



ACW Digital is sponsored by

**ECS** GROUP

**THERE WAS SPRINTING.  
UNTIL THE DAY THERE WAS USAIN BOLT.**

A black and white photograph of a sprint race. Usain Bolt is in the foreground, leading the race, wearing a Jamaica singlet and shorts with the number 9. He is smiling and pointing his right index finger. Behind him are other sprinters, including one with the number 2 and another with the number 7. The background is blurred, showing the stadium stands.

**THERE WAS TCM.  
UNTIL THE DAY  
THERE WAS ECS GROUP.**

**ECS@GROUP**





The weekly newspaper for air cargo professionals



No. 1,261 | 18 December 2023



Scan here to receive ACW Digital

Follow Us:

# CHARTER SECTOR REMAINS CAUTIOUSLY OPTIMISTIC

2023 has been a year of normalisation from what had been exceptionally high levels of demand experienced during and immediately following the pandemic.

Demand in 2023 has continued to reduce in many industry areas and traditional peaks have been less pronounced. However, demand in some sectors, where air cargo provides the unique fast and secure transport, has maintained and even grown – for example, the e-commerce industry, oil & gas and automotive, where speed of delivery has become a key requirement.

Capacity has also significantly increased by 12.2% YoY (IATA) as belly cargo capacity has continued to come back online and additional cargo conversions have been delivered. This has put pressure on already squeezed pricing. There are however signs of improvement in recent months and the last few months will be important to see where the market and demand levels balance out.

"Segment-wise, the higher demand has been seen in many of the traditional markets of automotive, oil & gas, electronics and e-commerce," Glenn Hogben, Chief Executive of the Air Charter Association (ACA) said. "Routes have very different current positions with many areas depressed but the Asia to Europe routes have been growing in recent months."

## Challenges and trends

As a body, the ACA works closely with its members, holding regular events and conference sessions to share the latest developments in the charter sector, fostering discussion to promote engagement in industry issues and challenges.

Over the past 12 months, the focus has been on a number of areas: Balancing demand and capacity, maintaining sensible pricing in a buyers' market and the reduction in outsize capacity aircraft as a result of the conflict in Ukraine.

"The charter broking and operator market is fairly disjointed and so we see a variety of priorities with some businesses looking to technologies to increase efficiencies whereas others focus on the traditional personal service," Hogben explained.



## Green shift

Sustainability will certainly play a key part in business strategies in the coming years but at the moment financial considerations and delivery concerns are still the key decision drivers. This is however a key issue for the whole industry and will continue to be important and with a growing impact.

"We are already seeing a natural improvement as older aircraft, which are more expensive to operate, are retired and replaced with more modern and fuel efficient aircraft," Hogben stated. "This has been prompted by market conditions where demand has reduced and as a result the overcapacity of aircraft are parked up and put into storage."

In addition, as technology continues to advance with alternative fuels and zero emission aircraft this will flow into the air cargo market.

"We anticipate further regulation which will force the changes and catalyse the business focus and move to more sustainable aviation," Hogben added.

## Optimism amid challenges

There are plenty of hurdles in the world today that are impacting air cargo levels, from the global financial slowdown and inflation to Ukraine and Middle East conflicts and fuel price volatility.

"All these impact on consumer confidence which subsequently impacts on air cargo demand. As these areas reach more stabilisation there is a good opportunity for air cargo levels to grow but it is impossible to predict when the shift will take place," Hogben highlighted.

After a turbulent few years, as a result of the pandemic and conflicts, businesses are looking to see stabilisation in the market and a period of 'business as usual' to return to the market, even if that is a new normal.

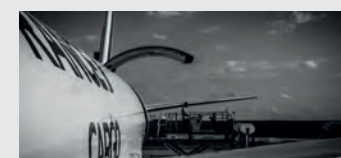
"The feedback we have received from members is that they are cautiously optimistic about 2024. The market demand levels appear to have normalised and everyone is looking to see some growth expected to be in Q2 onwards," he added.

## INSIDE

### DIGITALISATION TAKES OFF ...

In recent years, the airfreight industry has been increasingly recognising the importance of digitalisation and technological innovation to ...

PAGE 2



### DRIVING CUSTOMER VALUE ...

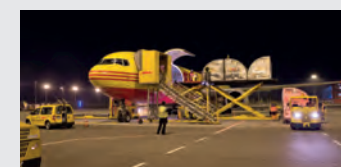
In the past year, Air France KLM Martinair Cargo has seen a sharp increase in passenger demand, while the demand for airfreight has been ...

PAGE 3

### FORCED LABOUR AND ITS ...

The battle against forced labour in global supply chains has gained momentum in recent times, not least thanks to coverage of the dramatic situation of the ...

