

Competing pressures challenge growth

Authorities running some of the world's biggest gateway airports are displaying a sense of gritty realism when it comes to the development and growth prospects for the global air cargo business in 2015.

Optimistic forecasts in an increasingly competitive market place are being sustained through pragmatic and competitive strategies in the face of toughening and uncertain trading conditions in some key economies.

Angela Gittens, director general of the **Airports Council International (ACI)** warns that despite a buoyant 2014 there remain a number of "downside risks" on the horizon for the coming year.

"We have two forces at play and these are working in opposite directions," she observes. "On the one hand, economic growth rates among certain emerging markets have diverged. We see India and China maintaining favourable growth while Brazil and Russia experience a slowdown, and the euro area is continuing to teeter towards a recession.

American oil

"On the other hand, the recent decrease in oil prices and improvements in the American economy are likely to contribute positively to the continued increases in passenger numbers. The boosting of world trade volumes in the latter half of 2014 has had a positive impact on the air freight market."

All of this can be brought into focus by looking at trading data for the month of November 2014 which shows global airfreight traffic continuing to maintain its upward trend in volumes, with a year-on-year growth rate of four per cent.

Figures published by the Montreal (Canada)-based ACI show the overall accumulated volumes for the last 12 months rose by 4.7 per cent, with international freight volumes jumping by 5.6 per cent, against an increase for domestic volumes of just 2.6 per cent.

The Middle East continues to achieve the highest growth in freight volumes at 12.8 per cent year-on-year for November. Since the start of operations at **Dubai World Central**, the airport has remained one of the major contributors to overall increases in freight for the region and it saw volumes increase by over 300 per cent compared to the previous year.

Africa is experiencing some volatility in month-to-month freight volumes and while October freight volumes achieved significant gains over the previous year, November volumes were in decline by 1.7 per cent.

Asia Pacific posted increases in volumes of 4.7 per cent for November, which is slightly below the 12 month growth trend of 5.6 per cent. Nevertheless, the region's largest freight hubs continue to report gains. **Hong Kong International Airport**, **Shanghai Pudong International Airport**, and **Incheon Interna-**

tional Airport saw volumes increase by 5.5 per cent, eight per cent and 3.6 per cent respectively for the month.

North America experienced moderate growth of 2.2 per cent. **Memphis International Airport**, North America's busiest freight airport and **FedEx** hub, and **Louisville International Airport**, the **UPS** hub, were almost flat with respect to year-on-year growth, while **Ted Stevens Anchorage International Airport** posted a gain of 2.4 per cent in freight volumes.

Europe experienced an overall growth rate of 3.1 per cent. However, results were mixed across airports in the region. **Frankfurt Airport** grew by 2.7 per cent while **Aeroports de Paris** had a decline of 1.8 per cent. Istanbul's airports achieved one of the highest gains in freight volumes for the region. With ongoing weakness

69,000 tonnes, along with a rise in fresh goods cargo volume, which over the past three years has gone up by 19 per cent annually and rose by 28 per cent in 2014 compared to 2013. "Alongside strong performance of main goods, such as semi-conductors and electronic devices, we expect a continuation of the rapid increase in fresh goods, with around 20 per cent year-on-year increase for 2015," he says. Another bright factor for the coming year is the anticipated rise in e-commerce volume, which now accounts for more than half of all express cargo volume at Incheon.

"The recent trend of explosive increase in both e-commerce volume and the number of items traded under e-commerce is expected to continue in 2015." However, Lim indicated that air cargo at Incheon might have reached

liminary figures for January to November are showing about 1.8 million tonnes, split between exports of 540,000 tonnes, imports of 700,000 tonnes and a transit volume of 630,000 tonnes.

"With the effects of resolute financial deregulation driving down the yen, exports have posted steady growth since the autumn of 2013, especially automobile parts for North America which have been strong since last summer," he tells ACW.

