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AIR CARGO FOCUS



4	President's Corner
6	Editor's Note
8	Lowering Airfreight Costs
11	Customer Care and Loss Prevention – Working Side by Side – IATA Cargo Claims and Loss Prevention Conference
12	Orchestrating a Cargo Symphony - Infrastructure and Services at Miami International Airport
22	From the Top – An Interview with José Abreu
24	Shrinking the Regulatory Haystack – CBP Centers for Expertise and Excellence
27	IATA Update
28	Targeting Solutions
30	Boeing World Air Cargo Forecast 2012-2013

Cargo Solutions

Welcome to our first 2013 edition of Focus, and a very happy prosperous and successful New Year to you all!



In our last issue we devoted most of our space to reviewing the state of the industry and early predictions for 2013. As a respite from gloomy forecasts and political brinksmanship over fiscal cliff-jumping and debt ceilings, we've decided in this issue to whisk you away to sunnier climes of Latin America where the business prospects seem to be a little brighter if not warmer.

We hear about the effect of bilateral agreements in Latin America and from Miami International Airport, the number one gateway to Latin America for air freight, just a stone's throw away from the CNS offices. We therefore dispatched our intrepid reporter across a very busy highway to get the lowdown from the Airport Authority on business in general and specifically about their plans for air cargo during 2013.

Our theme this month is Cargo Solutions, so we took the opportunity to sit down with the folks from Boeing Freighters, firstly to hear how

they see the future unfolding and secondly to discover what they are developing to help us make the most of those opportunities. Meanwhile, Brandon Fried of the Air Forwarders Association gives us a 2013 insight on the industry from the Forwarder perspective.

Finally a reminder of a major industry priority and target for 2013. I am seeking your full support in helping us achieve a substantial increase in e-AWB adoption from US gateways now that the CBP has opened all airports to this capability! Please kindly make this your own company priority for 2013.

I hope that you will find the articles interesting and informative as well as providing a little sunshine to those reading in less hospitable climates than Miami!

Sincerely,

A handwritten signature in black ink, appearing to read 'Des Vertannes', with a long horizontal line extending to the right.

Des Vertannes
Interim President
CNSC

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 us via e-mail at remmern@cncs.us.

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Perspective

Focus on 2013 and Beyond



Hello and thank you for the opportunity to work with the CNS team on your Winter 12/13 Edition. Boeing predicted world air cargo traffic will more than double over the next 20 years, and I too remain bullish on this amazing industry, even in today's challenging times.

For this introduction I have unorthodoxly incorporated the ideas of some positive thinking people including Warren E. Buffett of Berkshire Hathaway, Frederick W. Smith of FedEx

and Abraham Lincoln, the 16th President of the United States.

Cargo's constant change in both strategy and service is intrinsically tied to the economy; so it is here that I would like to touch on the big picture.

Warren Buffett says, "Always invest for the long term." On the start of any given year Mr. Buffett could easily give twenty reasons to be pessimistic, but he never does. Because Mr. Buffett believes our economy is a machine that has only one direction... forward! Now couple this philosophy to Tony Tyler's statement given at this year's ALTA Forum, "Aviation is an industry of great promise. It is a catalyst for growth and development." One can deduce that both gentlemen are addressing different sides of the same coin.

At this year's Economic Club of Washington event, Fred Smith spoke with David Rubenstein of the Carlyle Group. He stated, "It's the people that invent, innovate and invest that are the job creators." Of course he is right. In 1978, Mr. Smith's corporation invested heavily and pioneered the first automated customer service center, which provided real-time package tracking for both the company and more importantly the customer. This was a huge investment for a single corporation to make. It also exemplifies the kind of risk/reward cargo solutions that shape today's logistics.

This industry still has ground to make up for 2012's performance. The good news is, you have the right people in place with the skills to make this complex industry grow.

The airfreight business is ultimately consumer driven, and those markets place a dollar value on time. Perishables are a prime example. It is your industry that delivers these commodities in optimum condition with the longest possible shelf life. Fresher is Better! This is the message that must be capitalized on.

In the following pages we take the time to talk with people that believe in building relationships, innovating and investing. Abraham Lincoln said it best, "A house divided against itself cannot stand." This eternal truth is not limited to America, but covers the entire world, and cargo is global.

I hope you find these topics of Air Cargo Focus relevant and constructive. I can assure you that the opportunity afforded me to work with the CNS team is both an honor and a privilege.

Thank you IATA and CNS Members.

Robert Christensen



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The Evolution of the Bilateral Agreements in Latin America and its Effect on Air Cargo

Robert Christensen

Why do the agreements need to evolve even more, when there have been significant changes over the past twenty-five years? The answer is, Bilateral Agreements need to be more flexible in order to be make the cargo operations in Latin America and the Caribbean more cost efficient.

What provisions do a bilateral system control? It addresses traffic rights, designation, ownership and control, tariffs, and many other clauses addressing competition policy, safety and security. The result is international aviation that is regulated by a complex web of over 3,000 interlocking bilateral air services agreements. This type of trade arrangement does not exist in any other sector.

The US and China, unlike Latin America and the Caribbean are regions made of many countries, including Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

Their economic importance cannot be overlooked. The 2000s commodities boom caused positive effects for many Latin American economies. Another trend is the rapidly increasing importance of trade with China.

Chile and Colombia signed an FTA with Canada, and along with Peru, Colombia and Mexico are the only four Latin American nations that have an FTA with the United States, the latter being a member of the North American Free Trade Agreement (NAFTA).

History of a System

During the final stages of World War II, 54 countries came together

to discuss the future of international aviation. The conference resulted in the signing of the 1944 Convention on International Civil Aviation, and established the rules under which international aviation operates to this day. It also established the International Civil Aviation Organization (ICAO), the United Nations organization responsible for fostering the planning and development of international air transport.

The original treaty was a simple idea. It determined that no scheduled international air service may be operated over or into the territory of a contracting state without its express permission.

But in the aftermath of war, nations struggled to rebuild their economies, and given these circumstances it is easier to understand why protectionist provisions were also incorporated into these arrangements.

Enter Freedoms of the Air

Over the following years, ICAO developed a series of traffic rights, known as Freedoms of the Air. These freedoms continue to form the basis of rights exchanged in air services negotiations today.

For example a US carrier until recently could not fly between the United States and Sao Paulo, Brazil, with cargo, then uplift cargo from Brazil to Colombia, and then on that same trip, pick up cargo from Colombia which is a very large market and fly it to the United States, without violating one of the provisions of the Freedoms of the Air. The Brazil-Colombia sector would not be permitted under the Brazil-US and US-Columbia agreements unless it was specifically negotiated. It took three countries to accept the new agreements,

the United States, Brazil and Colombia, in order to allow cargo to flow uninterrupted using these routes, now this is a good example flow uninterrupted using these routes. This is a good example of a positive change that has occurred, but only after many years of work was this situation resolved.

As recently as fifteen years ago the Colombian government was reluctant to allow US carriers to fly to Brazil with cargo and then ferry to Bogotá to uplift cargo destined to the US. The argument was that it was not really an intermediate point permitted under the US-Colombia bilateral agreement because they did not consider it as a matter of interpretation that points south of Colombia as intermediate. In this case the US position prevailed and clarifications were subsequently inserted in the bilateral agreement. When these restrictions were lifted the cargo rates in these markets dropped and service became more efficient. The carriers were better able to utilize the capacity inside the aircraft, permitting the airline to operate in a more efficient way. There are still restrictions in place with the aviation authorities. The airlines are working together with their respective Civil Aviation authorities to modify these agreements.

Brazil is one of the most restrictive markets. Now that LAN merged with TAM, this will enable the Brazilian authorities to be more flexible, by letting the agreements evolve to reflect the realities of world commerce.

As far as the world is concerned each country's policies has to be taken individually; some are more restrictive than others. For example, a Chinese carrier may be restricted from flying into Brazil, picking up cargo, and continuing to the United States. It would not be in the Brazilian Aviation Authority's best interest to allow this without some form of reciprocity. Where are the reciprocities for the Brazilian carriers? The key is each country needs to be more open with it's agreements to operate in more Latin America markets.

Alternatives

Some airlines have worked around these restrictions; one example is the LATAM Airlines Group, which operates a series of cargo airlines registered in various countries. LATAM uses this flexibility in order to cover and combine various cargo markets in the most efficient manner. In the US the LATAM Group has an exclusive agreement with Florida West International Airways, a registered US carrier. The US has one of the most broad and flexible bilateral agreements in place. LATAM can thus schedule Florida West as required to cover markets and capacity needs that LATAM cannot fill with TAM, LAN, Lanco, LAN Peru, LAN Ecuador, or any of the other airlines that are part of their organization.

The future will see more powerful airlines using their size to have more efficiency in every aspect of the business from buying airplanes,

buying fuel, maintaining the aircraft, operating and marketing the whole gamut of route development. LAN talks about those synergies during merger negotiations. Fleet size itself positions the carrier to reap huge savings on maintenance contracting, insurance or reinsurance negotiations, fuel purchases and parts and aircraft purchases. Using larger metrics is always a good negotiating factor, so mergers take place even if other things need to be kept separate because of laws and Bilateral Agreements.

Governments must continually negotiate new treaties to allow international aviation to grow and to expand their carriers' access to new and emerging markets.

LATAM is a holding company that owns and operates multiple airlines, with each airline maintaining its own operating certificate.

LAN is based in Chile, which has the most liberal Open Skies Agreements in Latin America. LAN's achievement's are remarkable for many reasons; its countries size, its geographical location, and the fact that it has taken advantage of the service gaps and filled a vacuum in the Latin American market.

The LATAM merger is a venture between LAN, TAM and their subsidiary companies. There was no transfer of money; instead a new company called LATAM Airlines Group was created. Then all the shares of LAN and TAM were bought by LATAM, and LATAM bought these shares by issuing its own new shares. Questions remain as to whether this business model will work in Asia or Europe. Will the branding of this type of arrangement be consolidated instead of staying atomized? Time will tell as laws and regulations need to evolve in order for this to happen.

The customer really does not care whose name is on the aircraft that flies its cargo. The customer wants a competitive rate, its cargo to arrive undamaged, departing as agreed it would be flown and released at the designated destination on time.

For any carrier to expand there needs to be a reason for it to be in that new market. Rates and load factors, costs and yields, risk and reward, selling a seamless service or building stronger relationships, these factors are what are analyzed and the results are why a decision is made.

