes of the last three years. With the commercial air travel market continuing to recover, there are very few passenger aircraft still operating in cargo-only mode as 'freighters'. But Boeing says utilisation of dedicated all-cargo aircraft remains elevated over pre-2019 levels, despite the softening in demand and pricing and the reintroduction of older freighters and acceleration of P2F conversion programmes of the last two years. And forwarders insist there's still a need for the own-controlled networks they have expanded during the pandemic.

Elsewhere, the continued growing influence of new technology in air freight and logistics is reflected in 'Innovation Insights' articles on the digital revolution in cargo insurance, in which insurance specialist Breeze (page 34) highlights how technology can help assess risk, detect fraud, and reduce costs and human error. And Raft's Lionel van der Walt discusses how the age of artificial intelligence in freight has already begun, and the implications of this.

And finally, reflecting our greater recent and current focus on people-related topics, the main interview article in this issue of the magazine examines some of the key factors in developing leadership qualities and capabilities within air cargo professionals, via an extended discussion with the larger-than-life president and CEO of ACL Airshop, Steve Townes. He's had an interesting career path, and his insights about leadership provide much food for thought. I've certainly found myself sitting up a bit straighter in my chair!

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Front Cover Sponsored by



Issue 42 2023
www.caasint.com

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ISSN 2054-8958



EVA INTERNATIONAL MEDIA LTD
PUBLISHERS & EVENTS SPECIALISTS

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Published by:

EVA International Media Ltd

Boswell Cottage

19 South End, Croydon

London, CR0 1BE, UK

Tel: +44 (0) 20 8253 4000

Fax: +44 (0) 20 8603 7369

www.evaintmedia.com

Printed by:

The Manson Group Limited

St Albans, Hertfordshire

AL3 6PZ, United Kingdom

Distributed By:

Asendia UK LTD

Heathrow Estate

Silver Jubilee Way

Hounslow, TW4 6NF

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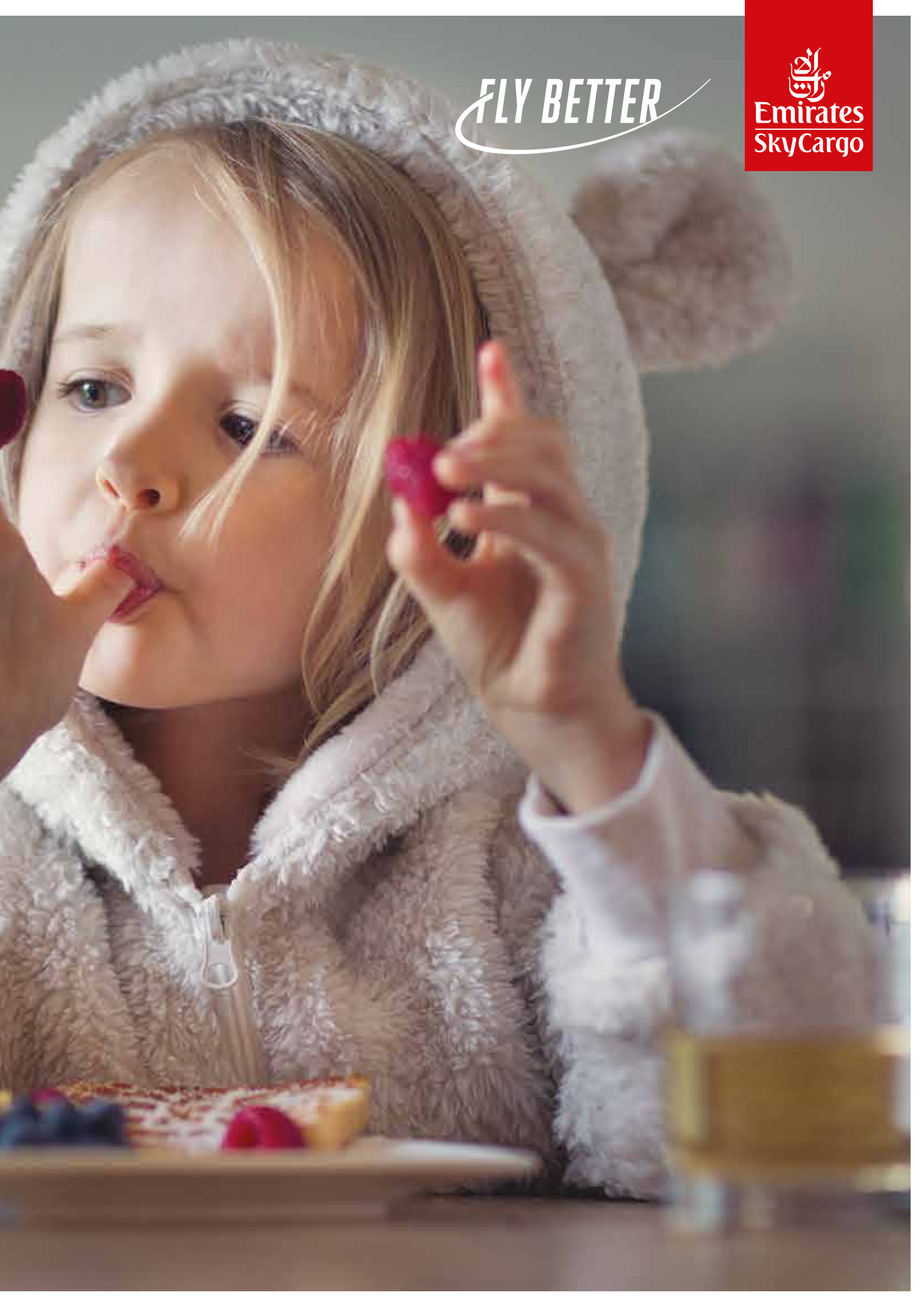
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Asia's new supply chain equilibrium

Over the last few years, international manufacturers have been increasingly looking to shift some production away from China, in order to add resilience to their supply chains. Megan Ramsay examines the challenges and opportunities this brings to the region's air logistics stakeholders

According to freight rate benchmarking and market analysis company Xeneta, the trade war between the US and China, which began in 2018, had little effect on their bilateral air cargo trade in the first three years. Xeneta analysis of data from US Census Bureau indicates that China's

share of Asia-to-US air trade volumes in 2020 grew by 3.3 percentage points, year on year, to 55.5%, driven by demand for personal protective equipment (PPE) amid the pandemic.

However, the situation has evolved in the last two years, as China faced lockdowns due to new Covid-19 variants and the trade war escalated. By 2022, China's share of air cargo volumes from Asia to the US

had dropped by 10.3 percentage points compared to 2020, with China accounting for 45.2% of Asia-US air exports.

Complex decoupling

The latest DHL Global Connectedness Index indicates that the US and China are indeed decoupling in many fields, although the situation is by no means straightforward.

DHL said: "Looking at 11 types of trade, capital, information, and people flows (such as merchandise exports, M&A transactions, and scientific research collaboration), the share of US flows with China declined for eight out of 11 types since 2016. In the same period, the share of China's flows with the US decreased for seven out of 10 types with data available for China. Several of these were large declines.

"Nonetheless, the US and China are still linked by far greater flows than any other two countries that do not share a border," DHL went on. "Further, the data shows that, so far, the decoupling between these two countries has not led to a broader fragmentation of global flows between rival blocs of countries."

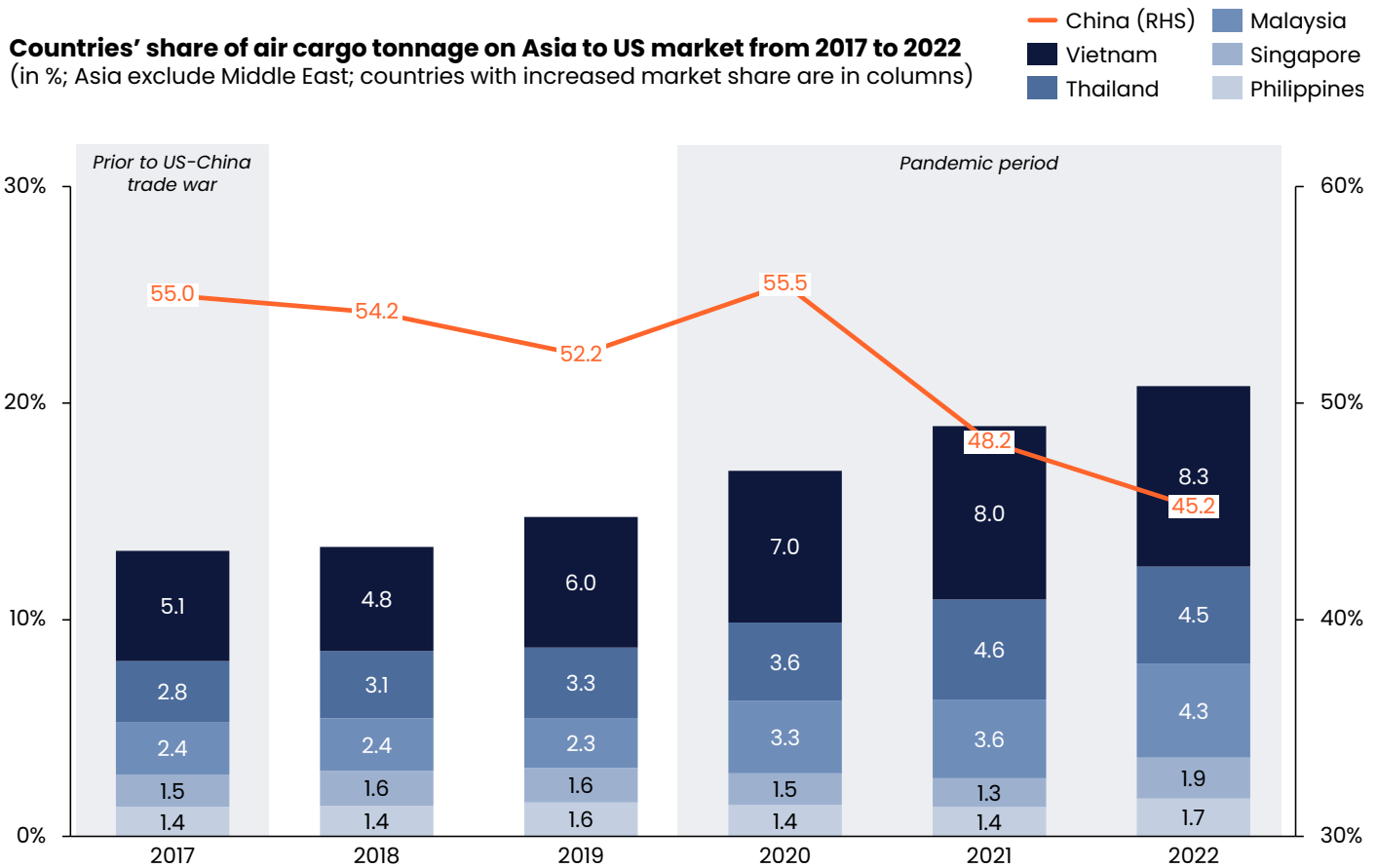
The air cargo market between the EU and China, meanwhile, has shown resilience and growth amid the various challenges affecting global trade. According to Xeneta analysis of Eurostat data, China represented more than half of the air trade volume from Asia to the EU in 2022, with a market share of 55.6%. Although it fell 7.3 percentage points from 2020 due to the high demand for PPE, China's share of the Asia-to-EU market in 2022 showed a slight increase from the pre-trade-war level of 2017 (54.8%).

Slow rise from southeast Asia

In contrast, southeast Asian countries have not gained much market share in air trade with the EU, accounting for only 10% of the total Asia-to-EU volumes in 2022, as flows from China remained robust.

Vietnam, Malaysia and Thailand are among the countries that have seen the most manufacturers set up their additional Asian locations – the so-called 'China+1' model – and as such may be described as the main beneficiaries of the

China share of transpacific air cargo market deteriorated since 2021



Source: Xeneta, US Census Bureau

China-US trade war. Vietnam's volume share of the Asia-to-US market, for instance, has risen 3.2 percentage points compared to pre-trade-war 2017 level.

Sharing a border with China, Vietnam has been a key part of the China+1 strategy for both Western and Chinese firms, freight forwarder Dimerco says, noting that some Chinese companies have relocated there to avoid US tariffs.

Foreign direct investment (FDI) in Malaysia has increased substantially in recent years. Its high-tech manufacturing sector is benefitting from this and is expected to continue to do so as the country pursues its Digital Blueprint Program.

And Thailand is rapidly building out its supply chain and manufacturing infrastructure. As a result, in the last several years FDI applications there have risen

Positive momentum

Tokyo-headquartered freight forwarder Nippon Express said in February that shippers' business continuity strategies have changed the way shippers manage inventory since Covid hit, while geopolitical risks are also causing customers to re-evaluate how they hold inventory.

"We see these trends as positive momentum for our company," the forwarder said. "In addition to our global network, we have warehouses and other facilities in every region, allowing us

to respond to a wide range of customer needs. And we believe that the ongoing changes will be a positive for us as business opportunities."

Nippon Express expects normalisation in the supply chain to have a positive impact in the current fiscal year. Plus, while inventory adjustments will have an impact on business, there is also an order backlog for some goods due to the shortage of semiconductors (the top five producers of which are Taiwan, South Korea, Japan, the US and China). As production recovers, it is likely that cargo volumes will follow. ■



Adrien Thominet
ECS Group



Jason Ru
Flexport Asia



Ravishankar Mirle
Emirates

by as much as 80%, Dimerco says. The country's medical, metals and machinery sectors have all seen increased FDI.

