# Change of gear

AirBridgeCargo B747-8F

## Although the US market has shifted down a sprocket and nobody is expecting the dramatic growth of last year, it is still increasing, writes Ian Putzger

Operators that serve the US market look back fondly on the past year. "2018 was a tremendous year for us," says Jan Krems, president of United Cargo, adding that growth was across the board. The carrier tabled record breaking revenues of $1.25bn.

Several airlines report double-digit growth. Lufthansa Cargo's US business was up 12%, while AirBridgeCargo (ABC) registered 15% growth in and out of this market.

Notwithstanding the strong dollar, exports have done well in virtually all sectors, remarks Shawn Cole, vice-president cargo at Delta. Other carrier executives confirm that outbound flows have been strong for them too — to Europe and the Middle East, as well as across the Pacific.

The only region that has shown some softness is Latin America, notably Brazil, Argentina and Venezuela.

Northbound traffic from the area has performed much better, led by Brazil, Argentina and Chile, according to Roger Samways, vice-president cargo sales at American Airlines.

Carriers have enjoyed solid inbound traffic on most sectors. One of the strongest areas for Lufthansa has been the inbound US market from Europe, reports Bernhard Kindelbacher, vice-president, US and Canada.

The domestic scene has been buoyant. Miami International Airport clocked up 2.7% growth to reach 2.3m tons last year. International throughput was up a modest 0.95%, whereas domestic tonnage climbed 13.4%.

Emir Pineda, manager of aviation & trade logistics, Miami-Dade Aviation Department, attributes this chiefly to the rise in e-commerce.

"E-commerce continues to play a good role for us, especially to Asia," remarks Jens Tubbesing, president of Airline Network Services.

Nevertheless, he tries to rein in growth in this segment to some extent, trying to funnel it onto flights that have spare capacity. "One has to curtail e-commerce a bit, not to be overrun by it. Some of it is not good cargo," he reflects.

Miami is actively targeting e-commerce, having tagged it as a strategic growth area. This has led to an agreement with Correios, the Brazilian postal service, that turns the airport into an external customs entry point for e-commerce headed to Brazil.

Under the Correios 'Compra Fora' (Buy Outside) programme Brazilians can order goods online from anywhere in the world using a special code, which automatically triggers a routing through Miami, where the goods are pre-cleared and flown to Brazil. Arriving there, they are treated as domestic cargo, resulting in much faster delivery.

The Columbus Regional Airport Authority has e-commerce ambitions for Rickenbacker airport, which handles the city's cargo traffic. To stand out from the field, the airport authority is working to establish an expedited customs clearance facility at Rickenbacker, a move that has been hailed by e-commerce logistics providers as a vital step to anchor online retail traffic.

E-commerce is one of a number of segments where airlines and airports have been trying to capture a larger slice of the market with special services, as the push for CEIV certification and the construction of specialised facilities, such as animal or temperature-controlled amenities, reflect.

Krems would like to see special types of cargo, including mail, account for as much as half of United's cargo business.

### New markets

ABC has also put more emphasis on special sectors. This has led to a twofold growth in pharmaceuticals and a 30% boost of its e-commerce volumes, reports Vince Ryan, vice-president North and South America. This year the emphasis will be on growing live animal and dangerous goods traffic, he adds.

Lufthansa has a long-established portfolio of special offerings, but it is pushing hard to grow its business in these. This year there will be a strong focus on pharmaceuticals and hazardous materials, says Kindelbacher.

Pharma is a strategic target area for United this year. The airline has hired people with expertise both in logistics and pharmaceuticals. It is also seeking a closer dialogue with pharma shippers.

"We will have direct contact with pharma companies, because we believe we can learn from this to understand their requirements better and see what we can do for them, but for the commercial side we work with forwarders," says Krems.

Cole is bullish on this sector: "We saw nice double-digit growth last year. I expect the same this year."

To underscore its credentials in this arena, Delta has obtained CEIV certification, and so has Swiss WorldCargo.

The European airline has a solid reputation for its expertise in special types of cargo like pharmaceuticals and valuables. The lively efforts of other carriers have not dented its position. "Our pharma business had significant double-digit growth last year," reports Hendrik Falk, head of cargo, US west, south and South America.