DHL, Panalpina, CEVA Logistics and other major freight forwarders consolidate their cargo under a master airway bill issued by the carrier and they use their internal house bill to track individual customer shipments. It is then up to the airline carrier to track that master airway bill

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and be responsible for it at all times. What lags in technology is the electronic clearance, which varies in efficiency from country to country throughout Latin America and the Caribbean. There are still changes needed in Customs facilities needed to keep up with the speed and flow of today's cargo.

This is where the airlines, through IATA or ICAO, have the ability to lobby each country to build and embrace an international protocol for clearance facilities using a world standard.

The forwarders play an important role and provide an important service that the airlines cannot provide. The forwarders receive the freight, weighing it, deal with export documents, design the palletization of the cargo, designate the types of routes (ocean, land or air), and then the forwarder will advise its customer as to the best way to move its cargo. Forwarders will provide options on time and costs to its customer.

The US government has specific rules on how to clear each type of cargo going through its ports of entry. The airline needs to provide information on the cargo it's carrying at least one hour before wheels up. New software is constantly coming forth to facilitate freight forwarders. Some airlines have looked to embrace the storage and cold storage facilities, the cargo handlers and other parts of the chain

in order to improve their yield. If yields go down you have got to be more efficient. Their efforts are another form of looking at an existing system with an eye towards price and competition.

In recent years, groups of countries have come together to negotiate air services agreements. These are known as plurilateral agreements, however the majority of international air services are still traded bilaterally.

Governments must continually negotiate new treaties to allow international aviation to grow and to expand their carriers' access to new and emerging markets. These changes are necessary in order to have the most efficient shipping costs, which are especially important in low cost products such as flowers and other perishables.

In the meantime, we are working within the bilateral system to liberalize air services arrangements and progressively remove restrictions on routes, capacity and airline ownership. The bilateral system has its weaknesses, but it can also be flexible and allow rapid change where parties agree. Despite its limitations, the bilateral system has allowed international aviation to grow into the vibrant industry we have today.

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Customer Care and Loss Prevention – Working Side by Side

IATA Cargo Claims and Loss Prevention Conference

United Cargo recently hosted the 8th IATA Cargo Claims and Loss Prevention (CCLP) Conference. Approximately 100 delegates from airlines, freight forwarders, law firms, shippers, insurance companies, recovery agents, ground service providers and security services providers participated in the event.

Robbie Anderson, President of United Cargo, Vice President of United Airlines, member of IATA Cargo Committee, presented United's cargo claims and loss prevention initiatives and pointed out that this does not receive the attention it deserves. Anderson stressed that this function has a major impact on the most important factor of the business success: customer service. He warned that organizations that do not give the needed attention to such functions miss an opportunity to upgrade service in a way that customers will recognize and respond to. This is crucial in maintaining the competitiveness of the air transport industry against other modes of transportation.

Liao Zhi Yong, Manager, Cargo Business Process & Standards, IATA, presented the "IATA Cargo Claims Scorecard and Cargo e-Claims Portal". Liao stated that the IATA Cargo Claims Scorecard objectives are to; define average industry benchmarks, monitor and measure industry progress, and define the industry vision. IATA is driving the industry towards 100% e-freight. However, the majority of today's cargo claims are still being handled by traditional paper process, which negates the benefits gained by e-freight and in turn negatively affects customer satisfaction. Liao believes that with the support and commitment from the CCLP delegates the awareness and profile of such a critical function could be raised.

Michael Gill, Senior Legal Counsel, IATA, presented the "MC99 Ratification Campaign". He summarized the benefits of MC99, on the cargo side, for example, the unbreakable limits of SDR19 per kg provides certainty for carriers as well as results in potentially lower insurance burdens, simplified claims handling and less litigation; moreover, MC99 permits the use of modern documentation which facilitates the implementation of IATA e-freight and e-AWB. Gill provided an update on the current MC99 ratification status stating that only 103 state parties accounting for 54% of ICAO Contracting States have ratified MC99, and several key states with high cargo growth including Bangladesh, Indonesia, Vietnam, and Russia remain outside MC99. Gill noted that universal ratification of MC99 is IATA's ultimate goal.

Frédéric Léger, Head of Cargo Business Process & Standards, IATA, presented the "e-AWB and the Warsaw Routes" stating that some airlines would never require freight forwarders to produce paper AWBs and when the paper AWBs are required on the Warsaw trade-lanes, airlines would print and sign the AWBs on behalf of the freight forwarders. This option would improve service by ensuring a single process for the freight forwarders. Léger highlighted potential impacts of e-AWB on cargo

claims: delays could be caused by improper use of e-AWB, also claims could be reduced with e-AWB, as discrepancies scribbled by hand on paper AWB would be eliminated and the electronic information would clarify who's responsible for what.

Auguste Hocking, Legal Analyst, IATA, presented and clarified the following fundamental difference between "Cargo Agent" and "Freight Forwarder". A "Cargo Agent" sells air cargo transportation on behalf of an airline. A "Freight Forwarder" purchases air cargo transportation from an airline and sells transport service to shippers on its own behalf. Hocking added that CNS also recognizes the dual nature of a cargo agent and freight forwarder.

Customer Care and Loss Prevention has a major impact on the most important factor of the business success: Customer Service.

The "Judges' Corner" and "Experts' Panel" sessions offered interactive discussions between delegates and some well-known aviation liability lawyers and experienced airline claims managers on legal and cargo claims cases submitted by the delegates.

Some typical topics in the cargo claims and loss prevention area were also well maintained in this year's program, such as; Ground Handling of Cargo, Liability in Intermodal Transportation and Special Cargo.

Other relevant topics and important industry issues added to the program included: Claims Handling from Freight Forwarders' Perspective, Facing up to Facebook, and Common Defense Arguments and Strategies in Claims Handling – a Lawyer's Perspective.

Doug Brittin, Division Director, Air Cargo, Office of Security Policy and Industry Engagement (OSPIE) from Transportation Security Administration (TSA), presented "The Impact of Enhanced Cargo Security Requirements on Cargo Claims" with the focus on clarification of responsibilities among the air cargo supply chain parties such as shippers, freight forwarders, and carriers who are subject to respective cargo security requirements.

The Conference was concluded by the session "Loss Prevention and Claims Handling – A Case Study" consisting of panelists representing a typical air cargo supply chain identifying the critical points of controls contributing to loss prevention.

For more details on the upcoming Conference please contact Liao, Zhi Yong at liaozy@iata.org.

Orchestrating a Cargo Symphony - Infrastructure and Services at Miami International Airport

Robert Christensen



Photo courtesy of Miami-Dade Aviation Department.

MIA is ranked tenth in international freight among world airports and ranks first in international freight among US airports.

Interestingly, MIA's high-tech export cargo is 20 times the value per ton as compared to the value per ton of the perishable import cargo. As a result MIA's cargo airlines have developed a unique route structure, where in addition to their daily round-trip services they also fly freighter aircraft to South America carrying high-value high-tech products to countries with strong demand, (for example Brazil) and then return to Miami via countries such as Chile, Peru or Colombia carrying high-volumes of perishable cargo. This type of service enables large numbers of 40 to 80 ton capacity freighter aircraft to provide daily services between Miami and South America. The larger 100-140 ton capacity freighters are used on specific routes or at specific times of the year. Those daily services generate their own demand, because the large freight-forwarders in Europe and Asia can consolidate all of their Latin American cargo to MIA knowing that their cargo will leave MIA for its destination the same day it arrives. During 2011 more than 40% of MIA's international cargo was in transit from one country to another, and this is expected to increase to 50% by the year 2015.

Miami International Airport (IATA: MIA, ICAO: KMIA, FAA LID: MIA), is operated by the Miami-Dade Aviation Department and is the property of Miami-Dade County government. The airport, historically Wilcox Field, opened to flights in 1928 as Pan American Field, the operating base of Pan American Airways Corporation. In 1945, the City of Miami established a Port Authority and raised bond revenue to purchase the airport, which had been renamed 36th Street Airport, from Pan Am. In 1959, the old terminal on 36th Street was closed when the modern passenger terminal (since greatly

expanded) opened and the airport was renamed Miami International Airport (MIA).

MIA Top Commodity Groupings*

Exports	Tons	Dollars
Computers/Peripherals	43,796	\$4,899,472,100
Telecommunications Equipment	38,074	\$4,787,028,087
Industrial Machinery/Parts	33,878	\$2,101,839,657
Metals and Metal Products	25,994	\$314,552,716
Vehicle Parts/Tires	24,404	\$599,611,896

Imports	Tons	Dollars
Flowers	186,255	\$807,703,054
Fish/Crustaceans	119,536	\$859,560,195
Vegetables & Roots	96,686	\$179,407,967
Fruits & Juices	29,579	\$85,339,670
Grains & Raw	19,425	\$174,133,677

MIA Trade with All Regions for 2011

Total	Tons	Total Dollars
South America	760,182	\$31,879,525,960
Central America	114,153	\$8,123,325,404
Europe	62,051	\$12,800,251,167
The Caribbean	41,741	\$2,535,215,779
Asia	29,923	\$4,827,333,875

*International cargo clearing customs at MIA, not including in-transit cargo.

Cargo Solutions - Feature Interviews



Chris Mangos

Ernesto Rodriguez

Peter Reaveley

The Focus team had the opportunity to with meet Chris Mangos, Ernesto Rodriguez and Peter Reaveley. Our conversation explores the deep verticals involved in airport cargo and route development.

Chris Mangos is the Marketing Division Director for the Miami-Dade Aviation Department. His past work experience includes nine years at the Massachusetts Port Authority at Boston Logan International Airport.

Ernesto Rodriguez is Marketing and Air Services Development Manager for MIA. Included in his duties are cargo marketing, air service and route development.

Peter Reaveley is the former MIA Manager of International Development, a historian and a mainstay in Miami's commercial aviation community.

The World Revolves Around Fundamentals

Focus: Good afternoon gentlemen. Would you please define the role cargo traffic has at Miami International Airport?

Chris: I think the seriousness and attention MIA has paid to the cargo industry over the years is what we've done best.

We realize that Miami is an airport and as a very large community also serves as a trading post for the Western hemisphere. Many things have come into play to make this happen; the first is Miami's geographic location.

As we travel back in time we can chart the growth and presence of Latin America in this community. Ultimately all Greater Miami, Latin American and Caribbean communities share a cultural and business affinity.

From forty thousand feet, cargo is international trade. Looking from a local perspective it created Miami's second largest industry, something that has taken five decades to grow and evolve.

Focus: There is major construction taking place in and around the airport. Is this another part of MIA's infrastructure plans?

Chris: Yes. Everything has its capacity. Our Airport Director José Abreu, served as the Secretary of Transportation for the State of Florida before assuming his position here at MIA. I personally think he

looks at roads before he looks at runways, and that was fine because we needed someone to look at other airport components as well. He said, "What good is a good airport if you cannot get to it?"

