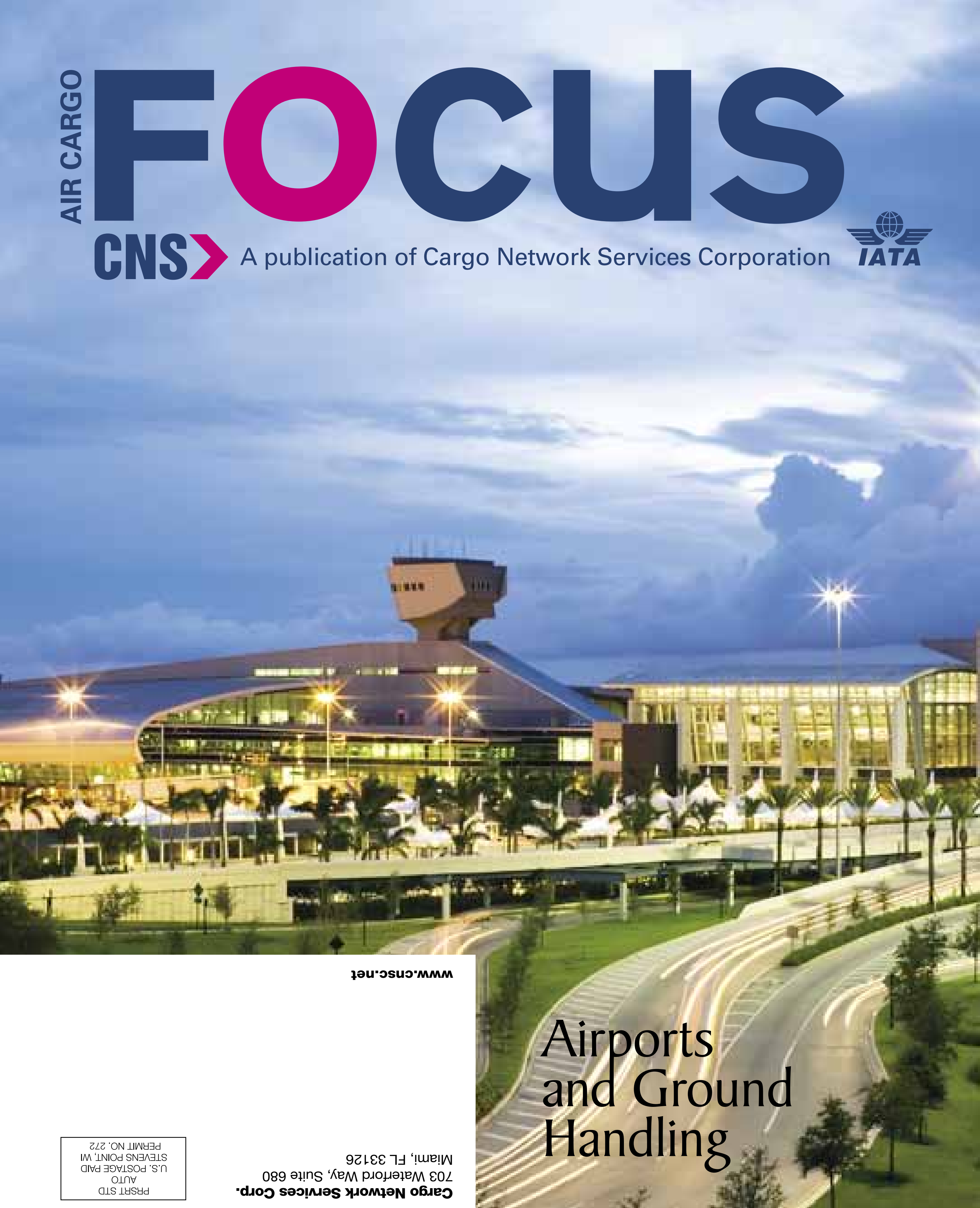

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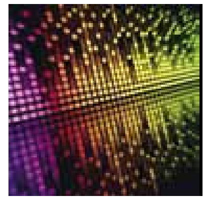


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Airports and Ground Handling

Welcome to this first 2012 edition of Focus, and a very Happy New Year to all! Rather than devote this issue to the traditional look back at the events of 2011 and trying to predict the outcome of 2012, an almost impossible job given the nature of our industry, we have decided instead to focus on one aspect of how we manage the present. This issue therefore is devoted to the world of Airports and Ground Handling. To those who may think that these are not key parts of our industry I would invite you to take a closer look. In a study conducted for Cargo 2000 in 1997 the average air cargo shipment transit time from shipper to consignee was around seven and a half days! Perhaps more astonishing was that this was virtually unchanged from a similar study conducted some thirteen years earlier.

Using standard flight times we can conclude that the average shipment spends almost a full day on the ground for every hour that it spends in the air actually flying. With airfreight's unique selling proposition being speed and quality of service, given that not all this time is spent at an airport, our Ground Handling Agents and Airports do have a real scope to help airlines and freight forwarders deliver faster and better service to our customers.

To better understand the changes happening "on the ground" we have asked two of the world's largest ground handling companies, Swissport and Worldwide Flight Services to shed some light on their often low profile part of our business. We've also asked Airport Council International, the trade association for airports, to give us their view of the air cargo industry from an airport perspective along with colleagues from airports ranging from Miami to China.

We have further insight from the largest developer of airport warehouses in the world at present and also a peek at the latest technology trends relative to airports and ground handling. I hope that you will find the articles informative but also thought provoking.

As always if you have comments and opinions on this edition of Focus or suggestions for topics to be covered in future editions we are always pleased to hear from you. You can reach me via e-mail at mvorwerk@cnsc.us.

This publication is also available online at www.cnsc.net.

Happy Reading,

Michael Vorwerk
President
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The Airport Perspective On Cargo

By: Christopher R. Bidwell, Vice President, Security and Facilitation, Airports Council International - North America

While airport operators have been challenged by erosion of passenger volumes, airport budgets have also been impacted by losses in freighter activity (and subsequent landing fees). In fact, cargo levels began their descent well before September 2001, with the grounding of Emery Worldwide and cutbacks by numerous other cargo carriers due to the larger economic slowdown.

With the recent economic slowdown in 2008, several airports have had to delay planned cargo-expansion projects. At this point, five new cargo facilities are planned for completion by 2016, and a total of 11 airports have new facilities in their long-range plans.

It is the airlines' responsibility to provide for the security of and screen cargo to be transported on board passenger aircraft in compliance with the Implementing Recommendations of the 9/11 Commission Act of 2007 (9/11 Act) mandates. Still, Airports Council International-North America (ACI-NA), in support of its member airports' interest in the viability of cargo, continues to be fully engaged in working with both the Transportation Security Administration (TSA) and Congress to minimize the potential impacts associated with the mandates.

In 2003, the Department of Homeland Security (DHS) constituted three working groups under the TSA Aviation Security Advisory Committee (ASAC) to formulate security enhancements for cargo transported by Indirect Air Carriers (IACs), all-cargo and passenger airlines. Recognizing the increasing Congressional pressure and focus on cargo security, ACI-NA, along with other industry associations, participated in the working groups and helped to identify 43 recommendations to strengthen cargo security. TSA incorporated most of the recommended measures into its Air Cargo Security Notice of Proposed Rulemaking.

With the focus on meeting multiple statutory deadlines, TSA did not issue its Air Cargo Security Final Rule until mid-2006. Unfortunately, with this delay and TSA's ongoing development of a Freight Assessment System (FAS) to target elevated-risk cargo for enhanced screening, Congress determined that it was necessary to draft legislation mandating the screening of cargo on passenger aircraft. Out of concern that a near-term cargo-screening mandate would strain limited facility space and potentially disrupt airport operations, ACI-NA, in coordination with other aviation associations, worked with Congress to identify reasonable implementation timelines.

With enactment of the 9/11 Act, passenger airlines were required to implement 50% screening of cargo within 18 months and 100% within three years. As a progressive step toward the 50% deadline, TSA mandated that passenger airlines screen 100% of cargo on narrow-body aircraft beginning in October 2008.

In August of 2010, in accordance with the 9/11 Act mandate, the aviation industry met the deadline for screening 100% of cargo on passenger aircraft departing an airport in the US. Central to meeting the deadline was TSA's Certified Cargo Screening Program (CCSP), a voluntary program that allows participants to screen cargo.

