Voice of the Independent

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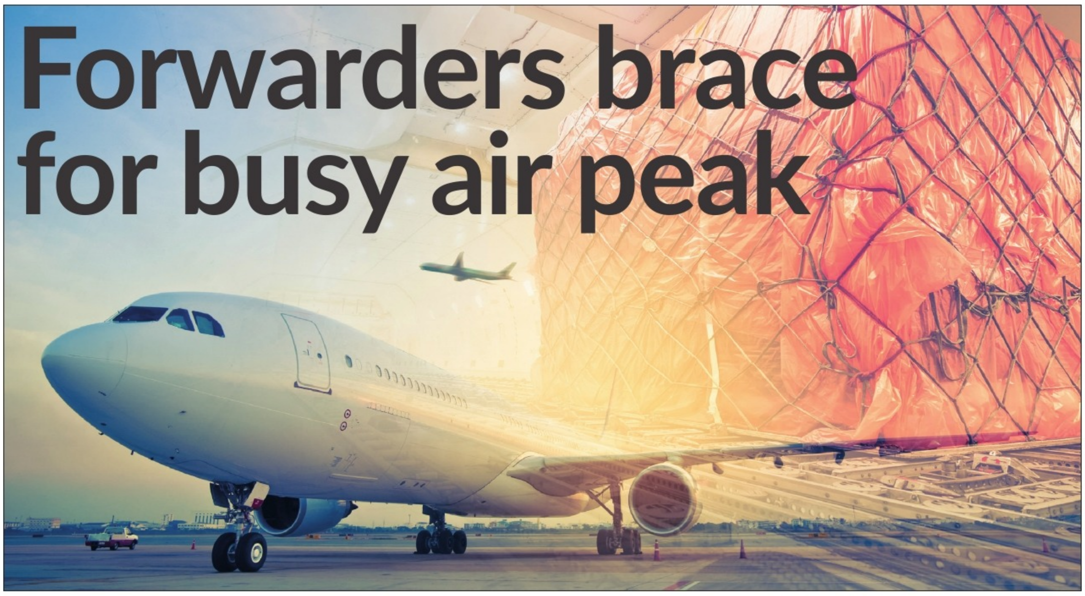
Forwarders brace for busy air peak



New figures show that load factors have reached all-time highs

AIRCRAFT are near-full. And rates are rising. Any forwarder or shipper looking for last-minute air freight capacity for the final quarter is likely to be disappointed – or forced to pay a high price.

New figures show that load factors have reached all-time highs. Clive Data Services revealed that its dynamic load factor, which tracks both volume and weight, hit 68 per cent at the end of September.

It may not sound high, but as Niall van de Wouw, managing director of Clive explained: "The maximum global load factor is actually about 80 per cent, because of trade imbalances resulting in emptier flights on backhaul routes.

"So we are not far from 80 per cent – or full – at the start of the peak season. It might get pretty messy, pretty soon."

Rates have risen by about 30 per cent since the start of September, he added.

Baltic Airfreight Index data from October 1 showed that average Asia-outbound airfreight rates are on a "pronounced sequential upswing heading into peak season", said Bruce Chan, director for Stifel.

> "So we are not far from 80 per cent – or full – at the start of the peak season"

And the peak season rise is happening sooner than normal. September saw Pudong-to-Europe rates rise 73 per cent year-on-year, while to North America rates were up 116 per cent on September 2020.

"Absolute rates on Shanghai to North America are now within spitting distance of the absolute peak in 2020, when the PPE surge drove air cargo rates to historical highs," explained Chan.

Noting that retailers were caught off guard last year, he said they were prepared earlier this year and were desperately trying to secure inventory as well as capacity.

One mid-sized European air freight forwarder confirmed that rates were on the rise. "We certainly are seeing that.

"There are sizeable rate levels ex-Asia to the US, ranging between US$14 to 16 per kilo, and Asia to UK/Europe, in certain instances US$10 per kilo, purely to secure capacity.

"There is capacity availability in the market – but it's more of a pay-to-play market in order to secure what's available. Generally, where it is further restricted, is where the high rates are reflected – Vietnam for example."

Spot rates, meanwhile, account for about 40 per cent of the market, said Clive, up from about 20 per cent pre-pandemic.

"The spot rate share has been pretty stable over the last month," said van de Wouw. "This tells me that airlines and forwarders have found their rhythm."

Continued on page 3

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Ocean freight rates stabilise as shippers eye other options

MEDIA reports that ocean freight rates have “plummeted” ex-China are much exaggerated, according to forwarders and indices.