PAGE 4



### SMES LOOK ABROAD ...

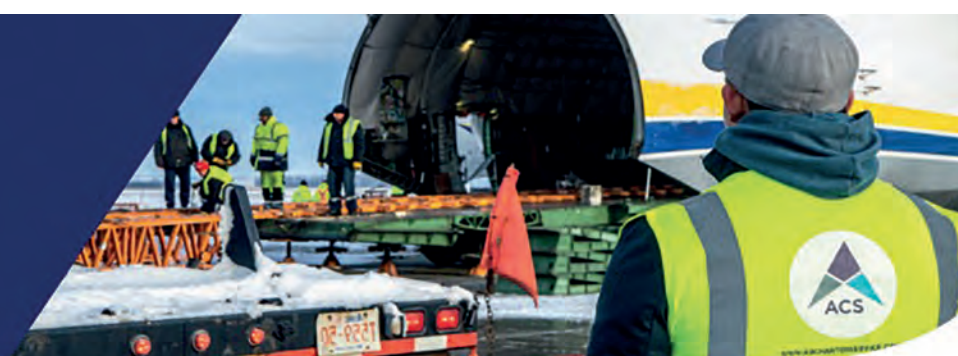
Research from DHL Express suggests that the unpredictable economic landscape is driving small and midsize enterprises ...

PAGE 5

# Airfreight faces a rocky 2024 ...

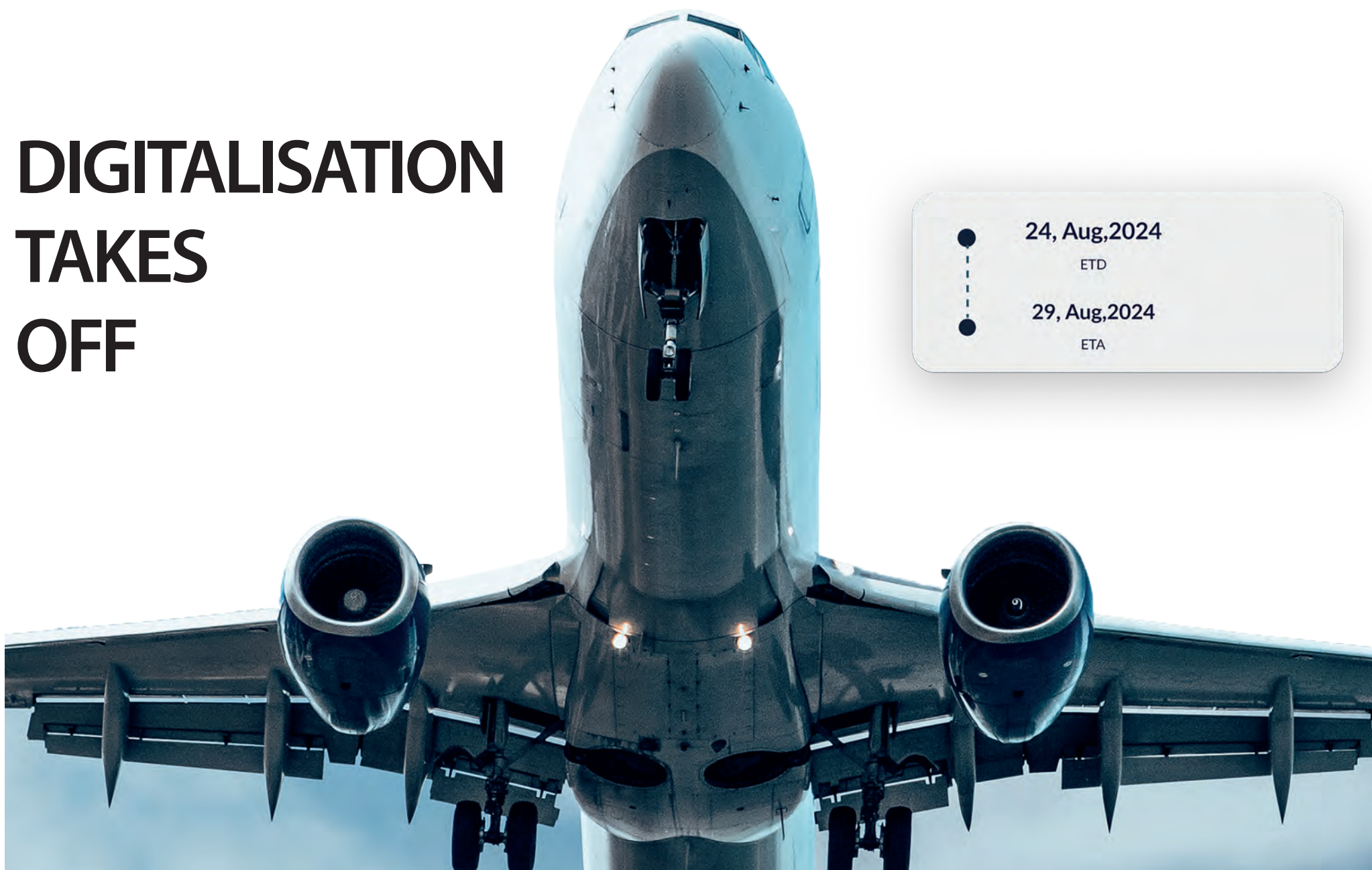
Page 7

GLOBAL REACH.  
LOCAL KNOWLEDGE.  
YOUR CARGO IS OUR PRIORITY.





# DIGITALISATION TAKES OFF



In recent years, the airfreight industry has been increasingly recognising the importance of digitalisation and technological innovation to improve efficiency, enhance tracking and visibility, and optimise overall operations. In 2023, that trend continued to develop rapidly, where airfreight players across the board kept pushing to digitalise more and more processes.