In developing CCSP, TSA worked closely with airline and airport associations, including ACI-NA, recognizing that each airport is uniquely different. For example:

- Some airports are land-rich while others are critically constrained;
- Cargo facilities may be used by a single or multiple tenants;
- Some facilities have dedicated cargo roadways leading to a single concentrated cargo area;

continued on page 8 ›

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continued from page 6

- Others have cargo operations spread all over the airport and roadways with both cargo trucks and passenger vehicles;
- Some airport operators develop and directly lease cargo facilities to cargo carriers;
- Others lease the land to the cargo carriers to develop their own facilities; and
- Still others lease land to third-party developers who lease and manage the facilities.

TSA, therefore, further recognized that screening cargo upon arrival at individual airports was not feasible. So, the program was designed in such a way to allow qualified participants to screen cargo further up the supply chain.

Program participants range from shippers to freight forwarders and Certified Cargo Screening Facilities or CCSFs, which screen cargo from smaller shippers or forwarders that do not participate in CCSP. Notably, the first CCSF to receive approval to screen cargo, Mercury Air Cargo, is located at Los Angeles International Airport.

During a 2010 Congressional hearing to assess progress in meeting the air-cargo screening deadline, TSA executives testified that cargo on international passenger flights inbound to the US would not be 100% screened until the latter part of 2013. The challenge is significant in that approximately three billion pounds of cargo arrive in the US each year on passenger flights from around 95 different countries. Therefore, TSA has been working with individual countries to strengthen cargo-security standards.

Cargo to be transported on international wide-body aircraft typically arrives at airports as consolidated shipments – with multiple smaller shipments from different shippers – loaded in containers or unit load devices (ULDs) or banded to skids. In the absence of technology to efficiently and effectively screen large shipments, the requirement to break down this type of cargo for piece-level screening, as stipulated in the 9/11 Act, is very time consuming, manpower intensive, and costly.

Since the disruption last October of the terrorist plot to blow up all-cargo aircraft with explosives hidden in toner cartridges in cargo shipments destined for the US, TSA has been working with passenger and all-cargo airlines to further enhance cargo security. Through the issuance of a proposed change to passenger-airline security programs, TSA intended to move the deadline for screening 100% of inbound international cargo on passenger planes destined for the US up by two years to December 2011.

Previously, however, TSA had required airlines to increase the screening percentage of inbound international cargo. In addition, many airlines, in preparation for an eventual increase in the screening percentage, purchased cargo-screening equipment and initiated programs to voluntarily screen more cargo.

After the toner-cartridge bomb plot, DHS established joint government and industry working groups charged with providing Secretary Napolitano recommendations to enhance the security of cargo to be loaded on flights to the US. To represent airports' interest in cargo, ACI-NA participated in three of the four working groups and co-chaired the technology working group. The collaborative process proved to be very effective and resulted in risk-based recommendations – many of which have since been or are in the process of being implemented – for leveraging available data on cargo shipments to focus screening resources and technology on those about which the least is known.

The next needed step was a response to the working-group recommendations coupled with recognition of the challenges associated with a requirement for airlines to implement 100% screening of cargo on passenger aircraft destined for the US, Accordingly, TSA and Customs and Border Protection (CBP) together launched the risk-based Air Cargo Advanced Screening (ACAS) pilot program to utilize data to target and identify elevated-risk cargo shipments for additional screening.

All this amounts to a strategic, risk-based approach that allows working closely with international partners to share, assess, and operationalize the latest available intelligence information. This approach will best position government and industry to collectively address the global-aviation security challenge in a way that ensures the appropriate level of security while streamlining the process for cargo now and into the future.

Airports have worked with their airline partners to help address space needs and have made many changes to accommodate evolving air-cargo security requirements. Through participation in industry air cargo-security working groups, airports have advocated for risk-based measures that ensure the appropriate level of air-cargo security while preserving the efficiencies that are so critical to the system. As a key contributor to the economics of airports and to the US economy, airports recognize the need for and continue to work to preserve the smooth flow of cargo.

Outlook for Cargo Ground Handlers in 2012

By: John A. Batten, Executive Vice President, Swissport

By the time you read this, we will have a cloudy indication of just how successful 2011 and the 2012 take-off has been for our industry. The only certainty we have these days is that the airline industry and, consequently, the air-cargo industry are riddled with uncertainty.

Take the IATA forecast for 2011 as an example. It started out full of optimism, predicting an industry profit of $8.6 billion in March. In June, the estimate was slashed to $4 billion. By then we had seen the earthquake in Japan and oil prices moving north once again. The lack of a decimal place in the June estimate highlighted that even getting the billions number accurate was too big a challenge. The year closed with a final estimate for 2011 of $6.9 billion. We will not know the accuracy of that number for some months yet.

The 2012 estimate had already been marked down in December of 2011 from $4.9 billion to $3.5 billion. So is there anything for air-cargo handlers to be optimistic about this year?

Well, both narrow- and wide-body passenger-aircraft deliveries continue to happen, and both narrow- and wide-body freighters continue to be added to the order book. There is always the odd blip such as we saw in December 2011 when Cathay Pacific pushed back two B747-8Fs by a year. They will, however, still take four airframes this year.

But 2011, in fact, saw some of the biggest aircraft orders of all time, albeit driven by the passenger side of the business. Two big orders stick in my mind. Air Asia was first to order 200 aircraft from Airbus, and at the end of the year, Southwest broke the 200 mark with a 208-aircraft order from Boeing. Interestingly, both of these carriers operate at some of the best margins in the business, and they both have an air-cargo product. Maybe others can learn from that.

We should also not forget the continuing growth of the Middle East carriers and the lower-deck air-cargo capacity they bring to the market. Capacity is one thing, but profit is another. So we should remain cautious, but growth is a good thing and usually prospers in the end.

So what else will affect us for better or for worse in 2012?

Cargo 2000 is in the midst of a serious makeover. I hear many groans . . . and I have shared those groans with my colleagues in the industry on occasion. I share their frustration with the speed of the project, so a makeover is a must. We as an industry have to make it better, but not by sitting back and heckling from the sidelines.

The year will see the Master Operating Plan launched in a much more clearly understood format. Cargo 2000 will no longer be a secret language for only those in the know. I am sure this will lead to even more organizations joining the initiative. For those already in it, it will remove many of the ambiguities that exist today.

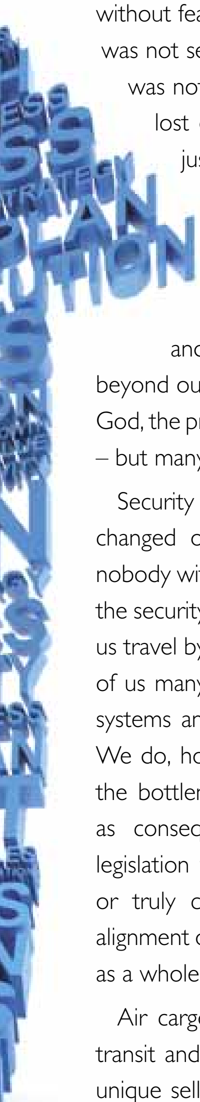
Engagement between stakeholders is better than it has ever been. The most innovative of us are now engaging with all the stakeholders that influence our operations, not just those we have a direct commercial relationship with. It is extremely encouraging to see the many good examples of airports facilitating that engagement. Schiphol Airport in the Netherlands stands out as one that really engages with all the stakeholders and provides forums for interaction. It is successful as a consequence and so are its users.

At an industry level, we are also gaining traction with new, motivated, and experienced leadership at IATA. TIACA and CNS membership is growing, and CAGAG is really beginning to move things forward. There is still work to do, but progress nevertheless.

One area that really can only grow through engagement is e-freight. As with Cargo 2000, we must first understand that this is an industry initiative, not an IATA initiative. IATA can only facilitate the implementation. We, as stakeholders, have to make it happen. We really must push for "first-time-right" data entry that forms the beginning of the process. Only with that can we pass shipments right along the logistics chain without error, delay, or failure and at the same time cut costs.

All the technology is already in place, and I,

personally, get very frustrated at our inability as an industry to get messaging between the stakeholders "airtight" in terms of punctuality and accuracy. I can log in to my online banking account at any time of the day, in any time zone, and move money around, pay suppliers, add in new recipients and cancel old ones – all based on secure and accurate communication without fear of it all going wrong. Nobody ever tells me that a message was not sent, that it was not accurate, that it was not delivered, or that my money was lost or went to the wrong place. It all just works. E-freight can and should be the same.



So there are just a few glimmers of hope for a successful 2012, but threats and challenges still remain. Many lie beyond our control – political unrest, acts of God, the price of oil, and economic meltdown – but many remain within our control.

Security is one area that can, and has, changed our industry over night. There is nobody within the industry who doesn't value the security regimes we have in place. Most of us travel by air at least once a year, and some of us many times a month. So we value the systems and processes that keep us all safe. We do, however, also see the downsides of the bottlenecks, restricted flows, and delays as consequences of both processes and legislation that are not refined, harmonized, or truly cohesive. We should make this alignment one of the priorities for the industry as a whole in 2012.

