

# Strategic Trends in Air Cargo

## Regional Symposium in Brazil

This two-day symposium is a comprehensive event with both informational and practical components for executives in civil aviation administrations, airlines, logistics companies, aviation training centres and for industry experts and support personnel with an interest in the trends and strategies for the air cargo market. The event will be conducted in English, Spanish and Portuguese with interpretation/translation as appropriate.

# The Air Cargo – Some Fundamentals

**Vladimir D. Zubkov**

- Vice-President, Volga-Dnepr Group
- Board Member of TIACA

# Volga-Dnepr Group – some facts



# Loading/Unloading System for up to 80 Tons Heavy Cargo



**Moscow – Le Bourget. Angara Space Launcher**



# Under Own Power Loading System



# Value of Air Cargo



- **The Value to modern life – Consumers**
- **The Value to economic prosperity – Governments / Regulators**
- **The Value to the global community – everyone**
- **The Value to Airline CEOs**



**The air cargo industry came up  
with a campaign: “Air Cargo  
Makes it Happen”**

# The Value to modern life



- **Daily Impact if Air Cargo didn't exist**
  - **Food**
  - **Clothes**
  - **Entertainment**
  - **Technology**
  - **Leisure**
  - ....



Travelling first class  
in a stable market

**...air cargo makes it happen.**

The world's most valuable horses are now competing  
in parts of the world where this would have been  
unimaginable 20 years ago.

[www.iata.org](http://www.iata.org)





16-18 March:  
**Australia**

23-25 March:  
**Malaysia**

**...air cargo makes it happen.**

By flying 60 cars and 300 tonnes of equipment to 20 grand prix,  
in 19 countries, with 500 million avid viewing fans,  
air cargo keeps Formula 1 on track.

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# The Value to the Global Community



- **First responder in getting relief to natural disaster sites**
- **Safe and controlled transport of medicines**
- **Vaccines .... etc**



Help from the sky

## ...air cargo makes it happen.

Air cargo plays an essential role in assistance to regions facing natural disasters, famine and war by delivering aid and emergency supplies where they are needed as soon as they are needed.



A life protected

## ...air cargo makes it happen.

Immunization prevents 2.5 million deaths every year.  
Air cargo is critical in flying vaccines to their  
destination in time to be effective.