His outfit has also seen double-digit growth in perishables. It has helped that Swiss's B777 fleet is growing, with two B777-300s added last year. "This gives us up to 30 tons regularly from the west coast, even with a full passenger load," says Falk. Going after high-density perishables is improving the utilisation of the aircraft, he adds.

DHL Global Forwarding has also pushed into the perishables market, but this is no full-throttle assault, says Andreas von Pohl, head of airfreight, Americas: "We want a controlled entry into the perishables market. We want to make sure it works with our capabilities."

This year is unlikely to yield dramatic growth. Nobody is expecting a gangbuster 2019. Kindelbacher notes that growth has flattened lately, according to the season.

There is a broad consensus that the question marks that are looming over the global economy — owing to trade conflicts, Brexit and political uncertainty — are having an impact on trade flows. Still, nobody expects a reversal into negative growth.

"I expect this year to show normal growth. I don't see a double-digit increase, but I think it will be stable for air cargo," says von Pohl.

American reduced its China flights due to passenger demand, but other markets, especially the north Atlantic, have remained strong, according to Samways. "We continue to see nice yields," he adds.

Many of the current doubts will take time to play out, such as the scenario of manufacturers shifting production to other countries. "The factories are still there. There is no change in the short term," comments Kindelbacher.

## Last orders please

In this situation, capacity is unlikely to rise dramatically. American is about to receive the last of its order for 42 B787s. It has since placed an order for another 47 B787 aircraft, which will start coming on stream in 2020.

"As they come in, we'll retire older aircraft, especially B767s. The B787 has the same seat number, but double the cargo payload," says Samways.

ABC is also taking a break. Having taken delivery of the last B747-8F on order, it will not increase its fleet until next year, when the B777-200Fs start joining the line-up.

Parent Volga-Dnepr opened up an operating base at Houston, stationing an An-124 there. Ryan stresses this is not purely for the oil and gas sector. "We wanted a plane strategically placed there," he says.

The odd one out in the capacity addition game is United, which is about to undertake the largest international network expansion from its San Francisco hub in its history.

It is fielding B787s to launch daily flights to Amsterdam and Delhi, add a second flight to Seoul and start three weekly frequencies to Melbourne. In addition, it is turning seasonal operations to Auckland and Tahiti into year-round flights and will start a route from Denver to Germany.

Lufthansa has added two weekly all-cargo flights each on its routes to Chicago and Atlanta. It now runs 32 freighters a week across the north Atlantic. However, it has enjoyed a massive boost to its marketable lift to and from the US through its joint venture with United. This offers clients of the pair the fastest and most attractive connection for the route they are looking to, regardless of which airline is moving the freight.

Having implemented the venture in both directions on the North Atlantic, the two carriers recently added feeder services to the scope of the joint activity. The service is seamless. United and Lufthansa are looking to extend their co-operation further in the next phase, Kindelbacher says.

The surge of traffic in the 2017 peak season exposed serious bottlenecks at major US gateways, from Los Angeles and San Francisco to New York and Newark.

The 2018 peak season produced little disruption, partly because most operators had prepared for it and many carriers took steps in the interval to strengthen critical points.

Lufthansa tightened its control over quality by taking over the warehouse in Chicago, expanding space at JFK, adding staff in Atlanta and taking documentation in-house in Dallas.

American expanded its warehouse in Miami and added racks and a rollerbed system at Dallas, while United had to alter the infrastructure in Newark, reorganised processes in San Francisco and walked away from some business to create breathing space.

For all these and other steps, nobody feels confident about a number of big gateways, due to lack of space, capacity and investment and congested access.

"In some places airport infrastructure is creaking at the seams. Los Angeles is the best example of this," says one carrier executive.

The bottlenecks of 2017 have refuelled interest in alternative gateways. Rickenbacker has been the poster child of this development, having built up a gaggle of scheduled international freighter operations in recent years. One of the more recent additions has been ABC. In April it is adding a second weekly flight to the airport, Ryan says.

"Rickenbacker is pretty much driven by inbound traffic. Many retailers are interested in it for distribution," he observes. He is not looking at other alternative gateways at the moment. "I don't see us adding new airports in 2019," he says. acn