"There is also a continuing upward trend in the transit cargo sector. The ratio of cargo to and from Japan to transit cargo was generally around 8:2 in the past, but the proportion of transit cargo is rising year-by-year. This ration changed to 7:3 in 2013, and 2014 sees it closing further, representing a rise of 33 per cent."

In contrast, imports through Tokyo have been markedly weaker since last April. "The year-on-year decline in imports is expected to continue for some time due to a drop in domestic demand as a result of the rise in consumption tax, from five per cent to eight per cent, and the depreciating yen, and also in view of the fact that there was a last minute rise in demand at the start of 2014 before the consumption tax hike in April," says Gunji.

"In exports, growth is projected due to an increase in demand generated by the recovery in the global economy and the weaker yen. However, factors such as the shift of production centres offshore and the rise in local content ratios are expected to exert a downward pressure."

Gunji is confident that the steady growth in transits will remain in 2015, underpinned by Narita's characteristic role as a connection point for traffic between Asia and North America.

Winter warms up

Narita airport's winter 2014 schedule for international freighter frequency has increased by 13 a week. "We can also expect additional frequency and new routes in the summer schedule 2015 and so, in line with the expansion of cargo capacity, we expect to see cargo volume rise in 2015," Gunji adds.

This March, Narita will use an enhanced air traffic control system to expand capacity to 300,000 cargo movements a year and increasing hourly capacity from 64 to 68 movements.

Amsterdam Airport Schiphol experienced a strong 2014 for airfreight and Enno Osinga, senior vice-president for Schiphol Cargo, tells ACW that final figures are expected to show business for the year at seven per cent above 2013.

"Our focus has continued to be on the entire logistics chain, from shippers to airlines, to handlers, to trucking companies and all others involved," he says.

"Our most recent development is the beginning of work on the new customs joint inspection centre as the first element in the final phase of SmartGate Cargo. "This new facility will revolutionise how our regulatory bodies implement inspections and compliance, and it will make them more efficient and enhance security, while introducing greater flexibility and precision." Airfreight shipments will require less manual inspection, he says, and can be inspected at more convenient times, with accompanying benefits to transit times.

Osinga says Schiphol is continuing to drive electronic air waybills as a core element in e-Freight and that this is paying dividends with increasing activity on routes into the airport. (Continued on page 12)



in the Brazilian and Argentinian economies, freight volumes in Latin America and the Caribbean were flat for November as compared to the previous year.

Nevertheless, the airports of **São Paulo-Guarulhos International Airport** and **Mexico City Benito Juárez International Airport** posted gains of 4.2 per cent and 10.7 per cent respectively. Against this backdrop, Incheon, the primary airport serving the Seoul capital area and among the busiest airports in the world, saw its cargo volumes in 2014 top 2.5 million tonnes, a 3.8 per cent increase year-on-year.

Byung-Kee Lim, executive director of Incheon's **Airport City Development Group**, attributes the rise to business led by the Americas, China and Europe.

He tells *Air Cargo Week (ACW)* that the increasing trend for more express cargo was reflected in a 44 per cent increase in 2014, to

a plateau and so new "growth engines" were urgently needed.

"Another worrisome factor is the deterioration of profits as competition between and among airlines and forwarders becomes more fierce," he says. As part of its strategy to increase cargo volume in 2015, Incheon plans to set up a global distribution centre for manufacturing firms at Incheon Airport Logistics Park. "We also have in mind the possible expansion of cargo terminals that have already become saturated, such as the **Swissport** terminal, and we are looking forward to hosting new airlines coming from targeted regions in China and the Middle East."

Tokyo's **Narita Airport Corporation** cargo business department deputy vice president, Fumio Gunji, says cargo volumes handled by Narita in 2014 are expected to exceed two million tonnes for the first time since 2010. Pre-



GITTENS

The recent decrease in oil prices and improvements in the American economy are likely to contribute positively



(continued from page 10) "The industry as a whole is making progress and now seems to be staying on target," Osinga adds. "In support of this global development we have started the implementation of our own e-link project and we expect that in the coming year this will achieve full implementation in the local market." One of the aims of this project is to cut waiting times with handling agents by a quarter and, according to Osinga, the results so far indicate this is being exceeded.