Air cargo will always be about expedited transit and delivery. Speed forms one of the unique selling points that we all offer (either directly or indirectly) to our customers. It is, therefore, in the interests of us all to foresee any threats to our business and act collectively to offer solutions and innovations to the legislators. The process of consultation has started, but there is a ways to go to ensure our cargo products meet the transit times we need to ensure the sustainability of our business.

So, I maintain a positive outlook. Nobody should fear that air cargo does not have a future. We just have to manage the blips and troughs. They will never go away. Our challenge as an industry is to continue to innovate and not get caught up in internal industry fights, to have a vision in mind and not give up until we get there. That will make the troughs as shallow and as short lived as possible.

We can complain all we like about hard times and lament the way things used to be, but, really, our destiny is in our own hands.

Addressing the Issues of Ground Handlers

By: Karen Avestruz, Director, Cargo Security & Compliance, Worldwide Flight Services

The ground-handling community in the US provides aviation services to air carriers as a primary business. Yet the handler exists in a largely unregulated "middle-ground" between the regulated air carriers and the regulated indirect air carrier.

In this piece, Karen Avestruz, Director of Cargo Security and Compliance for Worldwide Flight Services (WFS), discusses how ground-handling companies can be better supported to improve the overall cargo-handling product – specifically in the areas of air-cargo security and cargo screening.

The market position of the ground handler as a representative of the air carrier has become a valuable and integral component of the air-transportation system. WFS, one of the world's leading cargo-handling companies, is expected – in fact, contracted – to perform as per the standard of performance outlined in the parameters of the Standard Ground Handling Agreement (SGHA). In addition to meeting customer service-related performance measures, WFS has the responsibility of fully meeting the requirements of governmental regulatory bodies, specifically, the Transportation Security Administration's (TSA).

Over the last few years, WFS and representatives from other major US ground-handling companies, as well as airline service providers, have worked together to discuss issues that affect our handling community – and possible solutions to our shared challenges. The National Air Transportation Association (NATA) Airline Services Council (ASC) is a US industry group formed to provide member companies a voice within the public-policy arena. This committee gives ground handlers a forum to openly discuss the issues that impact our viability and profitability. Through our quarterly meetings, we have been able to identify some of the more burdensome issues faced by WFS and other companies in the ground-handling sector.

Our wish list for 2012, in no particular order, is as follows:

SSI Availability and Standard Distribution

As the representative of the air carrier under the SGHA, WFS is required to carry out security responsibilities as provided by the carrier. In the current SGHA/air-carrier organizational structure, the carrier receives updates and changes to their Security Program directly from the TSA. The information is interpreted by the carrier and then communicated to the ground handler as sensitive security information (SSI). The ground handler is tasked with communicating the SSI changes and implementation instructions in a timely and efficient manner to the front-line staff and those with a "need to know."

What may seem like a simple process becomes quite complex for the ground handler when attempting to manage multiple interpretations of the same security directive. In facilities where we handle more than one air carrier, WFS will often receive instructions (and associated forms) on the updated security information from each individual carrier – each one containing a nuance that may be specific only to that carrier.

There are instances when WFS receives the updated information from one carrier and not from the others until some time later. This puts WFS in the position of either applying the first carrier's directive across the board for all carriers being handled – or having to manage who provided the update, who did not, and where to apply the directive. Occasionally, WFS will receive no update from the air carrier at all.

WFS would like to see a method of communicating security program changes directly to the ground handler – not to discount the specific interpretation of the carriers, but to give the handler a chance to read and understand the change, work with carrier counterparts on consistent interpretation, and react as necessary. As the air-carrier representative, WFS is already familiar with the management of SSI, and this "one-shot" method of communicating important changes would give the handler access to the most up-to-date information, keeping both the handling company and the air carrier in regulatory compliance.

Standardized Screener Training

The Recommendations of the 9/11 Commission placed air-cargo security policies and procedures at the forefront of aviation services and handling. Now that we are one year in, we have the opportunity to examine our screening processes and make the necessary operational improvements.

WFS made the decision early on to invest in screening technologies to support our cargo operations. We have dual-view x-ray available in our larger stations and explosives-trace-detection (ETD) units deployed throughout the US for both primary- and secondary-screening use. Our own staff performs cargo screening in our medium-to-small operations, and we have contracted third-party screening companies in the higher-volume cities.

The complexity of cargo-screener training is an area ripe for improvement, from the ground handler's point of view. The current state of cargo-screener training takes many forms. Some air carriers provide a training program produced by their internal training group, some air carriers will "accept" another carrier's training, some third-party screening companies provide their own training (which may or may not be accepted by the air carriers), and some ground handlers have developed in-house training. You can see, then, that some consistency and standardization of training materials would be a benefit to the service providers.

TSA has recently released cargo-screener training for the indirect air carriers and CCSP facilities. Since WFS is an active CCSP participant, we have been able to access these materials and conducted a pilot training class in December using these courses. We have provided our comments to TSA and can report that the initial feedback on the materials was quite favorable. The content is applicable for the various security programs, and the format is easy to follow and understand.

WFS would like to see these TSA-provided cargo-screener training materials made available for a wider distribution to include the air carriers. And we would like to see the air carriers accept these training materials in lieu of developing their own courses. By providing the ready-made courses to the carrier (and ultimately to the handler), WFS will eliminate the redundancy of presenting multiple carrier-provided courses, saving training time and resources. Additionally, the training programs will be standardized – which will aid in developing consistent operational processes and quality improvements.

Information Sharing

The application of and security clearance for airport identification media (badges) is often time consuming and a frustration to the ground handler, particularly when combined with a U.S. Customs clearance. The badging requirements are based on both federal regulations and local-airport rules, and the dual requirement can lead to extensive delays in processing – sometimes in excess of 30 days. And these delays can create quite a lag between the time a staff member is hired and when that same staff member can actually begin work.

WFS would recommend that the federal- and local airport-regulatory groups share fingerprint and background information to expedite the badging process. In addition, we would like to see a central database set up, where a current validated badge holder from one airport location could request temporary access for a defined period of time in another airport – eliminating the need for and cost of multiple badges for those whose positions require travel to more than one airport.

So there are a few of our wishes.

I will point out in closing, however, that WFS knows that it is better to give than to receive. And, in the spirit of giving, we are offering our assistance to our international air-carrier customers in preparation for the TSA 100% International Inbound Screening mandate. WFS has expressed willingness to participate in pilot programs and information-gathering exercises to support this important security initiative.

Internally, WFS has formed an International Security Group, currently consisting of managers from Spain, Germany, the UK, and the US. Our extensive international presence, coupled with the knowledge we have gained through participation in the TSA CCSP, positions WFS to make a positive contribution to the overall inbound-screening effort. The WFS International Security Group plans to meet quarterly in 2012.

Improving the Airline-Airport Relationship

By: Angela Gittens, Director General, ACI World

First, let me state unequivocally that airports and airlines have more in common than not. Airports are committed to working together with our airline partners to improve the air transportation experience for all our passengers.

I look forward to working alongside the IATA Director General and CEO, Tony Tyler, to protect the ability of the air transportation industry to support the economic vitality of communities all around the globe.

To continue to foster this partnership is a high priority for my board of directors. We have collaborated well in the past on matters where we share common goals. Let me mention three.

First: safety, our enduring priority. Airports Council International (ACI) and IATA participated in ICAO's first Global Runway Safety Symposium in May 2011 in Montreal. ACI has offered to be the convener of Local Runway Safety Teams where all the players can work together at the local airport level to reduce the number of runway-related incidents and accidents worldwide. There is growing industry consensus that this is the pathway to gaining the next significant reduction in the aviation accident and fatality rate.

For our part, ACI has launched the Airport Excellence in Safety program (APEX) as a cornerstone effort. We will provide guidance and training to member airports and recruit safety partners to provide peer review and on-site advice to raise the safety profile of all airports. ICAO is a strong partner with us and we also look to IATA, with its

commendable safety leadership.

The environment is a second area where we share common goals and priorities, as demonstrated in our collaboration on the Air Transportation Action Group (ATAG). This has helped to redefine the environmental discussion at the global level. We clearly have a challenge directly facing us to gain a global, sectoral approach to climate change mitigation efforts, but ATAG has gone a long way to highlight the measurable steps that airports and airlines are taking to deliver a sustainable air transportation network.