"People are increasingly realising that adopting digital processes is no longer optional but quickly becoming a necessity in today's industry," Eyal Goldberg, Chief Executive Officer at Breeze, said. "The vast benefits brought on by utilising digital solutions not only make day-to-day operations that much easier for the people using technological systems, but these benefits are becoming an imperative tool to keeping costs low and offering your customer the best service, which enhances your competitive edge."

## Speed of innovation

Progress towards a digital industry has been slow but is

picking up pace daily. The logistics industry faces a myriad of challenges to embracing technology which has halted progress, however, some companies and regions are quicker to adopt digital innovation, and by that trigger others to do so as well.

"The industry is moving in the right direction, with more players leading the way to accelerate this. Certain regions such as UK, EU and North America are moving faster than others, however overall we are seeing that "digital awareness" is growing globally, and at a very fast pace," Goldberg highlighted.

"From our perspective at Breeze, we see cargo insurance as a specific sector that is lagging behind somewhat. Historically, the insurance industry has been slow to embrace digital innovation due to its traditional nature and the challenge of building trust in new technologies. However, more and more we are seeing people recognise that digitalisation is inevitable, and vital, even, for the continued safety and sustainability of the multimodal freight industry," he added. "The key is to create a simple and straightforward way of adopting technology."

## Barriers to digital development

One of the biggest barriers to technological innovation is that many airfreight companies may still rely on legacy systems that are not easily adaptable to modern digital technologies. Updating or replacing these systems can be costly and time-consuming, and tech companies need to be willing to put the work in with their customers and partners to ensure their digital solutions marry up with legacy systems.

"Tech companies have the most important role to play in addressing this gap. At Breeze, we recognise that being nimble and agile enough to adjust our core tech to work with existing legacy systems is crucial to helping our industry evolve," Goldberg highlighted.

"To drive industry-wide uptake of digital solutions, we offer two distinct services to cater to our customer's level of digital expertise. For companies that are newer to using digital solutions, our platform is very user friendly and takes them through a few simple steps, allowing them to quickly find and offer cargo coverage in a very simple and straight forward way.

"For those who are more technologically advanced, our API-based digital integration allows for fully automated process using the data generated by and extracted from your operations, providing a more streamlined and efficient

insurance process," he continued.

## Shaping the future

In 2024, Breeze expects to see substantial development and investment in all aspects of digitalisation. However, a key area of focus will be developing embedded processes, using AI to seamlessly integrate into existing workflows. This means an increasing number of manual processes will be embedded into workflows and performed digitally - thereby greatly reducing the amount of time and effort required to complete them.

"This will happen across all of the value chain; from quoting, securing capacity on aircraft, insurance, and addressing customer issues such as delays and claims," Goldberg explained.

"However, I believe we will see growth and substantial progress in all digital domains. Digitalisation is a trend that cannot be stopped, and it's becoming increasingly clear that this is where our industry is headed," he outlined.



AZura International, Robert Denholm House, Bletchingley Road, Nutfield, Surrey RH1 4HW, United Kingdom

Tel: +44 (0)1737 906107

Advertising: [sales@azurainternational.com](mailto:sales@azurainternational.com)

Subscriptions: [subs@azurainternational.com](mailto:subs@azurainternational.com)

Press releases: [news@azurainternational.com](mailto:news@azurainternational.com)

[www.aircargoweek.com](http://www.aircargoweek.com) • [www.azfreight.com](http://www.azfreight.com)

<b>Editor:</b>	Edward Hardy
<b>Supplement Editor:</b>	James Graham
<b>Associate Editor:</b>	Chris Lewis
<b>Contributors:</b>	David Craik, Stuart Flitton, Neil Madden, Donald Urquhart
<b>Director of Operations:</b>	Kim Smith
<b>International Sales Director:</b>	Rosa Bellanca
<b>International Sales Executive:</b>	Zainab Khalid
<b>Finance Manager:</b>	Rachel Burns
<b>Design &amp; Production Manager:</b>	Alex Brown
<b>Production Supervisor:</b>	Kevin Dennis
<b>Website Consultant:</b>	Tim Brocklehurst

**Managing Director:** Steven Polmans

**Annual subscription rates: £100 • €120 • US\$140**



The views and opinions expressed in this publication are not necessarily those of the publishers. Whilst every care is taken, the publishers cannot be held legally responsible for any errors in articles or advertisements. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by electronic, mechanical, photographic or other means without the prior consent of the publishers.

USA: The publishers shall not be liable for losses, claims, damages or expenses arising out of or attributed to the contents of Air Cargo Week, insofar as they are based on information, presentations, reports or data that have been publicly disseminated, furnished or otherwise communicated to Air Cargo Week.

© Azura international 2023 • ISSN 2040-1671

Printed by Warners Midlands plc. The Mailing, Manor Lane, Bourne, Lincolnshire PE10 9PH



# Driving customer value is key in a competitive market



IN the past year, Air France KLM Martinair Cargo has seen a sharp increase in passenger demand, while the demand for airfreight has been affected by rising inflation and changing geopolitical dynamics. Consequently, overall yields have been decreasing compared to last year.