"The challenges we face are those the whole industry faces," he explains. "We must introduce greater transparency to our activities within the supply chain and we must look for greater efficiencies in order to protect airfreight's share of the transportation business."

One example is pharmaceuticals. "But this [market] will only develop if we meet the increasing demands of its supply chain complexity and its need to eradicate temperature excursions," warns Osinga.

"We welcome the introduction of industry standards and are working to move to the next level of pharma, CEIV [Centre of Excellence for Independent Validators]. E-Freight, again, is an essential part of our drive for the seamless and transparent supply chains demanded by high-value pharma shipments."

For the longer term, Schiphol Cargo is working closely

with **Delft University of Technology** on various research projects that focus on handling processes and infrastructure of the future.

"It's a win win situation," says Osinga. "We gain access to fresh thinking and the best minds, while contributing to the education of the next generation of logistics managers."

Schiphol is also keen to exploit its location, because it is not space-constrained and its **Area Development Corporation** is working on new sites around the airport which offer the opportunity for industry and logistics to co-locate.

In terms of tonnage totals, **Hong Kong International Airport** (see picture left. credit Wylkie Chan) retains its position, held since 2010, as the busiest cargo airport in the world. A steady growth in its airfreight business continued during 2014.

The Hong Kong airport authority tells *ACW* that in the first 11 months of 2014 the airport handled four million tonnes of cargo and during November the monthly total peaked at 421,000 tonnes. This was the first time Hong Kong had handled over 400,000 tonnes of cargo in a single month.

"We expect that the total cargo tonnage will set another annual record this year, and the passenger, cargo volume and flight movements will achieve four to six per cent growth in 2015," the airport authority adds

Hong Kong has in recent years been able to sustain traffic growth by enhancing its facilities. This has involved spending 2.5 billion Hong Kong dollars (\$322.4 million) on its West Apron development project, which will become operational this year 2015. It provides 28 new parking stands, four of them serving new aircraft types with longer fuselages such as the Airbus A380 and Boeing 747-8. The apron development also includes a cross-runway vehicle tunnel linking with the cargo area in the South to facilitate freight movement to the cargo apron.

Long term, the airport authority sees it as crucial to expand the airport into a three runway system in order to maintain competitiveness and strengthen its leading position as an international and regional aviation centre.

After receiving the Hong Kong government environmental permit for the proposed project, the authority will be completing other necessary statutory requirements and has a target of having a three runway system in operation by 2023. Hong Kong is connected to about 180 destinations worldwide, including 44 on mainland China, and provides around 1,100 daily flights via more than 100 airlines.

Global gateways

Other world gateway airports, including **Frankfurt Airport** and **Heathrow Airport**, were unable to offer specific comments on their plans for 2015. **Changi Airport Group**, says it has been pre-occupied with events relating to **AirAsia** flight QZ8501 which crashed on 28 December killing all onboard. "Unfortunately, we do not have anything to share at this point," the airport tells *ACW*.

The world's busiest international airports for airfreight traffic, according to figures for 2013, released in September 2014, were Hong Kong at 4.1 million tonnes, up 2.5 per cent over 2012; **Dubai Airports** at 2.4 million tonnes, up 6.8 per cent; and Incheon with 2.39 million tonnes, down 0.1 per cent.

The world's busiest domestic freight traffic airports in 2013 were Memphis at 3.9 million tonnes, up 2.9 per cent; Louisville with 1.7 million tonnes, down 2.8 per cent; and **Beijing Capital International Airport** with 1.1 million tonnes, up 2.9 per cent.

Growth in the US and Japan, little growth in Russia or Latin America, a need for investment in Europe, the on-shoring of production in Asia. Across the globe, the world's airports have a multitude of trends and issues to cope with and their strategies are having to adapt because of them. The story of growth in the West and even more growth in the East has ended, it is now more complex.



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