Bangladesh, the Philippines, Singapore and Indonesia are also now home to more international manufacturers than previously.

India's potential

Xeneta says that India is lagging behind some of these East Asian countries, with its volume share on both the Asia-to-US and Asia-to-Europe markets falling by 0.8 percentage points and 1.9 percentage points, respectively, from 2017 to 2022.

But not everyone agrees with that assessment. Adrien Thominet, executive chairman of Paris-headquartered GSSA ECS Group, says: "India is super dynamic and pharmaceuticals are a big market there. India benefited from China's shutdown and gained a lot of market share because its manufacturing sector could replace what was no longer coming out of China."

Thominet says that Japan and Korea are also "very dynamic" and have high expectations of recovering any market share they lost during the pandemic.

On the back of this, ECS is investing in northeast Asia. It opened Global Air Cargo branches in Tokyo and Seoul in 2022 and is seeing good activity there so far.

Thominet observes: "Japan and Korea are less affected by the economic crisis and they are more stable. Their industries seem to be more solid and robust; both countries export mainly electronic goods. We are seeing

a lot of capacity deployed in northeast Asia. The yields are better, driven by the Russia-Ukraine war that prevents European carriers overflying Russia."

Pressure to adapt

As already noted, tensions with the US are not the only factor in the equation. China+1 was already in place before the pandemic, but Covid restrictions encouraged more

foreign companies to adapt in order to keep their supply chain moving.

In the short term, this trend put some pressure on air operations and airports – but the overall pressure is moderate now, according to Jason Ru, senior director for air freight at freight forwarder Flexport Asia.

Freight specialists say the main reasons for the current slower pace of adoption of the China+1 approach include the Chinese government's lifting of Covid restrictions and the fact that it takes time to build up or move production lines to other countries. Plus, alternative locations may well have relatively limited freight

“
The transfer of activities from China to other countries in southeast Asia through the China+1 concept has been gradual rather than sudden

”
Adrien Thominet



capacity and infrastructure, especially in emerging countries like Vietnam, India, Thailand, Malaysia, Bangladesh, the Philippines and Indonesia that have so far proved most popular among manufacturers.

Still, it is expected that the trend will continue, and that volumes of goods flying out of southeast Asian countries will continue to grow as a result.

Local operational limitations

Ravishankar Mirle, VP cargo commercial for Far East and Australasia at Emirates, comments: “As manufacturers across Asia ramp up production and search for alternative export routes to reach their buyers across the US and Europe ... [t] here are some challenges that need to be met, such as airports’ ability to handle the increase in cargo volume and coping with prevailing local operational procedures and requirements.”

Investments may be necessary in items such as cool dollies for pharmaceuticals, warehouses for general cargo storage, special storage and training of additional

“*Airports with fast turnaround times have collaborated with local stakeholders to accommodate the growing demand, reduce congestion, streamline processes, and decrease the overall air transport time*”

”
Ravishankar Mirle

ground handling staff as well as specialised cargo handling staff. Airports also need to implement structural changes to accommodate increased demand.

“Such investments would require significant funding from the airport and local authorities, and even at the federal level,” Mirle remarks. “However, such investments would ultimately benefit the local economy.”

New facilities

Indeed, southeast Asian countries are gearing up not just with improvements to existing infrastructure but also with entirely new facilities.

“For the emerging demand down the

road, some countries have plans to expand air infrastructure,” Flexport’s Ru explains. “For example, the Malaysian government has announced that the Penang International Airport (PIA) expansion project will begin this year.”

Vietnam is investing in its transport links, too. Its 2030 master plan includes plans to construct 5,000km of expressways, a deepwater port and high-speed rail links.

As for air operations at Noi Bai and Ho Chi Minh airports, the existing cargo terminal capacity can still cope with demand, but congestion can occur during peak hours.

In addition to Noi Bai Airport, two



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other airports in Hai Phong and Van Don are options for international air cargo traffic in northern Vietnam, while in southern Vietnam, the new Long Thanh International airport is expected to open by the end of 2025 and will further increase Vietnam's capacity for air cargo.

Collaboration benefits

Airports are not working in isolation, Mirle points out. "We have observed that airports with fast turnaround times have collaborated with local stakeholders to accommodate the growing demand, reduce congestion, streamline processes, and decrease the overall air transport time."

In the last year or so, Emirates SkyCargo has ordered five more B777 freighters, and set aside 10 passenger B777s for conversion into freighters, as part of its "commitment to bridging East and West". Mirle says the B777 is well suited for the Asian market as it can transport over 100 tonnes per flight, with Emirates transporting a variety of cargo on its flights from Asia including electronics, perishables, valuables and pharmaceuticals.

Thominet points out that "the transfer of activities from China to other countries in southeast Asia, especially Vietnam and India, through the China+1 concept has been gradual

“

China was pretty saturated in terms of cargo handling capacity... alternative airports have the capacity to absorb the extra volumes, so we have not seen any operational issues and no major disruption

”

Adrien Thominet

rather than sudden. China has remained dynamic over the last three years even though it has been closed until recently.

Gradual transition

"So, airports in the region have not found themselves suddenly overloaded. It's true that China was pretty saturated in terms of cargo handling capacity, but ... alternative airports have the capacity to absorb the extra volumes, so we have not seen any operational issues and no major disruption."

Nonetheless, forwarders are finding it necessary to adapt their services in order to offer shippers alternative supply chains that enable them to meet their delivery

schedules in some cases where available capacity is inadequate.

"Take India and Vietnam for example," says Dimerco's Global Sales & Marketing, Central Service Center (CSCGSM) team. "India has risen to be the next global manufacturing hub and holds great market potential, and those who are interested in entering the Indian market can start doing business in the free trade warehousing zone (FTWZ) there to avoid making heavy investments in the first place. Besides, due to the limited capacity, Customs clearance has to be finished within 48 hours after a flight lands in India."

As a forwarder, Dimerco's mission in an emerging market such as India is to help companies comply with local laws and ensure they are aware of tax regulations, for instance.

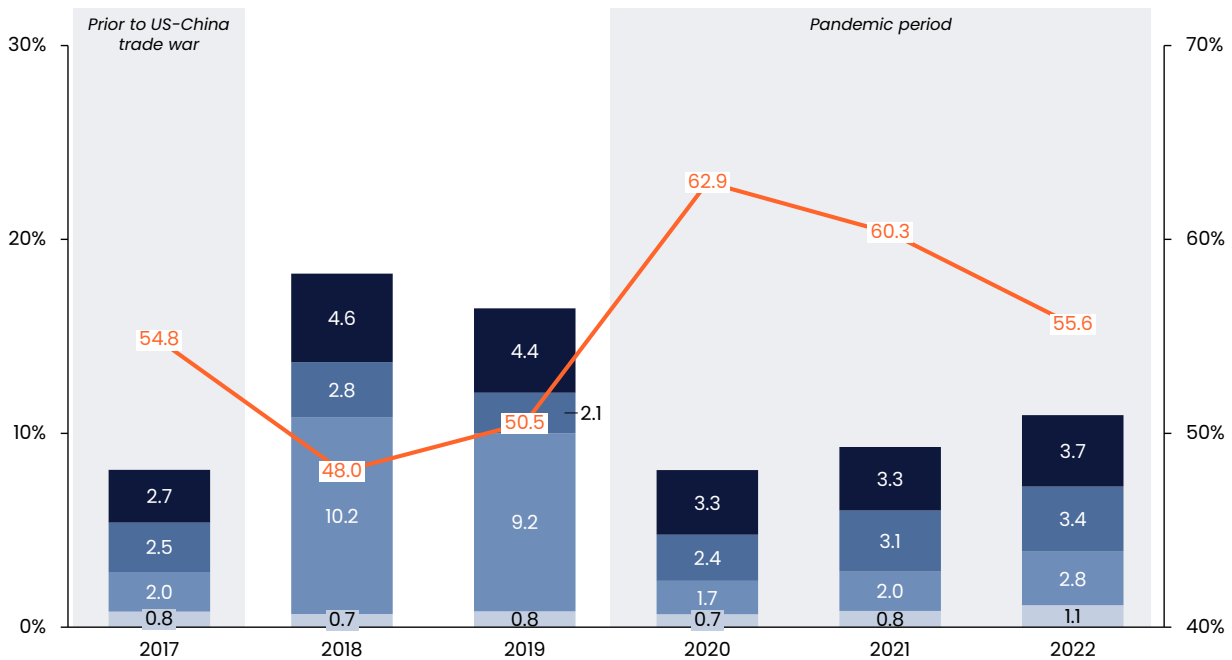
Vietnamese shoes and apparel

Vietnam, meanwhile, is the second-largest supplier of shoes and apparel to the US; it is home to more than 200 manufacturing plants for Nike and Adidas alone. Big tech companies such as Apple have also relocated some production to Vietnam. Given the tight freight capacity at some airports and on some carriers, forwarders must offer flexible, multimodal options so that customers can successfully expand their operations.

China share of Asia-EU air cargo market remained dominant

Countries' share of air cargo tonnage on Asia to EU market from 2017 to 2022
(in %; Asia exclude Middle East; countries with increased market share are in columns)

China (RHS) Malaysia
Vietnam Philippines
Thailand



Source: Xeneta, Eurostat

Ru says: “Air cargo operations in Vietnam have room to improve service quality as export and import operations are still controlled by cargo terminals. In addition, technology has not yet been widely implemented from shipper to cargo agent, airlines, and cargo terminal. For example, only a few carriers have adopted e-AWB; it is not popular among all carriers yet.”

Mirle agrees, adding that many cargo terminals, too, still rely on paper documentation and multiple manual approvals, which can be time-consuming.

In contrast: “From our end [in Dubai], due to the digitisation of local police and Customs procedures, the cargo can be unloaded, reloaded, and ready for departure to Europe or the US within four hours,” he says.

Regional outlook

Dimerco’s CSCGSM team believes that US and other non-China-based original equipment manufacturers and original design manufacturers will sooner or later “split their production and move out with their equipment and facilities internationally” to supply different locations.

“However, as long as China can maintain low-end manufacturing and also grow higher-value sectors, the China+1 strategy will not reduce the number of manufacturers in China. But it could help developing countries grow through the expansion of multinational corporations’ business.”

With manufacturers and logistics providers investing time, money and effort in alternative supply chains, it is worth asking whether they will withdraw from their ‘+1’ locations now that China has reopened, or whether geopolitical tensions will encourage them to adhere to their new setup. Nor should the changing relationships between southeast Asian nations be ignored.

For instance, Vietnam has signed a number of free trade agreements, such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP).

“Some feel Vietnam may be one of the biggest beneficiaries of the RCEP, the

world’s largest trade agreement,” the team at Dimerco observes.

RCEP trading bloc

The RCEP is expected to result in an EU-type trading bloc with harmonised rates and standards as well as reduced tariffs on the majority of goods traded between members.

What this could mean for global trade flows remains to be seen, but Dimerco says: “The trade agreement is likely to be a boon to the China+1 trend over time, depending on how quickly countries can upgrade their logistics and information infrastructures,” as companies with supply chains located within the RCEP will be able to take advantage of its common rules of origin.

All in all, it appears that production and distribution flows are finding a new equilibrium in southeast Asia.

And China’s recovery – even if it does not reach the same level of growth as it had before Covid-19 – is welcomed by other countries in the region, Thominet says; they believe that China’s growth will be good for them, too.

“The fact that manufacturers are adopting a China+1 policy is healthy,” he concludes. ■

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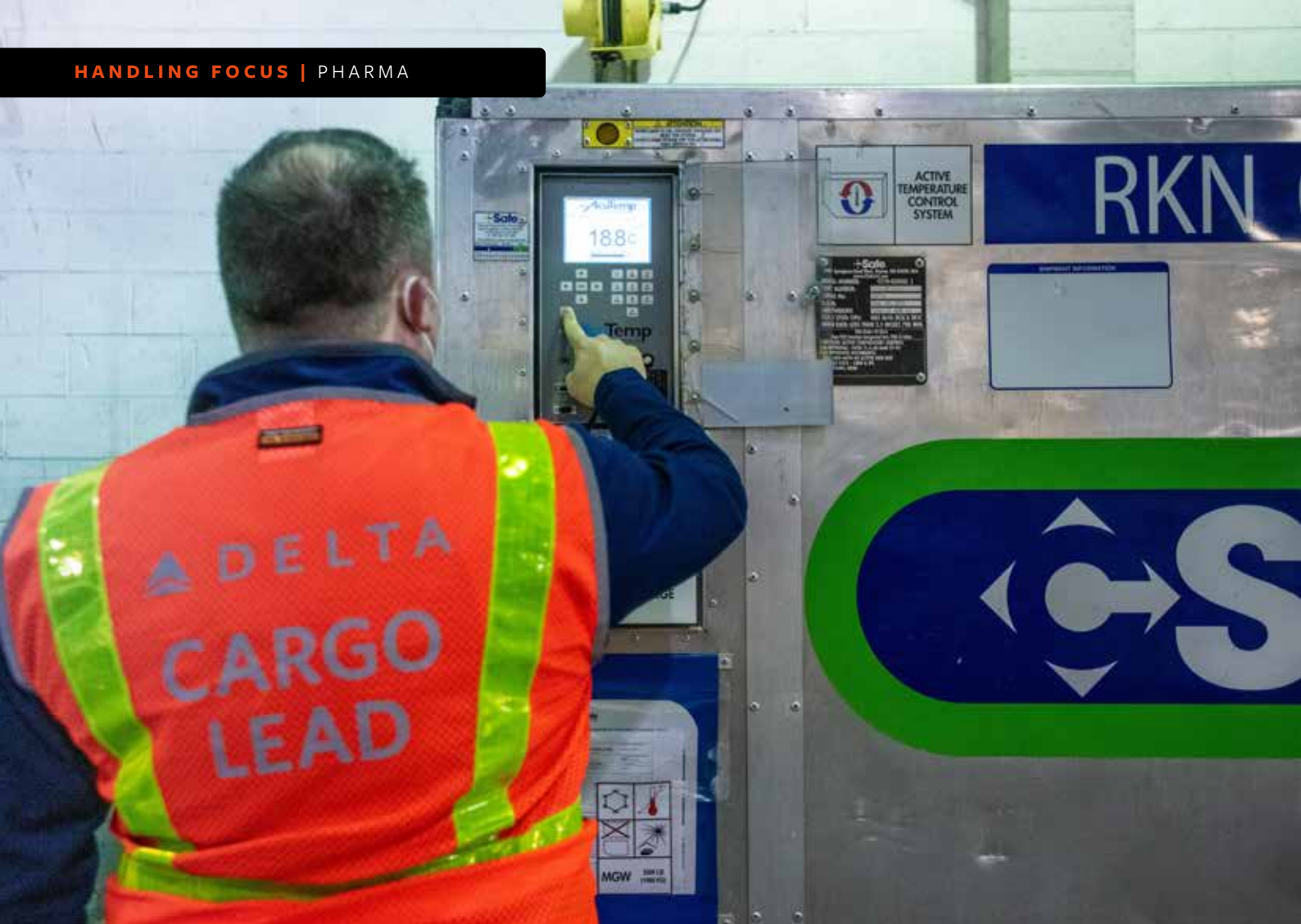
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Pharma air cargo market in good health

Stakeholders are stepping up their capabilities to handle rising healthcare volumes, which continue to grow in importance as demand for other products wane. Ian Putzger reports

Carriers, airports, and other air logistics stakeholders are stepping up their capabilities to handle rising pharma and healthcare volumes, which have held firm and even continued to grow slightly in the last year while general cargo volumes

have waned.