One of Director Abreu's priorities has been improving ground traffic flow into and out of MIA. Roads on the passenger side of the airport have been modernized and expanded. The flows of traffic coming into the airport have been completely revamped to add capacity. On the west side of the airport Director Abreu has been instrumental in the funding of the expansion of 25th Street; this road feeds the airport's west-side cargo area into the Doral warehouse district. Some of the construction you see is the final phase of a new elevated truck bridge viaduct, which will feed traffic into and over the 826 expressways and into the cargo distribution warehouses. These roadway access infrastructure improvements are critical to the trucking industry, preventing hundreds of millions of dollars of losses due to possible airport traffic gridlock.

All of these capital improvement programs have been a natural progression derived from the Comprehensive Airport Master Plan Study, which started in the late 1980's to the early 1990's. These studies also showed that one of our biggest weaknesses was the fact that airport runway capacity was going to be constrained. This led to the creation of MIA's fourth runway and that led to terminal expansion and the evolution of the North Terminal, after American Airlines bought Eastern Air Lines routes. Next came the evolution of the South Terminal and improvements of the mid-field area. So it has been both the expansion and preparation for the future working its way from the middle of the airfield to the outer roadways. The Master Plan's final components are being constructed now and that is the landside portion of the passenger and cargo areas of the airport for future growth.

Focus: The cargo industry is important to MIA. How does this industry affect local business?

Chris: It is a job creator and supports the many industries that are the gears of international trade. You can start anywhere; freight forwarders, customs brokers, cargo handlers, the trucking industry, and so many more leading right to steps of the international banks on Brickell Avenue that are the financing arm of trade.

So although cargo represents about 20% of the revenues for the airport, it certainly has an incredible effect on employment for the entire community. Locally the overall economic impact cargo generated by all aviation activities is about \$28 billion dollars a year, and this figure is being updated. In addition you have the value of goods flown into and out of this airport as cargo in 2011, which was about \$61 billion dollars.

MIA has history. The aircraft which land here have evolved over the years, stage two and stage three aircraft have emerged, leaving one to ask about the relevance of the older aircraft.

Are they disappearing? The answer at MIA is no. Quite the contrary, the cargo aircraft conversion market has evolved at MIA and taken on new life, complementing the new Airbus and Boeing cargo aircraft entering the market.

Focus: How important are the ancillary facilities to an airport and what role do they serve to the cargo industry?

Ernesto: The MIA aircraft engine-servicing and maintenance facilities have steadily grown; MROs work closely with FAA inspectors to obtain vital necessary aircraft certification. MROs have always had a major role for cargo aircraft maintenance. From the beginning MRO's serviced the DC-10 and MD-11 family. In the next five years I see equipment changes for the B757, B767 and even the B737 for shorter-range markets. As their desirability for passenger use declines they become better candidates for passenger-to-freighter conversion (PTF). These cargo freighter conversions are done at our Certified I4 CFR Part 145 Repair Stations including AAR, Miami Tech and Commercial Jet. Aeronautical Engineers (AEI) has formally launched a PTF conversion for the Boeing MD-81, 82, 83 and 88.

Another key component for attracting Latin American and Asian cargo airlines to MIA is the airline training facilities located in and around MIA. These centers include Airbus Training Center, Atlas Air, Boeing Flight Services and Pan Am International Flight Academy. These facilities fill a global demand for pilots and crews certificated and qualified through their flight and simulator-training centers with FAA and EASA rated instructors.

Expansion Through Global Opportunities

Focus: What are MIA's key cargo markets?

Chris: The number one import commodity is perishables. One good example is flowers, which are a high volume, low value cargo. Transporting 45,000 boxes of flowers has become a daily staple of the business conducted at MIA. Of course the flower industry has peak seasons such as Mothers Day and Valentines Day when the normally 45,000 boxes surges to 130,000 boxes per day in time to meet the floral orders.

Time sensitive cargo issues that the flower industry faces include federal inspections, special handling and more. This creates challenges for the additional 747's which will arrive daily filled with perishables on "just in time" schedules. MIA works diligently to meet inventory for the American consumer. Flowers are a specialized commodity; starting with the aircraft having unit load devices (ULD) with compatible handling and restraint systems. Behind the scenes, the synchronization of this enormous amount of lift is enormous.

The airlines which transport this cargo exists in an extremely

competitive market and are subject to the same fuel costs and regulations needed to transport less time-sensitive cargo. The airport that services this cargo needs to have the facilitation to handle flowers getting on and off hot airfields and into to cool warehouses, or to enlist the trucking industry to transport it directly to a destination.

Focus: What are the key infrastructures most important to MIA as it pertains to the cargo industry?

Ernesto: It is very challenging. In my view there are two types of infrastructure needed for all cargo. The first originates at the points of departure and landing. It involves the construction and maintenance of the brick and mortar physical facilities, which provides roads, bridges and warehouses needed to complete the cargo's successful journey.

The second type is the trade infrastructure. We work with the trade community on a day-to-day basis, which reinforces the need to communicate with all parties involved.

It means on any given day we may be working with the customs-brokers or freight-forwarder companies or organizations on services beyond traditional capabilities. MIA serves approximately 400 custom brokers, 1,000 freight-forwarders and up to 1,200 shippers.

MIA's cargo industry is very specialized, working with commodities, perishables, flowers, seafood, fruits and vegetables, banking and financing institutions - the list grows with each new market entering America. Competition abounds and each different consulate wants to know how MIA can help them promote their exports from the point of origin, whether it is Colombia, Brazil or any country on earth. So we take the time to listen, demonstrate MIA's trade infrastructure, and work to build lasting relationships.

Every mechanism needed is important to move this economic engine forward; that is why the trucking industry is as vital to us as the airline component of the MIA infrastructure.

Since this industry is commodity-driven it is equally important to work with the different federal agencies, including US Customs (CBP), TSA, FDA and the USDA, which encompasses more than vegetables and plants. The USDA's role grew substantially during the Great Depression to include multiple aspects of farming including equines.

I recently spoke to one veterinarian who informed me that Miami is now number one in moving horses in the Americas, it was New York; it is now Miami. We average close to sixty horses a month; we have taken the lead away from JFK.

So it is all those commodity-driven, highly specialized products that define what we are about, when talking infrastructure in our trade community and airport.

Evolving Through Innovation

Focus: I had the good fortune to attend Lufthansa's A380 inaugural flight to Miami. As the press van drove around the facility, I noted one specially marked container surrounded by armed guards offloading its cargo to an armored truck. One reporter informed me that the container was full of certificates, bonds and cash from Germany on its way to various financial institutions. My question to you is how is this type of specialized cargo handled?

Ernesto: We work with the cargo handling companies, business communities and federal agencies. Remember the freight container on that Lufthansa flight is first designated as an international commodity. It takes a specialized joint team effort between individual entities to handle currency, different from the team working with perishables or high tech goods.

Chris: One of the things to realize is that with the approximately 38 cargo airlines that operate here, it is not cost-efficient to set aside a warehouse facility for each one of them, nor is it necessary to do so. This is why MIA's six cargo-handling companies play an important role in the airport infrastructure. Basically we license cargo-handling companies through the aviation department. It is their function to act

as holders of large blocks of cargo handling space within our facilities. Because it is more economically feasible to hire a cargo handler to run your operation, the handlers will manage the cargo for multiple airlines.

Each commodity dictates the necessary specialization each handler must develop for its airlines. Perishables are not all the same. Perishable is a category, which includes vegetables, flowers, seafood, pharmaceuticals and more. Each commodity will have individual handling instructions and could include offloading, treatment, special tracking and fumigation. All of those arenas needed to be balanced off; it is a matter of the entire industry, starting at the top with the federal inspection agencies working with the airlines, the cargo handling companies and so on.

MIA's growth and route extensions during this last decade require the airport to ask more from our federal agencies. We need a good team in terms of dealing with the different types of commodities coming into our airport. The situations that occur could range in the form of an outbreak of pests, mishandling or mislabeling of product. Our federal agencies have been good responders.

I once saw a huge shipment, coming from Asia, of high technology goods, and in the midst of this shipment of tech products coming off this airplane were bags of fresh mixed vegetables for stir-frying,

I am A Thousand Ways



Orna Plachinski
Supervisor Cargo Dangerous Goods and Quality Control

Sometimes tailor-made is just not tailor-made enough. Sometimes a very fast solution is needed very fast indeed. Sometimes the only possibility is someone who will make it possible. Sometimes it is good to remember that **We care for your cargo.**

Picture the customs agent watching the line... computer- computer-computer- computer- vegetable stir-fry... "Hold everything!" Now this may be a fun example but it is relevant, because each commodity is handled differently. Processing really has come down to a science.

We have been successful as an airport and as a trade community because we did something that perhaps no other US airport has done. We formed a 'Perishables Working Group' and through that group we established perishable workshops that are conducted in the market. If product coming into the airport becomes cumbersome or problematic, we help by taking appropriate measures and meet with the interested parties. Basically we as an airport, accompanied sometimes by airlines or federal agencies, or with associations from perishables or trade communities will work with a national chamber of commerce or a governmental agency in a growth market in Latin America, where together, we will help assemble the components for a perishables workshop.

Logistics is the Message

Focus: So it is an education. The people involved are from the different groups including; federal agencies, forwarders and shippers voicing their concerns to improve the flow of cargo from market to consumer?

Chris: Yes. For us as an airport it provides a platform to say, "We are MIA, we handle more of your product than any other airport in the world does, and we want to continue to do so." We sit down with the different groups and listen to their needs. We explain how MIA handles cargo and we introduce them to the federal representatives who govern the handling. We show where something is missing or not in compliance, and we point out where procedures need to be improved. So our meeting becomes a learning lesson. It also becomes a way to personify the airfreight process itself.

For example if I am a grower in Peru or Ecuador or any country, I could be distant from the logistic process. So after I grow the product, someone takes it and it is gone. How does it ultimately wind up in a supermarket in Nashville, Tennessee or a supermarket in Paris, France? The logistics workshops help to connect the dotted lines for people to better understand the process. And through that understanding the grower will realize that product labeling is important too, or that changing the way products are handled will have a greater potential to increase its global market share.

Focus: MIA is the largest perishable airport in the Western hemisphere. So through workshops, the grower, forwarder and shipper working together can maximize product shelf life in the perishable market?

Chris: Absolutely. Our efforts are about the improving coordination of each component through the perishables workshops. It takes people, understanding and time to reach peak performance.

Route Development

Focus: What are some of the achievements you are most proud of over the years?