Third, security screening and facilitation are common challenges for us. Airports and airlines share responsibility for the travel experience, and speaking out together on behalf of the customer is the right thing to do. Our forecasts indicate that we may serve 10 billion passengers worldwide by as early as 2027. Our present approach to screening will not be sustainable even with airport capacity enhancements. IATA, ACI, and other stakeholders continue to develop and advocate for a risk-based approach to the security challenge and we are gaining traction. As an industry, we must push for the kind of harmonized approach that ICAO can bring about to gain the level of security efficiency and efficacy we need.

Looking ahead, we have an emerging opportunity to collaborate on the advances that air traffic modernization technology will bring. The 'alphabet soup' of global industry stakeholders, ACI, IATA, ICAO, and the Civil Air Navigation Services Organization can help the industry deliver solutions on air traffic management for the benefit of the stakeholders as well as for our customers and communities.

We understand that airlines are responsible to both customers and shareholders, just as airlines understand that airports are responsible to the customer and the communities that we serve. Despite some conflicting views on the financial operations of airports, we have much that binds us in cooperation rather than divides us in dispute.

I look forward to continuing the conversation and the collaboration.

For more information visit www.airports.org. **Reprinted from Airlines International.*

That was Then, This is Now

The Evolution of On-Airport Cargo Facilities

By: Raymond J. Brimble, Ceo And Founder, Lynxs Group

The development of air-cargo and related facilities at airports has evolved. Twenty years ago, these were the "next big thing." Large, modern airside facilities that could handle integrated logistics, which we find at airports today, did not exist except at the largest of airports around the world. In short a span of time, most airports handling more than 25,000 metric tons of cargo needed new handling facilities, and they needed them "now." So they were built – by the millions of square feet. And they were filled to near capacity. And all was right with the world, at least for a little while.

Then came change. First, there were greater efficiencies – carriers and handlers learned to move more cargo through less space. In the mid 1990s, it was generally assumed that most airports needed 1.9 square feet of cargo space for every metric ton of cargo moved through the airport: 190,000 square feet could, for example, handle 100,000 metric tons of cargo. Today, space utilization has easily doubled through efficient cargo flow-through designs and handling technologies. So, today, even though there may be more cargo flow-through (and in many markets there is actually less cargo), less cargo-facility space may be required.

Simultaneously, carriers began better utilization of ground transport to offset the cost of air cargo. Trucking to and from many destinations became the new "air cargo." Time-definite ground transport is a wonderful product for consumers and producers alike, but not for airports because ground product does not have to move through airport facilities.

Adding to this has been a general consolidation of the air-cargo and logistics industries – from the carriers right on down to the handlers and then to the forwarders and 3PLs. The result has been a reduction in the need for on-airport space because of facilities redundancies, tenant financial failures and mergers, and utilization fewer consolidation points to the large international hubs.

And let's not forget the cargo-traffic downturns after September 11, 2001, and the Great Recession of 2008! From the perspective of the

latest downturn, many frame success as getting back to the cargo levels of 2007. But this assumes that our problems are cyclical. How many times have you heard that the air-cargo business is "cyclical" and thus will always come back to at least a level that was achieved before?

As comforting as that concept may be, the changes of the last 10 to 15 years indicate that our issues are not cyclical, but rather structural. There have been fundamental changes in global supply-chain functionality that have caused both the oversupply of facilities and shifts in the economics of owning and operating these facilities. These changes have at least as much to do with our current state of on-airport affairs as the two downturns of the last 10 years.

What comes next? Or, better still, how do we get ourselves out of this mess? We are still in mid-evolution from what existed in the 1990s and what will exist in the coming decade, so the way is not completely clear. Nevertheless, some things can be ascertained:

- There is too much cargo space on many airports – elimination of supply in some areas will be helpful. Not all existing facilities are alike. Some are green, efficient, well located, and pleasant to work in, and some resemble cow sheds. We need to get rid of the latter and develop more of the former.
- Consolidation around the large international gateways will continue. In these markets there may not be enough space
- On-airport and off-airport sites do not work as well together as they could. So we need to see them as one. Airports need to show leadership to encourage synergies. Near-airport developers need to quit playing zero-sum games in their market places.
- Airports are part of the logistics chain, not the driver of it. The locations that find ways to effectively handle cargo in the future will be the winners. Those who lack flexibility, creatively, commercial acumen, and vision for what their customers need will lose out to their competition.

The future is about having choices and about finding ever greater levels of efficiency. It is also about basic economics and customer service. It could even be about all levels of the chain finding ways to, and being allowed to, make a decent profit.

As someone once said, "The future isn't what it used to be." Perhaps this could turn out to be a good thing as business evolves to its next form and that form proves mutually advantageous for all. Hopefully, this will soon be "now."

IATA Cargo Enters Awards Market

The International Air Transport Association's (IATA's) will launch its own industry awards at the 6th World Cargo Symposium in Kuala Lumpur, March 15, 2012.

Held during the gala dinner, the six awards will be presented in the following categories: 'Energy conservation', 'Reducing the Impact on planet Earth', 'Investing in future leaders', 'Investing in developing nations', 'Partnerships for success' and 'Game changer'.

IATA global head of Cargo Des Vertannes said the awards were different from the industry norm, with participation open to any firm in the air cargo industry that has inspired others with its brilliant achievements in 2011.

IATA Resists Proposed US Security Tax Hike

The Obama administration has proposed a doubling of the US passenger security fee followed by further increases in successive years until 2017. The move is part of the administration's deficit reduction plan and is being opposed by IATA. The proposal would raise the security fee to $5 from $2.50 for all one way trips. The cost per round trip would be $10 initially but would increase $1 a year 2013-2017. IATA is opposing this tax hike. They feel it is the wrong approach. Making air travel progressively more expensive is not a sound economic strategy. Airlines and their passengers are being asked to pay for national security, although it is clearly a government responsibility.

Partnership at Work

The 6th World Cargo Symposium continues its focus on moving the industry from talk to action. The 2011 event attracted over 1,000 key decision makers from the air cargo supply chain. The 2012 event will feature plenary sessions on Security & e-Cargo with full-day tracks on Technology & Innovation, Operations, Regulations and Commercial aspects, and half-day tracks on Dangerous Goods, Time & Temperature and Customs. Attend the event, and see the progress made by the industry and what actions are being pursued, network with your peers and the industry's experts and leaders, and learn about current issues and keep abreast with industry trends

Date and Location

March 13 - March 15, 2012
Kuala Lumpur - Malaysia
Shangri - La Hotel

CargoIS: Making Decisions on Solid Fundamentals

IATA is pleased to announce the expansion of the CargoIS scope, which is providing additional value to its customers. Once confined to the Airline segment, CargoIS has expanded within the whole spectrum of this Industry to cater the needs of airports, freight forwarders, government agencies, ACMI's, and since this past November Airbus has opted for our global solution as well.

CargoIS is the only source of airfreight business information that relies solely on actual CASS transactions between airlines and freight forwarders. This exclusive feature substantiates CargoIS as opposed to other products that may be based on reported unverified data. CargoIS products provide information on more than 18 million shipments, 20 thousand agents and 300 airlines.

Today CargoIS permits drilling down through over 100 thousand different trade lanes while breaking them down in twelve weight brackets.

And in 2012 Business Objects technology will replace Hyperion's whereby several new opportunities for product development will arise. Our ultimate goal is to merge the undisputable value of our transactional data (demand) with new data sources such as capacity (supply side) as well as commodity data.

IGOM to be Released Soon

The IATA Ground Operations manual (IGOM) is due to be released in the first quarter of 2012. The IGOM project began in April 20120 and is designed to bring consistency and common standards to ground operations.

Six IGOM task force meetings and several supplementary meetings have taken place during two years of intensive work. The manual sets out to support the IATA Safety Audit for Ground Operations (ISAGO) program by setting the core instructions to be followed by ramp staff and their immediate supervisors when dealing with normal ground operations around aircraft.

IGOM is expected to be used by anyone who conducts or is involved in ground operations, whether they are airlines, ground service providers, airports or regulators. It is intended to be generic and allows for some tailoring by users. IGOM can stand on its own as a default ground operations manual, allowing essential ground operations to take place safely and efficiently. BETA implementation of IGOM has begun with Alitalia and KLM.

Cargo 2000 to offer open access to new master operation plan (MOP)

Cargo 2000 is to offer the air cargo industry open access to its standard processes in its latest initiative to improve quality management for customers and service providers across the air cargo supply chain.

In early 2012, Cargo 2000 – a key pillar of IATA's e-freight program - will launch a modernized version of its Master Operating Plan (MOP). This will include an intuitive electronic version that non-members will be able to download in order to map their own quality processes to those of Cargo 2000.