"The 2020-2022 period was rather specific, obviously, leading to a unique market situation that can't really be taken as a reference. At AFKLMP Cargo, we've been adjusting our overall strategy to differentiate ourselves in this changing and more competitive environment," GertJan Roelands, SVP Commercial Air France KLM

"This is the foundation of our cargo and commercial strategy. We increasingly used data to better understand customer needs and to identify sore points, which are areas that are important to our customers where we can improve," Roelands highlighted. "We have used these to define points of action, tracking performance with customer experience (CX) related KPI's. This CX ensures focus and makes us more customer-centric as an organisation."

AFKLMP Cargo has recently undertaken several strategic initiatives to achieve this, including further expansion of their range of digital services. Unique new features

has, in general, raised pressure on the whole airport ecosystem. At AFKLMP Cargo, they work very closely with their passenger colleagues to cope with this sharp increase as best as they can.

"It's not about prioritising passenger business over cargo, it's about making sure we serve all our customers in the best possible way. It's all about teamwork. Our team dynamic was great during Covid and we have managed to maintain it," Roelands stated.

Judging by the prediction of various industry and economic experts, overall demand is expected to increase by 1-2%

next year. Meanwhile, AFKLMP Cargo do see capacity growing, mainly due to strong passenger demand. It seems the market is 'normalising' in terms of seasonal patterns as well but, obviously, there are nuances.

"We expect certain segments, like perishables and pharma, to keep growing. High-end cargo like pharma and some other products are also expected to show a relatively positive dynamic," he outlined. "We also see further opportunities in the field of e-commerce. Our two state-of-the-art sorters in Paris and Amsterdam, combined with our digital propositions, will create further opportunities."

AFKLMP Cargo also expects certain regions to show good performance, including outbound China, South East Asia, the Middle East region and India, as well as East and South Africa, along with specific destinations in the US and Mexico.

"We believe we'll make the difference with our global sales presence (more than 60 stations worldwide) as well as our unique digital platform myCargo, dynamic pricing, further development of our product range, and network expansion with new destinations," Roelands added.

"We aim to deliver best-in-class customer experiences with new initiatives, such as our 'customer service model of the future', which features a state-of-the-art CRM platform combined with a Customer-360 module, as well as new time-critical products, new digital services in myCargo, and a more data-driven customer approach."



Martinair Cargo, explained.

General cargo, pharma, perishables and some more specialised products (e.g. our Live and Wheels products) have been relatively strong for AFKLMP Cargo in terms of weight. These are also the products the carrier has invested in as part of our commercial transformation. On top of that, the market is very much spot-driven at present.

"We're getting a lot of market leverage out of our investment in our myCargo portal as well as in an even more advanced version of dynamic pricing. This is particularly beneficial in the general cargo segment. Currently, 80% of our bookings are being made online. This is rather unique for a B2B business and specifically in airfreight," he continued.

## Green foundation

AFKLMP Cargo has a clear focus on differentiating itself in terms of customer intimacy and sustainability. The carrier recently revised its vision statement to include an ambition "to become a leader in sustainable airfreight while delivering best-in-class customer experiences".

introduced this year include the "modify my booking" option, the option to book allocations, and most recently the option to book DGR in myCargo.

On the products side, they also introduced many new enhancements to their portfolio and related infrastructure. They introduced the "Plus" level last month, giving customers the option of upgrading their level of commercial priority.

"We've also progressed in leaps and bounds when it comes to sustainability. We have now signed up more than 100 industry partners to our sustainable aviation fuel (SAF) programme, and we've seen more and more customers opting for goSAF in myCargo, thereby reducing their CO2 footprint per booking by buying SAF," he added.

"All in all, our commercial approach and transformation is paying off. Customer satisfaction is increasing. This was confirmed by recent market-share figures, confirming that AFKLMP Cargo have taken the lead in Europe," Roelands said.

## Focus in a competitive market

The sharp increase in passenger business

# WORLD CARGO SUMMIT 2024

Air Cargo Economics | Strategy | Trends

January 29-31, 2024

Hyatt Regency Sukhumvit | Bangkok

## Welcome to World Cargo Summit 2024

GLOBAL AIR CARGO CONFERENCE • 11 SESSIONS

+ 40 SPEAKERS FROM ALL CONTINENTS • UNRIVALLED NETWORKING

HOST SPONSORS

AOT AIRPORTS OF THAILAND PCL. (AOT) AIRPORTS OF THAILAND PCL. (AOT) / SUVARNABHUMI AIRPORT

PLATINUM SPONSOR

ETIHAD CARGO

ARRANGED BY

EUROAVIA INTERNATIONAL

GOLD SPONSORS

ATLAS AIR WORLDWIDE

brussels airport

EUROPEAN cargo

Hactl

FINNAIR

LIEGE AIRPORT

AIRBUS

MEDIA SPONSORS

air cargo update

CARGO TRENDS

aircargonews

CAVAS

STAT

ACW

supply chain

CARGO talk

KNOWLEDGE PARTNER

McKinsey & Company

www.worldcargosummit.com



# Forced labour and its implications within the global supply chain



THE battle against forced labour in global supply chains has gained momentum in recent times, not least thanks to coverage of the dramatic situation of the Uyghur population in the province of Xinjiang in China and the legislative proposals which have emerged in reaction.