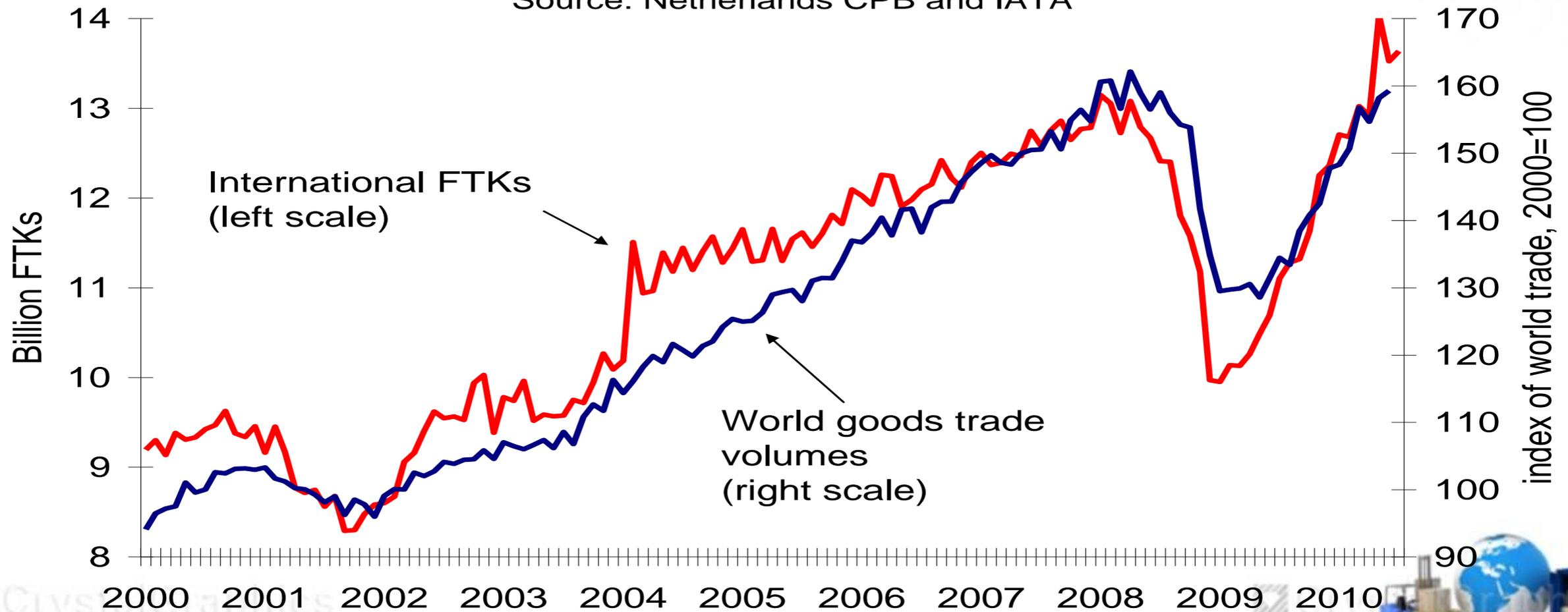


# The Value to the World Economies

Air cargo was always considered as a barometer of the global economy

## World trade in goods and air FTKs

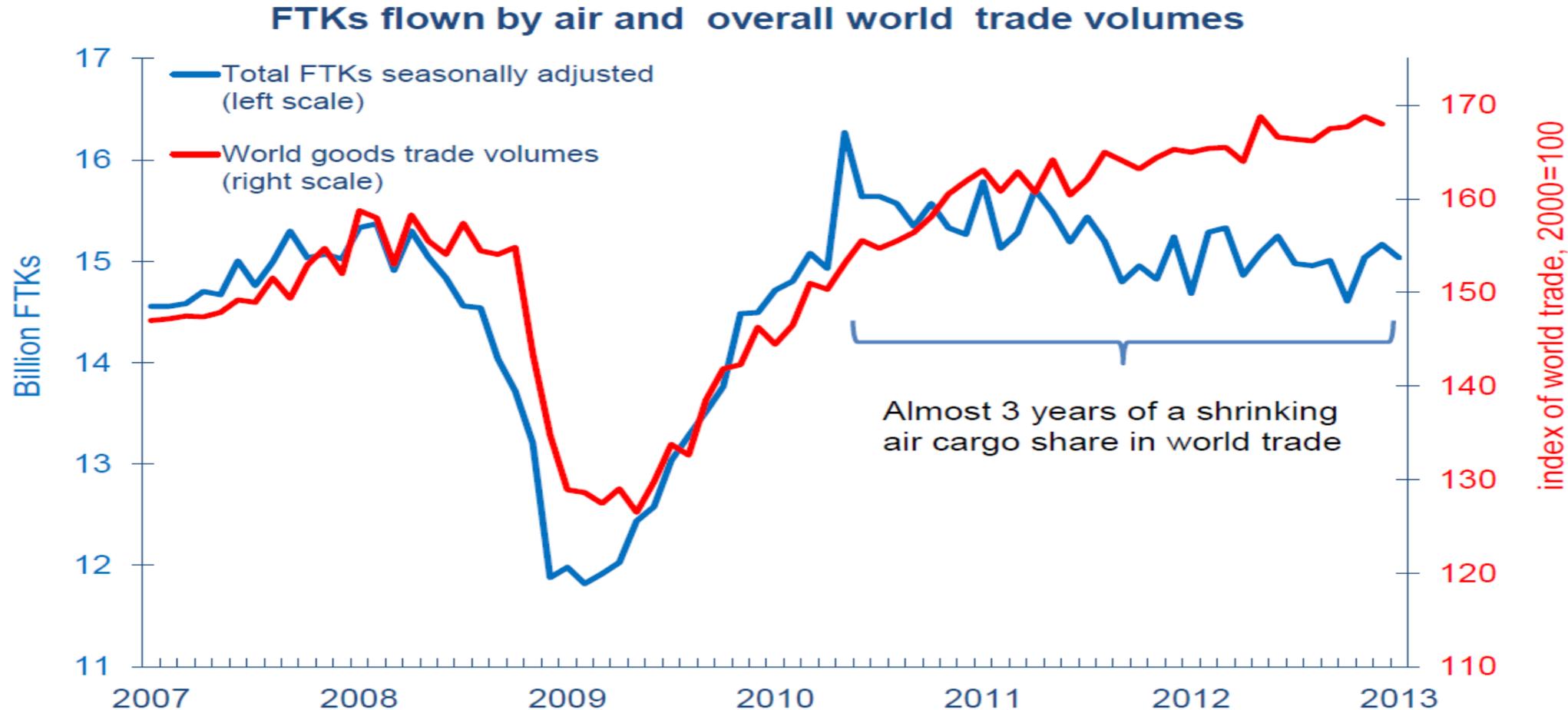
Source: Netherlands CPB and IATA



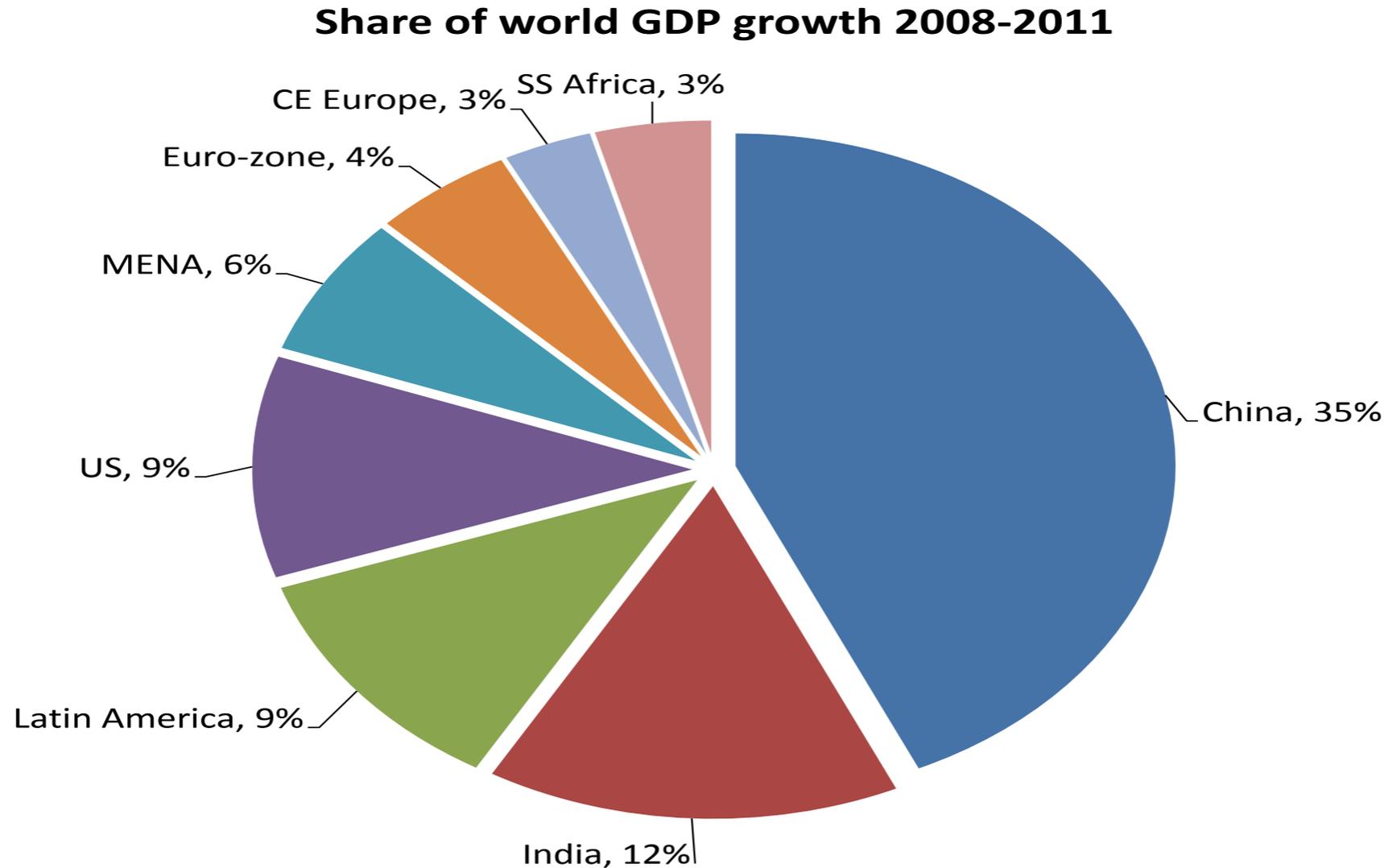
# However, in the recent years air cargo is on decline

But world trade in goods has been expanding

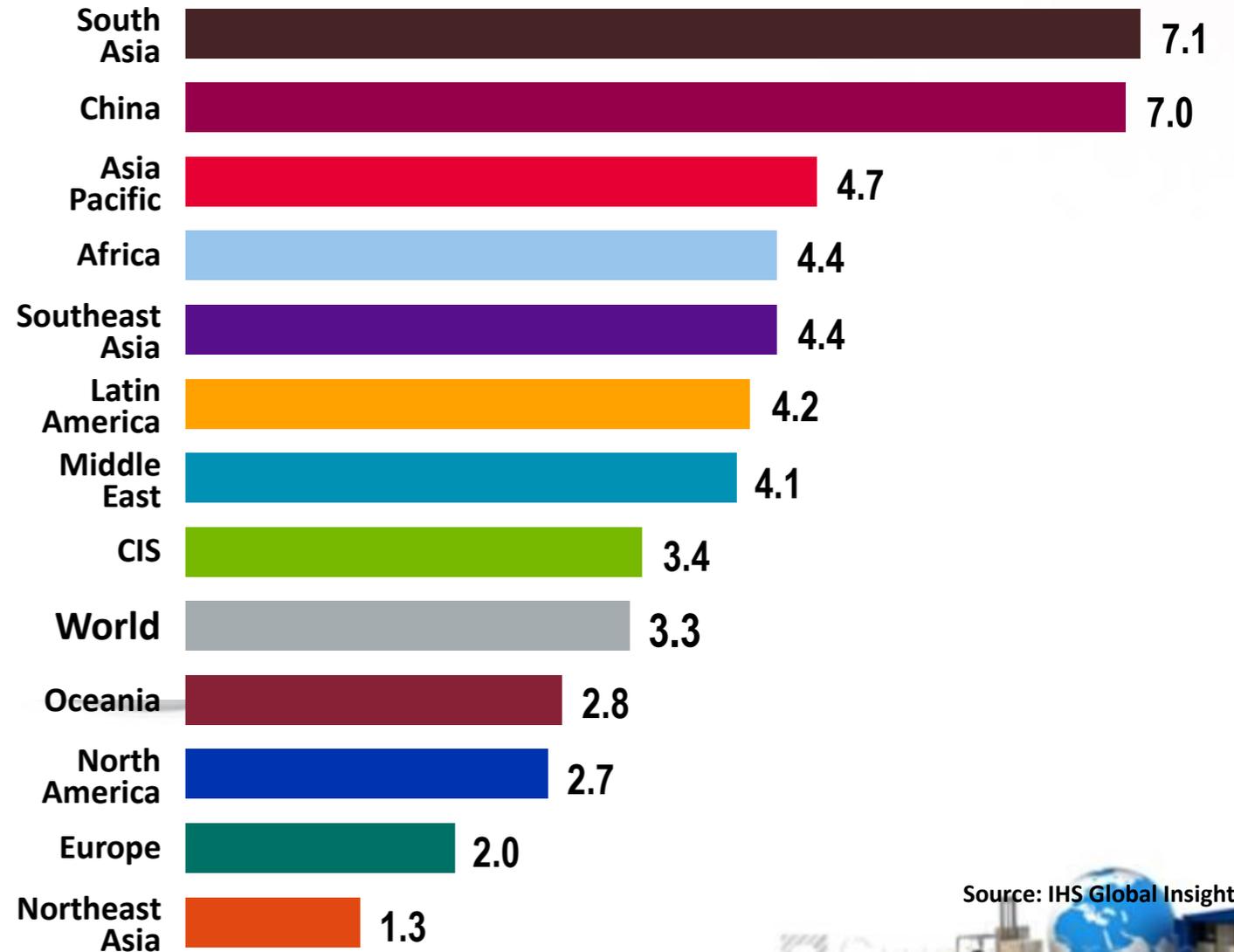
Since 2010Q2 world trade has risen 10%; air FTKs have fallen 7%