Figures from WorldACD Market Data indicate that temperature-controlled pharma tonnages carried by air rose by around 1% in 2022, with average prices or yields rising 9% and overall pharma air freight revenues up by around 11%, whereas general cargo tonnages fell worldwide by around 8% last year and

other product categories such as high-tech and perishables have also seen volume declines. Air freight lanes that saw particularly strong pharma traffic growth include Seoul-Taipei, Brussels-Chicago and Hyderabad-New York, WorldACD noted, reflecting those markets' important roles as regional pharma production clusters or logistics hubs.

In late March, Delta Cargo boosted its cold chain capabilities at New York’s John F. Kennedy airport with a new cooling facility. The building, which has dedicated chambers with distinct temperature zones and humidity control, is the largest cooler at the airport.

Rob Walpole, Delta’s vice-president cargo, describes the investment as the latest step in a strategic build-up for this sector that started five years ago with infrastructure investment at the airline’s Atlanta hub and other locations and the push to become the first CEIV-certified US carrier.

“Over the past 12 months, we’ve expanded our footprint and capabilities. The JFK cooler is a big part of that,” he says.

With 34 flights to 26 cities in Europe, Africa and the Middle East, Delta is the largest global carrier at JFK. This route network includes the top ten pharma markets.

Capacity resurgence

A lot of the dedicated cargo flights that the airline operated while its passenger

operations were curtailed was pointed at the pharma market, according to Walpole. These have ended with the resurgence of international passenger flights.

“As that capacity came back, business has shifted back from the integrators to the regular networks,” says Walpole. “For the summer of ’23, transatlantic we have 100% recovered.”

“
As capacity came back, business has shifted back from the integrators to the regular networks. For the summer of ’23, transatlantic we have 100% recovered
 ”

Rob Walpole

While network recovery has been one

factor for Delta’s growing pharma traffic, the main driver has been the expansion of the market itself. Life sciences logistics specialist Biocair reported a 30% increase in sales volume last year, which saw the opening of the company’s operational hub in Paris and two offices in South Africa.

“The healthcare market grows faster than GDP. We’re seeing good progress,” says Walpole.

Miami developments

Miami International airport (MIA) has handled over 16,000 tonnes of pharma traffic in four of the past five years. Last year saw a record in terms of the value of the airport’s pharma throughput at \$6.93 billion.

As it is approaching its capacity limits, with little land to build on, the airport is planning to establish the first vertical air cargo structure in North America. This will roughly double capacity, with “a good cross section of the new facility earmarked for refrigeration capability”.

Kylie
Ramp Handler

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Jimmy Nares
MIA



Rob Walpole,
Delta



Susanne Wellauer
SWC



Trevor Caswell
Pharma.Aero

according to Jimmy Nares, section chief for aviation marketing at Miami-Dade Aviation Department.

Other airports are also looking to build up their pharma capacity. Menzies Aviation has won the tender for a new 150,000 sq ft (14,000 sqm) cargo terminal at Philadelphia International airport. Pharma traffic will be a major plank in the operation, as many pharmaceutical firms have been moving into the area, notes Peter Weir, Menzies' senior vice-president cargo for the Americas.

In January, the handler signed a 10-year lease to operate a new 50,000 sq ft warehouse at Rockford International airport that was completed in the same month. Weir says Menzies is planning to install cool rooms and to obtain GDP certification for the new facility.

Another cargo airport that has set its sights on pharmaceuticals is Rickenbacker International in Ohio, where a dedicated handling facility is nearing completion. A lot of biomedical firms have set up shop in the area over the past few years, notes Bryan Schreiber, manager of air cargo business development. He sees the new building as a starter facility that will be expanded down the road.

Hong Kong improvements

Meanwhile, in Asia, Cathay Cargo opened a 1,250 sqm pharma handling centre in January at its Hong Kong base, which doubles the carrier's pharma capacity there. The facility is equipped

with computer-controlled temperature management and has rooms ranging from -25 Celsius to +25 degrees, which are backed up by mobile temperature-controlled storage units equipped with temperature and location tracking. The facility boasts dedicated, insulated truck docks and a temperature-controlled lobby.

With a direct connection to the

terminal's container handling system, shipments can be transferred from storage to planes within minutes. In addition, Cathay has set up priority vaccine handling to process imports in six minutes and transshipments in four minutes.

The facility follows a revamp of the airline's pharma service portfolio under the new 'Cathay Pharma' moniker last



Cathay opened a 1,250 sqm pharma handling centre in January



autumn, which streamlined it into two broad solutions – passive and active. Each of these includes a wider array of features for customers to pick. To broaden the choices, the airline added two new container providers to the mix.

“We felt this was the ideal time to refresh our specialist shipment solution for our pharmaceutical customers,” commented Tom Owen, Cathay’s cargo director.

In a flanking move, the carrier has combined its pharma offerings with its newly deployed next-generation ‘Ultra-Track’ technology for 24/7 shipment monitoring, with proactive ‘en-route’ intervention enabled via the operations control centre and live-chat capability for real-time enquiries. According to Cathay, there are further potential system linkages for greater visibility with shippers and forwarders through APIs, to move data back and forth using IATA’s One-Record standard.

Evolving demands

The push from pharma customers for





Network recovery has been one factor in Delta's growing pharma traffic

more sophisticated solutions is relentless.

“Customer demands will continue to grow and get more complex in the future,” remarks Susanne Wellauer, vertical industry pharma & healthcare representative at Swiss WorldCargo (SWC).

Regulatory pressure is not likely to let up either. In Europe, new requirements for handling medical devices came into play a year ago, notes Trevor Caswell, manager for demand and product development of Edmonton International airport (EIA) and chair of the association Pharma.Aero.

Edmonton has handled a string of charters recently bringing in medication to bring down fever in children in response to a shortage of such medication. The first batch went to the city’s university hospital, with the

following lots replenishing empty shelves in pharmacies.

Drug shortages

Regulatory action may ensue, in order to protect against critical drug shortfalls. A new US Senate committee report labels drug shortages a national security risk, noting that last year brought a five-year peak with over 15 critical products in short supply for more than a decade. Shortfalls included supplies of life-saving drugs like cancer treatments and emergency room pharmaceuticals as well as common medicines like antibiotics.

The report also decried poor visibility for government agencies and a concentration of production in two areas – India and China.

A fundamental shift in the healthcare

sector is set to usher in more regulatory activity as well as requirements for new cold chain solutions. Personalised healthcare and cell and gene therapy (CGT) are widely regarded as game changers for the sector.

Pharma.Aero completed a white paper on CGT and the airfreight cold chain last year.

“CGT will change healthcare and related logistics drastically. The current airfreight supply chain is not ready for this,” says Caswell. “There are challenges that are not fully mapped out.”

Cryogenic shipment needs

One aspect that needs addressing is the need for cryogenic shipment at temperatures down to -200 degrees Celsius. EIA invested in deep cold storage capabilities during COVID, while UPS’s



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Healthcare division has adopted a liquid-nitrogen, dry-vapour shipping container validated to maintain temperatures of -150 degrees Celsius for up to ten days. For most airlines, though, this is not on the agenda.

“CGT is a very small portion of traffic in volume terms. We’re not going to build capabilities to house cryogenic for any period of time. That’s back to the container

providers. For us, it’s about data and transparency and tracking,” says Walpole.

SWC’s Wellauer also stresses good processes in the ability to handle this traffic. “Since the lifespan of these products is short, it is very important to offer a stable and reliable network, combined with quick turnaround times, and short acceptance times, quick

transfers and deliveries. With our hub in Zurich and our GDP-compliant warehouse, we can offer customised services and secure a smooth transit for these time-sensitive shipments,” she comments.

For Delta, shipments like live organs and blood samples move mostly in domestic lanes and usually are not stored

Pharma handling interview: Menzies Aviation

Q&A with Alan Glen, VP for cargo development

How has pharma business shaped up for Menzies over the past year?

Our air cargo network has grown over the past year from 58 locations at the start of 2022 to 74 today. Our facilities have varying degrees of cold chain capabilities, which is mainly driven by market requirements and trade flow for handling pharmaceuticals. We add to our capabilities based on our airline customer requirements and as pharma investment can be significant, there needs to be a clear business requirement.

As a global air cargo services provider, we have the capability to handle all types of cargo. We did a lot of preparation to handle Covid-19 vaccine shipments and the experience of handling the vaccines reaffirmed that the well-established trade lanes are well served in terms of specialist pharma handling.

Have you taken any steps/ investment to beef up your capabilities in this arena over the past year, or is anything planned for 2023?

We have several new warehouses in development around the world. How we develop the facilities will be determined by market demand. In Europe for example, we are awaiting certification for a facility to process pharmaceuticals.

What about CEIV certification? Are you adding to your tally of CEIV-certified stations? How useful/ important is this?

We were successful in gaining the IATA CEIV accreditation at our cargo facilities in London Heathrow, Budapest, Sydney and Melbourne. We chose these locations due to market demand and we have another facility in Europe which is close to being certified.

The accreditation is recognised by customers as strengthening the supply chain by providing confidence to manufacturers, freight forwarders and carriers that products will be appropriately handled in line with the regulations. It gives confidence in the handling process but only makes sense where there is a steady demand. The audit requirements are stringent and it takes a lot of effort to qualify and maintain the accreditation.

What are the biggest challenges in handling pharma and healthcare traffic going forward?

Sustainability is the cornerstone of Menzies’ growth agenda. Our “All In” plan works towards a fair and sustainable future and we are making progress on delivering against it. Making cargo warehouses more sustainable and efficient is one aspect of the plan. For pharma specifically, cold rooms can use a lot of energy. We have a number of facilities where solar energy is utilised



Alan Glen,
Menzies

and we monitor demand so we don’t have cold rooms sitting empty and using unnecessary energy. When developing new cold chain facilities, we ask ourselves how efficient the equipment is, where the power comes from, can we generate our own sustainable power?

How good are data flows about this traffic? Is Menzies getting shipment information in a timely manner, especially when there may be an issue with ambient conditions of an incoming shipment?

Some progress is being made on data flows between parties but more needs to be done so we can utilise technology to continuously monitor temperatures in shipments. We have seen pharma shippers improve their packaging so goods can be handled with less risk. ■

in its warehouses. “They’re usually dropped into our ‘Dash Critical’ stream and transported by a defined product,” says Walpole.

At this point, personalised healthcare shipments account for a relatively small portion of Delta’s pharma traffic, but this is growing much faster than the overall market. “In the domestic market, it’s important to build out end-to-end capabilities with partners for the first and last mile,” he says. “With the largest domestic network, we are able to move this faster than a hub carrier like FedEx or UPS.”

Sustainability element

In addition to market and regulatory pressure, shippers are increasingly calling for sustainable solutions. Every project that Pharma.Aero is involved in has a sustainability element, says Caswell.

Wellauer notes: “On our way to a more sustainable cold chain logistics, data, innovation and collaboration are key. In fact, data is the enabler that can bring the progress of essential tools forward, such as giving the transparency of carbon emissions, reporting efforts, and using artificial intelligence for routings optimisation.”

New passive solutions

Recent years have seen significant progress in the development of new packaging solutions. In conjunction with improved cold chain technology, this has led to faster growth in the use of passive cold chain solutions, notes Walpole. Demand for active solutions was stronger a few years ago but has softened slightly due to advancements in passive solutions, he adds.

This does not mean that active temperature control technology is in retreat. Envirotainer expanded its production capacity for its active containers last year and aims to grow its pool of 7,500 certified units by another 1,300 this year. According to the company, its containers are deployed in over 2,000 pharma trade lanes connecting some 300 airports in more than 100 countries. Last year it saw a 24% increase in life-saving medicines transported in its containers.