Ernesto: Through a lot of hard work we have brought Asian carriers to MIA. The first carrier was China Airlines, which initially started its cargo service with us over a decade ago as a modest operation flying B747-400 freighters from Taiwan, stopping for fuel in Anchorage, before arriving in MIA. One of the things that plagued China Airlines' growth potential as an Asia-to-North American airline was the fact that China did not allow China Airlines access into Mainland China.

Focus: What changes grew your Asian routes?

Ernesto: We embarked on a 'Comprehensive Air Service Development Program' at MIA, initiated by Peter Reaveley. The program included both domestic and international and within those categories it focused separately on passenger and cargo activity. Under cargo our first quest was to see the advancement of Asian cargo airlines to this airport. We knew that Los Angeles and San Francisco were historically gateways to the United States for Asian cargo, even when the cargo was ultimately destined for Latin America and Caribbean markets. The established route five or six years ago for Asian airfreight was first fly to a West Coast airport, reload the cargo on trucks, drive to Miami, and finally fly the cargo to Latin American destinations.

Peter: If you put this in historical context, at that time global trends were indicating rapid increases in new middle class populations in countries with market-driven economies, such as those in Latin America and the Caribbean. This situation particularly favored specialized Asian goods. This phenomenon opened new markets with pent-up demand, people with discretionary incomes, demanding new communication equipment, computers, and other high-value products. At the same time new orders originating on the internet using e-commerce capabilities were increasing.

Ernesto: Through our program we had targeted markets in Asia and were able to get into Korea. The next Asian carrier to come to MIA was Korean Air Cargo through its Seoul hub.



Photo courtesy of Miami-Dade Aviation Department.

One of our big accomplishments was Cathay Pacific Airways with its Hong Kong hub. "Now we connect Hong Kong, the world's largest cargo hub, with MIA, the largest cargo hub into the Americas," this is the message we said to sell this route to the Hong Kong folks. We went out to visit Cathay on several occasions. Cathay is a fantastic airline and our experiences have been very good with them. Actually Cathay growth has now taken the lead in Asian imports for MIA and Cathay is now flying the new B747-8 freighter.

After Cathay we got Asiana Airlines based in Seoul, Korea to come in as well. We now had a combined four Asian airlines offering anywhere between 19 to 22 weekly frequencies, all with B747 freighters. Through these four Asian carriers we have seen a 251% Asian carrier tonnage increase through 2011.

We have three very strong Asian hubs because in the last couple of years, Mainland China authorized and permitted China Airlines to fly into its mainland routes as well. So in essence we now have 22 destinations in Mainland China. These destinations are accessed through the three Asian hubs located in Seoul, Taipei and Hong Kong. So even though we do not have a Mainland China airline, we see the flow of goods coming from 22 points in Mainland China making their way to Miami.

Customer Relations Services

Ernesto: The Asian airlines were, at our recommendation, basically handheld through the process. One Asian carrier representative asked me, "Why should our airline come to Miami, the furthest point away in the continental United States, what do I have to gain?" To which I replied, "It is what you are losing by not coming here. And that is the largest presence of Latin American freighter and passenger airlines in one airport. Further, we will sit down and introduce you to each airline. You will be free to talk and make any agreements with any of them." In essence all four airlines took our advice. We even had the freight forwarder community come out and speak to the Asian carriers, and that is what finally landed them.

Chris: The message was, "You are wanted here, needed here and we have business for you." So their success here has been a key component to the success of the cargo element of MIA. Plus we are looking at the possibility of Japan service, either in a freighter component or in belly cargo. We are working on the Tokyo passenger route,

which will give us a complete Asian portfolio. Our goal is to create the right mix for the flows of cargo and ultimately the passenger components to make a healthy atmosphere for the Asia-to-Miami-to-Latin America routes.

Focus: How has the reaction been from your Asian carriers so far?

Ernesto: The four airlines operating here are building their own personal mix. For instance Korean Air is expanding in the local community by working with logistic companies and freight forwarder communities.

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Cathay Pacific is doing a very aggressive marketing effort here and in Latin and South America. So as the years pass we will see cultures building between Asia, South Florida and Latin America. We view that as a growing trend for the next five years.

Creating New Infrastructure

Focus: There have been noticeable physical changes to the airport's cargo facilities. Can you speak to the improvements made for the cargo side?

Ernesto: This is a commodity-driven industry. Cold-sharing logistic facilities are critical to perishables and are going to remain a vital part of MIA. Cold storage refrigeration is divided into three sections, seafood, flowers, and the fruit and vegetables. All airlines and cargo handling companies recognize the importance of having these facilities on the field. The new Centurion project is over 400,000 square feet and much of that is devoted to cold storage. As Chris alluded to earlier, the handling of each commodity has become more specialized and this has been a learning experience for all involved. For instance, cut flowers; if placed in a cooling facility at 32 degrees will freeze and die. So the facility needs to be adjusted for the ideal temperature and humidity for that particular commodity. Our federal agencies must also have access to these commodities in order to insure their safety and conduct the proper health inspections required. All these actions must be coordinated in the most efficient manner possible to keep

the flow at maximum capacity. Time is money when it comes to perishables.

Focus: Trucking is a vital transportation link. How has that relationship improved?

Chris: The trucking industry is a very important component of airfreight and we listen to their issues and expertise. The trucking companies themselves have evolved and they too have become specialists in the commodities that they carry.

Focus: How does MIA interact with the forwarder's community?

Chris: MIA is a member of the Florida Customs Brokers and Forwarders Association (FCBF) community. I serve on the airfreight committee and Ernesto gets tapped into assisting with different projects that we collaborate on. We have an excellent relationship with the FCBF, and in turn the FCBF has been an invaluable asset to MIA on many levels.

Focus: Where are you looking for new market development?

Chris: Clearly there are two points in the world that are critical for the long-term future of expanding and improving our cargo flows. The first is Africa, specifically South Africa, this is not easy as you might imagine. We are fortunate in that our state's economic development agency, Enterprise Florida that has a person stationed there who we work with.



Photo courtesy of Miami-Dade Aviation Department.

Additionally we have gone on two business missions to Johannesburg and Cape Town, the largest cities in South Africa, talking with both government officials and private industries. This goes beyond working with the airlines only. It means engaging with our resources here and our counterparts there to come to an understanding that if we all work together we can develop this new air route for both countries and here is how we will both benefit.

This same approach applies to India, our second expansion destination. One important thing to recognize is that India today has a middle class the size of the entire population of the United States and their middle class is also consumer-driven. These facts, of course, stimulate the import and export markets and it is not unnoticed by both the US and Indian Chamber of Commerce. So we are pursuing these relationships to raise awareness of the importance of Miami as a gateway to the Americas. The goal is to develop a cargo route to and from India.

The additional tie-in to India is in the development of a third region, the Middle East Gulf area, particularly the three cities of Abu Dhabi, Dubai, and Doha. There have been huge increases in origin-destination traffic between those Gulf States and Miami recently, in terms of their import of US goods, so that may work out very well, where Indian and US exports could meet in any one of those three Gulf cities. Those are our aspirations along with some additional points in Europe that we are looking at, including Russia, which we think is just a matter of time and due diligence.

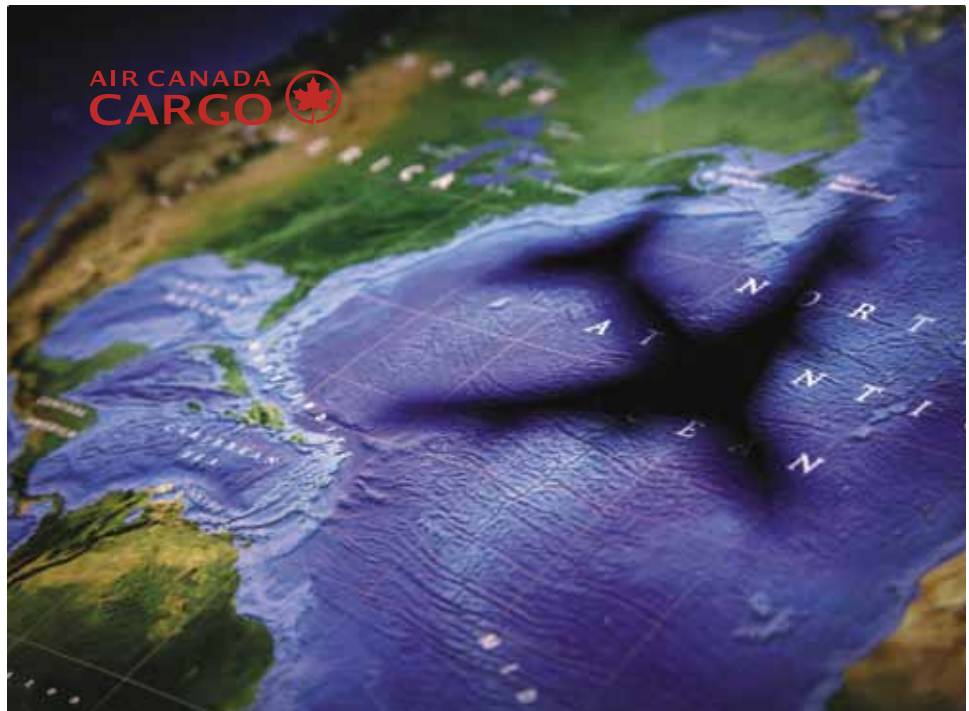
Focus: How do the European carriers factor into your equation?

Chris: Germany is huge overall. We have lot of belly lift into Frankfurt and Düsseldorf airports. They have tremendous ground handling facilities and huge trucking operations, which takes goods from Miami into other European, markets, including Poland, Russia and Ukraine. We have successfully worked directly with other airports by offering incentive programs to our common airlines. Sharing all information with other airport authorities is also a very important aspect.

Focus: How are your route development considerations judged?

Chris: The cargo product does not complain or ask for a business seat, it does not lose its baggage or ask for a special meal. A piece of cargo will make its own way.

Two key considerations for route development are the countries and the cargo flows that are involved. In the European continent for example, trucking is a huge consideration and because Europe is smaller it is also easier to contend with.



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The question you need to ask, is it enough to be able to sit down with a carrier and say, "You really need to get into this market." And unless you have something that is earth-shattering, particularly in these times, you are not going to get a freighter airline to capitalize on it. It really has to be better economic times, and in Europe we are not seeing that. Fuel costs need to stabilize and come down, and you have to have a growing trend, such as we saw in the cell phone market, in order to seriously sit down with a carrier.

Examining Cargo Flows

Focus: Let's talk pure logistics for a moment. What are your thoughts?