# Where the economic growth is coming from



# Annual GDP growth 2011 – 2030

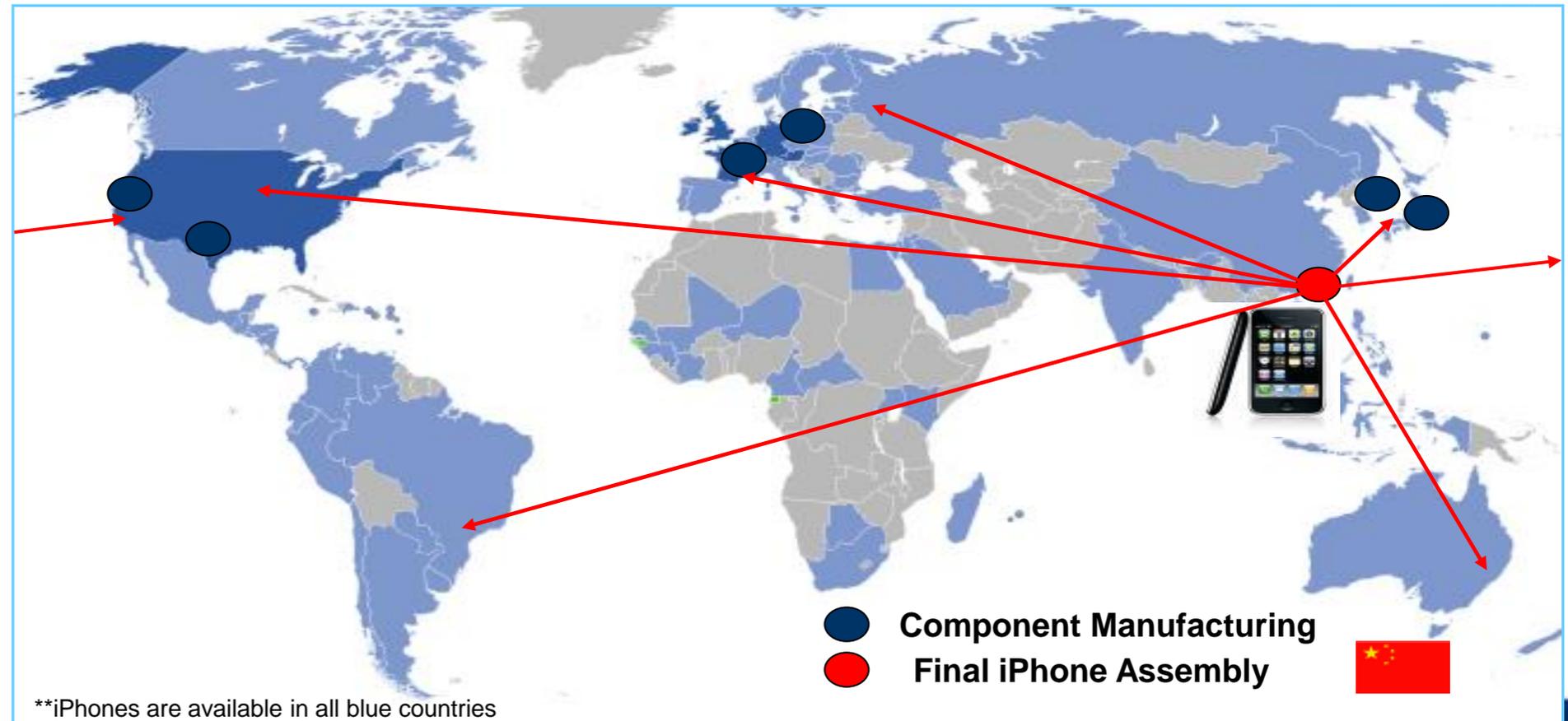


Source: IHS Global Insight

# All is Interconnected: iPhone Manufacturing & Distribution Process Demonstrates Importance of Good Logistics and the Utility of Air Cargo to World Economies

## iPhone Components & Source Countries

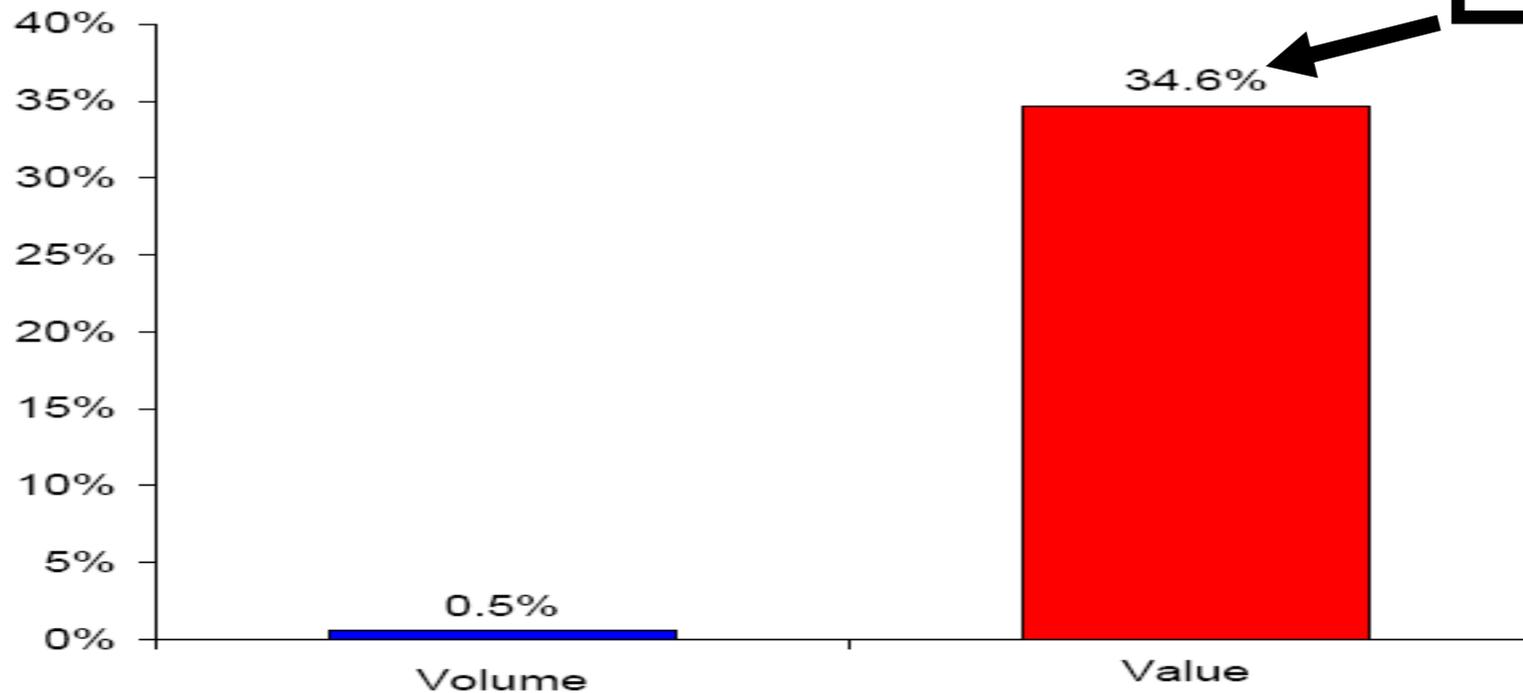
LCD Display	
Flash Memory Chip	
Applications Processor	
DRAM Memory	
Bluetooth, GPS Chips	
Radio Frequency Memory	
Touch Screen Control, Wi-Fi	
Receiver/Transceiver	
Power Management	
Accelerator/Gyroscope	
Compass	



# The importance of air cargo ...



**Chart 3.9: Proportion of global trade transported by air**



**USD 6.4 Trillion**

Source : The Colography Group<sup>19</sup>, Oxford Economics





Have you got  
one of these  
with you?

**...air cargo makes it happen.**

Air cargo transports over US\$ 5 trillion in goods, including the latest phone, game and multimedia gadgets —bringing your world to life.

[www.iata.org](http://www.iata.org)





Delivering time  
on time

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The Swiss watch industry continues to record strong growth. Reliable air cargo is keeping this industry ticking by connecting the Swiss made timepieces with the world

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From his field  
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# The Value to Airline CEOs



- **Air Cargo makes DOLLARS and SENSE**
- **Quality, Premium Service, Vital....**