Swiss was one of the first carriers to

adopt Envirotainer’s ‘Releye RAP’ unit, which can accommodate five pallets and features integrated live monitoring via a control tower.

While packaging solutions have advanced, there has been a push to bring the disparate parts of the cold chain closer together and foster more collaboration. Samantha Betancourt, head of marketing and strategy at UPS Healthcare, stresses the need for closer ties between the healthcare industry and supply chain partners. “An ensemble approach to adopting creative solutions and emerging technologies is needed to spur innovation

at a rate not possible with traditional supply chains,” she states.

For one thing, this means improved visibility, which should go through a single platform “to choreograph the movement, condition and chain of custody of products, with every package visible at a glance”, she argues.

Caswell notes: “Access to real-time information – that’s one particular interest.”

Designated corridors are widely seen as another critical element. Wellauer says: “We have been investing heavily in developing ‘Quality Corridors’, comprising of a network of certified



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New lightweight active container makes maiden flight

Swiss Airtainer's self-sustaining unit for life-saving medicines 'brings significant weight reduction of 250kg and thereby less fuel consumption', using solar energy to feed its battery



Swiss Airtainer has launched a lightweight self-sustaining air freight container for life-saving medicines that "brings significant weight reduction of 250kg and thereby less fuel consumption", in partnership with Swiss WorldCargo (SWC) and BPL Biotech & Pharma Logistics.

The partners said the development "seeks to revolutionise the cold chain logistics by providing a sustainable and innovative solution for the transportation of life-saving medicine", with the first shipment with this container taking place from Basel via Zurich to San Francisco.

The container uses solar energy to feed the battery, allowing the thermal unit to maintain the required temperature range without the need for an external power source. The partners said this process "allows for a simplification of the cold chain and makes the container an ideal solution for transporting medicine to remote and underdeveloped areas, where access to cold chain infrastructure can be limited".

Advanced temperature and humidity control systems and smart technology were incorporated which provide real-time tracking and monitoring of the cargo, ensuring that vaccines and other medical supplies arrive at their destination safely and securely. The container "is also made of sustainable and eco-friendly materials in line with

minimizing our environmental impact", the firms said.

Swiss Airtainer said its airfreight container weighs 250kg less than its competitors and has received the full certifications required, including from the European Aviation Safety Agency (EASA), "confirming the safety and reliability of the product. Swiss Airtainer has also received strong support from the Swiss Federal Office of Civil Aviation (FOCA) and from the State Secretariat for Economic Affairs SECO, further validating the company's efforts to innovate and improve the airfreight industry."

It said the project "has already received positive feedback from the industry and is set to make a significant impact on the transportation of life-saving medicine".

Lorenzo Stoll, head of cargo at Swiss International Air Lines, said the innovation "has the potential to significantly impact the transportation of life-saving medicine", describing the self-sustaining airfreight container as "a game-changer for the industry". SWC stressed the importance of sustainability for SWISS and its cargo business, stressing that SWC was "highly committed to proactively progressing the mobility of goods and air travel as a whole into a more sustainable future. In creating alliances and supporting initiatives like these, we seek to boost technology development and actively contribute to scaling climate technologies, necessary to achieve our industry's ambitious climate targets."

Eduard Seligman, CEO of Swiss Airtainer, commented: "Our partnership with Swiss WorldCargo is a testament to our shared commitment to sustainability and innovation in the airfreight industry. Together, we are redefining the possibilities of cold chain logistics, and the successful completion of our first joint shipment marks a revolutionary milestone in our journey towards a greener and more efficient future." ■

pharmaceutical trade lanes, in co-operation with our ground handling partners around the world, to meet the highest quality standards and safeguard product integrity."

Pharma corridors

The blueprint for the establishment of different pharma corridors has been created by Pharma.Aero, which arose initially out of IATA's CEIV initiative. It is "applicable to regional and local needs and is the basis for any further in-depth developments in relation to digitisation, capability mapping and risk mitigation", says Caswell.

The certification of Avianca Cargo last December brought the number of CEIV operators at MIA to eight, comprising of five airlines, two forwarders and one handling company. The airport was one of the founders of the Pharma.Aero initiative, along with Brussels International airport.

The pair of founding airports had been working on developing air service between them, but the pandemic interrupted these efforts. Nares is also looking to Puerto Rico, the largest pharma hub in the Caribbean, to establish a pharma corridor. "Amerijet has CEIV certification. They have a big presence in Puerto Rico. We're looking at ways how we could leverage that," he says.

While these corridors cover the airport-to-airport piece of healthcare supply chains, it is important to think end-to-end, as Walpole's comments on working with first- and final-mile providers indicates. From Pharma.Aero's vantage point, Caswell stresses the need to also think multimodal and understand the other parts of the chain.

"We have to make sure we're educated about all elements, not just air cargo," he says.

"We have to make sure we're educated about all elements, not just air cargo"

Trevor Caswell

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Freighter demand stays firm despite market softening

Utilisation of dedicated all-cargo aircraft ‘remains elevated over pre-2019 levels’, and forwarders insist there’s a need for the own-controlled networks they have expanded during the pandemic. Roger Hailey reports

Demand for freighter aircraft boomed during the pandemic, but the return to post-pandemic consumer patterns and the steady return of passenger flights

and their lower-deck bellyhold capacity inevitably has seen air cargo tonnages and rates, and the need for freighters, decline from their elevated levels.

Putting the current state of the air cargo market into historical context, market data specialist World ACD’s March 2023

analysis highlighted that despite the market weakening significantly in the last 12 months, early 2023 worldwide revenues remain the third highest in the last 15 years, and rates remained around 50% above pre-Covid levels. Indeed, its analysis indicates that worldwide air



The first A350F is scheduled for delivery in late 2024 or 2025

freight revenues last year were also just slightly below their record levels in 2021 and around twice their average annual level in the decade before the Covid pandemic. And on the demand side, tonnages in 2022 were on a par with those in 2016 and higher than in any of the years leading up to 2016.

First-quarter (Q1) 2023 tonnages were estimated to be down by 11%, year on year (YoY), compared with -13% for Q4 2022. And as of early April, worldwide rates were 35% below their levels in the same period last year, but around 50% above pre-Covid levels.

Meanwhile, overall capacity has risen by 12% compared with last April, with double-digit percentage increases from almost all regions – except from Central & South America, which was slightly down (-1%), and North America (+6%). The most-notable increases were ex-Asia Pacific (+28%), ex-Africa (+19%) and ex-Europe (+15%).

Charter demand expectations

These dynamics mean demand for

freighter aircraft charters in 2023 is unlikely to continue at the same level as last year, confirms Glenn Hogben, CEO of UK-based Air Charter Association (ACA), adding: “Demand in the air cargo market has significantly reduced in 2023 as scheduled service capacity and the shipping industry has started to recover, providing alternatives. Air cargo has seen a revival and exceptionally high demand throughout the pandemic period as it demonstrated its core strengths at supporting urgent cargo transport. This high level of demand was not anticipated to continue, and a drop was inevitable.

“However, there are still positives for the industry, as many businesses have been re-introduced to the significant benefits of speed and certainty of delivery that air cargo has delivered. Some [customers] will certainly continue to use air cargo as standalone or as a combined transport solution.”

Ocean freight, which suffered container unit shortages and lengthy port lockdowns in key Asian hubs during

Covid, especially in China, has seen container freight rates fall, which could mean that freighter aircraft charters may look less attractive for certain cargo. But Hogben makes the point that air charter rates have also been falling steadily.

“Certainly, some cargoes that are less time critical are already returning to [ocean] container freight, to reduce cost,” he notes. “However, I believe many [customers] have been introduced to the speed and efficiency of air cargo and will retain full or partial use of air charter to maintain their supplies, particularly where cargo is time critical.”

Return towards normal

DB Schenker, a freight forwarder that operates its own air cargo charter network alongside its normal commercial airline uplift, said that the global air freight market missed a typical peak season in 2022, but the company expects a return to normal in the second half of 2023.

“We need to be prepared for that,” said a DB Schenker spokesperson. “By having

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Glenn Hogben
Air Charter Association

set up our own controlled full charter flight network, we continue to provide our customers with reliable capacity at stable market rates. We are confident this will continue to be of relevance on many key routes, to offer the best possible air freight solutions for our customers.”

On the question falling deepsea container rates, DB Schenker said: “As the ocean freight market continues to normalize, some air freight will be returning to ocean transport mode. However, we do not see any signs that traditional air cargo is moving in that direction.

“The enormous time advantages of air

transport remain a unique asset of this form of transport. Whilst some of our customers aim to move more freight to ocean to save costs, their supply chains do not appear to be ready yet to take a huge shift in that direction.”

DB Schenker agrees with industry thinking that a separate air charter network allows forwarders to access less-congested airports that have good road feeder links to key consumer points: “Our service from alternate airports is performing extremely well, so we will continue our strategy of also heading for alternative runways,” the company says.



Jonathan McDonald
IBA

“Secondary airports like Chicago-Rockford (RFD) help us to achieve short transit times and therefore overall time advantages for our customers.”

On the question of available air freight capacity outpacing air cargo volumes, DB Schenker agreed that more capacity is currently entering the market, but added: “When economic demand picks up again, there will still be sufficient demand to accommodate this growth (in capacity).”

Freighter utilisation ‘remains elevated’

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chains continue to recover from the pandemic shock and the effects of the war in Ukraine, US aircraft manufacturer Boeing said that the utilisation of dedicated freighters “remains elevated” over pre-2019 levels. “During the pandemic about 390 new freighters entered the global fleet,” a spokesperson said. “About two-thirds of these aircraft were converted passenger-to-freighter aircraft and about one-third were new-production freighters.”

Boeing observed that the commercial travel market continues to recover, very few passenger aircraft were still operating in cargo-only missions as they had during the heights of the pandemic - either with parcels on seats or as ‘preighters’ where the passenger seats have been stripped out completely.

The latest (2022) Boeing Commercial Market Outlook (CMO) forecasts more than 2,800 freighter deliveries globally in the 20 years to 2041. Boeing said the bulk of additions to the fleet – about 45% of the total – will be in standard-body conversions like the B737-800 Boeing Converted Freighter (BCF).

“The remaining 55% consists of about 940 new production medium-widebody freighters like the 767-300 freighter and large-widebody freighters, like the new B777-8 Freighter, and 555 medium-widebody freighter conversions, such as the B767-300BCF,” explained Boeing.

Airbus has a rival to the B777-8F, its A350F – the first of which is scheduled to roll off the production line in late 2024 or 2025, around two or three years ahead of its Boeing competitor. Boeing already boasts more than 80 orders and commitments under its belt for the B777-8F, from industry-leading operators including Qatar Airways, ANA, Cargolux, Ethiopian Airlines, Lufthansa, and Silk Way West Airlines; Airbus only has around half that number of orders for its A350F.

Freighter fleet analysis

IBA, a leading market analyst for both passenger and freighter aircraft, has provided CAAS with its in-depth view of the current freighter fleet, which has

seen significant changes since the start of the pandemic – including some quite old aircraft. For example, a small number of 1970s generation Airbus A300B4-200F aircraft (around four examples) were re-activated between early 2020 and the present, says Jonathan McDonald, IBA’s manager for classic and cargo aircraft. But IBA “does not anticipate much future in these particular four aircraft though, due to age and reliability issues”.

Meanwhile, IBA says seven Boeing 747-200F aircraft were re-activated during the period (with a mix of PWJT9D, GE CF6-50E2 and RR RB211-524 engines), mainly

in countries such as Georgia, Kyrgyzstan and Iran. But IBA does not feel these re-activations will have much of an impact either, as the aircraft utilisation will be low and contracts somewhat sporadic by nature.