In the United States, the Uyghur Forced Labor Prevention Act (UFLPA) has, for example, prohibited the import of goods manufactured in whole or in part by forced labour and originating from the autonomous region of Uyghur since 21st June 2022.

At the European level, a much-debated bill will be voted on by MEPs with implementation expected at the start of 2024. In Germany the law on corporate responsibility in the supply chain (Gesetz über die unternehmerischen Sorgfaltspflichten in Lieferketten) came into force on 1st January 2023. Similar laws are in force or in preparation in other countries in Europe.

Meanwhile, in the UK, what are the implications of forced labour in the management of international supply chains? And what can businesses do to create more ethical and responsible supply chains in this regard?

workers are forced or threatened in any way to work against their will, often in inhumane and abusive conditions. This can happen at any time in the supply chain: from sourcing raw materials to manufacturing products, including distribution. It is a serious violation of human rights and a form of modern slavery that affects millions of people around the world.

"This concern is not limited to the practices of a company alone, but extends to its suppliers and external service providers. The entire chain must be able to be audited. We must be vigilant about working conditions and the location of the company and its suppliers. For a Chinese supplier, for example, is the production plant close to a Uyghur forced labour camp?" Lobert stated.

"As global supply chains are infinitely complex and constantly in motion, establishing long-term, reliable risk monitoring and visibility is challenging. Additionally, government agencies do not publish lists of companies suspected of using forced labour, further complicating background checks on potential suppliers," he continued.

## Take action now

Thorough monitoring is essential in the fight against forced labour. Analysis firms like Kharon have developed their own research methods and their network of international experts to identify companies at risk, particularly with regard to forced labour. This information can then be implemented into a due diligence solution to continuously analyse all third parties in the supply chains.

"Despite its perceived complexity, there are actions and practices businesses can put in place to bolster the fight against the use of forced labour within their supply chains; Identify risks: be alert to the circumstances that may encourage the use of forced labour; Diversify sources of information to understand working conditions within your supply chain (talk with your suppliers' employees, examine your internal policies in detail, collaborate with non-governmental organisations, etc.); Always be aware of the laws in force on slavery and forced labour; Review and implement internal compliance plans (ICP): the control measures required to monitor the compliance of exports and international trade are increasingly taken into account," Lobert outlined.

## Industry guarantee

Today, based on a list of 50 entities sanctioned by a government, it is possible to identify more than 8,600 companies associated with these 50 entities.

"Every company in the world should be able to guarantee that their supply chain is free of forced labour. This includes identifying at-risk suppliers, promoting fairer supply chains and implementing solutions to ensure all suppliers meet these working standards. Not taking action is no longer an option," Lobert stated.

## Forced labour: reinforcement of UK regulation

Forced labour is considered a serious crime in the UK. In 2009, a standalone offence of holding a person in slavery, servitude or forced labour was included in section 71 of the Coroners and Justice Act, while a House of Lords private members bill was proposed in July 2021 that would have seen significant amendments to the Modern Slavery Act 2015 (MSA), significantly increasing accountability for abuses occurring in the supply chain of UK multinational corporations.

"Unfortunately, little seems to have happened since those amendments were tabled, and meanwhile, the UK's risk rating for critical violations has increased, according to the Supply Chain ESG Risk Ratings Report 2023," Thomas Lobert, Solutions Consultant Global Trade Intelligence at Descartes, said.

"Despite this lack of regulatory enforcement, UK businesses cannot afford to maintain a 'laissez-faire' attitude to forced labour within their supply chains. According to research from Deloitte, amongst the changes consumers are making in their purchasing decisions, sustainable and ethical practices are becoming more important, with consumers actively choosing brands with ethical practices / values ; ceasing to purchase certain brands or products because of ethical concerns; and even contacting brands to raise an issue regarding sustainability or ethics," he added.

## Identifying forced labour: a complete ecosystem

Forced labour refers to situations where

**Don't Miss Out on Joining The Industry's Best!**  
**Register Now** to Unlock Business Opportunities and Gain Insights.

**air cargo**  
INDIA

exhibition and conference

**February 14-16, 2024**  
 Jio World Convention Centre, BKC  
 Mumbai, India  
[www.aircargoindia.aero](http://www.aircargoindia.aero)

KEY BRANDS

**For Delegate Registrations,**  
 Romaldine Fernandes E: [romaldine.fernandes@mm-india.in](mailto:romaldine.fernandes@mm-india.in) | M: +91 98190 56866

**For Exhibition & Sponsorship,**  
 Rovina Gomes E: [rovina.gomes@mm-india.in](mailto:rovina.gomes@mm-india.in) | M: +91 98921 73583

Scan QR code to REGISTER

**US +1 (718) 751 3500**  
**UK +44 (0) 20 8089 1350**

**hello@aviacargo.aero**

**www.aviacargo.aero**

**AVIA CARGO**

We take pride in your cargo



# SMEs look abroad



RESEARCH from DHL Express suggests that the unpredictable economic landscape is driving small and midsize enterprises (SMEs) to adapt and recalibrate their business strategies heading into 2024 to pursue lateral growth opportunities.