# The importance of air cargo ...

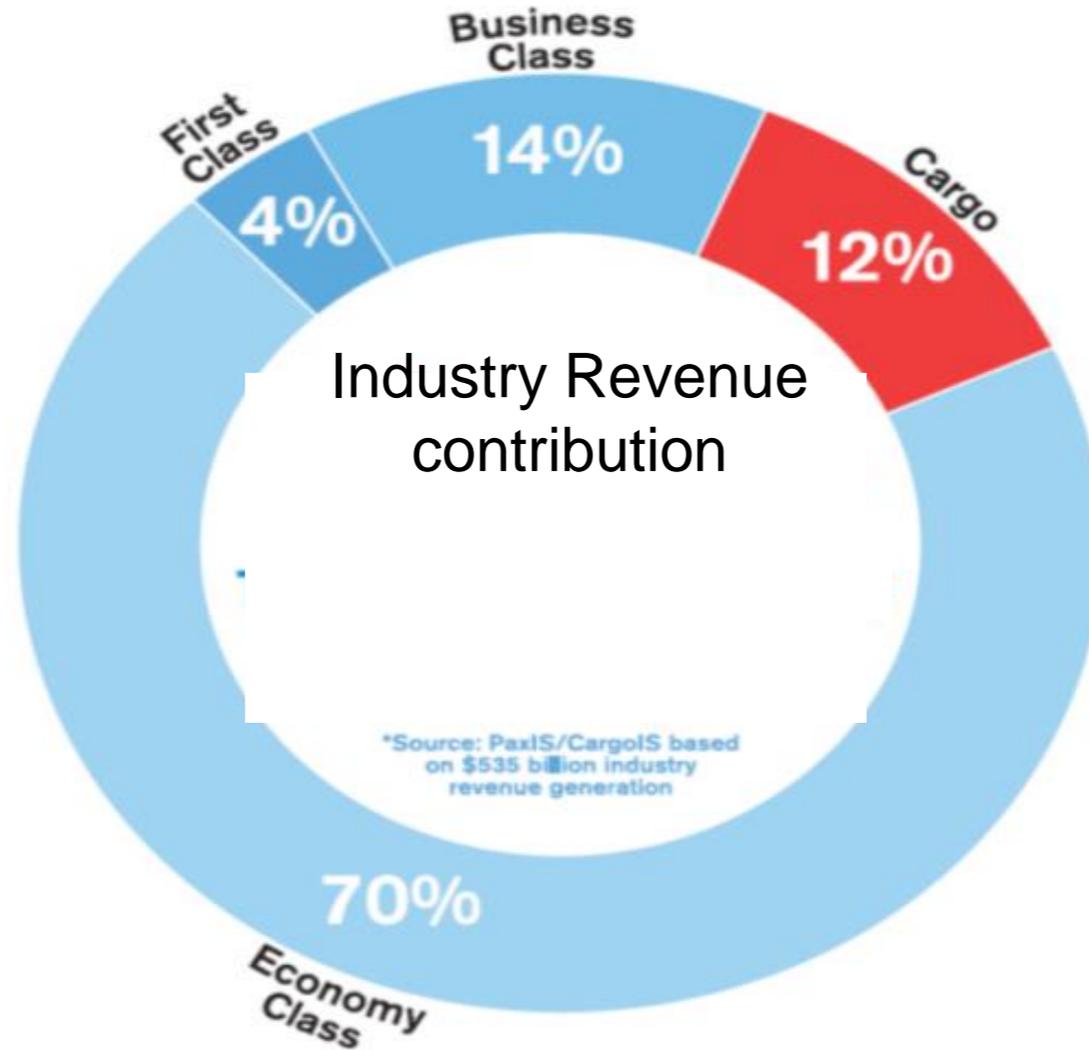


## 23. Global Airline Industry Cargo Revenues

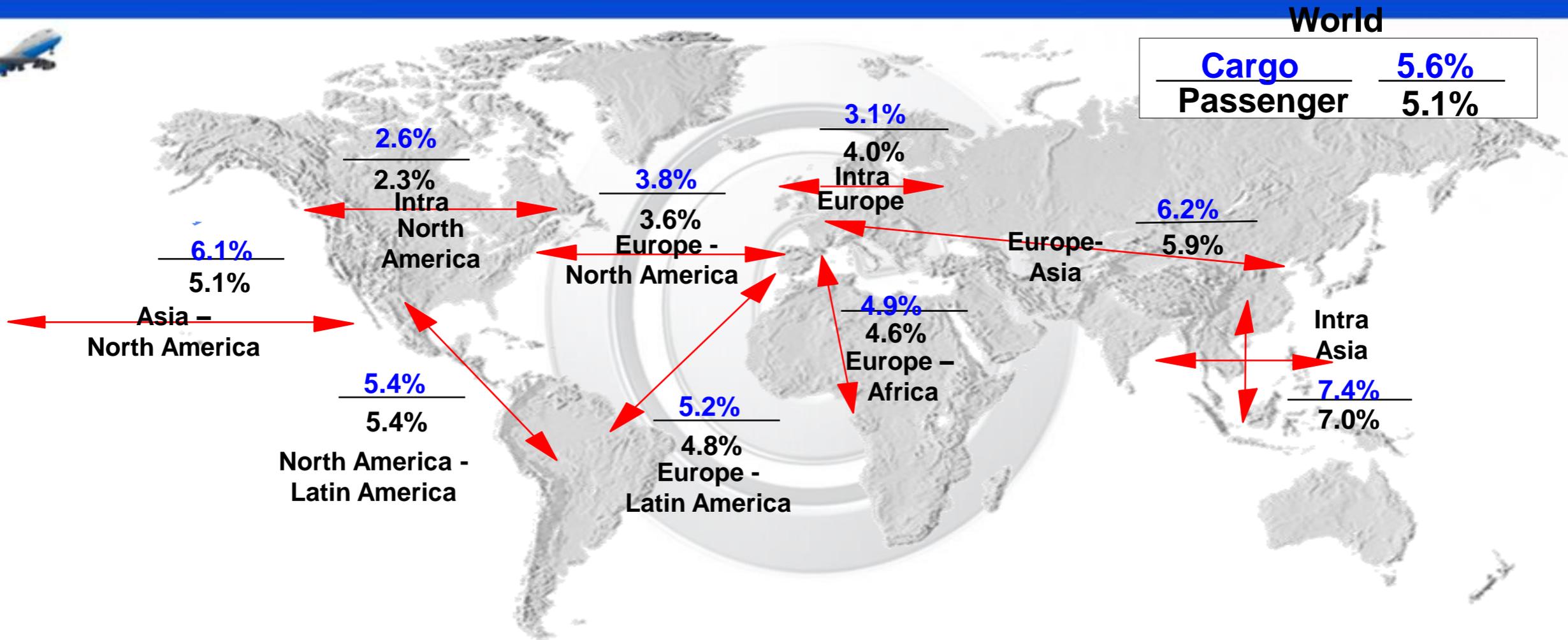
Source: ICAO, IATA



# The importance of air cargo ...



# Air Cargo Traffic Is Forecasted To Outpace Passenger Traffic Growth in Most Major World Markets



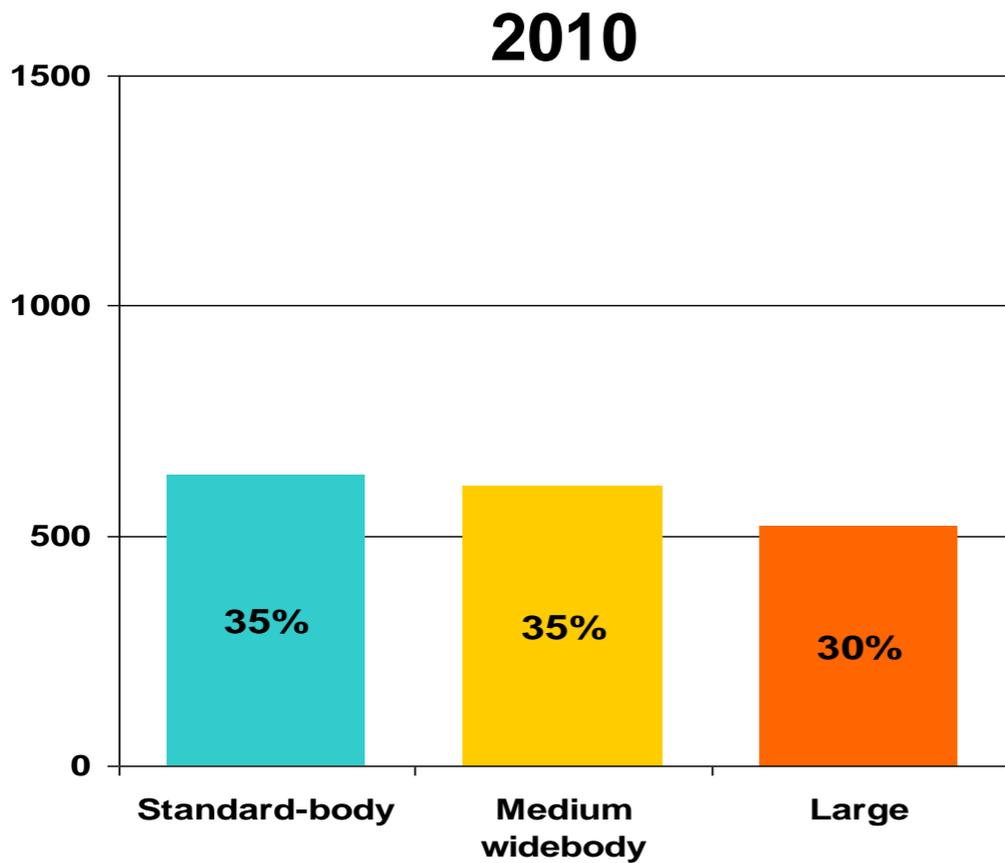
**Average Annual Traffic Growth Rate**  
2011 - 2030