While rates did fall in the second half of September, the latest FBX data for the start of October showed that Asia-US West Coast crept up 4 per cent to $16,749/feu, some 330 per cent higher than the period last year, while Asia-US East Coast also climbed 4 per cent, to $19,429/feu – 315 per cent higher year-on-year.

However, noted Judah Levine, head of research for Freightos: “With production in China slowed during Golden Week and by power restrictions, and with delays making it increasingly unlikely that shipments not already moving will make it in time for the holidays, transpacific ocean rates stayed level this week at their lowest point since mid-August. Rising oil prices could mean that carriers will increase fuel surcharges at the end of the month.”

> "Rising oil prices could mean that carriers will increase fuel surcharges at the end of the month"

However, the continued port congestion and delays at US west coast ports are “still keeping Asia-US prices extremely high, at more than quadruple their level a year ago.

“The congestion – as well as the sky-high value of an empty container back in Asia – may also be responsible for pushing North America-Asia export rates up more than 10 per cent this week to more than $1,000/feu from both coasts,” added Levine.

And the congestion is spreading, with Seattle and Vancouver now clogged, as well as New York/ New Jersey and Savannah on the east coast.

To avoid the congestion and add capacity, some large shippers have taken matters into their own hands, chartering ships where possible. And others are using bulk ships, including Cola-Cola, which is moving some 60,000 tonnes of cargo out of Asia on the vessels.

Alan Smith, Coca-Cola’s procurement director, noted: “When you can’t get containers or space due to the current ocean freight crisis, then we had to think outside the box (or the container),” adding that the total cargo volume was equivalent to 2,800 teu that “would traditionally have shipped with the shipping lines”.

At current prices, estimated at $20,000/feu, that is $28m of revenue container shipping will not get – and as the ships will head to bulk ports, it means Coca-Cola will not face the same level of delays being experienced in container handling.

“For these [shipments], we are heading to some non-congested ports, so we are hoping for a smooth discharge. But it is a big watch-out when chartering, as the D&D per day is mega. Good co-ordination is vital on both the planning and operations side for loading and discharge,” he said.

Coca-Cola is planning “many” of these shipments in the coming months , a “prime example of excellent collaboration between our procurement teams, our supply chain partners and our suppliers”.

The continued port congestion and delays at US west coast ports are "still keeping Asia-US prices extremely high"

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Increase in load factor signals typical Q4 surge

He noted that the market is in the “early stages of the typical Q4 surge”.

“But many signals and commentaries seem to suggest that this will not be a ‘typical’ peak season. The recent week-over-week increase in load factor is a significant jump by any standards and shows the pressure on the air cargo supply chain is clearly further heating up. If airlines are micromanaging their capacity right now, they can benefit from it quite substantially.”

Capacity remains some 13 per cent below pre-Covid levels, but there is some optimism in the market that returning passengers – particularly on the transatlantic after US travel restrictions ease in November – will lead to more belly space.

“This looks like the number one market for rates to come down,” said van de Wouw. “But I’d expect the airlines to fill existing flights first, before upping frequencies or aircraft types.

“In the short-term, then, it may lead to a decrease in capacity as more passenger bags will fill up the belly space, but rates are likely to fall in the longer-term.”

Airlines – and non-airlines - are doing their best to bring more capacity into the market. Lufthansa Cargo, while retiring its last MD-11F, has taken delivery of two more 777Fs.

And shipping line CMA CGM is adding two 777Fs to its airline arm in the spring.

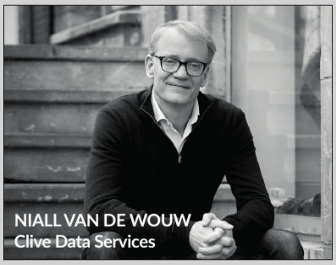
CMA CGM Air Cargo has tried to convince the market it is capacity-neutral. But heavy promotion of the flights by CMA subsidiary Ceva Logistics has led some forwarders to be circumspect.

“The airline is definitely a toy for Ceva to use and fill, and it is having a whale of a time from what I can see,” said one forwarding executive.

“Ceva will always take priority and be the main user.

“But if CMA and Ceva could fill the lot directly, they would, and agents given the flick.

“The reality though is that CMA is not mature enough in air freight to actually upsell it directly to their clients, and Ceva is not good enough at 4PL, to actually take full advantage of the asset.”