"Faced with cost pressures which have placed a strain on profits, SMEs are seeking out solutions to mitigate these challenges. UK SMEs seem to be growing in confidence when it comes to international trade as a way to diversify their revenue streams and thrive in an increasingly competitive market, with 60% planning to grow exports in the next year," Ian Wilson, Chief Executive at DHL Express UK, said.

## Brexit hurdles

The increased interest in exporting that we're seeing in UK SMEs has been driven by a combination of both long-term trends and more recent economic challenges. The UK's departure from the EU has created challenges, obstacles and increased costs for SMEs, and the industry is seeing more small businesses begin to turn to other markets to pursue new

opportunities.

The more recent economic challenges seem to have driven further changes – perhaps because SMEs tend to be disproportionately impacted by periods of economic downturn. According to DHL's research, economic conditions in the UK are a driving force in the decision to export.

"To remain resilient amid high inflation and the cost-of-living crisis, expanding beyond the domestic market is a sound strategy. It opens up new opportunities and reduces risk by ensuring businesses aren't putting all their eggs in one basket," Wilson explained.

"Nearly three years on since the Brexit changes to customs requirements, we are still feeling a ripple effect. For example, our research has shown that for some SMEs costs such as custom charges continue to be a barrier, likewise understanding the regulations and customs of each market, and undertaking the paperwork and logistics required to export," he outlined.

"Working with an expert global partner like DHL Express helps SMEs to navigate many of these challenges, with our business able to offer specialist advice and support, including preparing shipping documentation and calculating duty and tax before moving goods across borders. And we hope to see more trade deals in future that will reduce the financial barrier to exporting," Wilson added.

## Target markets

Language and market size always play a significant part in driving export strategy so the top target markets for UK-based SMEs being the US, Singapore and Australia wasn't hugely surprising. 71% of Australian online shoppers buy cross-border, as do 46% of the 219 million online shoppers in the US, making these markets key targets for UK SMEs.

Many of the barriers for small businesses looking to export can all be greatly reduced or removed by the introduction of Free Trade Agreements (FTAs).

"To both improve prospects for UK businesses and increase the stability of international trade, it's important we continue

to see the development of new trade agreements to ease access and open up new opportunities for growth in key target markets," Wilson stated.

This is visible in how SMEs exporting to Singapore and Australia are now benefiting from new FTAs with the UK which have reduced barriers through tariff reductions and simplified procedures, making them more attractive, especially for small businesses, where ease of exporting is a major factor.

"In an increasingly digital world, our research found that social commerce is opening doors to international trade. While currently only a small proportion of businesses are selling overseas directly through social commerce platforms, such as Instagram Live Shopping and Tik Tok Shopping, this looks set to grow as overall social commerce is accelerating three times faster than traditional e-commerce. Our research indicates that soon one in four businesses will be leveraging social commerce platforms for global transactions," Wilson highlighted.



**SIMPLY GREAT SERVICE**

**KALES**  
AIRLINE SERVICES

**CAN DO MENTALITY**  
AGILITY | FLEXIBILITY | RELIABILITY

Your Favorite Cargo GSSA  
[www.kales.com](http://www.kales.com)



# EVOLVING SUPPLY CHAIN DYNAMICS

**“Cheaper alternatives, a slump in consumer spending, and stockpiles of retail inventory have all contributed to declines in airfreight demand”**

**D**emand for airfreight rapidly rose during the COVID-19 pandemic as PPE, medical equipment and other just-in-time global supply chains relied on the service for quick and reliable transport.

During this time, multimodal third party logistics service providers (3PL), like CH Robinson, saw a lot of airlines convert passenger planes into freighters to increase capacity which typically relies on belly space in passenger aircraft, which had abruptly slowed.

“Fast forward to 2023, airfreight demand is now at historic lows as many shippers have turned their heads to ocean shipping to save costs after years of expensive supply chain disruptions and delays,” Matt Castle, VP of global forwarding at C.H. Robinson, explained.

“Cheaper alternatives, a slump in consumer spending, and stockpiles of retail inventory have all contributed to declines in airfreight demand,” he continued. “Now, the industry is seeing some increases in demand as shippers look to avoid other supply chain disruptions and capitalise on the speed of airfreight.”

## Challenging recovery

In 2022, ocean shipments were delayed at the ports for weeks due to labour issues on the west coast of America. Because of these disruptions, inventory forecasting suffered, and many retailers found themselves ordering inventory significantly earlier than normal to mitigate disruption from delays. Once wait times returned to normal, shippers had backlogs of inventory and had to delay new orders from their suppliers.

“Paired with volatile economic conditions causing low consumer spending and rising fuel costs impacting rates, capacity has been high across modes, specifically air as consumer travel schedules and belly space increased dramatically in the summer,” Castle stated.

“Nearshoring, reshoring or friend-shoring has also impacted the evolving freight landscape. As businesses have moved manufacturing operations across the globe to mitigate varying geopolitical risks to their supply chains and further diversify, their shipping volumes have moved with them,” he continued.

In many instances, new manufacturing locations are closer to their final destinations, allowing shippers to potentially rely on rail or truck versus air and ocean. But the transition isn’t always as smooth.