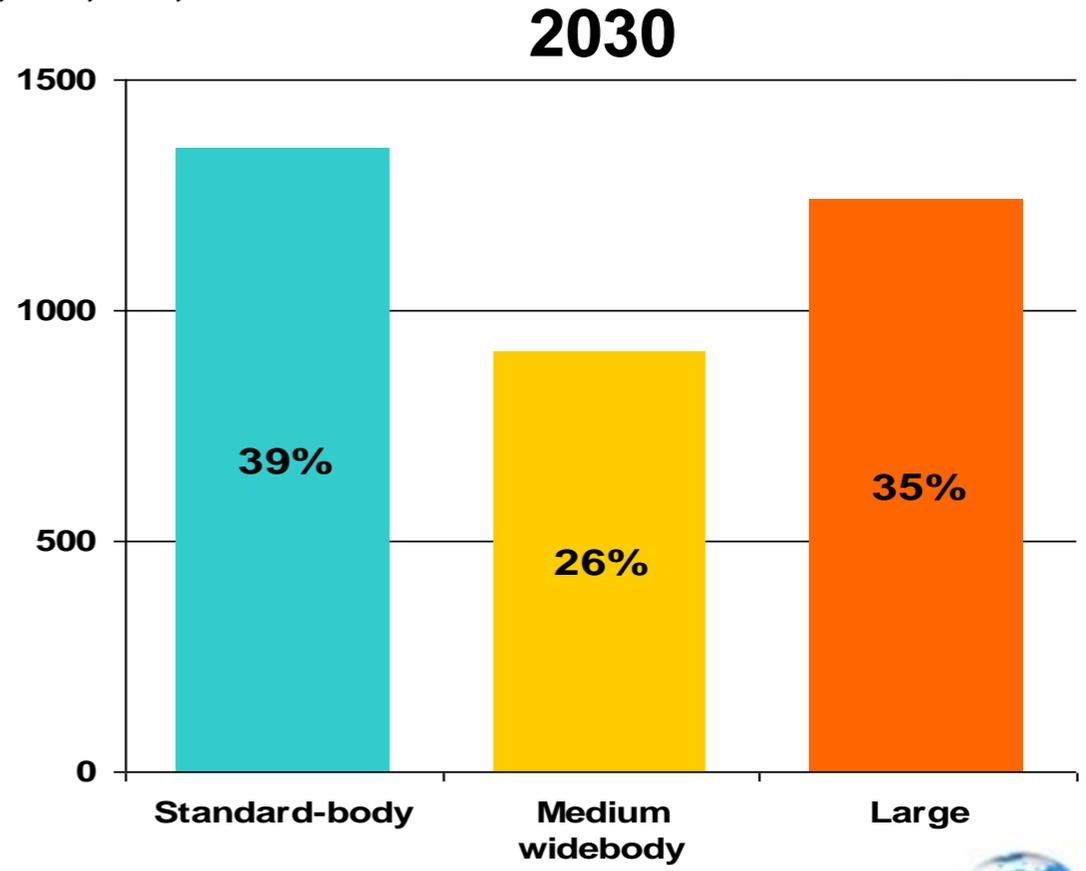
# Freighter Fleet will Nearly Double with a Shift Toward Larger Freighters



- Large (>80 tonnes): MD-11, 747, 777, A350, A380, AN-124, IL-96, etc.
- Medium widebody (40-80 tonnes): DC-10, A300, A310, A330, A340, 767, 787, etc.
- Standard-body (<45 tonnes): DC-8, DC-9, Tu-204, A320, 727, 737, 757, etc.