Ernesto: It is a really interesting subject and one that is constantly evolving. For example, take major stores like Wal-Mart or Costco, they are already working in Latin America directly with the growers. In the perishable markets these stores are planning ahead for what they will be selling twelve months from now. This type of planning will be applied more and more to every commodity these stores plan to carry. It is one way they can control and maximize the lifetime of any particular commodity they plan to sell.

I am only pointing this out to demonstrate, because of its importance, why retailers will continue to be more involved in logistics. It is entirely possible these trends will continue and large retailers will get more involved with the logistics; by working directly with the growers, with the airlines and with the transportation companies to increase profitability.

Focus: What is the philosophy embraced by MIA and its employees?

Chris: Competition is healthy; it keeps us on our toes. Anyone who has met our Director realizes that even above his professionalism he is a gentleman. And by virtue of that, he operates on the philosophy that there is nothing better than getting the facts out to the people. The airport is not at capacity; we will not permit that to happen. If there are delays here, show me an airport that does not have them, and once we experience a delay or a backlog we will work to alleviate that or prevent it from happening again. The airport will continue to grow. We have our niche, we have our specialties and we will continue to expand our market range and reach.

Ernesto: In order to stay successful in the next five years, we need to continue to build our trade infrastructure. We continue to recognize the vital role Federal agencies play in our development. Deputy Commissioner David Aguilar of the Customs and Border Protection (CBP) recently announced the creation of six new Centers of Excellence and Expertise (CEE) scheduled for 2013. The announcement also slated MIA to receive the first Agriculture & Prepared Products one-stop inspection center. Miami will begin with ten specialized inspectors and be based in MIA's Cargo Clearance Center.

Every product entering our country must first be cleared at its port of entry. The CEE team will work with industry partners to effectively facilitate international trade. MIA is fortunate to have the CEE center located here. This is a major step forward for all our importers. More security in less time - in a very real sense this is a victory that everyone can celebrate.

Focus: What subjects affect MIA?

Ernesto: Airline consolidations may affect any of the 69 scheduled carriers and 22 charter carriers MIA hosts. Other issues may also include tariff changes, Open Sky Treaties or new commodities. Each

route development, when it brings one new airline to MIA, creates millions and millions of dollars in economic impact.

Historical Viewpoint

Focus: What were the key milestones for MIA in its growth as an international airport?

Peter: When I arrived in Miami in the 1970's, MIA was the hub for traffic between the United States, Latin America and the Caribbean. MIA had limited air service between Europe. At that time the carriers of note were British Airways' B707 and National's DC-8, flying three times a week between London and Miami. Iberia's DC-8 flew five times a week between Madrid and Miami. Then Lufthansa, Air France and Alitalia introduced routes here, which made Miami a hub for both the US into Latin America and for Europe to Latin America. This was important for European businesses in Latin America. In those days, the sector legs necessitated a fuel stop in Nassau or elsewhere to get down to those countries. It made more sense to have everything routed through Miami.

The next significant step in terms of cargo took place in the 1980's. It was the entire redevelopment project of MIA's west side cargo area. Essentially all the old World War II warehouses were cleared out and replaced with buildings you see today. These facilities run North and South, have apron access but no big aircraft parking facilities. Then the Western 'U' was built; it has apron access for the freighters. In the 1990s the Eastern 'U' was built, with deeper buildings and aprons, sized for wide-bodied aircraft. These building investments showed the importance of cargo to the airport and provided the facilities that the airport needed to accommodate cargo.

In the 1970s Eastern, National and Delta flew narrow-bodied passenger planes and did not care about cargo. Pan Am always cared about cargo because it was an international airline. After Pan Am left, MIA lost its B747 freighters. Gradually the Latin American carriers formed their own cargo airlines; for example, Tampa Cargo based in Medellin, Colombia, LAN Cargo based in Santiago, Chile and other carriers. The former Director of Miami International Airport, Dick Judy and I worked closely with these new cargo carriers. In 1984, we practically lived in Washington. We met with the State Department, FAA, DOT and Congress to get an exemption for the FAR-36 noise regulations, which effectively grounded the DC-8 and Boeing 707 converted freighters used by our cargo airlines. It took time but in the end we were successful. Congress granted a two-year exemption for MIA's international freighters southbound out of Miami, to allow these freighters to continue to operate, until they could get hush-kits for their engines. And those actions saved Miami's cargo industry.

Chris: I am an airport geek and I look at airports here and across the world. The gateways of JFK, MIA and LAX have always been considered the dinosaurs of the industry, and that is not always a good connotation; they are the three largest gateways to the United States. But at the same time, all three continue to grow and are doing well. Not one of these airports are ready to concede defeat; they all have capital improvement programs that are finishing, underway or yet to come. MIA will continue to remain in the top ranking as long as we are here.

Focus: Aviation is my passion, thank you Peter, Chris and Ernie you have done a stellar job describing the complex relationship between cargo and an airport.

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CNS, an IATA company, in partnership with Broward College, has recently been approved by Workforce Florida to provide cargo training under a state funded grant, entitled QRT (Quick Response Training). The grant is designed to help subsidize air cargo training in the State of Florida, with the intent to help bolster international trade and export opportunities. The criteria for the grant funding is as follows:

- ✈ Training will be classroom format, “customized” and focused at the company level or open, mixed classroom courses with other companies present.
- ✈ Participants must be full-time, permanent employees, as well as Florida residents.
- ✈ The training can take place either on-site at the company’s location or at the IATA/ITDI Miami Regional Training Center at 703 Waterford Way, Miami, Florida.
- ✈ Qualified businesses include: freight forwarders, airlines, airports, ground service providers and other for profit businesses that support cargo logistics in the state of Florida.

Companies interested in participating will need to identify the specific course(s), desired training dates, location, and employees who will attend. An employee will only be eligible for one course (a maximum of \$1,000 total in subsidized funding) under the grant, as the intent is to provide training to as many individuals as possible in the next 12 months. Courses must be completed by August 2013.

Course schedules will be filling up fast. To take advantage of the training and to register your company and employees to receive the grant funding, please contact:

Rocio Vegas at CNS: 786.413.1022 or Theresa Light at IATA: 305.779.9861.

A full list of course offerings and further information can be found at the CNS website:
**Cargo Network Services Corp / 703 Waterford Way, Suite 680, Miami, FL 33126
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From the Top

An Interview with Director José Abreu



MIA Director José Abreu

Photo courtesy of Miami-Dade Aviation Department

Mr. José Abreu serves as the Director of the Miami-Dade Aviation Department. Director Abreu oversees operations at Miami International Airport (MIA) plus four general aviation airports in the Miami area. Mr. Abreu oversees a \$6.4 billion capital improvement program, one of the largest airport expansion programs in the US. MIA handles more than 38 million passengers and two million tons of cargo annually.

Focus: Thank you Director Abreu for taking time away from your schedule and for granting our interview. How much does the cargo side of MIA contribute to the make-up of a healthy balance sheet?

Abreu: For MIA, cargo activities in terms of landing fees, freighter parking charges, warehouse and associated revenues come in at about 20 percent of the airport's total annual revenues. From a macro standpoint, however, MIA's role as the leading international

freight airport in the USA means economic impact resonates far outside the fence lines of MIA. Cargo activity from MIA impacts thousands of jobs in the area, and sustains a support industry from forwarding to trucking, and everything in between. Import and export merchandise during 2011 amounted to over \$61 billion, while 2012 promises growth of 10 percent or better in the value of goods flowing through our airport.

Focus: MIA is known as the gateway to Latin America. What other destinations does MIA serve that the cargo community should be aware of?

Abreu: Yes, MIA is the largest gateway to Latin America and the Caribbean for both passenger and cargo traffic. Our air route system also covers an extensive area in the continental USA, Canada, Europe and Asia. At this time, belly cargo service is provided to 148 global destinations, while freighters alone now cover 94 destinations in the world.

Focus: What improvements have been made with respect to the cargo ground handling over the four past years?

Abreu: MIA has multiple ground handling companies under permit who offer the whole array of services to cargo freighter airlines and even to belly cargo operators. Facility improvements within leaseholds are ongoing, from expansion of refrigerated areas, to more and more enhancements in terms of automation. This contributes to the efficiency of handling and movement of product in the logistics chain process and increases output per facility as well. We are able to get greater productivity out of our cargo facilities and from this, clearly more growth.

Focus: What support does MIA offer cargo airlines?

Abreu: MIA offers an incentive program for development of new international freighter routes. The incentive offers reduced landing fees from between one full to two full years, depending on the geographic origin of the route. We also heavily promote our cargo capabilities and all partners through global air cargo trade shows, through collateral material development and distribution and through advertising in global markets to expand business further.

Focus: Describe the balance of belly cargo to the total landed cargo tonnage?

Abreu: With more than 2 million tons of airfreight annually, MIA is not only freighter-friendly, but also a facility that requires an exceptional volume of lift. We have 39 freighter airlines at this time, many offering wide-body services on their routes, including the new B747-8 freighter. Accordingly, 84% of our international cargo is carried on freighters and MIA provides more than 60 cargo-aircraft parking positions. Approximately 16% of MIA's international cargo is transported as belly cargo and American Airlines handles approximately 45% of that 16% belly cargo.

Focus: As a Director with a Degree in Engineering how do road construction improvements help cargo efficiencies?

Abreu: For the cargo community in particular, the N.W. 25th Street Widening / Viaduct project is perhaps the most critical and necessary undertaking since MIA broke ground on new cargo facilities back in the early 1990s. While our facility construction for cargo at MIA amounts to approximately 3 million square feet, we have witnessed the Airport West area in Doral become one of the leading industrial sub-markets in the nation. Cargo warehousing in that area is approaching 60 million square feet and encompasses from everything from pure storage, to palletizing, and cargo support industry functions of every conceivable kind.

Trucking operations in and out of MIA and this area would face unprecedented and intolerable monetary delays without the widening of the main thoroughfare connecting MIA to the Doral area, which is bisected by a state highway and Florida's turnpike. The elevated Viaduct allows trucking operations to bypass the local traffic below, and proceed to these off-airport warehouse areas as well as providing direct access to the highway systems. We should as a community heavily praise and thank the Florida Department of Transportation for funding both phases of this project, which will greatly facilitate MIA's air cargo industry.

Focus: What qualities should the cargo industry focus on when assessing MIA as a new hub to add to its existing routes?

Cargo activity from MIA impacts thousands of jobs in the area, and sustains a support industry from forwarding to trucking, and everything in between.