As businesses adjust to a completely new supply chain, air is used frequently to keep up with inventory as moving supplier components can be more difficult than just relocating manufacturing facilities. Also, even with moving closer to their end consumer, many shippers still need to import raw materials via air or ocean to support their new or growing manufacturing locations.

## Trends and just-in-time deliveries

When major tech is launched and despatched out of Asia around the holidays, like the newest phone or consumer gadget, the sector tends to see a rapid increase in demand for air.

The tech itself typically utilises charters that are planned months in advance, so the increase in demand is primarily driven by the accessories, like phone cases and new charging cords.

“This demand spike mirrors what we would see back in 2019 before the pandemic and continues for months after launch,” Castle explained.

The automotive industry has historically relied on just-in-time inventory management to keep up with production schedules and increase efficiency. When supply chain disruption occurs, suppliers, and original equipment manufacturers (OEMs) are put in a bind as delayed cargo can create a domino effect of issues down the supply chain.

“While just-in-time delivery can be reliable, disruption is unfortunately common and airfreight allows them to quickly pivot to keep goods moving and prevent a line-down situation,” Castle said.

## Disputes and delays

While notably more expensive, airfreight has always been a critical tool for shippers looking to move goods fast and pivot amidst disruption in other modes.

Specific industries have also leveraged airfreight more than others due

to the nature of the mode. For example, medical equipment, electronics and trend-driven retail goods leverage airfreight as they cannot afford major delays in the supply chain.

While disruption, whether from labour disputes, geopolitical conflicts, or natural disasters, has impacted various routes and modes, air has remained reliable for shippers that need to quickly pivot.

“We’re seeing upticks in airfreight compared to the first half of the year, and we see that continuing as shippers build contingency plans to adapt to a volatile global environment in 2024 and beyond,” Castle outlined.

Several factors at the US-Mexico border caused delays at the end of September and throughout October. Technology issues at customs, increased border security, and crossing closures created congestion and a backlog of shipments.

“We worked with our customers to shift freight as needed. This includes air solutions, like charters, or rerouting trucks to other ports like Nogales or Laredo depending on final destination in the US,” Castle highlighted. “Events like these are perfect examples as to why we help shippers prioritise contingency and agility across modes when planning.”

With congestion at the border happening at the same time as the 2023 United Auto Workers strike, many automotive suppliers shifted freight to air to mitigate risks and avoid production line-down situations then and when the strike ends.

“For many of our automotive customers, we’ve been able to secure air charters within hours to meet their needs and keep inventory moving from Mexico into the US,” Castle said.

Additionally, fast fashion or trendy retail stores are leveraging air to ensure their goods can reach stores before any specific fad has passed. As some ocean carriers use blank sailings to combat lower demand, many shippers cannot risk delays and pivot to air for a quicker, reliable option.

## Heading into the holiday season

Many things currently impacting the airfreight market are consistent with historical trends. With electronic launches, it is normal to see demand elevated for the months following.

Specifically, around the holidays, it’s not unexpected to see many surprises there as those are planned months in advance and therefore don’t typically impact day-to-day capacity. Overall, economic conditions and consumer spending tend to impact demand across modes. When consumer spending does increase, C.H. Robinson predicts that airfreight will play an even larger role than it is currently.

“While we’re seeing air continue to play an important and continual role in tech freight and other industries, we’re starting to see air once again rise as a solution for shippers looking to mitigate the disruptions entering the market, like the role air played during the pandemic,” Castle said.

“In August, we saw the first growth in air cargo demand since February of 2022. Many predicted that we wouldn’t have a peak holiday season in 2023, and while it is mellow compared to the last few years, it is forecasting similarly to what we experienced before the pandemic.”

## Bumps and bright spots

It’s taken the airfreight market a year to recalibrate, but the industry seems to be on the upswing from rock-bottom demand. As seasonality returns to normal, predictability and forecasting are more reliable for planning.

“High demand for passenger travel will also continue in and out of Europe, leaving ample capacity for shippers preparing for the holidays. While forecasting is critical to the modern shipper, it can be costly. The pricing advantage may shift away from the shipper in Q4,” Castle predicted.

It’s important for shippers to build agility into their supply chains. As the global shipping environment grows increasingly complex, planning with disruption in mind is crucial to building a stronger supply chain long-term.

“Strategies like supplier diversification, shifting ports, and optimising shipments across modes can maximise efficiencies and lessen the risk for disruption. Shippers should stay abreast of the evolving market conditions to understand the long and short-term impacts on their freight,” Castle suggested.



# AIRFREIGHT FACES A ROCKY 2024

**2**023 brought forth a myriad of challenges, shaping the industry's landscape. From geopolitical situations to sustainability pressures, the airfreight market grappled with a complex set of factors.

"It was a very challenging year with significant belly capacity returning to the market whilst demand continued to be subdued based on uncertainty impacting consumer confidence and sentiment," Glyn Hughes, Director General of The International Air Cargo Association (TIACA), explained. "Inventory levels remain very high and many Purchasing Managers' Index (PMI) measures indicate that 2024 will commence with a similar soft market, although volumes did uptick slightly as 2023 concluded."

## Industry focus

The airfreight sector continues to see challenges in Europe arising from labour issues, softening economies and regulatory challenges associated with noise and pollution.

Intra African trade continues to experience difficulties with restricted border movements, high levels of taxation and inconsistent demand across the region.