**1,760 freighters**



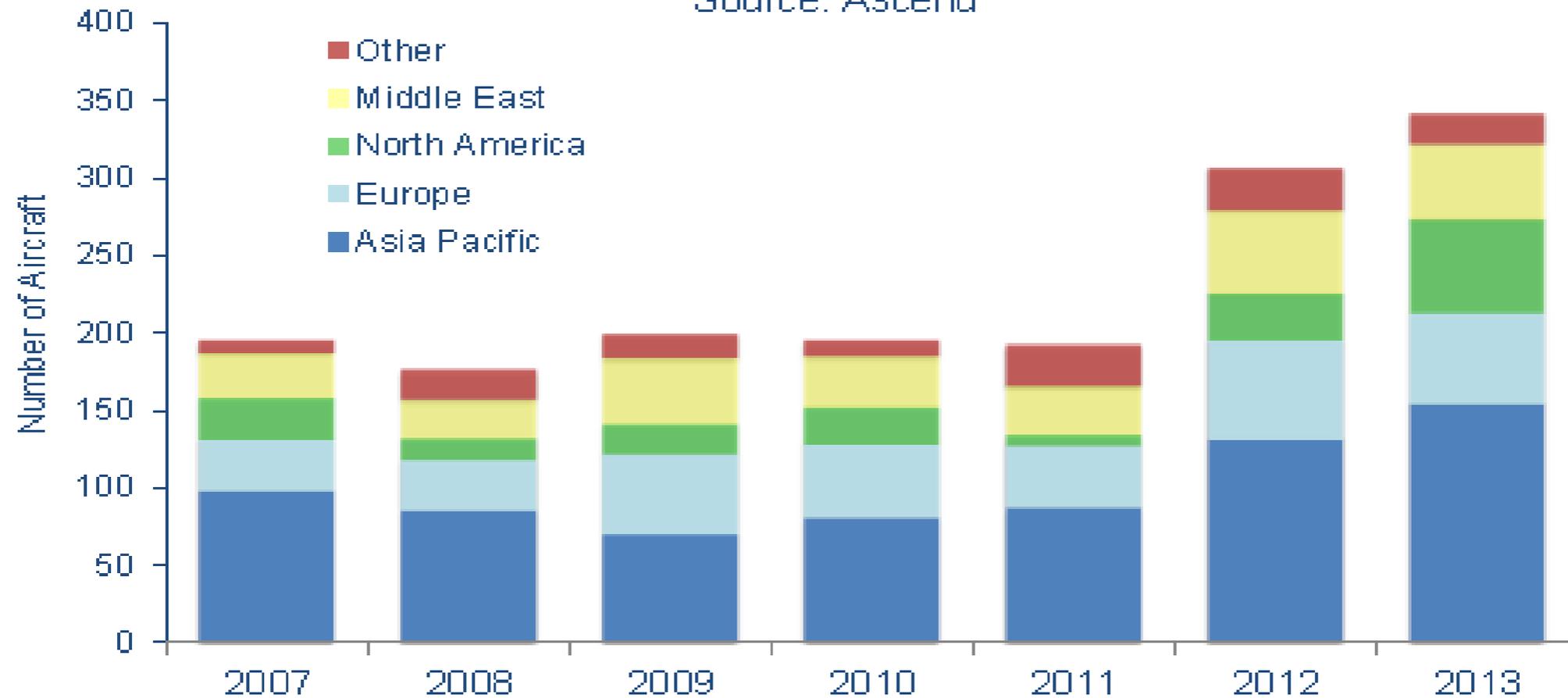
**3,500 freighters**





## 15. Twin Aisle Aircraft Deliveries by Airline Region

Source: Ascend

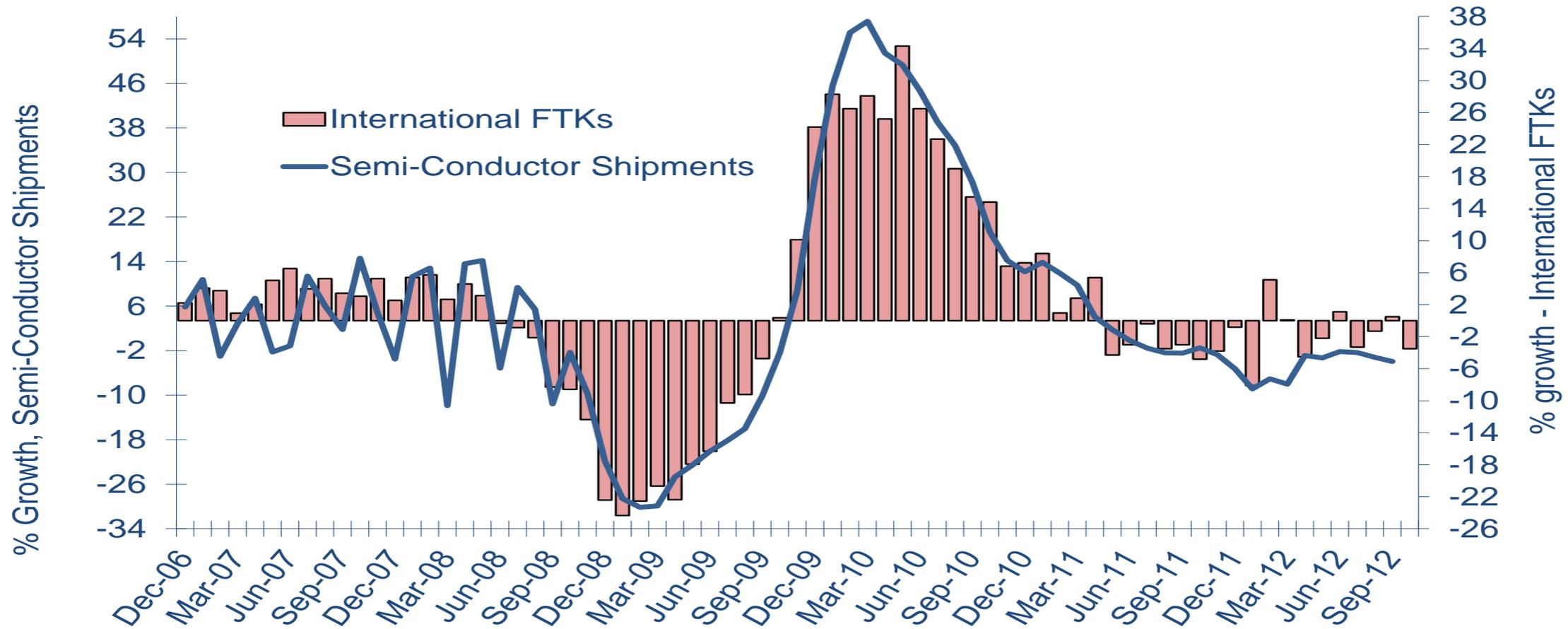


# But key customers are reducing shipments



## Semi-Conductor Shipments and Air Freight

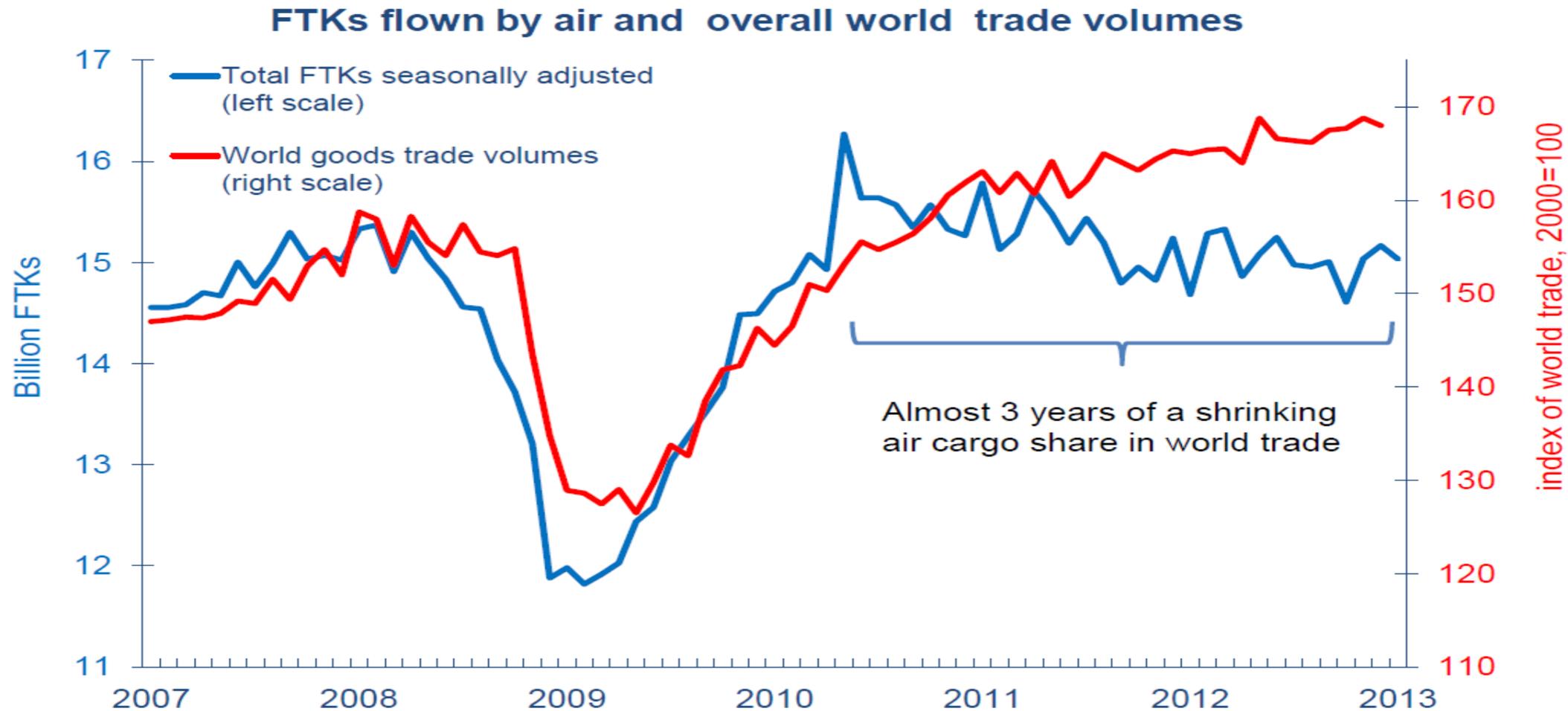
Source: IATA, SIA



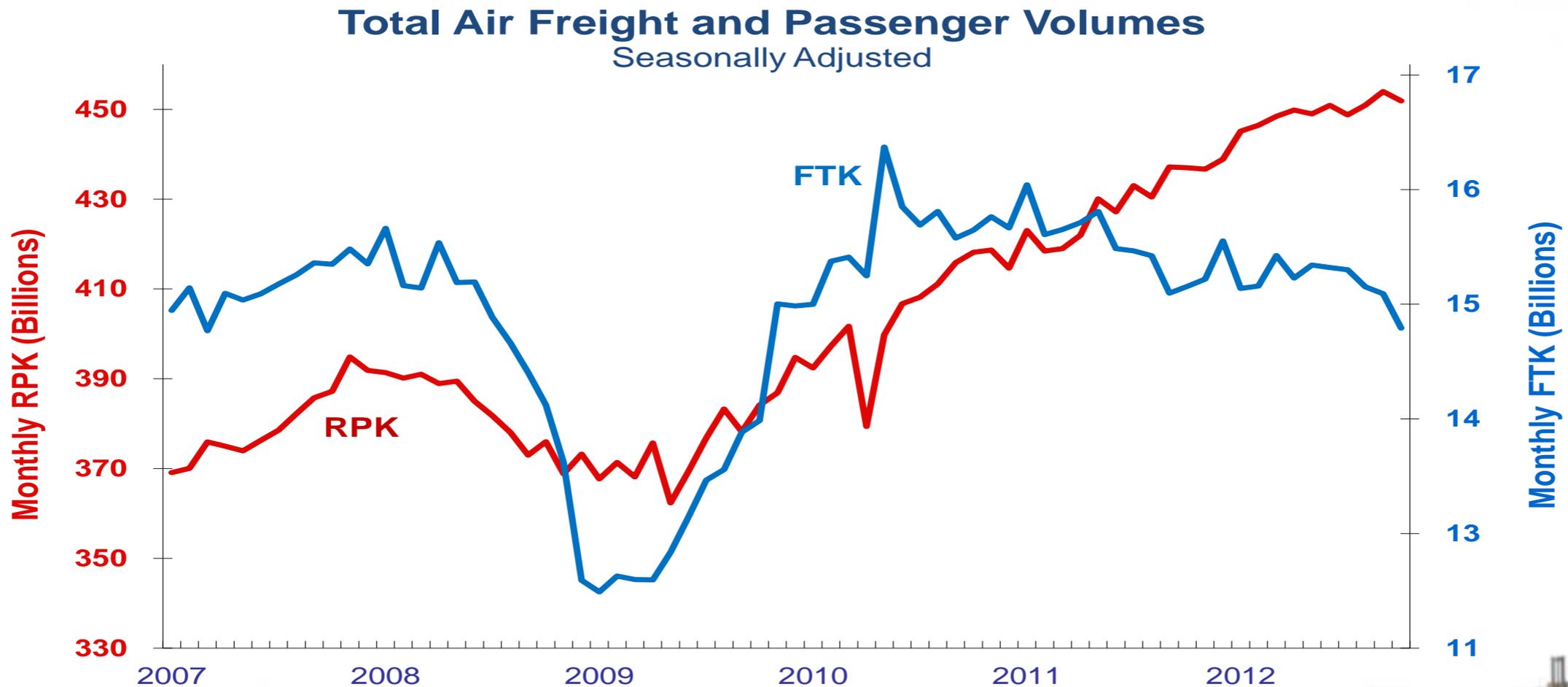
# However, as stated before – the air cargo is on decline

## But world trade in goods has been expanding

Since 2010Q2 world trade has risen 10%; air FTKs have fallen 7%



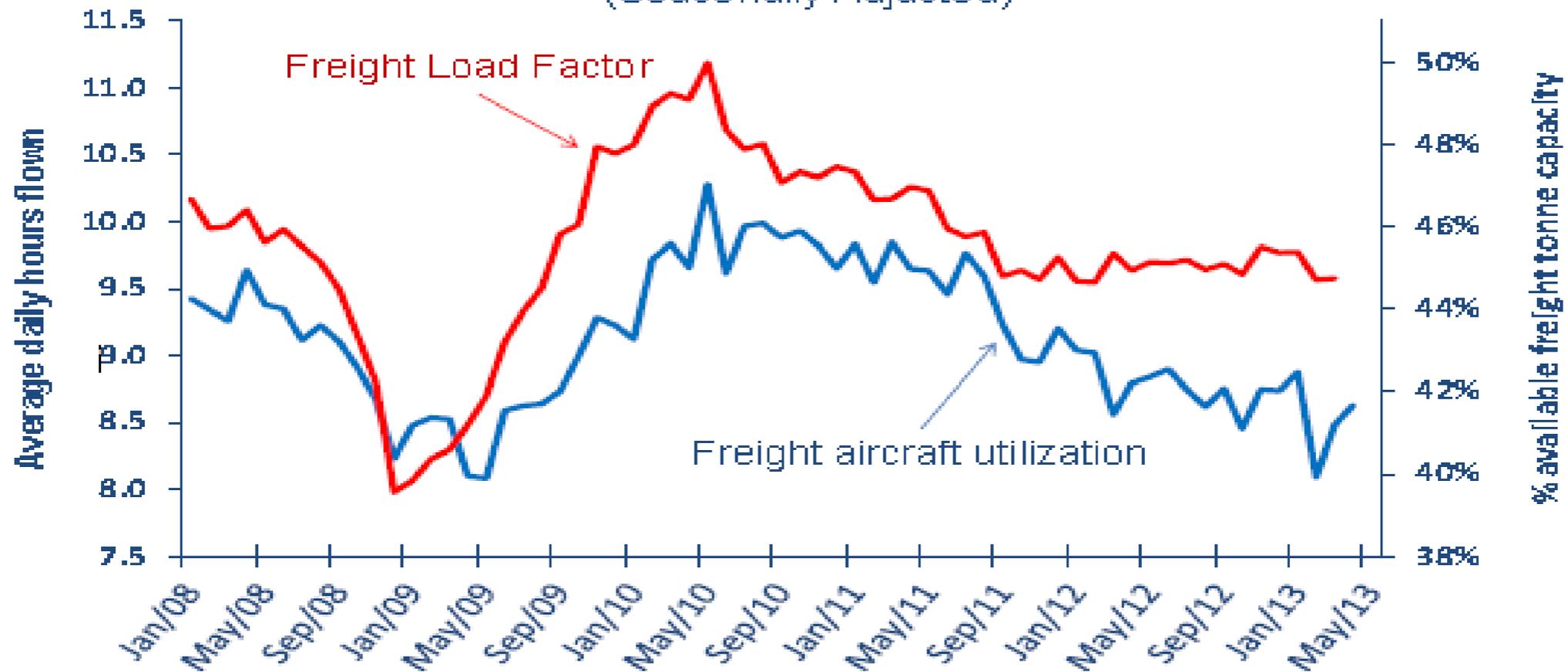
# Cargo and passenger markets have diverged