NIALL VAN DE WOUW
Clive Data Services

Focus ON

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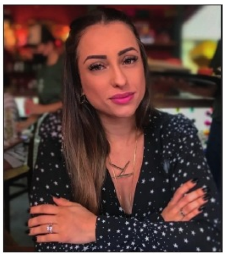
Get training to stop the s

“CHAOS”. When it comes to recruitment within the supply chain, there is no end of stories about skills shortages. Sales executive for KPM Logistica, Kalita Silva, tells Voice of the Independent (VOTI) that the pandemic has “changed quite a lot of people's ways



KALITA SILVA
KPM Logistica

of life, from priorities to preferences”. And this, Silva believes, goes some way to explaining what is being seen across global supply chains.

“Changing priorities and preferences directly affects the job market across the globe,” says Silva. “Industries in general are facing huge worker shortages, especially skilled workers.

“On the logistics chain we have seen many issues being generated by the worker shortages in some industries, most notably within haulage companies, factories and even carriers. Each industry, however, has its own little issues that are responsible for the deficiencies. For instance, haulage companies have been suffering with the fact that the current driver generation has gotten old, and the younger generations crave other professions. This has gotten only more acute with the impact of the pandemic, as it means fewer drivers are coming in from overseas to fill the domestic shortfall in drivers, and thus the industry has no reliable reserves to call on.”

> "Industries in general are facing huge worker shortages, especially skilled workers"

Silva's depiction of the issue on a global scale mirrors that depicted by Logistics UK's head of urban policy, Natalie Chapman. Indeed, where Silva suggests the worker shortage is a broad phenomena, in the UK, the focus is all on driver shortages. Not least because of the ravishes of a petrol panic that has gripped the country since the end of September.

“When it comes to drivers,” Chapman tells VOTI, “what's interesting is that the focus has shifted to petrol. But there isn't necessarily a shortage of petrol drivers compared to other driver roles but rather there is a pool of drivers in the UK, and that pool isn't getting any bigger – in actuality, it appears to be getting smaller – and so drivers are being drawn to the jobs that not only pay the best but offer the best all-round package. This means better welfare, better training, better treatment, better everything. And that's why we're seeing drivers move around.”

But there is indeed a shortage. And like Silva, Chapman says the sudden turning off of the foreign worker tap has turned a pre-existing shortage – depending on figures, the UK has had a shortfall of between 60,000-100,000 drivers for the better part of the last five years – into a crisis.

“It's a big issue,” says Chapman, and largely one caused by the country's own failure to get to grips with the existing shortfall and the perfect storm blown up by the coronavirus pandemic. In essence, the country had been using the apparent abundance of EU drivers to act as a sticking plaster over the UK's own shortages. Brexit and the associated restrictions on free movement drained this pool, with the enhanced restrictions thrown into play by the pandemic all but drying the pool up. Although one owner-operator has always challenged the true impact of Brexit, suggesting that drivers that worked in the UK had remained, and that the idea of being able to simply dip back into the pool – the UK permitted work permits for 5,000 EU drivers for a three-month period at the start of October – would be shown up by the few that came over.

The owner operator added: “There isn't this fabled large pool of EU drivers ready to plug the gaps in UK haulage. We are seeing that with the failure of this new visa scheme to attract new entrants.”

Some suggest that fewer than 30 drivers have signed up to work in the UK on the back of this scheme. Chapman herself expressed some reservations, noting it would be dependent on what industry was willing to offer. “The best package will win,” she said, adding that the EU has its own driver shortage to contend with. Ultimately though, the fix for this issue is not to chuck money at the situation “even though that's what people seem determined to do”, but to make the job more appealing for new entrants. And this, says Chapman, starts with training.

“The average pass rate for new drivers in this country is 58 per cent, yes, that's pretty low,” she says. “So, you already have the issue that pass rates are low. Then you have the fact that it costs a few thousand pounds to train, and you may spend that money – which, let's be clear, a lot of people entering this profession may not have either because they are changing careers or starting their work life – and not get certified. Even before you start it is off-putting.

> "The job has become unattractive, so numbers entering are lower and of those that do, just over half will qualify"

“This pretty much encapsulates the problem we are seeing. The job has become unattractive, so numbers entering are lower and of those that do, just over half will qualify. If you look at this, even before Brexit we had a shortage of some 60,000. It was this model of recruitment and training that led to the shortage and our inability to replace drivers quick enough, combining with the Covid-induced closures of test centres, turned a shortage into a crisis.”