Asia experienced slower recovery post-Covid with Chinese and other markets slow to return passenger belly capacity, AND this impacted cargo connectivity.

India has seen growth in a number of areas of manufacturing which has also generated air cargo volume growth.

Imports into the US have also been strong as US consumer activity didn't slow to the same degree as the European market.

"Members of TIACA are concerned about ongoing uncertainty: weak demand, increasing capacity, diminishing yields, workforce challenges, the pace of technology adoption, increased environmental challenges coupled with enhanced reporting obligations, as well as infrastructure challenges as we see pressure from some authorities to restrict slots or night operations citing noise and pollution concerns," Hughes highlighted.

## e-commerce opportunity

As 2023 concludes, the airfreight industry sees very significant e-commerce volumes coming out of China as the seasonal shopping events continue to strike positive notes across the economy.

"e-commerce continues to provide significant increases in volumes, pharmaceutical shipments have also showed steady growth with perishable business also holding up well," Hughes stated. "High tech has also shown growth vs 2022 as well as above 2019 pre-Covid volumes. Going forward, we can expect to see positive impacts on air cargo derived from some politically motivated changes in the global economic environment."

The air cargo sector is witnessing an acceleration of manufacturing diversification as governments seek to encourage supply chain de-risking - the "China plus one policy". This was a policy derived from discussions within the G7 as China's production has reached over 26% of global activity. G7 members felt that such a concentration of production left countries exposed, this was evidenced towards the end of Covid as China was slow to resume normal production capability.

"New production sites in India and Vietnam have already started to generate some significant increases in volumes. Additional opportunities will arise for air cargo as the impacts of recently agreed trade pact agreements start to generate intra-regional business development," Hughes continued. "The Regional Comprehensive Economic Partnership (RCEP) is the first free trade agreement that includes China, Japan and South Korea and incorporates the 10 ASEAN states. Collectively, the RCEP covers over 30% of global GDP and over 30% of the world's population. The removal of trade barriers will significantly increase intra-regional supply chains as manufacturing is expected to grow as a result."

## Going green

TIACA conducts an annual sustainability survey to assess overall industry positioning with regards to sustainable transformation and the 2023 edition reflected the growing importance of the topic with respondents indicating that they are receiving pressures from customers, partners, employees, governments, financial institutions and local communities to improve environmental performance.

With the industry having to change, the International Civil Aviation Organisation (ICAO), following its recent Conference on Aviation and Alternative Fuels (CAAF)/3 meeting agreed a 5% CO2 reduction by 2030.

"Carbon taxes are starting to work their way through supply chains with some state imposed taxes adding considerably to transport costs. Access to suitable volumes of sustainable aviation fuel (SAF) has been extremely restricted, although many deals agreed between carriers and large shipper clients are a great indication that air cargo is leading. Additionally, we are seeing emissions trading and carbon offset programmes gaining traction," Hughes said. "However, SAF availability during 2023 equated to only 0.2% of global aviation fuel requirements. With a cost of 2-3 times greater than the normal price of jet kerosene, considerable private investment will be required to produce the scale of fuel that will be required at a competitive price."

"I think we can be proud of the efforts already being made by the air cargo and aviation industry," Hughes outlined. "From investment in electrification of vehicles to installation of solar panels to investing in modern fleets to purchasing every drop of SAF even though it comes with a cost premium, it's clear that much has been done but even more needs to happen."

"The recent ICAO declaration was a string message to energy markets, investor pools and customers that this industry is serious about doing our part to limit global temperature increases to 1.5c as per the Paris Agreement. Many companies are also investing in carbon offset programmes consistent with Science Based Target Initiatives (SBTI) as per Article 6."

## Supporting the sector

As the only global association with members from across the entire industry, TIACA is looking to use a strong collective voice, backed by on-the-ground experience, to influence policy makers and regulators, especially during this period of uncertainty for airfreight.

"We are focused on sustainability, with industry supporting tools and programmes such as BlueSky, an annual sustainability survey, sustainability roadmaps and an awards programme designed to shine a spotlight on areas of inspirational leadership," Hughes said.

"We also focus attention on supporting the next generation workforce with participation in a number of programmes designed to encourage next gen leaders and workers to follow a career in air cargo and logistics.

"We encourage digital solutions wherever possible by using our voice to promote the benefits and opportunities afforded by modern tech solutions.

"We encourage our global member network to connect and increase global supply chain solutions.

"We connect with the industry and educate on current and future developments through our event portfolio, such as our Regional Events, Executive Summit and our flagship event the Air Cargo Forum which brings over 3,500 people together with over 220 exhibitors to the Miami Beach Convention Center, 12-14th November, 2024.

"We also have some exciting new initiatives planned for the coming 12 months supporting the area of training, sustainability and jobs."

**"Going forward, we can expect to see positive impacts on air cargo derived from some politically motivated changes in the global economic environment"**





A NEW JOURNEY FROM TURKISH CARGO

# THE LONELY KOALA

We carried koala Yani, in danger of extinction and alone in her current setting, to her new friends to ensure the continuation of her species.



TO WATCH THE MOVIE  
SCAN THE QR CODE



TURKISH CARGO

#MISSIONRESCUE