Cargo 2000's membership consists of 80 of the air cargo industry's leading organizations, including 30 airlines, 15 multi-national freight forwarding and logistics, ground handling agents, airports, road feeder services operators and technology providers. The group's members represent over 74% of the worldwide air cargo market.

The MOP defines an industry standard process for moving goods from the door of the shipper to the door of the consignee. This process sets the stage upon which Cargo 2000 members operate their shipment planning and measurement systems which pro-actively monitor progress and alert deviations to plan as well as generating the data needed to drive the quality management process.

MIAMI INTERNATIONAL AIRPORT

Moving to the Rhythm of Trade in the Americas

By: Chris Mangos, Director – Marketing Division, Miami International Airport

Miami – known so well around the world for its sunshine, beaches, great shopping, dining, and exciting night life – has in the last three years become the second leading destination in the US for international tourists. Yet right up there with Miami's prominence as a visitor and cruise Mecca is its reputation for international trade, which is tied with tourism as the area's top industry. In fact, Miami-Dade County serves as an international-business center for the western hemisphere – a vital hub for trade, commerce, and trade finance in the Americas.

Miami International Airport (MIA) is essential to Miami-Dade's trade status. MIA's air-service network, dominance in the region's stronghold markets, and overall trade infrastructure are key for bridging international business and commerce in the hemisphere. While geographic location and cultural affinity with the Latin American/Caribbean regions play pivotal roles in the emergence of MIA as a global trade outpost, the airport has evolved as the international-cargo giant through an evolution spanning six decades and growing year by year. MIA's air-trade commercial value surged to over $50 billion in 2010, a rise of over $10 billion in one year. Estimates for 2011indicate a further 22% increase in trade value.

Today, MIA is the leading airport in the Americas in international freight and the world's largest gateway to Latin America and the Caribbean, virtually controlling the north-south cargo flows in the western hemisphere. Handling 83% of all air imports and 81% of all exports from the Latin American/Caribbean region, MIA serves as the hub for distribution of perishable products, hi-tech commodities, telecommunications equipment, textiles, pharmaceuticals, and industrial machinery in a flow that encompasses every point in the Americas and across the Atlantic and Pacific to markets around the world.

Air-service development is a critical component in keeping MIA's global outreach both contemporary and competitive. Nearly 95 airlines at MIA now contribute to the year-round, two-way cargo traffic, linking MIA and the Americas with the high-growth markets in Asia, Europe, the Middle East/Gulf Region, and beyond. Among the lineup of carriers at MIA are 18 US and 37 foreign airlines offering belly-cargo service to 153 destinations. Additionally, a large presence of freighter operators includes 24 US and 19 foreign airlines with dedicated freighter service to 99 destinations around the globe.

Endeavors to expand the air-service network are ongoing, focusing on various points in the world. Work continues in Europe, particularly in eastern portions of the continent to gain more freighter service.

Flowing through the Americas via MIA are 89% of all flowers, 73% of all fruits and vegetables, and 51% of all fish air imports.

From points east of and including Germany, MIA sees greater potential for more cargo service. Asian service developed quickly and intensely for MIA, and serious marketing efforts within the Indian market are being cultivated. The final frontier for MIA's route-development map is Africa, with as many as three points being considered in sub-Saharan and southern Africa.

Despite global slowdowns, the Asia-to-Latin America connection, a new growth market, is thriving at MIA. The airport has seen Asian freighter frequencies jump from nine weekly inbound flights in early 2009 to the current 19 to 22 weekly inbounds. Four Asian carriers now operate to MIA from three powerhouse cargo hubs in Asia: Taipei, Seoul, and Hong Kong. They all cooperate with MIA's lineup of Latin American cargo airlines providing optimal connections and a growing synergy between two of the world's leading air-cargo markets – so much so that a fifth Asian cargo carrier is evaluating new service to Miami.

And MIA has a strategy for maintaining market share and growing cargo volumes – that is, maintaining the best connectivity to established and emerging markets along with top-notch facilitation of cargo to and through MIA. To a great degree, MIA is meeting its mandate.

Facilitation, however, can be the greatest challenge with MIA being the top perishables airport in the western hemisphere. Perishable products as a group are MIA's leading import commodities, and many airports vie for a piece of MIA's proverbial pie. But the reality is that moving these products quickly and easily to market – whether from tail to awaiting trucks or tail to tail to points around the globe – requires nothing short of a harmonious relationship and symphonic orchestration by dozens of player groups in the logistics chain. MIA attributes its successes in these areas to the expertise and willingness of its federal-inspection and regulatory agencies, as well as a trade community that is the most experienced in the US in areas of perishable-product imports and shipping.

With opposite growing seasons from southern to northern hemispheres, MIA provides the US, Canada, Europe, and more recently Asia with vast amounts of flowers, fruits and vegetables, fish and crustaceans during the winter months where products are not locally available in cold climates. Flowing through the Americas via MIA are 89% of all flowers, 73% of all fruits and vegetables, and 51% of all fish air imports.

Quantifying these products is staggering. Consider that on a daily basis nearly 45,000 boxes of flowers are handled at MIA. Just before the Valentine's Day and Mother's Day holidays, these numbers surge to over 125,000 boxes per day, or about 22 million rose stems per day.

Further, MIA's leading vegetable commodity, asparagus, arrived in over 14 million boxes. Several freighter aircraft arrive each day completely loaded with fish. Several thousand daily crates of cherries make their way to Asia. Several thousand weekly crates of about-to-hatch chicken eggs make their way to Eastern Europe. In return, nearly $1 billion of hi-tech goods per month make their way from Asia to markets in South America. And among these are computers, peripherals, cell phones, satellite dishes, and high-definition TVs, as well as packages of stir-fry vegetables freshly arrived from Asia.

As 2012 begins, MIA looks to see whether the prized goal of 2 million tons of cargo was achieved and cargo tonnage rose above the 89% international mark, already the highest ratio of international-to-total tonnage of any US airport. Despite varying prognoses of what the cargo industry faces in the year ahead, MIA moves forward with plans for new and expanded business ventures, completion of a new generation of cargo facilities, and enhanced facilitation for its business partners. Focus remains on global conditions and market opportunities for air cargo and, of course, where MIA's future resides within those areas. There is no doubt that MIA moves to the rhythm of trade.

Southwest Again Leads the Way with New Boeing 737 MAX

Southwest Again Leads the Way with New Boeing 737 MAX Pursuing both fuel efficiency and environmental-friendly business practices, Southwest Airlines will become, in 2017, the launch customer for Boeing's new 737 MAX aircraft. A variation on the world's best-selling airplane and using LEAP-1B engines, the 737 Max will reduce both fuel burn and CO2 emissions by 10% to 11% over current comparable aircraft. This, along with orders for 58 additional 737NG aircraft and firm orders for 350 aircraft for 2012 through 2022, will allow Southwest to further its reputation for customer service and profitability in the industry.

GACAG and Hope for Air Cargo

In a December 2 meeting with U.S. Customs & Border Patrol officials, the Global Air Cargo Advisory Group (GACAG) stood up for the air-cargo industry and provided a ray of hope. Michael Steen, Oliver Evans, other dedicated people are working to foster cooperation and understanding and to further outreach to ensure a better future for air cargo. With e-commerce a critical component of security and efficiency, industry and regulatory authorities are now looking into a risk-based approach for air-cargo screening.

New Appointments at Panalpina

In an effort to ensure tighter management with respect to growing markets, the Panalpina group, a freight forwarder, has appointed two new regional chief executive officers (RCEOs) and is searching for a third. Marco Gadola will be RCEO Asia Pacific, Volker Boehringer RCEO Europe/Middle East, and the search is underway for RCEO Americas. Growth targets for 2014 demand a different way of managing markets – shifting the decision-making power from corporate headquarters nearer to where customers actually do business.

Weakening Global Economy Affects Air Cargo

With no sign since October of the usual seasonal upswing in shipment volumes, it's now apparent that the general weakening of the global economy is affecting the air-cargo market. Notwithstanding the expected leveling off following a strong post-recession rebound, AWBs, FTKs, and other volume measures have fallen below last year's levels, specifically, a 10% decline from October 2010 to October 2011. As business confidence declines and shippers see weaker economic conditions coming up, the cargo market is growing noticeably smaller.

Boom in Pharma Provides Gleam of Hope for Airfreight

With an expected annual growth rate of 7.6% and a projected value jump of $63 billion by the end of 2015, pharmaceutical logistics is increasing opportunities for freighter operators. According to Dan Gagnon, European Healthcare Logistics Director for UPS, most airlines are looking at these opportunities with heightened interest and seeking solutions that are economical while still providing the same levels of expected service. To this end, UPS has invested in five new pharmaceuticals facilities and purchased Pieffe Group in Italy, and Lufthansa Cargo has opened a cold-cargo facility in Frankfurt.