What then does Chapman see as the fix? For drivers, she believes it is two-fold. Firstly, and perhaps most obviously, the industry needs to renovate. “It needs to attract people back in,” and this she says needs to start with a focus on treatment and welfare. “Treatment not just by employers, but by the public too”. So, in essence she is asking for training of not just drivers but of society at large?

“Yes, the public's interaction with drivers and their valuing of them needs to shift,” Chapman continues. “We want to see more public engagement and more messaging.

“I think that people have become accustomed to free delivery, and when something is free, I think it's fair to say that it becomes undervalued, and, I would say people have become obsessed with free delivery. But logistics is not just something that runs along in the background and has no worth. It is a part of infrastructure and is vital to the way we live. In the same way that we expect the light to come on when we flick a switch, we expect the shelves to be full when we enter a supermarket, but that does not happen by magic, it is the work of a person. This is where welfare training starts, it starts not with the driver, not with the haulier, but with the public. So, we would like to see more public engagement.”

Are shortages in other

NATALIE CHAPMAN
Logistics UK

aining & Recruitment

kills shortages

sectors simply an upshot of Brexit and the pandemic? "The pandemic, yes," says Chapman. But those sectors do not have the same fundamental problem of training that haulage firms have to contend with.

"Elsewhere, yes, we are hearing of challenges around warehousing and logistics staff," she continues. "But the reason we need to increase focus on driver training compared to those other sectors is because you cannot simply go and pluck an HGV driver off the street. These other roles are skilled but they can be trained in-house. Driving is different. Again, 58 per cent is quite a low pass rate especially given the associated cost – although, interestingly, women have a slightly higher pass rate. Most tests are booked by driving schools. So, I think there needs to be work done here as it's really for driving schools to up their efforts as the low pass rate is probably more reflective of issues at this end rather than with the strict requirements of the test."

> "These other roles are skilled but they can be trained in-house. Driving is different"

Silva though is concerned by the wider supply chain shortages. With factories, she says some importers have lodged substantive complaints about the slowdowns being seen in Asia, with fewer people working because of mandatory safety restrictions tied to the pandemic.

"This has a major influence on production timings and just-in-time models," she continues. "We are seeing things take as many as 20 days, in some cases 30 days, more to get products. Nor is it just factories. We have had issues with carriers facing labour shortages. But it is also exposing situations. One of the container lines claims there are not enough people for tasks to be completed in the same old time frames, but yet the line seems to be making much more money and appears unwilling to put that back into the business to ease the burden in the same way we are seeing with other industries."

While the overarching theme of labour shortages is consistent across the world, the way these shortages are realised differs. Silva points to her own home: Brazil. In Brazil, she says the logistics industry is suffering more with lack of office workers. And this she puts down to the workload increasing "as more have shopped online", but increasing with such a rapidity that businesses have been unable to get sufficient numbers of new employees trained.

"Forwarders have been in need of more people in all departments," she says.

"However, it has been hard to find qualified and experienced new hires. KPM has doing its best to hire capable people to make sure we are assisting our clients and also our partners. KPM has even moved to a bigger office to be able to settle all the new employees in a safe and comfortable place, always investing not only in qualified people, but also in a qualified space for them to develop their tasks. But the demand continues to outweigh supply. So, how do we fix this? The fastest way is not money, the fastest way to fill these gaps is for the governments to concentrate their efforts on getting people qualified for the jobs and encouraging them that they want to work in the field."

No limits with WCAworld Academy

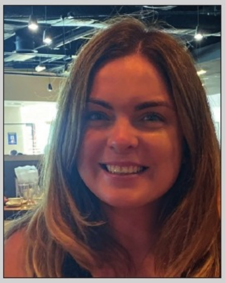
WHEN it comes to training, the WCA Network prides itself on what it offers its members. "We are seeing members enjoy the full suite of educational courses that the WCAworld Academy offers," general manager of the Academy Leah McKenna, tells VOTI. "But as we keep switching on new educational events, the limit for specialised forwarding education… well, there is no limit."

Throughout the pandemic, the Academy has recognised its role as a supportive arm for the Network's members. McKenna and the team got classes up and running with speed to help forwarders return to work after the first lockdown, while also broadening its core and less event-specific programme.