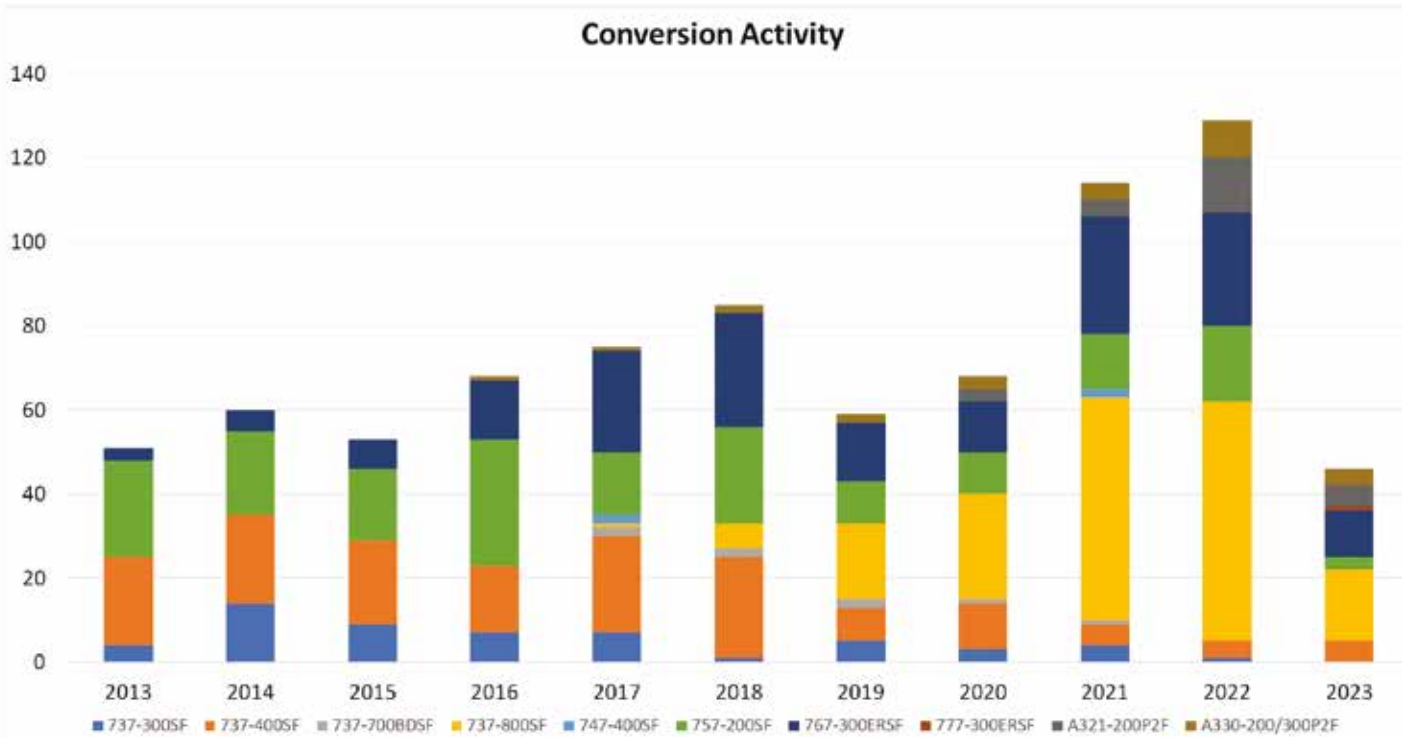
More significant has been the reactivation of Boeing 747-400 series freighters. McDonald notes: “A large number (probably over 50 examples) of converted Boeing 747-400BCF/BDSF aircraft have either been re-activated or seen an increase in utilisation levels since March 2020, though some of this reactivation will be the aircraft transitioning from one operator to



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Data courtesy of IBA

another – as opposed to an aircraft leaving desert storage due to a surge in demand.

“While Boeing 747-400BCF/BDSF aircraft do not have as much operational flexibility as the nose-loader factory Boeing 747-400F/ERF, they do nonetheless share quite similar fuel burn and commonality in systems, so IBA anticipates some future in these aircraft.”

FedEx reactivated a few Airbus A300-600R aircraft to help with pandemic-related traffic flows, though this is likely to be a short-term solution said IBA, adding: “Lufthansa Cargo deliberately delayed its McDonnell Douglas MD-11F retirement from 2019/2020 to late 2021 as a result of needing the extra capacity during the worst of Covid.” US integrators FedEx and UPS are understood to be the largest operators of the 90-tonne capacity three-engine MD-11F, between them having 94 of the aircraft type currently in operation, almost half of those built.

Aviation specialist and editor Guy Norris told a recent podcast that we are now seeing “an erosion happening at that top end of the market”, due to factors that include higher fuel prices due to the war in Ukraine, supply chain shortages and high inflation. He added: “You’ve



Photo credit: DB Schenker, Mario Arnold

either got the B747s and B777 freighters, which are above 100 tons [cargo capacity]. You’ve got B767s and other types which are significantly smaller. And in the middle you’ve got this MD-11 category.”

The MD-11F may be “just too big to operate,” Norris told the podcast, adding: “It’s not big enough to be filled like a B747,

but it’s too big to operate on the other major routes that both of these carriers have.”

The age of the MD-11F is another issue, some being 33 years old, and re-fleeting seeing competition from newer, twin-engine freighters with lower operating costs.

P2F conversion growth

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Meanwhile, one of the most significant longer-term outcomes of the pandemic for freighter markets was the resulting surge in passenger to freighter conversions (P2Fs), with relatively young passenger aircraft grounded early and thus becoming attractive lower-price feedstock for conversion to freighters.

McDonald highlights a trend within current conversion activity of “P2F conversions gradually shifting from Boeing 737-300/400 to Boeing 737-800 and Airbus A321P2F”. Examples or “symptoms” include freighter airline ASL “gradually phasing out its 737-400SFs in favour of 737-800SFs; BlueBird Cargo and Airwork New Zealand looking to do

similar along with other carriers. Boeing 757s are still being converted, fuelled by strong demand in China from SF Airlines,” McDonald notes.

In the medium to long-range wide-body market, the Boeing 767-300ER is “getting to maturity”, and IBA expects Israel-based conversion house IAI Bedek eventually to focus more towards the Airbus A330-300 conversion. Still, IBA sees a good few years of Boeing 767-300ER conversions yet.

“Once dominated by GE-powered aircraft, Boeing 767-300ERBCF/BDSF operators are having to look to PW-powered examples, although GE will always account for the majority of aircraft,” notes McDonald. “The sharp drop

in Airbus A330-200/300 passenger aircraft values has meant carriers can source much younger aircraft for P2F conversion, and IBA sees this trend continuing.”

Potential overcapacity

Despite rising e-commerce volumes and continuing growth expected for some other higher-yield cargo, there is industry speculation that the influx of converted aircraft could swamp the air freight market. In other words, too many freighters chasing too little air freight.

But Hogben of the ACA takes a more optimistic view: “This will be an interesting area to watch as there are a large number of freighter conversions



planned and in progress and these will provide higher capacity in the market.

“However, there are several reasons why I expect this will not swamp the market. Firstly, the size of e-commerce packages being sent continues to grow, greatly increased by the pandemic shopping trends and this will require larger capacity aircraft.

“Secondly there are currently some very old cargo aircraft operating, which newer freighter conversions will naturally replace by being more fuel efficient. This will be driven both by cost and sustainability requirements that will likely become a big driver.”

While the last version of the B747 freighter came out of the hangar earlier this year, the modern, greener and cheaper-to-operate production line freighters from Boeing and Airbus should provide a healthy, competitive market.

On the newbuild market, McDonald of IBA says: “The only production freighters are now the Boeing 767-300F and Boeing 777F, which should remain in production until around 2027 or 2028.

The last Boeing 747-8F was delivered to Atlas at the start of the year, so that terminates over 50 years of iconic Boeing 747 Freighter production.”

Recent orders and deliveries of newbuild Boeing 767-300F and Boeing 777F aircraft include to Air Tanzania Cargo, Air Canada, Maersk, Western Global and Ethiopian, McDonald highlights, with other significant developments including the two imminent large widebody freighter aircraft launches. “Airbus A350F is due in 2025 and Boeing 777-8F due two to three years later,” McDonald notes.

In what is now a complex air cargo market, buffeted by economic headwinds, returning bellyhold capacity and significant freighter fleet numbers, Glenn Hogben of the ACA reminds us that it has been an exciting if challenging time for the industry, noting: “The last few years have enabled air cargo to demonstrate its advantages, the ability to respond rapidly and the overall critical role it plays in global logistics.” ■



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A digital revolution in cargo insurance

AI, data analytics and technology are transforming almost every aspect of the air freight sector, including cargo insurance – enhancing customer experiences, reducing operational costs, helping to better assess risk, detecting fraud, and reducing human error, highlights Matthew Phillips from cargo insurance specialist Breeze



Matthew Phillips, chief commercial officer at cargo insurance specialist Breeze

Cargo insurance, much like air freight forwarding, is undergoing a digital revolution. Artificial Intelligence (AI), data analytics and technology are transforming almost every aspect of the industry – enhancing customer experiences, streamlining internal processes, reducing operational costs, helping to better assess risk, detecting fraud, and reducing human error.

For example, using AI and big data, an insurer can quickly and accurately assess the risk of an air cargo consignment, looking at route, commodity type, airline and other data points, and apply risk-based premiums that, in many instances, reduce existing flat-rates.

AI and data analytics can also be used to improve claims processing

and customer experience by deploying machine learning algorithms to automatically process and triage claims, reducing the time it takes to resolve them. Additionally, predictive analytics can help to identify fraudulent claims, resulting in cost savings and reduced losses.

Lastly, by analysing data and behaviour, insurers can identify gaps in existing cargo product offerings and develop new insurance products and services that better meet customers' needs. Thanks to the availability of data, more risks can be underwritten in profitable ways.

There is a lot of untapped potential to be found in leveraging these tools to improve existing, but outdated, insurance processes for air, sea and road cargo – processes which haven't really changed in the last few hundred years.

However, the real challenge is not simply using AI, data, and technology, but

“
Thanks to the availability of data, more risks can be underwritten in profitable ways

”
Matthew Phillips

rather leveraging these tools and methods whilst also making sure that forwarders and logistics companies actually get what they need in a simple and frictionless way.

In other words, how do you find the balance between complicated back-end processes such as AI, data, and code, and simple, slick, user-friendly processes for customers to engage with, which also solve their pain points? This is the hard part, and it is something that we have made our mission to find out.

“
We found that around 70% of global cargo is uninsured or underinsured
 ”

Matthew Phillips

At Breeze, we have developed a platform that uses and leverages AI, data, and analytics for cargo insurance, taking these elements to a new level in the cargo insurance industry – for all modes of transport, including air cargo, sea cargo, and road transport.

The first thing we did to ensure that we always have our customers’ needs as our north star, was to work as operators at a freight forwarding company. We knew that the best way to learn about cargo was to put ourselves at the heart of the process, the place where almost all cargo goes through – freight forwarders.

We spent months working as forwarders, learning every little detail and

corner of the business, from operations to finance. That’s the only way we could understand our customers (forwarders and logistics companies) and their needs.

Insurance is often missed

This is how we discovered that a major gap exists for forwarders when protecting their shippers’ cargo. As freight forwarding agents, we found that cargo insurance is often missed, and is not being proactively offered to shippers when they book their shipments. Shippers often don’t even know that their cargo isn’t insured, and many of them mistakenly think that insurance is already provided by default as part of the shipment. Deep-diving into this, we found that ~70% of global cargo is uninsured or underinsured.

We also realised the two main reasons forwarders aren’t properly offering insurance: (1) they have A LOT on their plate, and often don’t think about insurance; and (2) they don’t have the right tools and technology to seamlessly add this as a step in their everyday

processes. Finding a solution for these problems became our main goal and obsession.

Finding a solution, we thought, will allow forwarders to offer insurance for every shipment at the time of booking and, in doing so, ensure that shippers are protected, while also increasing their sales and revenues.

Now, with this extremely important information, we were able to take our extensive AI, data, and technology skills and elegantly tie them to a product that is laser-focused on solving the problem. A slick design that sits on top of an enormous AI and data foundation, constantly improving the insurance offering for forwarders and logistics companies – allowing forwarders and logistic players to focus on powering the global supply chain.

Matthew Phillips is chief commercial officer at cargo insurance specialist Breeze
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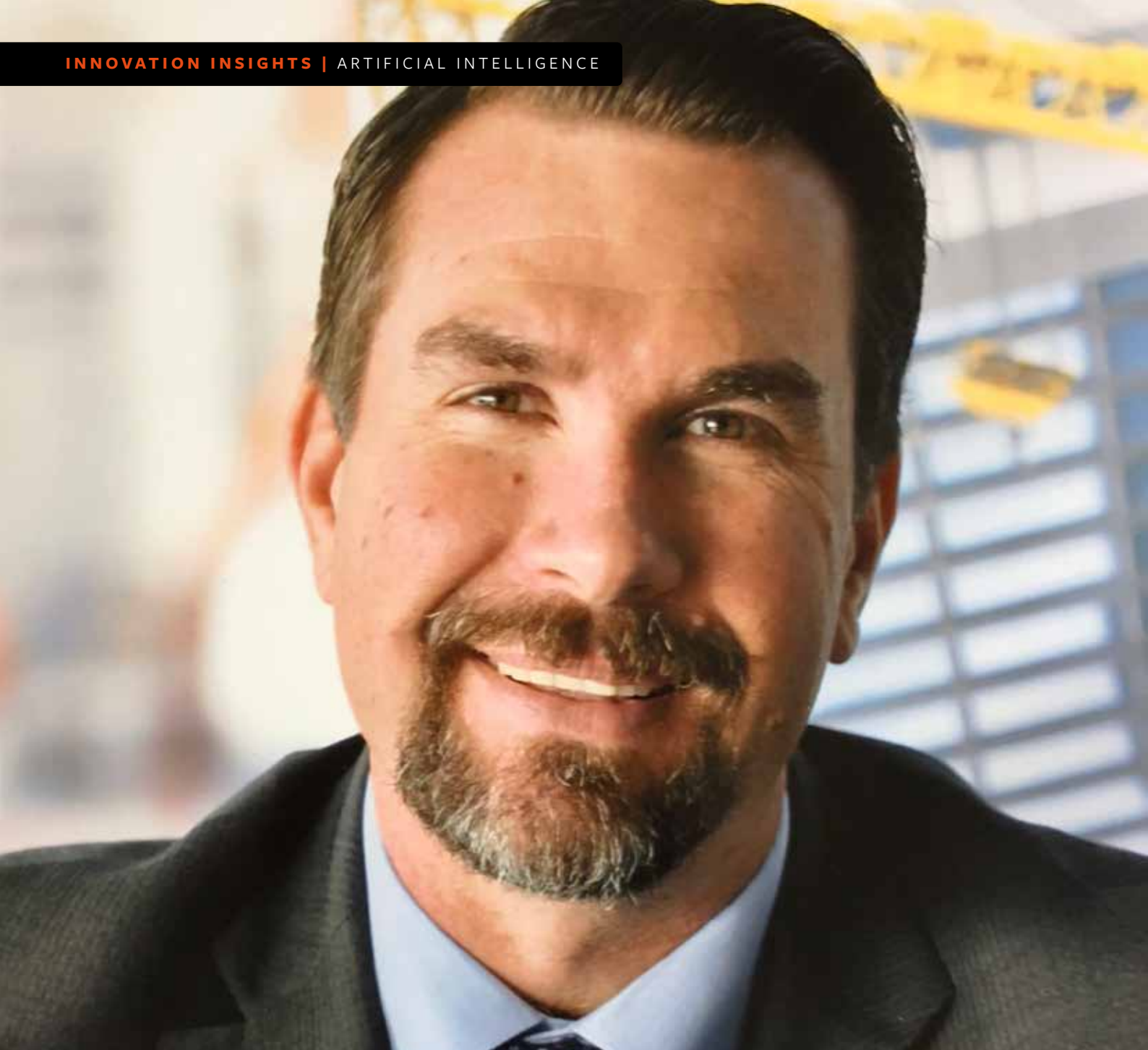
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Lionel van der Walt, chief growth officer at Raft, an AI-driven start-up that automates operations for freight forwarding

The age of AI in freight has already begun

A fragmented landscape of essential service providers means access to one central control tower that integrates and synthesises all of these is an essential component for informed decision making and future success, says Raft's Lionel van der Walt

Technology is bringing the human back into air freight forwarding and proving to be a catalyst for change management, forcing us to radically rethink the nature of work. And yet many in the industry are still failing to benefit from the opportunities driven by digital transformation, which go beyond simply adopting smart automation.