Continental Makes History with Biofuel Flight

On November 7, Continental Airlines, a subsidiary of United Airlines, made the very first US commercial flight powered by biofuel – flight 1403, utilizing a mix of algae-derived biofuel and standard jet fuel, from Houston to Chicago. United Airlines Chief Operations Officer Pete McDonald called this flight a "significant step forward" in moving toward jet fuels that are both cost-efficient and eco-friendly, and Air Transport Association of America Vice President and Chief Economist John Heimlich hailed it as a "notable feat." In addition, United has entered into an agreement with San Francisco-based Solazyme to begin purchasing algae-derived biofuel, possibly as early as 2014.

Delta Cargo First to Enable GPS for Air Shippers Across Global Network

Delta Air Lines has recently announced an exclusive marketing agreement with OnAsset Intelligence, a leading provider of machine-to-machine (M2M) wireless asset tracking solutions, enabling Delta Cargo customers to view GPS location information on deltacargo.com. The agreement offers exclusive features and enables a seamless user experience for tracking and tracing cargo in transit on a customized web page. The service will be available for all cargo shipments across the Delta and Delta Connection fleet, which operates more than 5,000 daily flights to more than 340 destinations, 61 countries and six continents. Delta is the first airline to receive FAA approval for the GPS device on all Mainline and Connection flights, which allow shippers critical visibility of sensitive shipments in remote and rural locations.

EDIFly – Finally, Low-Cost Internet Data Exchange for Airlines

By: Henrik Ambak, VP, Head of Ground Services & Commercial IT, Cargolux Airlines International S.A.

"To people like us, EDIFly came at just the right time as the next good tool to help reduce cost as part of the never-ending struggle to keep reducing unit cost in line with relentless market pressures."

Services, communications, and systems over the past decades have been transformed beyond recognition by the advent of the Internet. But the everyday tasks of automated messaging between airlines, ground handlers, and forwarders – especially with respect to exchanging flight, manifest, and shipment data – have remained almost stubbornly unchanged with legacy networks and Cargo Community Systems (CCS).

And the volumes are massive, too. For example, for a mid-sized carrier like Cargolux, the total comes to just short of 11 million EDI messages per year.

The standards for such messaging have been around for decades and are well embedded with the business players, perhaps too well embedded. The difficulty in using advances in low-cost Internet communication lies in the fact that many industry players would first have to implement costly and coordinated changes to their existing systems. EDIFly, however, neatly solves this problem.

Using EDIFly allows involved parties to avoid costly changes by staying with existing in-house systems. Another advantage is that adopters can continue to make use of the Cargo-IMP messaging standard while enjoying the very low total communications cost offered by the Internet.

Implementing EDIfly turned out to be an unusual IT story involving a case of real "plug n' play." The EDIFly server was simply put in front of the messaging system and, as it supports the IATA 7-digit addressing system, started working and sending messages right away. Our testing started mid-2011 together with LUG in Frankfurt, a handling partner with the foresight to see the opportunities. And having had an excellent testing phase, we actually moved quickly from testing to production and have stayed there ever since.

Today's harsh business climate is another sound reason to implement this low-cost messaging system. Entering 2012, we are, therefore, now pushing EDIFly as the "mandatory" solution for all messaging with our handling partners around the world.

Using EDIFly allows involved parties to avoid costly changes by staying with existing in-house systems.

With our freight-forwarder clients, it will likely take a bit longer to get EDIFly into the more complex technical interactions and trade relations. Some 20-25 years ago CCSs came around to create a message-switching and conversion service. The conversion service has been important because the forwarders' systems, unlike those of the handlers, did not recognize the airline Cargo-IMP message standard.

Further, where the handling-agent interaction is straight message switching, we on the forwarder side have further functionality like CDMPs to facilitate shipment route-maps for Cargo2000. But here as well lower-cost suppliers will prevail in the end. The forwarders and their clients continue to seek ever better prices from airlines, which in turn forces airlines to reduce costs where possible.

Just as water tends to seek the lowest route, so will messages take the cheapest. In today's world of free Google and ubiquitous smartphones and tablets, who is really likely to pay for an encyclopedia?

Air Cargo Advanced Screening Seeks Data-Driven Approach to Secure Air Cargo Supply Chain

By: Perry Flint, Assistant Director, Corporate Communications, IATA

The failed October 2010 printer cartridge bomb plot is resulting in sweeping changes to how air cargo security is managed and the introduction of new programs and requirements in order to better secure the cargo supply chain. Expected near term regulatory activity includes changes to both the physical methods by which cargo is screened and the introduction of the collection of electronic cargo information for targeting.

The challenge for industry and regulators is to ensure that these regulatory approaches don't create inefficiencies in the supply chain nor introduce duplicative measures. In addition, it is becoming increasingly clear that all supply chain participants will be touched by these changes. From shippers to forwarders to truck drivers to aircraft operators, new sets of regulation lie on the near horizon.

One area seeing increased activity from the International Civil Aviation Organization (ICAO), the European Commission, and the United States is the collection of electronic cargo manifest and goods information. Several states are seeking to receive a minimum of seven data elements per shipment. In a global supply chain where the percentage of available electronic data on each air waybill can be measured in the single digits, that poses a real challenge. It will be necessary to put in place new data transmission standards and reach agreement on where that data should be collected and entered into these systems.

The need for all of this data will be advanced targeting systems that states will employ to help identify high risk shipments or those of interest to regulators. While several states have programs on the

"Inter-operability will be a key component of successful data systems…"

drawing board or operating to limited standards, the US is taking the lead by piloting one such system for air cargo.

Among those in an advanced stage of testing is Air Cargo Advance Screening (ACAS), a program launched by the US Customs and Border Protection (CBP) and the US Transportation Security Administration (TSA). Industry stakeholders including the International Air Transport Association (IATA) are working closely with these agencies, according to IATA Global Director of Security and Travel Facilitation Kenneth Dunlap.

The new project's origins actually date back to mid-2009, when TSA and CBP began collaborating on how to utilize CBP's Automated Targeting System (ATS) to support TSA's mission to secure cargo inbound to the US. (ATS was originally intended for pre-departure cargo screening on passenger flights only). Following the discovery of the cartridge printer bomb plot, these efforts were accelerated into what today is called ACAS, targeting inbound shipments to the US in the pre-departure phase.

At present, TSA and CBP are conducting voluntary pilot programs to collect data, refine targeting procedures and establish appropriate processes in order to test the quality of pre-departure advanced information, threshold targeting and TSA response procedures. Participants include integrated express companies, combination carriers and freight forwarders, and all-cargo carriers. Under ACAS, CBP identifies a set of cargo data to be voluntarily transmitted by the air carrier within given timelines. This information is then sent to the National Targeting Center where it is analyzed. The results of this vetting are then transmitted to the air carrier for any necessary follow up action.

Launched in the beginning of 2011, the CBP pilot initially focused on express carrier operations, with both FEDEX and UPS as foundational partners. Today both domestic and foreign carriers participate and in the spirit of industry collaboration the freight forwarding community has agreed to sign up as well. However, at the start of 2012 ACAS is at a crossroad. Greater participation by all segments of the supply chain is needed and IATA is encouraging airlines with the available resources to join the ACAS pilot, to get industry experience on the front lines of what has the potential to be a game changing system.

If ACAS signifies a transition in air cargo security from a program-oriented approach to a risk-based, data-driven approach, that will be highly beneficial for the industry. It will also go a long way toward fulfilling several of the mandates of the 9.11 Act. It may also become a model for other regulators looking at developing a targeting system.

However, there is also the potential risk that a duplicative layer of security is enforced if it is not coordinated with other cargo security programs. That worries IATA and the Global Air Cargo Advisory Group (GACAG). A standalone targeting system not tightly integrated with other measures is a misuse of limited resources. "There is not a single standalone answer. There is an answer that involves securing the supply chain upstream through a system of global standards that screens packages at the most appropriate point in the supply chain, with the most appropriate technology," Dunlap said. IATA is working with member airlines, freight forwarders, and countries to develop new security measures that work in a coordinated fashion.

"Inter-operability will be a key component of successful data systems, said Airlines for America Director of Cargo Services Elizabeth Shaver. "Within a single country, we need a centralized system that allows all supply chain participants to contribute data which is then accessed by all regulatory authorities. Across borders, mutual recognition between countries is critical. Today, the whole supply chain faces inefficient redundancies by submitting data multiple times in different formats to the regulatory authorities. Ideally, export data for the departure country would serve as import data for the arrival country."