Abreu: There are various qualities and attributes that make MIA a desirable place for cargo operations. Market access and ability for cargo consolidation are perhaps one of its greatest strengths. Freighters from Europe, Asia and hopefully from other global regions someday, should see the incredible route network in place to points in Central America, South America and the Caribbean. Flying to MIA means taking part in and collaborating with the greatest North/South flow of air cargo in the Western Hemisphere. Add to that an extensive choice of airlines that can offer direct inter-line connections. From a cost standpoint, MIA stands out as one of the most competitive airports in terms of landing fees and other costs associated with freighter operations. MIA's trade community and federal inspection agencies are second to none in the USA. There is literally nothing that hasn't been experienced here in this airport in terms of commodities and the attention they each require. From high technology goods to perishables of every kind, this airport and its trade infrastructure, both in terms of facilities and facilitators are the best of the best.

Focus: What are some of the biggest challenges facing the cargo industry relative to working successfully with a major airport?

Abreu: There are no challenges that cannot be met when a cargo community as a whole works together. And in the post 9-11 environment we were all tested with new rule makings that naysayers claimed would kill air cargo. We have risen to meet the challenges each time. Now, for a real challenge, how do we deal with global recession and out of control fuel prices? There's one that remains unresolved!

The CNS Focus staff would like to acknowledge and thank Lauraine B. Murray, Marc Henderson and the MIA staff for their professionalism and assistance.

Shrinking the Regulatory Haystack

CBP Centers for Expertise and Excellence

By Rick Eyerdam

The federal regulators call it Trade Facilitation and its center piece is a new test program that assigns each of the 10 related sections of the Harmonized Tariff to a national Center of Excellence and Expertise (CEE) for improved post-entry processing using an account-based approach.

At each of the 10 CEEs the expert staff replaces the involvement of the 300 or so port directors at Customs ports of entry after imported products are released. This segments risk, allowing Port Directors to focus more exclusively on security concerns.

Miami will host the CEE for imported Agriculture and Packaged Goods. The Textiles and Apparel CEE will be based in San Francisco. Already CEEs have been established in Detroit for Automotive and Aerospace; Houston for Petroleum, Natural Gas and Minerals; Long Beach for Electronics and New York for Pharmaceuticals.

The Agriculture and Packaged Goods CEE that is slated to begin by September of 2013 will be a blessing for Miami International Airport which is the largest US agriculture perishables importing aviation.

John P. Leonard, Acting Executive Director of Policy and Trade Programs at CBP told CNS Focus "The CEE will enhance the expertise that Miami currently has in agriculture goods, which is one of the reasons why the CEE is located in Miami. Additionally, it takes the expertise currently in Miami and gives it a national focus, so for participating importers, no matter if their agricultural shipments are brought into Atlanta or Lorado, the Miami CEE will be responsible for processing these entries."

"The Centers bring benefits for all importers who import in any mode of transportation," Leonard said. "It doesn't matter how the goods get into the country whether by air, sea, truck, train; the Centers will serve them all equally. We will bring as much value to the air cargo world as we will the vessel container world."

Instead of dealing with each individual Customs entry, the Centers of Expertise will deal with the importer of record as a distinct client with a corporate account for each category of imported goods.

"If you are ABC Company, Inc. and you regularly import fruit and apparel at several ports across the country, you will have an account at the CEE in Miami for the import of agriculture and another at the CEE in San Francisco for the import of apparel," Leonard explained.

"When you have a hitch in the release of your shipment. Such as a missing document, you call up your account representative at the appropriate CEE and work out the difficulty. Instead of dealing with scores of different interpretations of the import regulations at scores



John Leonard, (center) Acting Director of Trade Policy and Programs, Speaking at COAC on the Trade Efficiency Survey during their December meeting. Also pictured, is Valarie Neuhart (R), US Customs and Border Protection. And Kathleen Neal (L), Director of Global Trade Compliance at Regal Beloit Corporation.

Photo Credit: James Tourtellotte

of different ports of entry, each with a different port director, the importer of record deals only with the staff at the appropriate CEE," Leonard explained.

Once a problem is identified in the process and the issue resolved, the resolution becomes a template that prevents the same thing from slowing release of identical cargo imported by the same importer in the future.

At least for the current test period with the four established CEEs, the Federal Register says, "Decisions made by a CEE which are within the authority granted under this test shall govern the transactions to which they pertain; test participants may not seek to have such decisions referred to a Port Director or another CEE Director.

Why the fundamental change?

Shrinking the Haystack

Since the air attacks of 9/11 the Department of Homeland Security's front line agencies, Transportation Security Administration (TSA) and Customs and Border Protection (CBP) have ramped up the importation process over trying to accomplish the essential goal of preventing another terrorist attack – a needle in the haystack of trade

– while enforcing thousands of trade related laws without crippling the flow of imported goods.

Trade is more ponderous, all would agree, and it is certainly safer. A generation later the CBP has finally come up with an adequate description of its intended goal- Make the haystack smaller.

For both CBP and the importer the haystack is that jumble of federal laws, rules and regulations; the trade agreements and differing practices among the 300-plus Customs ports of entry stacked against the free trade practices.

As Leonard told CNS Focus, after much thought together with much trial and error, Customs plans to work directly with the importers of record to expedite release of products and thus save importers time, money and precious shelf-life.

To accomplish that goal, Leonard and Deputy Customs Commissioner David V. Aguilar turned to the Advisory Committee on Commercial Operations of Customs and Border Protection (COAC) and its Trade Facilitation Subcommittee to establish baseline industry metrics of time delays, man hours and real costs.

Leonard explained, “This benchmark can then be used to determine what facilitation benefits “save” the industry, and therefore can have a bearing on key partnership benefits CBP can offer the Trade.”

COAC conducted this benchmarking survey in June 2012 to measure how effective CBP’s current trade facilitation efforts are at lowering the cost and burden associated with a company’s compliance and operations efforts. The survey was also designed to capture trade priorities that can be used by CBP to provide meaningful partnership benefits and employed in the CEE process. The results were mixed.

The Single Window system enables importers or their agents to submit regulatory documents only once in one place. These regulatory documents are typically customs declarations, applications for permits, certificates of origin, trading invoices, and pertinent documents.

Costs & Holds

The results of the COAC study show that there is not much difference when it comes to the element of time between a CBP hold or exam and a PGA (participating government agency) hold. In addition to the element of time, it seems that the first 24 hours is critical is trying to resolve the issue, after a 24 hour time period the element of time can get extended to multiple days.

Direct costs for the exams can get quite expensive. While 42% of the respondents revealed their costs of an exam were under \$500, another 40% said that their costs were more than \$700.

Indirect costs to the supply chain for a hold/exam split respondents: 51% revealed that when a shipment is held for a hold/exam, impacts to their daily supply chain cost more than \$700; 49% have comments that their costs are under \$700 on a daily basis.

Costs associated for processing entries, as indicated by a majority of respondents, were less than \$299 per entry for internal costs and less than \$299 for external costs.

Time associated with managing the lifecycle of a single entry was up to 7 hours internal and up to 7 hours external.

Improving any of these metrics assures a real benefit to all parties in the supply chain especially the importer of record, according to Leonard. And the CEE system is the new method of choice.

It doesn’t matter how the goods get into the country whether by air, sea, truck, train; the Centers will serve them all equally.

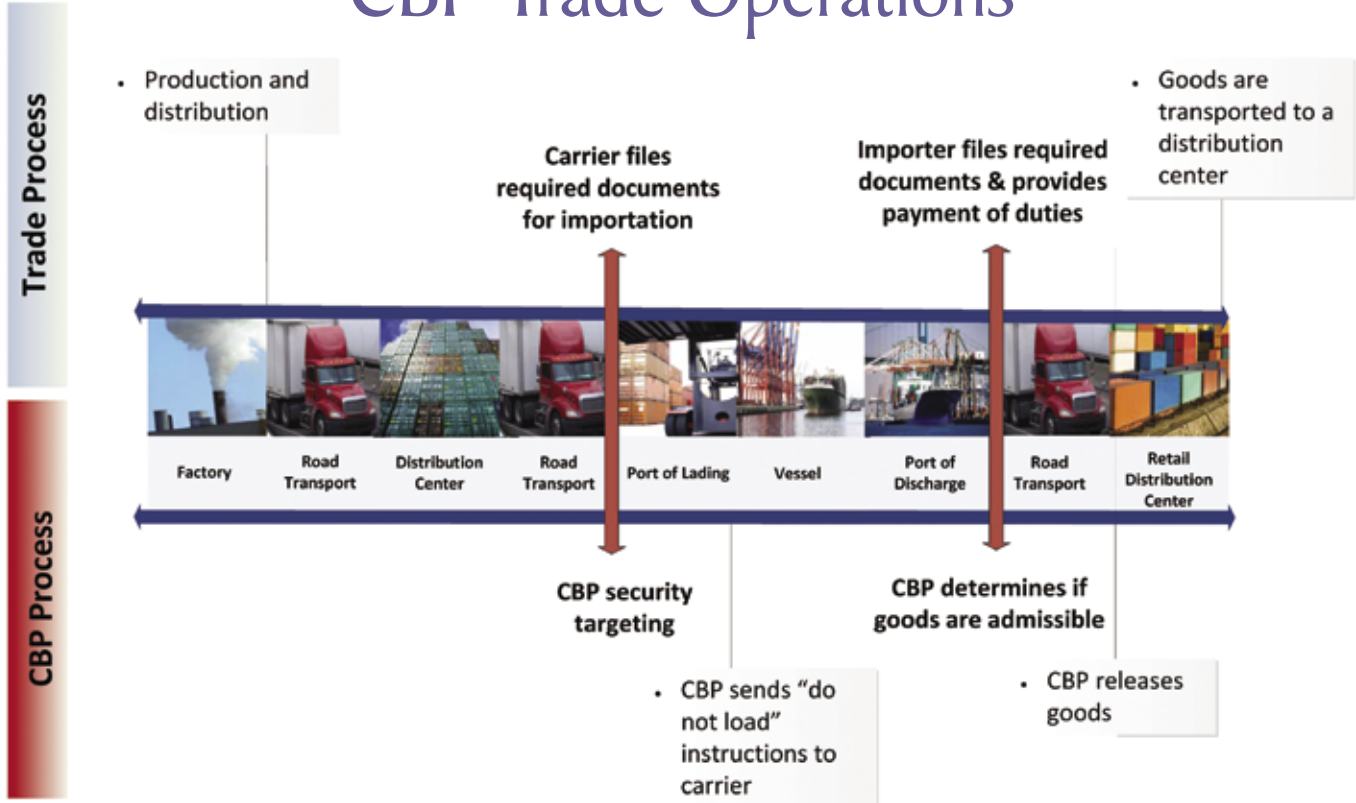
The threshold for participation as explained in the Federal Register requires an Importer of Record number, enrollment in the CTPAT (Customs Trade Partnership Against Terrorism) program as a Tier 2 or Tier 3 member and completion of the ISA; Importer Self-Assessment process. Leonard said participation in Air Cargo Advance Screening is always beneficial but it is not associated with CEE participation, which focuses entirely on post release issues.