This can be for a number of reasons, including a fear that technology, and Artificial Intelligence (AI) in particular,



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will replace roles, whether by eliminating specific jobs, or by stepping into the airfreight forwarder's space.

The tech is only the beginning of a change process, which can enable our industry to go beyond transactional workflows and concentrate instead on the value adds that only humans can bring – expertise, relationship building, nuance, and creativity. This human know-how is augmented by the technology and especially AI applications, which automate time-consuming tasks across the entire shipment lifecycle.

Revolutionary impact

Artificial intelligence is having a revolutionary impact on air freight forwarding by completely transforming how forwarders work. It's helping air freight forwarders in various ways, such as:

Streamlined workflows and processes: AI automates a lot of cumbersome workflows and manual work that forwarders do, from manual data entry and document compliance to invoice processing and reconciliation. This frees up teams to refocus their time on more meaningful work like customer value-add activities or strategic initiatives. By automating manual work, forwarders have the ability to scale efficiently without increasing overhead costs.

Improved logistics planning: AI is helping forwarders to optimise their logistics planning by analysing data on shipping routes, transportation modes, and delivery schedules. This analysis can help to identify the most efficient and cost-effective logistics solutions for their clients.

Actionable visibility and analytics: AI can help to improve visibility across the supply chain, enabling air freight forwarders to track shipments in real time and provide up-to-date information to their clients. This can help to increase customer satisfaction and reduce the risk of delays or disruptions. Accessibility to real-time information has the additional benefit of ensuring better collaboration and transparent communications between teams – guaranteed to make life easier for forwarders.

Risk and performance management: AI

can help to identify potential risks and hazards along shipping routes, such as adverse weather conditions, geopolitical events, or airport congestion. This allows freight forwarders to plan alternative routes and avoid delays. AI can also help to analyse team and client performance, to identify operational bottlenecks so forwarders can resolve issues faster and act as a strategic lever for their businesses, working to improve things like cash flow or comply with shifting regulatory requirements, for example. In this way, AI is a crucial cost and efficiency lever that facilitates revenue growth.

The role of tech providers

Ultimately, AI is ushering in a new wave of smart logistics by helping air freight forwarders to increase efficiency, reduce costs, and improve customer satisfaction.

Back in 2017, our co-founders created Raft, a company that was 'AI-first' in supply chain. They felt like they'd caught the first wave. A new way of tackling an age-old problem with tools – machine learning – still in their infancy. Machine learning (often interchangeable with 'AI') back then was for innovations like self-driving cars, but it wasn't really applied to traditional industries like supply chain management or freight forwarding.

Even in the rare cases that AI and supply chain were mentioned in the same breath, the value of AI was always discussed from a top-down point of view, like modelling complex supply chains using big data, instead of looking at operations from the ground-up. One of the main reasons for this oversight was simple: companies with operational know-how didn't have machine learning engineers, and vice versa. Put another way, the venn diagram of companies with access to both profiles looked like a figure of eight.

Unlocking AI's potential in forwarding

Raft's founders saw an opportunity to empower freight forwarders with a smarter way to manage and control their shipments and finally break free from the shackles of tedious manual processes and workflows and focus on delivering

“
AI can help to analyse team and client performance, to identify operational bottlenecks so forwarders can resolve issues faster

”
Lionel van der Walt

unprecedented value to their shippers. Its platform extends beyond streamlining internal operations, however. Its integration partner ecosystem provides forwarders with the ability to gain a centralised view of all their operations, and the ability to to automate processes across the entire lifecycle of a shipment, from payments to carbon emissions reporting, making it the ultimate supply chain control tower.

Powered by AI, Raft is able to offer a sharper, smarter, and more efficient way for forwarders to communicate, operate, and serve their shippers. Freight forwarder customers ultimately benefit as forwarders have more time to create the experience that shippers have grown to demand and expect.

AI has the potential to transform the freight forwarding industry by improving efficiency, visibility, and customer service, and reducing costs. The full potential of AI for the industry has not yet fully been realised. And with a constantly expanding and fragmented landscape of essential service providers, access to one central control tower that integrates and synthesises all of these together is an essential component for informed decision making and future success.

Lionel van der Walt is chief growth officer at Raft, an AI-driven start-up that automates operations for freight forwarding

www.raft.ai ■

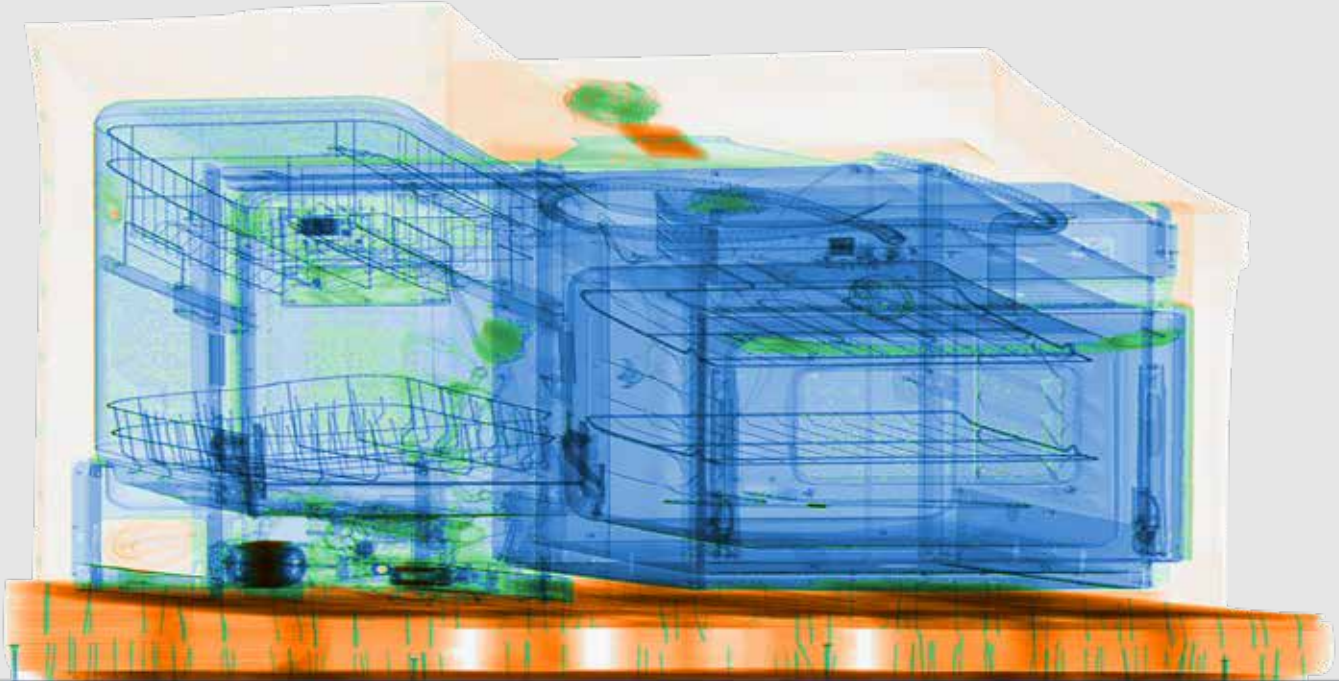
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The need to stay ahead in air cargo security



Advanced security technology – including increasingly sophisticated and automated threat-detection screening capabilities – can help air freight operators satisfy new regulatory requirements and streamline operations and processes, says Astrophysics Inc.’s Donald Pyne

Cooling markets
On the heels of major disruptions like the COVID-19 pandemic, breakdowns in international supply chains, and the war in Ukraine, the global air cargo industry entered a period of market correction in 2022. After an 8% drop last year, the International Air Transport Association (IATA) projects a shallower 4% decline in total cargo volume throughout 2023. Even so, the admittedly lower revenues should remain substantially higher than pre-pandemic levels. This moderate slowdown will present consumers with increased opportunity as freight forwarders compete

for their shares of the remaining demand. Air cargo carriers looking to sustain profits from a more limited supply of available business must turn to increasing service quality and operational efficiency. Security is a crucial aspect of that endeavor.

Persisting threats

While terrorist attacks are the most sensational, customs fraud and smuggling (of drugs, weapons, luxuries, or even people) are significantly more common. Interpol reported seizing more than \$700 million worth of drugs and associated contraband from around the globe in a single operation in 2022. Among the examples in early 2023, authorities in Qatar in February discovered 450+

narcotic pills concealed in a shipment of candies. And in March 2023, Australian Border Force arrested a man who attempted concealing cocaine in a shipment of water pumps. Smuggling is unlikely to stop anytime soon, so government agencies must shoulder the burden of finding ways to counter it. In many cases, they opt for saddling freight forwarders and other commercial logistics operators and couriers with some of that responsibility.

Stricter standards

With agencies like the US Transport Security Administration (TSA) requiring that 100% of cargo transported on passenger aircraft undergo security

screening for explosives and other threats, screening obligations are nothing new to the air cargo sphere. However, as threats and concealment methods evolve, stricter regulatory requirements march on in lock-step with advancing technologies to stay ahead. 2023 will see jurisdictions like the European Union (EU), United Arab Emirates (UAE), United Kingdom (UK), and Canada implementing the next phases of their local cargo screening plans. TSA's 2021 air cargo security roadmap is also reaching its end-stages, with objectives like risk data-based screening, enhanced information sharing, and technology upgrades featuring implementation targets spanning 2022-2024. As screening obligations intensify, freight forwarders and other air logistics stakeholders must find ways to sustain competitive delivery times without compromising security.

Screening innovation

As with any evolving demand, adaptation and innovation are never far behind.

For example, the Astrophysics Multi-View CT™ 450 kV shortens per-pallet screening times by scanning whole pallets without needing to break-bulk. With 35 distinct X-ray views and a detailed 3D CT model, analysts can find threats hidden practically anywhere in a pallet. Other novel approaches – within Astrophysics products and in the wider industry – include enhanced automatic detection, such as Artificial Intelligence (AI)-based detection of Lithium-ion batteries, which can otherwise be especially dangerous aboard airplanes. These types of solutions both strengthen overall security and streamline screening processes to save time and money getting important goods from origin to destination.

Applying new technology

In the perpetual arms race between legal authorities and criminal elements, it pays to stay ahead of the curve. Earlier access to advanced technology can ensure freight forwarders are well-positioned to satisfy new regulatory requirements before they

take effect, cement operator experience with modified procedures and protocols, and of course yields practical benefits applicable to the specific technology. With greater familiarity comes higher efficiency, and in turn improved reliability. In a slowing market, fast and reliable air freight and logistics operators will find themselves with a strong competitive edge.



Donald Pyne is senior product manager at cargo security technology specialist Astrophysics Inc. ■

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Making things happen: The art of leadership

In the first of a series of CAAS leadership profiles on influential individuals from across the air freight sector, Steve Townes, president and CEO of ULD leasing specialist ACL Airshop, tells Will Waters what he believes are the most important factors in building and nurturing leadership qualities and capabilities

Anyone that has experienced ACL Airshop president and CEO Steve Townes leading or chairing a conference or workshop session at an air cargo event around the world will have few doubts he is a person capable of leadership, and not just within the numerous air cargo and aviation-linked businesses he has served,

helped build, turned around and led during his 43 years in the business.

Those that may have detected a certain level of military-style organisation and clarity to the discussions and audience management, alongside a good amount of warmth and humour, will not be hugely surprised to learn that his own career journey began at the prestigious United States Military Academy at West Point.

West Point describes itself as “the world’s

preeminent leader development institution”, promising to “educate, train and inspire leaders of character committed to the values of duty, honor, country, and prepared for careers of professional excellence and service to our nation”, noting that “cadets receive a top-tier education, along with military and physical training; but at the heart of everything we do is develop character, and the moral-ethical attributes essential to good leadership”.



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Townes last year received South Carolina’s highest civilian honour, ‘The Order of the Palmetto’, mostly due to his efforts and advocacy for 10-plus years to create ‘Aviation High Schools’ across the south-eastern US state

Attributes essential to good leadership

So, what are these attributes, and what can we learn from them about leadership in air cargo? And how can these qualities be nurtured in developing the next generation of leaders?