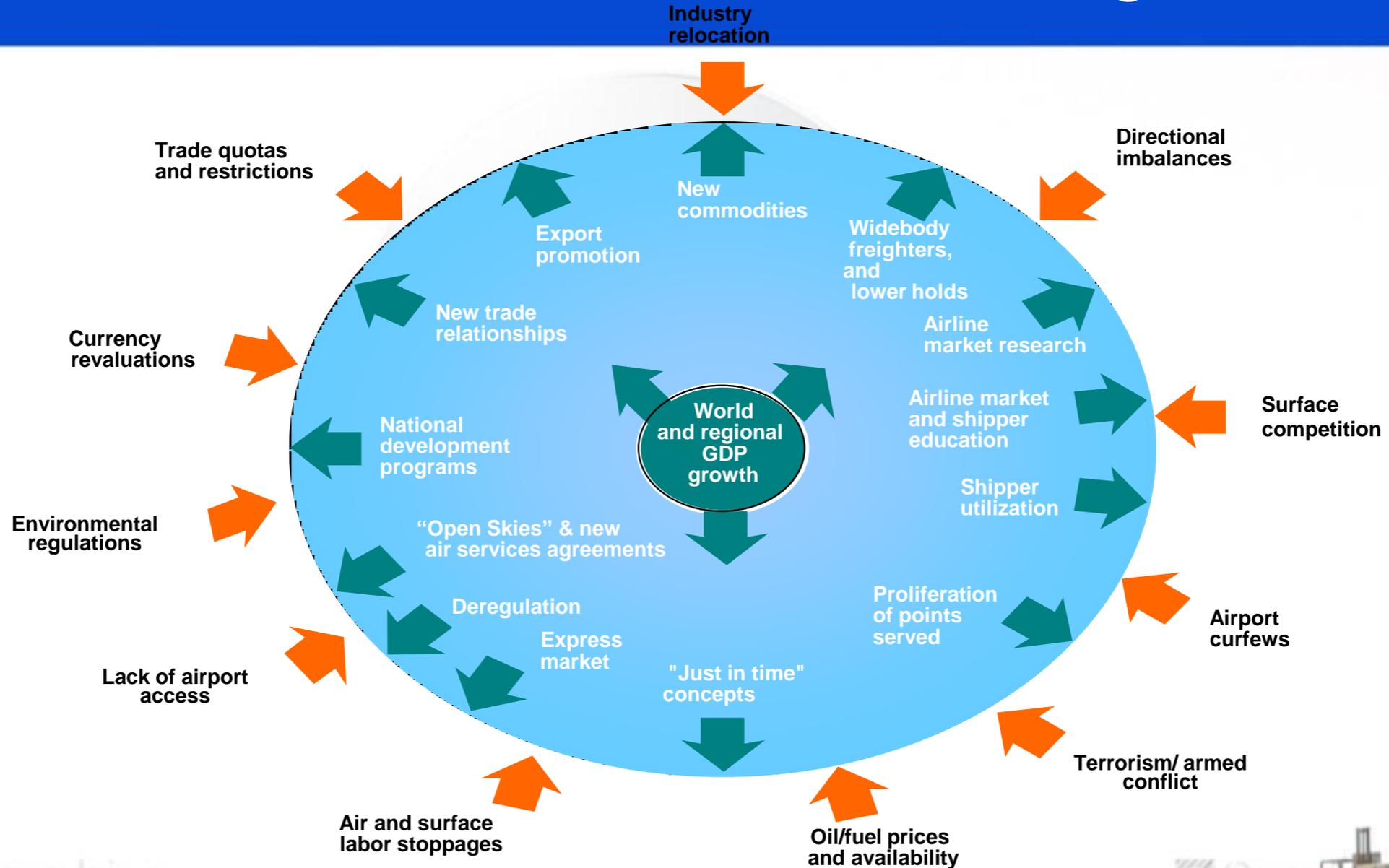


## 14. Freight load factor and freighter aircraft utilization

Source: Boeing, IATA  
(Seasonally Adjusted)



# Forces and Constraints for Air Cargo Growth



# Modal Shift

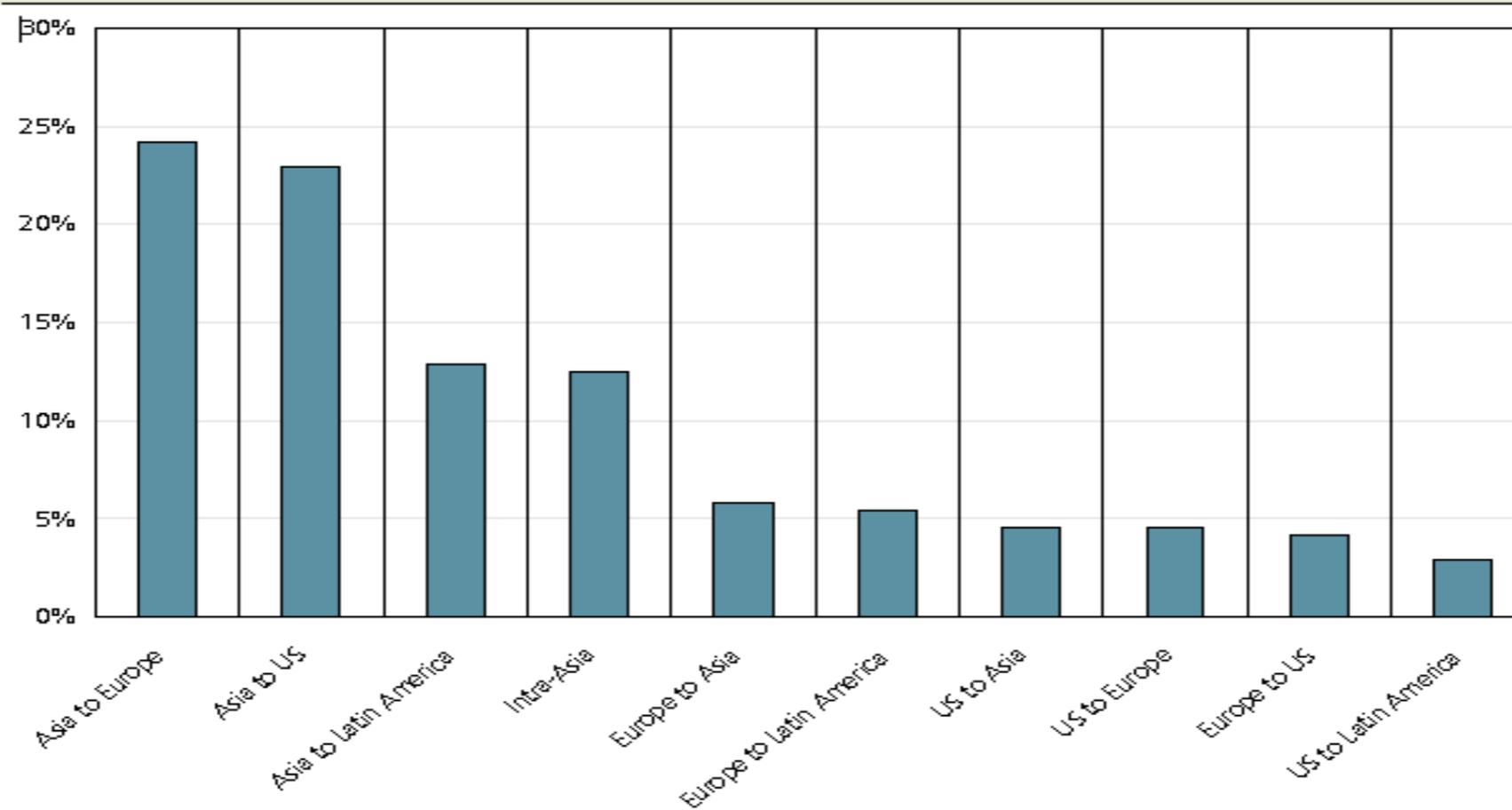


- AstraZeneca is shifting transport of pharma products from air to sea, with the objective by end of last year to have moved 40% to sea transport and by end of 2013 70%.
- Ericcson: better production planning will support strategic shift away from Air Cargo
- Sony Corp.: CSR (Modal shift) nearly 30% of total VAIO® notebook computers