Leonard explained that the port directors at ports of entry will remain in control of all the pre-clearance functions currently under their jurisdiction. “Once the goods are released the required entry documents and certain revenue-related functions such as requests for computed value information, waivers of invoice requirements, issuances of all requests for information and notices of action, extensions and suspensions of liquidations, and reviewing and acting on protests will be performed by the CEE director rather than the port director.”

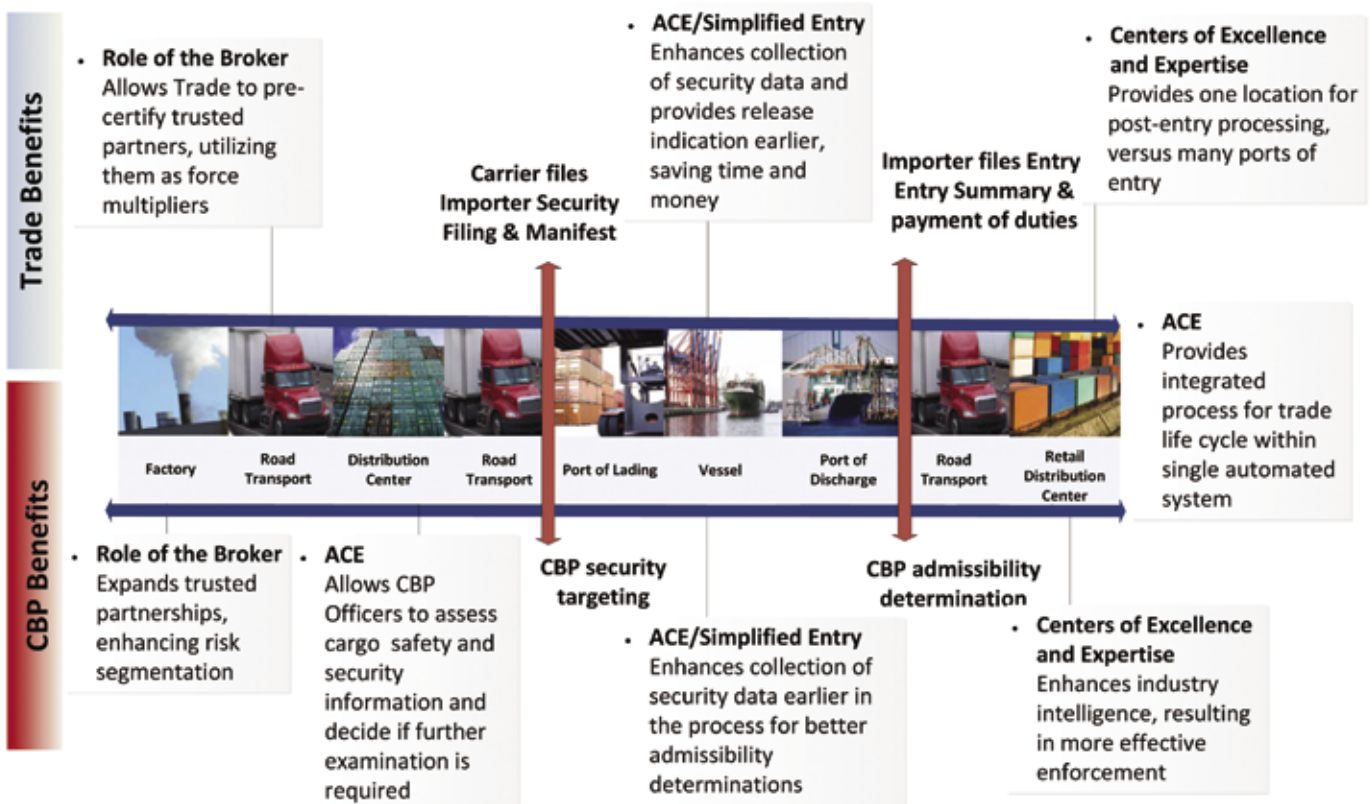
“We need to increase the already noteworthy voluntary participation level in the automated and pre-clearance programs, especially CTPAT and ISA,” Leonard said. “Now we can demonstrate the value of participation beyond shrinking the haystack to find that needle of Terrorism. We can show value that is both a benefit to the importer and to the gross national product.”



CBP Trade Operations



Transforming the Cargo Clearance Process





Update

Efficient Lithium Battery Workshop

The 2nd IATA Lithium Battery Workshop was held in Houston, Texas, November 6-7, 2012. Over 140 delegates representing the whole supply chain attended the meeting. Shippers were especially well represented.

The workshop provided participants with an excellent opportunity to discuss the intent and application of the tests required for lithium cells and batteries as set out in the UN Manual of Tests and Criteria and the application of the regulatory changes to the IATA Dangerous Goods Regulations, including the packing instructions for lithium batteries that will become effective January 1, 2013. It also promoted the best practices for regulatory compliance to aid in improving safety and help reduce the incidence of delayed shipments and potentially avoid penalties or fines resulting from regulatory breaches.

e-CSD Successfully Tried

The Electronic Consignment Security Declaration, (e-CSD) has concluded successful trials in the UK and in the Netherlands paving the way for more secure and efficient transportation of air cargo.

The e-CSD highlights who secured each consignment, how it was secured and when it was secured. It provides evidence of which appropriate security measures were applied. By standardizing the process and documentation, e-CSD will replace redundant security declarations in various formats and simplify the implementation of emergency security amendments.

The e-CSD trials were conducted first in the UK followed by the Netherlands last October. This followed 18 months of intense work by IATA (with regulators, freight forwarders and other key stakeholders) to develop standards and processes for data capture.

These successful trials will improve both

security and efficiency. The e-CSD is a key element in securing the whole supply chain. By establishing that cargo and mail consignments have been correctly secured upstream of the airport and through transit points, bottlenecks and delays will be reduced. The endorsement of the UK Department of Transport and regulators in the Netherlands is very significant, as this paves the way for other key regulators to review and hopefully endorse the e-CSD in the months to come.

Moving the Electronic Air Waybill Forward

IATA welcomed the decision by the United States Customs and Border Protection (CBP) to approve the use of the electronic master air waybill (e-AWB) for air cargo shipments to and from the US. The action means that the e-AWB will be accepted for shipments at more than 120 US CBP facilities across the US and Puerto Rico for import and export. Air waybill information could still be requested by exception, and could be accessible online or produced on demand in paper format from electronic records.

Use of the e-AWB is a key component of the industry's e-Freight initiative and provides significant cost and efficiency benefits to all parts of the air cargo value chain, including airlines, freight forwarders, handling agents, shippers and customs organizations, such as:

- A reduction in processing costs owing to the removal of paper
- Reduction in cargo handling delays owing to missing, lost or illegible printed air waybills
- Greater accuracy of e-AWB data
- Real-time access to e-AWB information for all personnel from all locations
- Capability to automatically capture security-related data

Secure Freight launched in Santiago de Chile

Last October, IATA launched the latest Secure Freight project in Santiago de Chile.

Secure Freight is an air cargo security program that aims to promote global air cargo supply chain security standards around the world in order to facilitate safe, secure and efficient operations of air cargo. Secure Freight creates a collaborative environment enabling industry and government to work together with a common objective.

Expected benefits from Secure Freight include:

- a more secure air cargo network
- simplified business processes
- compliance with multiple programs through one set of standards

Chile is the fourth country launching Secure Freight. In Chile, the program will initially focus on outbound cargo but will ultimately include import, domestic and transshipment cargo.

Chile Secure Freight participants include DGAC (Chile Civil Aviation Authority), LAN Cargo, DHL Global Forwarding, Aeropuerto de Santiago and Grupo Sandvik.

A successful pilot program has been concluded in Malaysia and further pilots are currently under implementation in Mexico and Kenya. IATA works with other countries, including Egypt, Jordan and Bahrain.

With the purpose of achieving the best possible results out of these programs on a worldwide level, IATA will be holding its first Secure Freight Forum on February 7-8, 2013 at its Geneva office.

At this event, participants will exchange their experiences, best practices and innovative ideas. We encourage all security experts and those who deal with air cargo operations to register.



Targeting Solutions

Focus Interview with Brandon Fried Director of the Airforwarders Association

Robert Christensen

Brandon Fried has spent the majority of his professional years in the airfreight industry. Brandon serves as the Executive Director of the Airforwarders Association. Noting Brandon's experience, we turn to him with some global perspective questions.

Robert: Hello Brandon and thank you for input. Since this issue targets cargo solutions, where do you see the best returns on security investments for airfreight forwarding being made?

Brandon: Frequent air shippers can certainly benefit through participation in TSA's Certified Cargo Screening Program. This initiative allows shippers and forwarders to actually perform the screening of goods before airline tender. In fact, our partner air carriers report that 60% of cargo now arrives at the airport prescreened by program participants. Forwarders are recouping their technology investment by charging shippers for the service while providing their customers with a convenient method in meeting the legal requirement and saving time by not waiting in line for airport screening.

Robert: The Global Air Cargo Advisory Group is encouraging its members to implement the principles outlined in the Revised Kyoto Convention? What are the key considerations of this direction?

Brandon: The Airforwarders Association agrees with and encourages customs organizations moving towards a paperless environment. While there are bound to be significant challenges, countries need to come together and decide on harmonized procedures that facilitate trade without the cumbersome use of paper. When needed, specific documents can be printed at the destination such as commercial invoices, packing lists and certificates of origin. All are easily stored and accessible through electronic means enabling faster customs clearance and paper savings.

Robert: Can you see a fully functional e-Customs information network being implemented in the next few years? Could this environment improve the shippers and forwarders ability to compete globally?

Brandon: Yes, and the challenge lies in countries coming together and deciding on a harmonized acceptable set of standards that facilitates the use of electronic document transmission as its cornerstone. Remember, printers are always available for use in rare exceptions. Most forwarders are adopting some sort of electronic data interchange platform as part of their operational profile so the moving of electronic documents should not be unusual.

Robert: Each year the TSA works on new ideas for airport security. Which proposals do you advocate and how quickly should these be implemented?

Brandon: TSA should continue its review and testing of pallet and container screening technologies capable of scanning units containing multiple commodities. Such technology has not been vetted nor certified by the agency yet, and we are hoping that its introduction will save time and energy in the piece-level screening process.