Clearly, leadership qualities and skills can develop from a myriad of experiences in each person’s life. But it’s worth tracking Townes’ career journey, because it seems to encompass and combine many of the classic elements of leadership progression, including successful high-quality education, mentorship, experience, competition, hard work, tough challenges, high standards, confidence development, risk-taking, responsibility encouragement, coaching, career-building, entrepreneurship, and developing an appreciation of the importance of valuing people.

Townes counts himself fortunate to have experienced an extraordinary set of opportunities during his career, working under and alongside a series of first-rate mentors and colleagues over the years, from military generals to CEOs of major multinationals, to colleagues and entrepreneurial peers working at all levels.

Transformative event

But he credits a lot to his four years at West Point, a “life-changing, pivotal, transformative crucible”. In addition to earning a Bachelor of Science in Engineering degree, with credits equivalent to a double major in Engineering plus Behavioral Sciences & Management, Townes received the prestigious Eisenhower Award, given for excellence in academic and practical achievements.

He then became an Airborne Ranger infantry officer. “That’s ‘leadership 101’

all day, every day – from 5am morning calisthenics to 5-mile runs and jumping out of airplanes in the middle of the night,” he notes.

“I’ve been a civilian for 43 years, but those early lessons were always about leadership”. Highlights included training and patrolling experiences at the ‘Escuela de Lanceros’ in Colombia with the ‘black berets’, that country’s elite ‘Lancero’ commandos – “before Tom Clancy made things like that fashionable”.

He continues: “There are tough early lessons which I carry with me to this day. I think those things helped me when I launched into industry. Even Plebe (first-year) boxing class at the Point teaches you a lot!”

Towards the end of his Army officer time and after the 1st Ranger Battalion, while himself not yet a captain, Townes had a unique opportunity to work as the lowest-

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ranking officer in the USMA Headquarters for the late 3-star General Andrew Jackson Goodpaster, formerly the Supreme Allied Commander of Europe for NATO, who “always made time to talk about what’s it like to run a big organisation, what’s it like to do a turnaround of an institutional situation... I learned a lot by observing him, including about style. He was an exceptional role model.”

Learning the ropes in aerospace

In the spring of 1980, he left the service as a Captain and went “to a giant \$10 billion conglomerate in Texas, where I started learning the ropes for the aerospace industry. Fortunately, my boss, Phillip Greco, was the CEO of Vought Aircraft – the huge \$3 billion aerospace subsidiary of the ‘LTV’ conglomerate. I got lucky with a couple of promotions and tough assignments, and... just hard work.

“The CEO became my mentor and threw some deal activities at me,” where Townes says “as a freshly minted civilian, I frankly didn’t know what I was doing initially; so, I had to fake it for a while...

“LTV went out and acquired companies like Hummer Corporation. Those experiences in a gigantic organisation, with 10,000 people at the site where I worked in Dallas, were extraordinary. We were working on everything from A-7 combat aircraft to tail empennages

for Boeing... So, we had commercial manufacturing, jet fighters, multiple-launch rockets, and a lot of other things in between. We even made some of the superstructure for the original B-1 bomber and other classified projects.

“It was a phenomenal experience, and I had a phenomenal leader,” he acknowledges.

Among key factors that shaped Townes’ leadership journey included an MBA at Long Island University, followed later by the Programme for Management Development (PMD) post-MBA programme at Harvard Business School. He also cites “best practices from industry peers”, particularly numerous fellow CEOs and other corporate and entrepreneurial leaders. And “learning through the growth-driven shared energies and tumultuous shared experiences with officers and teams in each venture over the years”.

Significant mentors

Excellent mentors have been important in developing Townes’ management and leadership qualities. Along with Phil Greco (LTV Aerospace & Defense), he highlights: Peter Wright Sr. (Founder Keystone Helicopter); Kirk Griswold of Argosy Capital (Board Lead Director, Ranger Airshop Holdings); Seth Alvord of Balance Point Capital (Board Lead

Director, Ranger International Services); and Benjamin Chereskin (Board Chairman of Phoenix Defense and Profile Capital), among his key influencers.

Phil Greco “kind of took me under his wing. He sent me to Harvard to do the PMD programme, a 14-week, full-time residency programme, aimed at the next-generation of general management candidates.”

When Townes came back from that programme, Greco said: “I want you and that engineer over there, and that programme director, and that manufacturing guy, to do something with the (aging) A-7 Strikefighter,” Townes recalls.

“We created some modernising changes that upgraded the avionics, the engine package, the weapons carriage capability. It fielded to 14 squadrons in the US national guard and international allies. It was considered a significant success. We were doing things that we had never done before, including going to brief 3-star and 4-star generals on this repackaging of an older fleet that we were creating. And simply making things happen.”

Making things happen

Making things happen is one of Townes’ key requirements for a leader – something that distinguishes a leader from a manager – and something he has a reputation for not just in the companies he has led, but also in ventures and initiatives outside of his direct business operations. He believes the attributes for a senior leader within air cargo are no different from those in other sectors, noting: “There are universal traits for leadership at the top: a passion for customer responsiveness; always be a strong, respectful, motivating employer; invest boldly; cut a new path; have a bias for decisive action.”

He continues: “Some people in business sit on their hands, waiting for instructions, looking for a memo, waiting for permission. When you’re a CEO in an institutional investor-controlled enterprise, you make a business plan, you get going, you don’t stop. It’s been exhilarating to say: ‘Okay, we know our swim lanes, and we

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ACL Airshop opened a state-of-the-art manufacturing centre in 2019 in Greenville, South Carolina

know our boundaries. But we don't wait for instructions; we don't need to. And I think that's an important trait. Tweak the plan as needed, make a fresh budget every year, and keep rising.

"Every one of our managers knows they can take care of a customer issue on the spot. They don't have to go through three levels of memos and committees. Those are important organisational aspects: to be bold enough; brave enough, to be a leader – not just a manager. In City Park, there are no statues erected to a good manager; but there are plenty of horse monuments out there with strong leaders pointing the way."

Leaders and managers

He adds: "You have to be both. You can't just be a brash flame-thrower, hard-core leader, but not have any skillset for your industry. And you can't just be a meticulous, cerebrally brilliant manager, but lacking the leadership and communication skills.

"In our own ranks, we are always looking for those people who have both those traits; bonafide experts at what they do, with a little bit of spine. Those are the ones we select for advanced training, and later for promotion. Those are the people that get ahead. There are hundreds of examples of great companies that look for that."

Townes continues: "It's not so easy

to lead, to be in charge, to say: 'I am responsible for this, no matter what happens, good or bad'. Be a leader. Follow a good business plan; manage to that business plan; accelerate every chance you get; reward the people that are doing a great job; coach the ones who need some help; but get with it and lead... There's an old saying that makes sense: 'Lead, follow, or get out of the way'.

"A bit of bravery goes with that. It's okay to be in charge, if you know what you're doing. And heaven forbid if you're in charge and you don't know what you're doing...!"

"I love the book 'Leaders Eat Last'. I've been doing that ever since I was a young officer; you always go to the back of the chow line in the mess hall. The soldiers always eat first; the officer is the last one in the line. Mission First, People Always,"

“

In City Park, there are no statues erected to a good manager; but there are plenty of horse monuments out there with strong leaders pointing the way

”

Steve Townes

as the military motto goes.

Other factors? "Always be a strong, caring, respectful, and motivating employer. Invest boldly – cut a new path – launch a stronger trajectory. Be an exceptional communicator. Lead the way and carry everybody along with that can-do vision." He adds "Continuous improvement is not a slogan, it's a code for sustained success."

People factors

Townes reflects: "How has all this shaped me? It's taught me how to be a transformational leader without breaking too much glass in the process. It taught me how to do gut-wrenching turnarounds without stacking bodies up in the front yard. And it taught me the meaning of taking care of people first – because everything else flows from that."

Townes continues: "People details are sometimes overlooked. All our businesses are people centric. Our customer relationships are people centric. That is a continuous theme in my entire adult experience since West Point, to the Army, to the commandos, to the Rangers, into big aerospace, into middle-market aerospace, and then going independent 26 years ago with Ranger Aerospace.

"The one common theme across all that: People are the priceless soul of any successful enterprise."

He reflects: "What does that mean, in terms of how we operate as a company? We have a true high-performance culture. Employees say things like, 'this is the best job I've ever had'. We have a lot of programmes that are aimed at people; we spend a lot of energy and money on that – it pays off!"

The changing role of leaders

He says the role of leaders in air cargo has changed in recent years – for example, in response to initiatives and priorities relating to technology, diversity, sustainability, and the evolving nature and role of the sector. "Technology Innovations are now essential and accelerating," he notes. "As one of our best board members, Kirk Griswold, said at the 2016 beginning of this ACL Airshop

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journey: ‘You cannot be a market leader unless you are also a technology leader.’”

Meanwhile, “collaboration and joint-venturing are becoming the norm, and customer relationships must become mutually beneficial strategic partnerships. That’s the best way to achieve win-win instead of just defining it as a vendor relationship”.

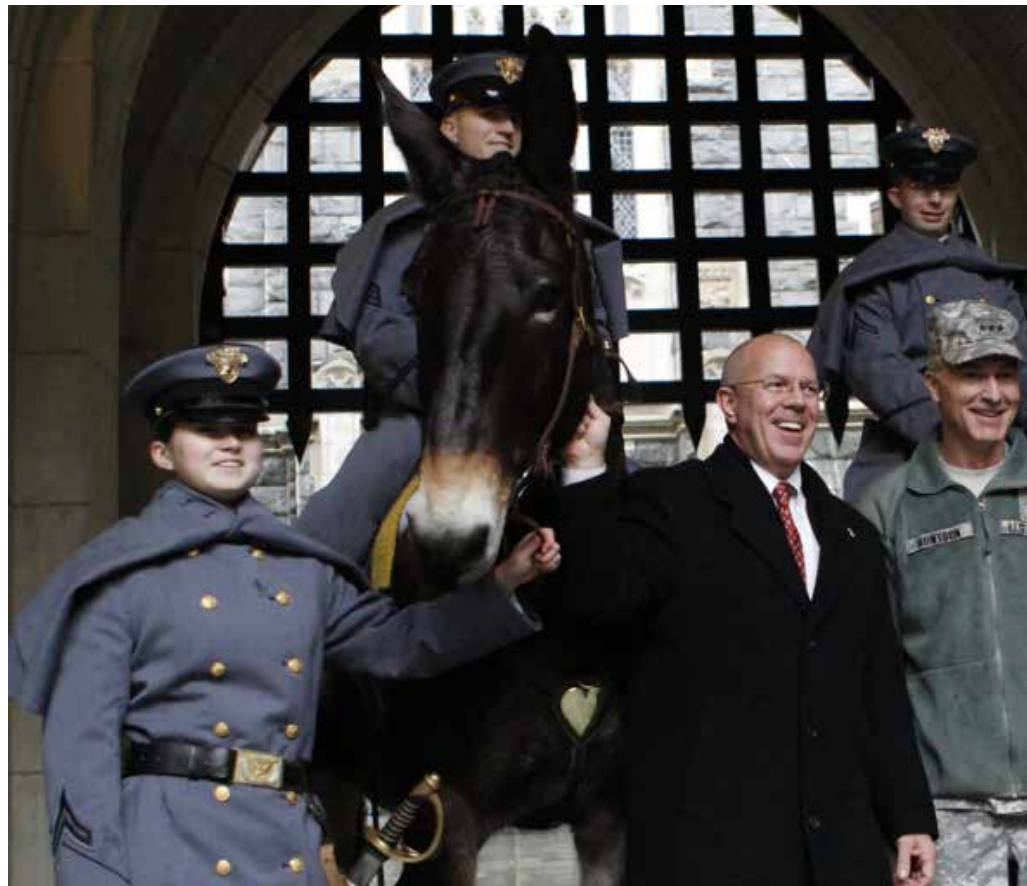
He says “more than ever, the ‘secret weapon’ must be about people and processes. Competitors cannot replicate your culture. The best companies of today, and the market leaders of tomorrow, will be ‘great places to work.’” Townes advocates today’s leaders need to “constantly keep an eye on and nurture the next tier of up-and-coming leaders in the organisation. That’s the feedstock for sustained and even accelerated growth.”

But some things haven’t changed, and Townes stresses that “good leadership in this industry also means unwavering adherence to aviation regulations, safety practices, and quality standards”, highlighting a ‘Quality Starts With Me’ recurrent message published internally within his own company – forexample, urging staff to take responsibility for knowing and complying with the laws and regulations that apply to their work. It also emphasises messages, such as: “Quality doesn’t cost; it pays”, underlining that it is “always cheaper to do it right the first time, instead of correcting mistakes”.

Improving air cargo leadership

Asked to rate the quality of leadership currently within the air cargo sector, and how might it be improved, Townes focuses on some positive ideas and practices that he has found helpful, rather than critiquing an industry he loves.

“I periodically remind myself and my senior colleagues to always be mindful about ‘How are we doing as an employer?’”. This includes thinking beyond the company’s employees. “I have consistently taken a periodic count of the dependents in the company – the families of employees,” he explains. “If you have 500 direct employees, you very likely have 2,000 total people who are counting on you as the CEO, maybe more. When you visit one of



your facilities, pause and look at all the cars in the parking lot – every car represents a family story. Remember that.”

Townes continues: “When you make a deliberate practice of creating a positive motivational leadership environment, working to a clear bold plan and vision for accelerated growth, you often achieve superior operational and financial results. That has been our experience over a very long time in multiple corporate settings and various ups-and-downs with industry cycles and occasional economic shocks.”

He adds: “When the company does well, everybody wins, including the employees, customers, suppliers, industry partners, and shareholders/investors.”