IATA is engaged with both CBP and TSA to build a system based on a pragmatic approach that embraces supply chain security, cargo data, and advanced screening technology. "We are encouraged that the CBP is putting this experience to use and we believe there is more to be learned on both sides before any new laws are written," Dunlap summed up.

Airport Development in China – The Aviation-Logistics Challenge

BY: Dr Jonathan Beard, GHK Consulting: Global Head Ports, Airports & Logistics; Managing Director (GHK Hong Kong Ltd)

The Growth Challenge

China's airports handled an eye-popping 11.29 million tons of air cargo in 2010, representing a 19.4% growth over the previous year. Despite the fallout from the global financial crisis and a worldwide contraction of international airfreight, China's airports have seen through put increase at a generally healthy clip over the past five years. This increase has been buoyed by strong domestic demand enjoying a compound annual growth rate (CAGR) of 12.3% from 2005-2010. (Figure 1)

The evolution of the PRC's (People's Republic of China) transportation and logistics sectors has been marked by some hugely impressive infrastructure development – impressive both in terms of scale and the speed with which new capacity has come on stream. However, while China's container-terminal development has generally linked both scale with quality, aviation logistics has proved more challenging. Development of the "soft infrastructure" has often lagged well behind that of the "hard infrastructure."

In addition, poor master-planning at some key airports has hampered efficiency, most notably at Shanghai Pudong – barely 10 years old, but already suffering from fragmented aviation logistics-facility development. In part, this reflects the challenge of accommodating rapid and substantial increases in throughput. Even Hong Kong, one the world's largest and best airports, has suffered from instances of poor master-planning and poor use of its scarce land assets.

Focus on the Coastal Regions, but Growth Finally Moving Inland

The geography of China's economic development has seen investment and growth focusing on the coastal region – originally South China, centered on

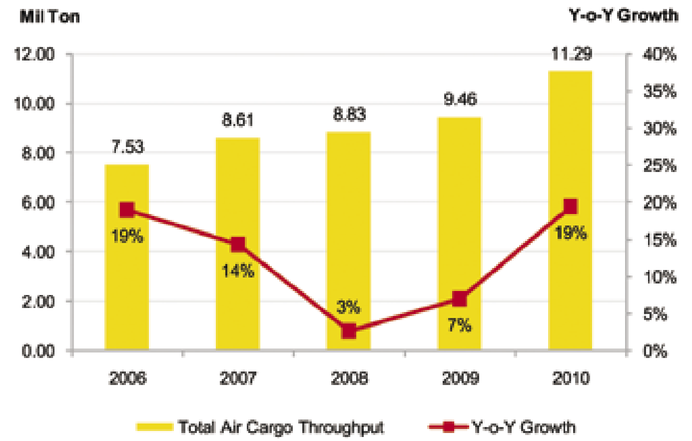


Figure 1: China Airports Cargo Throughput, 2006-2010
Source: CARNOC

Hong Kong, but then spreading to Shanghai and the Yangtze River Delta (YRD) Region and then to the Bohai Rim centred on Beijing and Tianjin. Not surprisingly, the vast majority of air cargo is handled through the airports in the coastal or East Region. Although the number of active airports in the East Region accounts for only 11% of the national total (Table 1), these airports handle nearly 80% of Mainland China's total air-cargo throughput. This dominance will continue, but substantial economic activity is finally migrating and taking root in the inner regions – in major conurbations such as Chengdu and Chongqing, which have exploited lower production costs as parts of Guangdong and the YRD mature.

Region	No of Airports	Share
National Total	**175**	**100%**
Of which		
East Region	19	11%
Northeast Region	46	26%
West Region	85	49%
Middle Region	25	14%

Table 1: Mainland Airports, 2010
Source: GHK

At the end of 2005, the Mainland boasted 142 airports for civil aviation. The eleventh five-year plan (FYP) envisioned a total of 190 by the end of 2010. However, the global recession and a cooling of demand deferred a number of proposed developments. Actual development reached 175 airports, of which 172 offered scheduled services.

The twelfth FYP (2010-15) for China's Civil Aviation Industry sees a continued focus on three key regional groups of international aviation-logistics hubs:

- Bohai Rim – main hubs: Beijing and Tianjin; minor[1]: Dalian, Qingdao, Jinan, Shijiazhuang
- YRD – main hub: Shanghai; minor: Hangzhou, Nanjing
- PRD – main hub: Guangzhou; minor: Shenzhen
- Others – Shenyang, Xiamen, Zhengzhou, Wuhan, Chengdu, Chongqing, Kunming, Xi'an, and Urumqi airports – slated for development into cargo hubs

Growth in airfreight is projected at CAGR to be 9.8% from 2010-15. (Table 2) Infrastructure development will also continue at a heady pace into 2015: 71 airports have expansion/new-construction plans or re-development projects; 14 airports have relocation plans; and 28 "new" airports are at the stage of pre-feasibility/feasibility assessments.

	Passenger (Mil / %)	Freight (Mil / %)	Airports (No. of / %)
Actual			
2005	138	3.07	142
2010	268	5.63	175
Planning			
2015	450	9.00	230
Actual Growth			
CAGR 2005-2010	14.2%	12.9%	4.3%
Planned Growth			
CAGR 2010-2015	10.9%	9.8%	5.6%

Table 2: Development plan (from the 12th FYP) towards 2015
Note: *Passenger and freight volume are those carried by Mainland China airlines, not throughput at the airports.*
Source: 11FYP, 12FYP for China's Civil Aviation Industry

Commercial Focus and Need to Compete

The vast majority of China's airports lose money. Traditionally, there has been no charging mechanism for airports in China to recoup development costs. The commercial freedom of PRC airports has been severely constrained by the Civil Aviation Administration of China (CAAC). Charges are not "cost-plus" nor "asset-return," as recommended by the International Civil Aviation Organisation.

However, as land and the costs of development increase, China's airport developers and managers increasingly have to focus not only on scale and speed of development, but also on investment returns. And in some instances, they have to focus on the need to compete with other PRC and international airports

While several of China's major cargo airports enjoy relatively uncontested operation in the hinterlands – for both domestic and import/export (I/E) cargo – several do face competitive pressures. Guangzhou Baiyun International Airport probably has the greatest challenge as most of its hinterland I/E (i.e., Guangdong) is contested. Competition comes from Shenzhen and, more important, from Hong Kong – the dominant hub and gateway in the region. (Figure 1) The vast majority of Guangdong's international cargo moves using multi-modal transhipment via Hong Kong.

In making routing and airport decisions, total through costs – "point to point" – are the key issue. These include a number of components, some readily revealed through market prices, such as airfreight rates and airport-handling charges (what GHK terms "tangible" costs). Others are more "intangible," for example, flight frequency, number of destinations, customs efficiency, security, etc. The benchmark airports, such as Hong Kong and the Korean hub of Incheon, tend to enjoy considerable intangible advantages – especially in terms of flight connectivity and customs efficiency. Even if Guangzhou were to drastically cut airport costs (i.e., those costs over which it has some control), this would not be enough to overturn the other advantages that Hong Kong has built up over time.

Similarly, in the Northeast, where Beijing enjoys a free run at the Bohai I/E cargo base, it is surprising to note how much of this cargo leaks out via Incheon – an airport that has aggressively sought to expand its hinterland business via both air-to-air and multi-modal transhipment. Over the next 5-10 years, the challenge for China's airports will be to match the scale of development with quality of master-planning and, for air cargo in particular, to implement the necessary improvements in soft infrastructure and close the gap on intangible costs. Will the next generation of airports, such as Beijing's proposed new mega facility, rise to the challenge?

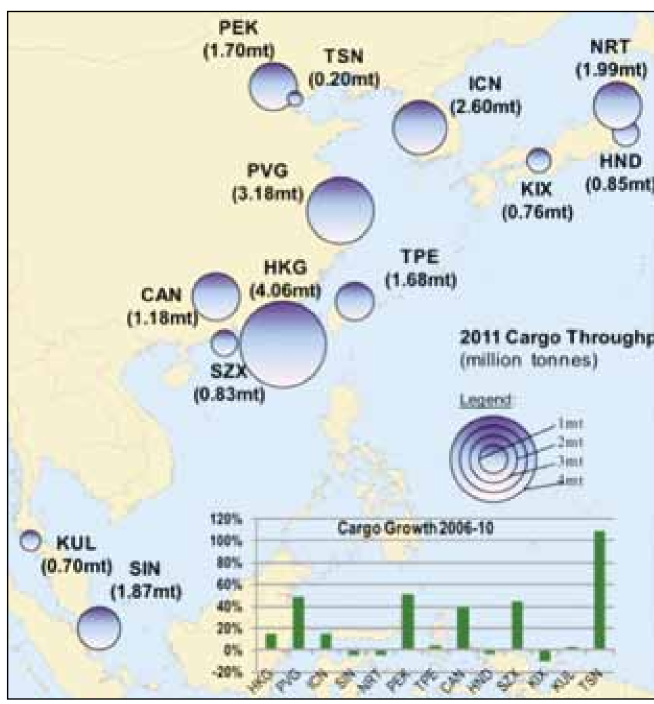


Figure 1: Asia Air Cargo Hubs – Strong Market Growth, But Also Increased Competition
Source: ACI; GHK

[1]Also important and as mainline airport (not feeder airport), but minor compared to regional hub/gateway.