Developing defined standards and procedures for trusted shippers is an excellent way to speed the flow of goods shipped by frequent senders of air cargo. We have seen significant progress on the passenger side where people, in exchange for submitting to extensive background and biophysical information, are provided with faster security and immigration processing through the TSA and CBP. Cargo security interests should learn from this model and derive standards that create more efficient processing for frequent shippers who use the system almost daily while operating in a secure manufacturing, packaging and transportation environment.

Robert: The constant changes put forward for consideration in commercial aviation security are a challenge for both government and industry. In what direction should our industry move to strike the right balance between risk and regulation?

Brandon: All of us understand that there is no magic bullet in creating a 100% secure world. Instead, the goal should be to continue to employ a risk based, multilayered screening approach that depends on many innovative and constantly changing processes that challenge and discourage those intent on doing us harm. This creativity must also include ways to facilitate screening and customs clearance assure an uninterrupted flow of trade.

Robert: FedEx and UPS have benefited significantly from increased consumer purchases on the internet. How do you see the air cargo industry taking advantage of this new shopping portal?

Brandon: Many members of the Airforwarders Association are also taking advantage of this trend by offering home delivery and set up of internet-ordered consumer items including furniture, appliances and popular home electronics. As Internet shopping giants continue to proliferate, our members are supporting their need to gain efficiencies in distribution center inventory stocking and fast delivery to the consumer. We see this as an exciting area where freight forwarders bring an enormous amount of creativity and expertise to the Internet shopping concept.

Robert: Are there any final thoughts you would like to share with our readers?

Brandon: The next chapter in air cargo security goes beyond physical screening and targets shipper bill of lading information as part of an ever evolving security process. In the United States, CBP has begun the Air Cargo Advanced Screening volunteer pilot program where forwarders can submit 7 airbill data elements for security targeting before flight departure. We expect this initiative to ultimately become a regulation not only in the United States, but throughout the world as well. It is therefore important that we provide input to regulators as these programs are being developed so that the most efficient transfer of this information is practiced while assuring no interruption in our air commerce.

Robert: Well done Brandon, thank you.



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Boeing World Air Cargo Forecast 2012-2013



The Boeing Company issues the biennial World Air Cargo Forecast (WACF) to provide a comprehensive, up-to-date overview of the air cargo industry. The forecast summarizes the world's major air trade markets, identifies major trends, and presents forecasts for the future performance and development of markets, as well as for the world freighter airplane fleet. Presented here is a highlighted overview.

The global economic downturn, rising fuel prices, and improving surface transportation mode options have dampened air cargo growth. On the other hand, long-term projected economic and international trade growth, the continuing globalization of industry, increasing adoption of inventory reduction strategies, and ongoing renewal of the world freighter fleet with more efficient capacity should help world air cargo traffic growth return to a rate closer to historic norms.

Despite the near-term slowdown, world air cargo traffic will more than double over the next 20 years, compared to 2011 levels, for an average 5.2% annual growth rate.

The price of jet fuel has tripled over the past 8 years, and prices are likely to remain volatile as the threat of supply disruptions persists. In the near term, high unemployment in developed economies, tight fiscal policy in Europe and the United States, and overall restrained consumer spending will also dampen air cargo growth.

On a positive note, however, oil and jet fuel prices are forecast to remain around mid-2012 levels or, in some scenarios, even decline over the next 3 to 5 years. Economic activity, as measured by world GDP, remains the primary driver of air cargo traffic growth. World economic growth averaging 3.2% over the next 20 years, coupled with the forecasted stable fuel prices, will help air cargo traffic grow.

Continuing profit challenges at passenger airlines have focused airline attention on opportunities to earn lower-hold cargo revenue. On average, cargo revenue represents approximately 15% of total air transport revenue, with some airlines earning nearly 40% of their revenue from cargo. Declines in yield for cargo and passenger services reflect productivity gains, technical improvements, and intense competition. While declining yield creates pricing pressure on all industry segments, it also helps stimulate growth for the industry by enabling lower shipping costs for the consumer.

Averaged over the past two decades, freight yield has declined 4.2% per year. The most recent decade saw a slight yield increase of 0.9% per year, compared to the 9.0% average annual decline recorded in the

preceding decade.

The higher cost of shipping by air held world air cargo traffic growth to only 3.7% averaged over the past 10 years—well below the historical trend. Industry wide freight yields are expected to return to the historical downward trend as more efficient airplanes enter the market, helping to stimulate market growth.

International airfreight will drive overall world air cargo growth through 2031.

Over the next 20 years, world air cargo traffic will grow 5.2% per year. Airfreight, including express traffic, will average 5.3% annual growth, measured in revenue ton-kilometer (RTK). Air mail traffic will grow much more slowly, averaging only 0.9% annual growth through 2031. Overall, world air cargo traffic will increase from 202.4 billion RTKs in 2011 (down from its 2010 record of 204.2 billion RTKs) to more than 558.3 billion RTKs in 2031.

Asia will continue to lead the world air cargo industry in average annual growth rates, with domestic China and intra-Asia markets expanding 8.0% and 6.9% per year, respectively. Latin America markets with North America and with Europe will grow at approximately the world average growth rate, as will Middle East markets with Europe. The more mature North America and Europe markets reflect slower and thus lower-than-average traffic growth rates.

Credits:

Data represented as historical in this document was compiled from many sources including, but not limited to, the Air Cargo Management Group (ACMG), Airports Council International (ACI), Airlines for America (A4A), the Association of Asia-Pacific Airlines (AAPA), the Association of European Airlines (AEA), Boeing Foreign Trade Database (TRADE), Eurostat, IHS Global Insight, the United Nations Council on Trade and Development (UNCTAD), Clarkson Research Services, Drewry Maritime Research, the International Air Transport Association (IATA), the International Civil Aviation Organization (ICAO), the Civil Aviation Administration of China (CAAC), and US Department of Transportation (DOT). Historical information is updated each year as individual sources revise their respective publications. For the entire PDF presentation please visit, <http://www.boeing.com/commercial/cargo/wacf.pdf>

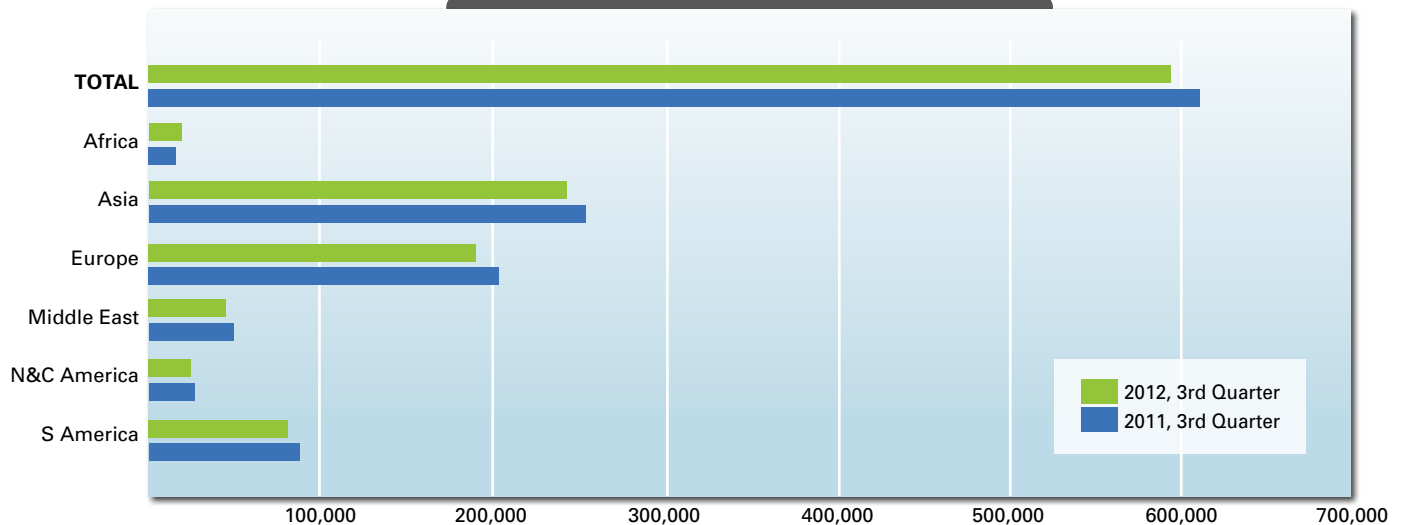
CASS-USA Market Monitor

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@cncs.us for more information.

2012 Weight in Tons		2011 Weight in Tons		2012/2011	
Region	3rd Quarter	Region	3rd Quarter	Region	3rd Quarter
Africa	15,186	Africa	14,058	Africa	8.0%
Asia	247,265	Asia	253,401	Asia	-2.4%
Europe	191,389	Europe	201,777	Europe	-5.1%
Middle East	43,342	Middle East	43,393	Middle East	-0.1%
N & C America	20,101	N & C America	21,233	N & C America	-5.3%
S America	76,139	S America	80,679	S America	-5.6%
Total	593,422	Total	614,541	Total	-3.4%

2012 Shipment Count		2011 Shipment Count		2012/2011	
Region	3rd Quarter	Region	3rd Quarter	Region	3rd Quarter
Africa	27,760	Africa	27,117	Africa	2.4%
Asia	276,785	Asia	280,566	Asia	-1.3%
Europe	219,043	Europe	231,164	Europe	-5.2%
Middle East	53,678	Middle East	53,446	Middle East	-0.4%
N & C America	28,396	N & C America	29,228	N & C America	-2.8%
S America	74,655	S America	77,835	S America	-4.1%
Total	680,317	Total	699,356	Total	-2.7%

WEIGHT IN TONS



September

During September, total US export revenue decreased 6.8% y/y, improved slightly from -7.8% in August, but worse than -5.4% in July. US export tonnage decreased 2.6% y/y, also improved from -5.3% in August, but slightly worse than -2.3% in July. Yields decreased 4.3% in July, decelerated from -2.7% and -3.2% the prior 2 months. Tonnage to Asia

(representing 39.6% of tonnage) fell 4.1% y/y in Sept, improved from -5.1% in August but down from +1.6% in July. Export tonnage to Europe (representing 33.3% of tonnage) decreased 1.9% y/y in Sept, improved from -7.2% and -6.1% the prior 2 months. Sequentially, revenue fell strongly (-8.4%) from August's improved data (+0.2%), similar

to tonnage decelerating -8.3% sequentially vs. last month's -1.3%. Yields remained flat on a sequential basis. Overall, 3Q proved to be in-line with 2Q and we remain cautious looking ahead to October as international freight trends still feel muted.

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