## Modal shift from air to sea (freight)



Source: Davy; Transport Intelligence Survey

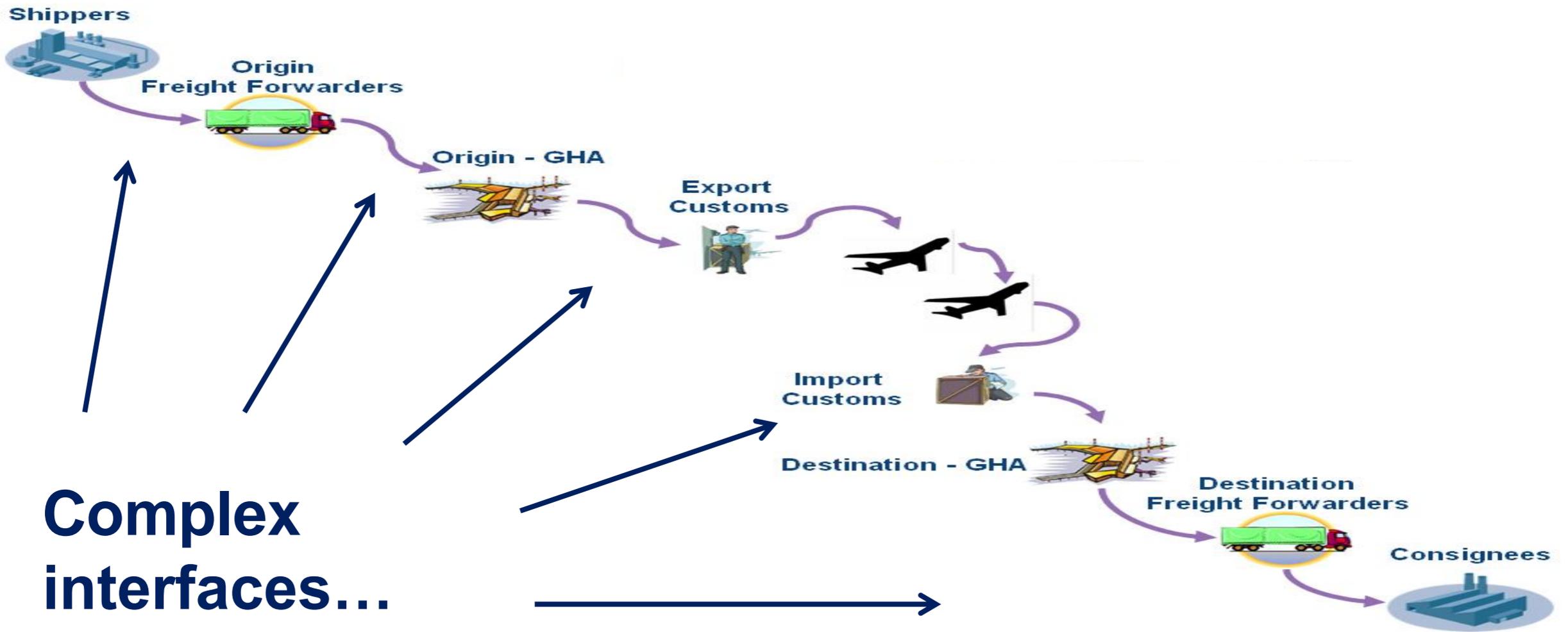


# The industry **must** reshape



- Solutions must align with customer demands
- Costs must be reduced
- Processes must be simplified
- Technology must be embraced
- Innovation must replace status quo
- We must collaborate to produce integrated solutions
- Relationships with Forwarders must be redefined

# The air supply chain

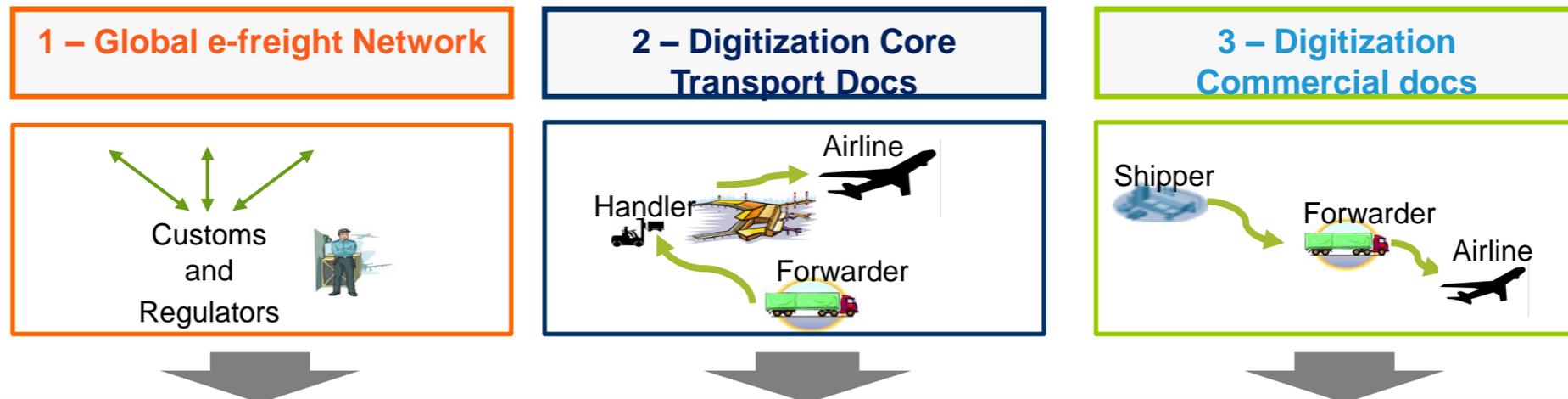


Complex interfaces...

# E-freight:



# The GACAG\* vision for 2015



2015 Goal	80% world trade lanes allow paperless air cargo transport	<ul style="list-style-type: none"> <li>• 100% e-AWB,</li> <li>• e-House Manifest &amp; e-Flight Manifest capability on e-freight trade lanes</li> </ul>	Use of e-pouch for large set of cargo shipments
Lead	IATA (GACAG support)	IATA (FIATA support)	FIATA & GSF

\* GACAG - the Global Air Cargo Advisory Group, which comprises four global industry associations – IATA, FIATA, TIACA, and the Global Shipper’s Forum

# Generation born 1981 – 2001



# Acceleration of new consumer paradigm



Cyber Monday Online Sales Source: comScore, Inc.

Day	Year	Sales (millions of US\$)	% Change
November 27	2006	\$610	N/A
November 26	2007	\$730	20%
December 1	2008	\$846	16%
November 30	2009	\$887	5%
November 29	2010	\$1,028	16%
November 28	2011	\$1,251	22%

OUT OF OVER **110.9M** SMARTPHONE SUBSCRIBERS...

**65%** performed mobile retail activities

**79%** more people use **PayPal** than in 2011

**Google Wallet** users have higher average incomes

**1 in 5** purchased items on their mobile phone

COMSCORE



# A vision for a **modern** industry (1/3)



- **Strengthening industry relationships**
  - Modernize IATA Agency model: partnership based, aligned with airline / forwarder evolution
- **Reacting to business model evolution**
  - Respond to changing consumer patterns...collaboration with supply chain partners a must to address “click-buy-fly” home-to-home or factory-to-home trends.
  - Value price, service revaluation... chain solutions



# A vision for a **modern** industry (2/3)



- Maintaining high level safety & security
- Re-engineering ground processes
  - Acceleration of transportation process. Collaboration with supply chain partners a must to address “shipper to aircraft” process.
- Ensuring technology is fully embraced
  - Reduce reliance on human intervention...  
track, e-claims, e-delivery, e-perform
  - Data exchange rather than message exchange



# A vision for a **modern** industry (3/3)



- Collaborating for a sustainable industry
  - Accelerate “Value of Air Cargo” campaign - shout not whisper air cargo’s role in today’s world
  - Target young and entrepreneurs to embrace “logistics” as a career choice
  - Focus on training must increase... hard and soft skills
  - Work on environmental issues: ability to calculate our carbon footprint, best practices to be greener



**Bring your ideas. Make it happen.**

Held in the Middle East for the first time, the World Cargo Symposium will focus on building the future of our industry through our key priorities, our people and training, the environment, social responsibility and the economic impact of air freight to the world. Join us at the event that transports the industry forward into action, delivering new solutions and a solid new direction for us all.

**7<sup>th</sup> World Cargo Symposium**  
12-14 March 2013, Doha, Qatar

# Security: protecting the skies



- ACC3
- ACAS
- New ICAO guidance material
- RA / KC programs
- +++

# Fighting the Green battle



- MISINFORMATION:
  - Air Cargo accounts for 2% of global CO2 emissions
  - Port to Port reporting is sufficient
  - Airlines are doing nothing



# Air Cargo – Vital for today's society and economy



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