Connecting the World

Andrew Walsh Remarks on the Future of Dubai Airports

Andrew Walsh is the Vice President of Cargo and Logistics Operations for Dubai Airports.

What is your perspective on the current developments going on in Dubai Airports?

We have cargo expansion developments planned for both DWC and DXB. At DXB we will be expanding the handling capacity by approximately 0.8MT pa to bring the capacity to 3.3MT by approximately 2015 to accommodate anticipated traffic growth generated by Emirates' passenger fleet. As DWC will eventually serve as the main airport of Dubai when it is completed during the latter part of the next decade, cargo developments at DXB are largely focused on the refurbishment, upgrading and/or expansion of existing facilities. We are actively encouraging cargo airlines and the forwarder community to move to DWC.

What are your expectations for 2012?

We are still forecasting modest growth of around 4%, which will be driven primarily by additional capacity being available in Dubai. That said 2012 is likely to be another challenging year for the logistics industry.

Would you consider yourself ahead of the game in regards to airport infrastructure, if so how?

Given our goal is to provide timely, cost-effective capacity we believe we are more or less on track. We are close to capacity at DXB (2.19MT handled versus capacity of 2.5MT) and DWC is close to 50% capacity utilized. However, as mentioned earlier, DXB capacity will be boosted over the next few years and DWC capacity can be expanded from the current 250,000 tons per year to 600,000 tons with some automation. Our planning focuses on modular designs that enable us to expand relatively quickly so that we can deliver capacity slightly ahead of demand.

What are you doing to attract and contribute to air cargo growth?

Our hub carrier Emirates is growing fast and will continue to grow cargo capacity. There has always been the effect of attracting feeder services as EK has grown and we see this continuing as will Dubai's role as a regional distribution center Our new airport, DWC, was specifically designed to be a multimodal platform and we have seen that in the first 18 months the growth of business at this airport is occurring to take advantage of this platform, and this proposition remains very attractive to the industry.

What differentiates this airport from others?

Regionally Dubai International is the biggest airport, even globally we are ranked at 8th for all cargo and 4th for international cargo. EK offers a very efficient hub and a large global network. The combination of EKs efficiency and the airport operation ensures we are competing globally. One fundamental difference in Dubai is the proactive and pro aviation government that recognizes some 28% of GDP is derived from aviation and therefore supports our continued development.

Is the downturn in air cargo hitting Dubai and if so, what measures are you taking to cope with it?

2011 cargo volumes were more or less flat compared to 2010. We saw a slight reduction in DXB compared with 2010, but that reduction was replaced by activities at DWC. We will continue to stimulate business through offering the added value of the multimodal airport at DWC and attractive proposals for airlines and forwarders to move to this new airport.

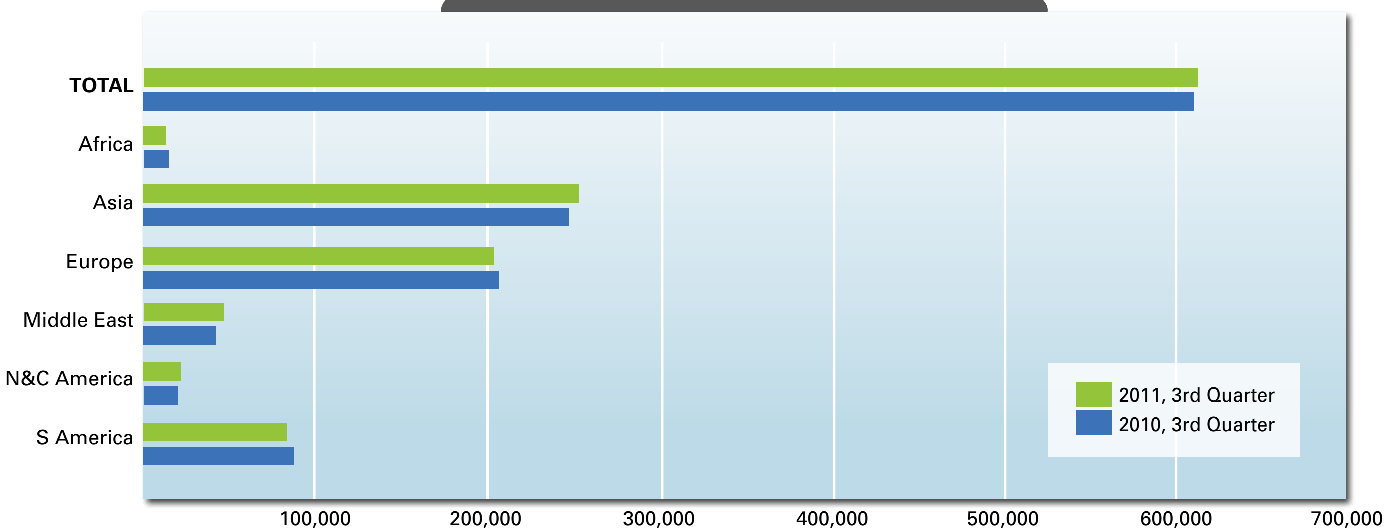
CASS-USA Market Monitor

CASS-USA Market Monitor appears in every issue of CNS Air Cargo FOCUS. It is designed to provide an overview of the results of the most recent quarter and highlights both the year-to-date activity and monthly review of traffic originating from the USA as processed by CASS-USA. More detailed reports are available to CASS-USA Participating Carriers and CNS Endorsed Agents. Contact Michael Ludovici at Cargo Network Services at (786) 413-1000 or mludovici@cnsc.us for more information.

2011 Weight in Tons		2010 Weight in Tons		2011/2010	
Region	3rd Quarter	Region	3rd Quarter	Region	3rd Quarter
Africa	14,058	Africa	15,076	Africa	-6.8%
Asia	253,401	Asia	243,401	Asia	4.1%
Europe	201,777	Europe	207,976	Europe	-3.0%
Middle East	43,393	Middle East	40,969	Middle East	5.9%
N & C America	21,232	N & C America	19,273	N & C America	10.2%
S America	80,679	S America	87,826	S America	-8.1%
Total	**614,540**	**Total**	**614,522**	**Total**	**0.0%**

2011 Shipment Count		2010 Shipment Count		2011/2010	
Region	3rd Quarter	Region	3rd Quarter	Region	3rd Quarter
Africa	27,117	Africa	28,597	Africa	-5.2%
Asia	280,566	Asia	257,513	Asia	9.0%
Europe	231,164	Europe	237,272	Europe	-2.6%
Middle East	53,446	Middle East	52,487	Middle East	1.8%
N & C America	29,228	N & C America	30,688	N & C America	-4.8%
S America	77,835	S America	75,364	S America	3.3%
Total	**699,356**	**Total**	**681,921**	**Total**	**2.6%**

WEIGHT IN TONS



September

During the month of September, total US export revenue increased +0.5%, decelerated from +17.6% and +2.5% the prior two months. Total U.S. export tonnage decreased 6.0% y/y in September, inflecting negative from +10.8% in August and further decelerated from -3.7% in June. Yields improved 7.0%, accelerated in August from 6.1% and 6.4% the prior two months. For the quarter, revenue and yields increased 6.6% and 6.5% y/y respectively, while tonnage was essentially flat. Export tonnage to Asia (representing 40.2% of volumes) decreased 2.0%, decelerated from +16% in August and -0.7% in July. Export tonnage to Europe (representing 33% of volumes) decreased 11.9%, inflecting negative from +10.7% in August and worse than -6.2% in July. In September, revenue and volumes declined 9.3% and 10.9% and on a sequential basis, while yields increased 1.7%. Revenue and tonnage declined sequentially for the quarter by 2.6% and 3.5%, while yields decelerated slightly to +1.0%. Overall, September slowed after a particularly strong August, resulting in an overall soft third quarter. Looking forward, we expect continued softness, but not a meltdown in trends through the rest of the year.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you can rely on.