Summarising some of his most valuable lessons about leadership, and the tenets of his leadership philosophy, Townes notes: “Lead with a purpose. Nurture and grow emerging leaders in the ranks. Work hard, and lead by example, with personal character and heartfelt authenticity. Gather ideas from everybody, all ranks – highly diverse. Continuously be a fisherman for fresh talent; hire the best-

and-brightest. ‘Leave it better than you found it’! No excuse – get it done. Success is contagious. Make clear, bold plans co-authored with fellow leaders – then light the afterburners. Drive forward with a constant focus on results. Culture trumps strategy – maybe trumps everything!”

Attracting and developing talent

Reflecting on how good leadership can attract and develop a new generation of talent, Townes notes: “Sun Tzu said it best: ‘Opportunities multiply as they are seized’. People want to be part of a ‘happening’ outfit. Energise the workforce and watch how they flourish!”

He continues: “Invest in training. We send senior executives to the world-renowned Center for Creative Leadership. We additionally have an annual cohort of emerging leaders who undergo expert training every month with extraordinary outside trainers.”

Another key element is to “keep improving and investing. Drive forward with new technologies and smart business practices. That will attract the best-and-

Townes has taken on the role as the 'Mule Donor in Perpetuity' for West Point's Army Mule stadium mascots



brightest to your company. Some of your best recruits might be sitting quietly dissatisfied in one of your competitors....”

He also emphasises that “it starts at the top. When company executives lead by example and work hard to grow the business, everybody knows it. The workforce will emulate that energetic, make-it-happen style. Customers prefer to do business with successful suppliers. Success begets success.”

He also stresses the need to “recruit in the schools. The workforce’s new entrants of 10 years from now are in middle school today. Plant the seeds in high schools, vocational and technical colleges, and the early years of collegiate experiences to show people how they can find a career in this exciting industry. As I have said personally in numerous college and high school presentations: ‘If you learn how to work in the aerospace or aviation industry, it’s likely you will have a well-paid job for life.’”

New employees want a sense of purpose, to be part of something

special. Success is contagious. I love that expression. A positive attitude is contagious, too. I joke with people that I have a chronic illness: it’s called contagious enthusiasm.

More diversity in leadership

Townes acknowledges that the sector still has much to do to attract more women and people from diverse backgrounds to take on and develop leadership roles within the air freight sector. He believes that diversity brings better decisions to organisations.

On gender diversity, he notes: “Some of the most exemplary CEOs and sector leaders aerospace and aviation are women, such as Marilyn Hewson of Lockheed, Sarah Rhodes at Amazon Global Air, and Dorothea Von Boxberg at Lufthansa Cargo to name but a few.

“Every company that I deal with has females in key locations, in key positions, and rising star females coming up in the ranks, like we do here. We are making progress as a once male-dominated industry. Yet we still have miles to go...



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“All of us as leaders should be agnostic about gender, race, creed, religion, origins, and other factors – it’s all about talent, contributions, and potential. The best organisations in the coming years will have diverse workforces who can nimbly navigate the competitive landscape.”

Global task force

Asked what he would focus on if he was hypothetically asked to lead a global task force aiming to modernise and improve the air cargo sector, Townes highlights as a potential example a successful collaborative initiative he was involved with starting around 10 years ago, tasked with further developing South Carolina’s attractiveness as an aerospace investment location. .

“I was privileged to be appointed as the inaugural Chairman of ‘SC Aerospace;’ a statewide consortium in South Carolina that gathered together around 400 companies, numerous departments of government, and multiple colleges, universities and tech vocational schools across the state. Although aerospace and aviation was one of the fastest-growing industrial segments in the state, “we weren’t getting enough traction on attracting more and more companies here”.

The difficulty was that “everybody had their own silo. And what first struck us was we had 16 vocational technical colleges across South Carolina. They had some aerospace and FAA-related coursework; but zero FAA-quality

“Aviation High Schools.”.

Townes continues: “We started collaborating statewide. We brought all those factions together with a common mission: grow the workforce and expand the industry. The leadership started at the top, with our state’s Dept. of Commerce. You can’t expand the industry without the workforce factor. And you can’t have a workforce without training, development, and education. So that’s where it starts. All those factors start playing together in a more cohesive ecosystem.

“Around six or seven years ago, I gave

“*I love the book ‘Leaders Eat Last’. Ever since I was a young officer... you always go to the back of the chow line in the mess hall. The soldiers always eat first; the officer is the last one in the line*”

”
Steve Townes

a speech and said: ‘Let’s get at least one FAA-style Aviation High School. But let’s not rest until every one of those 16 state vocational colleges has an aviation high school tethered to it. We started with zero, and now we have nine! I categorise that as a good start. That means we only have seven more to go on the scoreboard to become one of the best “Training States;” Townes says.

Breaking down the silos

“How did we do it? We lit a fire under ourselves. We broke down the silos, collaborated . It’s been a really big statewide success, driven continuously by the state Dept. of Commerce, and the SC Council on Competitiveness. So, It would



start with collaboration, developing a common mission, and finding the touch points on how to make that happen.”

And he emphasises: “IATA and TIACA both do a great job of pulling together the industry in air cargo. These are strong global organisations. They help all of us march to the priorities, share common best practices, and keep moving forward. ACL Airshop is proud of its role with each.”

In terms of priorities, he says: “I would focus on technology innovations, workforce development, and sustainability. Those three ‘Big Hairy Audacious Goals’ (BHAGs) will cause quantum leaps in industry improvements.”

Townes also believes in keeping things simple. “I believe strategies should be so clear you can succinctly write them on the back of your business card. Summarise the ‘Big Goals’ in bold simplistic vision statements that every technician in every shop can understand and embrace as clearly as each member of the Board of Directors.” For example, in 2016 we started with just three words: “Grow the network.” There are hundreds of sub-tasks behind that banner statement, and the people of ACL Airshop have accomplished more than we planned way back then.

“

I believe strategies should be so clear you can write them on the back of your business card

”

Steve Townes

Current leadership priorities

As for Townes’ aims and priorities in his current leadership role, and what he hopes to achieve as a leader in the next stage of his career, he lists four main aims.

“One: Leave the company remarkably bigger, more valuable, and better in numerous ways than what I found initially when Ranger Aerospace acquired it in February 2016. So far, so good; it has been a hell of a positive journey!

“Two: Remain an exceptionally strong



Townes received the prestigious Eisenhower Award while at West Point

and nurturing employer, driving a high-performance culture that allows people at many levels to grow and develop beyond their previous expectations. Help them enjoy ‘the best job they ever had’.

“Three: Propel the company toward a larger majority of the top 100 airports in the world, continue building the value trajectory for our shareholders, and foster the most vibrantly effective entrepreneurial culture in the industry.”

Although there are no signs of Townes’ energy nor enthusiasm waning, his fourth and final aim relates to succession planning.

“Four: Implement a solid board-approved succession plan so that I can eventually do a smooth seamless hand-off to the next CEO. Although I would love to remain partially invested in ACL Airshop, if I can add continuing value as a non-executive board director beyond my full-time tenure, that would be an honour.”

40th anniversary year

ACL Airshop is this year celebrating its 40th anniversary, having grown to become

a leading worldwide one-stop shop for leasing, sales, repair and fleet control of Unit Load Devices (ULDs) and cargo control products manufacturing for the aviation industry.

For 2023 and beyond, the company “will keep ramping-up its customer-focused plans around the world, investing in technology innovations, expanding its long-term contracts portfolio, remaining the market leader for short-term leasing solutions, and fostering a very high-performance culture as a strongly entrepreneurial employer”.

Townes notes: “We now have a single very large majority shareholder that is highly experienced in aviation, logistics, and infrastructure – providing ample fuel for continued strategic growth. Our expansion strategy is deliberate and well-capitalised.”

Enigmatically, he concludes: “You’ll also note that we have done quite a bit of mergers and acquisitions over the years. We always keep our periscope up for intelligent deals that might allow us to strategically leapfrog. I’ll just leave it at that...” ■

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Cargo iQ brings visibility of service agreements to cargo handlers

New access for GHAs to view shipment-level service timeline data in the Encore system will help to meet delivery targets and avoid SLA failures, air cargo quality organisation says

Air cargo quality standards group Cargo iQ has updated its offset management platform 'Encore' to give cargo ground handling agents (GHAs) access to view service timelines for shipments according to their service level agreements (SLAs) with airline partners.

The new access promises to bring cargo handlers visibility over specific time commitments for shipments in their care – crucial data for planning activities, reaching milestones, and meeting service commitments.

“With this latest upgrade to Encore, all parties involved in the movement of a shipment will now have visibility on the planning that goes into creating a route map, which is essential for meeting on-time-performance expectations and driving quality in the supply chain,” said Chris Davies, technology and product manager for Cargo iQ. “This visibility not only means that shipments are more likely to arrive on time, but it also helps to protect the integrity of time-critical shipments and protect stakeholders from incurring unfair penalties when offsets are missed.”

In practice, this means, for example, that when an airline agrees that a forwarder can collect a shipment within a specified timeframe after landing, this data is input into the Encore system and

is used by the Cargo iQ Data Management Platform (CDMP) to create the route map for the shipment’s journey, which can then be monitored. The same principle is also true for the interface at origin airport, where the on-time handover from the forwarder to the GHA is crucial for overall on-time performance.

Discrepancies in actual versus planned process times can lead to disputes between GHA, airline, and forwarder; but with GHAs now able to view the service agreement data in Encore, there is a single place for referencing offsets, making it easier to meet targets, Cargo iQ highlighted.

The quality standards organisation said it “continues to make notable progress towards improving quality in the global air cargo supply chain this year, with the recent implementation of the new ‘Freight On Hand’ (FOH) Cargo iQ tracking milestone by members Turkish Airlines, Kuehne+Nagel, and Swissport in the group’s Nairobi operations, helping to successfully resolve issues with shipment acceptance”.

Cargo iQ member growth

Originally founded by leading airlines and forwarders to improve reliability in the supply chain, Cargo iQ membership has grown to include more than 60 members from across the industry during its 25+ years of operation, including airlines, forwarders, ground handlers, IT solution



Chris Davies, Cargo iQ

providers, and Road Feeder Services (RFS), incorporating the small- to medium-sized (SME) community. Cargo iQ is a not-for-profit quality standards group, supported by IATA, working to create and implement specifications to enhance the customer service experience of the global air cargo industry.

Members work together to develop a system of shipment planning and performance monitoring for air cargo based on common business processes and milestones. This Quality Management System (QMS) aims to drive continuous improvement in member operations and forms the cornerstone of Cargo iQ’s work. As part of that system, the Cargo iQ Master Operating Plan (MOP), which has been endorsed by the International Air Transport Association (IATA), defines the standard end-to-end process of transporting air cargo. ■



Menzies Aviation signs Subscription Agreement with TAP Air Portugal and Groundforce's Insolvency Estate

Menzies Aviation agrees to buy a majority stake in Portugal's Groundforce

Agreement with TAP Air Portugal will give Menzies a 65% share of Portugal's airport ground handling services market, with operations at five airports and more than 3,000 employees

Menzies Aviation has signed an agreement with TAP Air Portugal and Groundforce's Insolvency Estate to acquire a controlling stake of 50.1% in Groundforce, the airline's loss-making and insolvent aviation services arm, in a move that will give Menzies a 65% share in Portugal's airport ground handling services market.

Menzies said the agreement was "a decisive step towards the recovery of Groundforce, reinforcing the confidence of all its stakeholders in the future of this company, and also a significant milestone in strengthening handling capacity, with an

impact on the entire national economy".

Groundforce handles over 100,000 aircraft turns each year across its operations at five of the busiest airports in Portugal: Humberto Delgado Airport (LIS) in Lisbon, Francisco Sá Carneiro Airport (OPO) in Porto, Gago Coutinho Airport (FAO) in Faro, Madeira International Airport (FNC), and Porto Santo Airport (PXO) on Porto Santo Island in Madeira. The aviation services company provides ground and air cargo services to several global airlines including TAP, its main customer.

Preferred bidder

National Aviation Services, which joined

forces with Menzies Aviation last year under the ownership of Agility, was selected as a preferred bidder for Groundforce in August 2022. For TAP, this process "is crucial for the stability and improvement of the company's operational performance, with a direct impact on TAP's activity and the satisfaction of its customers".

The executed Subscription Agreement establishes the general terms and conditions of Groundforce's Recovery Plan. Upon the granting of all necessary authorisations and consents, the Recovery Plan needs to be submitted by the Insolvency Administrators for the review discussion and approval by Groundforce's Creditors Assembly.

Philipp Joeinig, CEO, Menzies Aviation, said: "Groundforce has had a leading position in the aviation services market in Portugal for decades and we are pleased to have signed this agreement which enables us to enter the market at scale. We will work to ensure a seamless transition for all stakeholders including airline customers and employees."

Hassan El-Houry, chairman of Menzies Aviation, said: "We have strong conviction in the global aviation industry, and we are encouraged by the pace of recovery for both passenger and cargo volumes following the pandemic disruption. This transaction is further evidence of our scale and ability to enter a market in a meaningful way, as a long-term investor with a strong commitment to deliver industry leading services to airline and airport customers. We look forward to working with the Groundforce team to take advantage of the opportunities in this market."

Last August, supply chain services and airport services specialist Agility completed its £763 million (US\$925 million) acquisition of Menzies Aviation's holding company John Menzies PLC and began combining the acquired business with its National Aviation Services (NAS) business to create a leading global player in air cargo handling and aviation services. Operating as Menzies Aviation, the combined company provides air cargo services, fuel services and ground services at 251 airports in 58 countries, serving more than 4 million flights a year and handling over 2 million tonnes of cargo. ■

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