"We have guided members through a process that has seen them obtain diplomas in freight forwarding," she continues. "And, of course, we have continued to offer our pharmaceutical logistics courses, which have been hugely popular with the current pandemic. But what we need is more education, and that's because ongoing education is required in all industries. The WCAworld Academy is designed to help all our members. From sales training, protection in anti-bribery and ensuring perishable products are only handled by the experts, with the correct training, we understand that we have an obligation to help our members to the maximum, and that is something we are committed to doing."

Moving forward, McKenna sees the WCAworld Academy's purpose as one for training the next generation of logistics personnel "and the ones after that".

"Our duty is to our members and helping them remain, or become, the best in class," she adds. "We have discussions with each individual country and their governing bodies. Our members help with this and together we can ensure the future of education within International Logistics is protected, by the WCAworld Members."



LEAH MCKENNA
WCA Academy

Spotlight ON

James Hookham

The watchful eye of the Global Shippers Forum

Director
Global Shippers Forum

IT may feel, right now, as if the shipping lines have all the power and are acting without restraint, at the expense – vast expense in fact – of their customers. But every move they make is under the watchful eye of the forthright champion of shippers, James Hookham, director of the Global Shippers' Forum (GSF).

"Shippers are facing a crisis in the global container shipping market, with shipping rates climbing to record levels, a chronic shortage of ships and containers to meet a surge in demand, and poor reliability of services that are operating," he explains.

"Shippers are facing a crisis in the global container shipping market"

This perfect storm has put shipping lines on course to make up to US$150bn in profits this year – while they have continued to raise rates and create additional, often very high, surcharges.

The resultant agony for shippers has led to an increased focus on the lines from regulatory authorities, a move backed by GSF, which has claimed the container line market is "unfair".

"It has always been a slightly unfair market," says Hookham. "Shippers don't begrudge the profits being made; the principal argument is not that lines are making money, it's that the competition authorities have provided a market in which so much is open to question.

"It's very difficult to see the market operating fairly."

He adds that the controversial block exemption regulation (BER) in Europe was "overdue for replacement", adding: "The behaviour of the market in the past 18 months has only confirmed that. It's not a fair, balanced market."

But, Hookham insists that this need not result in the break-up of alliances.

"Just because you want to end the block exemption, doesn't mean you have to end alliances. It's perfectly possible to operate an alliance without a consortia block exemption. You just have to be a little more circumspect about the information you share.

"In any other industry or sector where information that passes between the lines would be classified as commercially confidential… directors can end up in court, or jail for this sort of thing.

"It's a highly privileged position that the shipping lines enjoy. But it's going to be difficult to justify when the market is so skewed and operates with the benefits of exceptional agreements.

"Can we do something smarter – a bit more 21st century?"

GSF is also closely monitoring developments in the US, where Congress is seeking to amend the 1984 Ocean Shipping Act, following a slew of complaints by shippers, looking for a "tangible change in ocean carrier practices".

Hookham says cases will "test the mettle" of the Federal Maritime Commission (FMC) and the regulatory structure in the US.

Shippers would certainly welcome such a move – those that remain, anyway. Hookham fears for the future of small and medium-sized shippers in the current marketplace, warning that it's a "full-blown catastrophe" that will "annihilate" some shippers.

Meanwhile, a review, conducted last month by GSF and MDS Transmodal notes that, amid carriers' soaring profits, operating costs per container have "barely changed" over the past 18 months, with carriers "earning more than twice per container than at the start of the pandemic".

And shippers have been caught out, because they would have signed contracts with their customers in spring at reasonably low rates.

"Now they have to pay the extra freight and, if they don't meet the deadlines, then penalty clauses will kick in."

But it is surcharges that attract his most scathing comments.

"Surcharges: the scourge of shippers everywhere! The hidden maritime economy. The one topic I can guarantee will animate any GSF members meeting.

"The FMC investigation and subsequent enquiry into Detention & Demurrage revealed the scale and the impact of surcharging practices, and that, basically, the lines are 'having a laugh'.

"The idea that incremental and unexpected costs need to be recovered in real time through arbitrary, but seemingly permanent surcharges, won't survive the US$10 billion aggregate profit-fest in the coming quarter.

"Lines can hardly say they have no working capital to see them through a supposed cash hit. Current rates are high enough to absorb any incidental costs and the purchasing power of individual lines should be sufficient to push back on many of the demands and the causes of these costs from third parties."

"Lines can hardly say they have no working capital to see them through a supposed cash hit"

Regulators need to look at three things: "The apparent uniformity of charges (why do all lines make the same charges at the same time of roughly the same amount?); who determines, on what criteria, and over what time period that ports are congested, or services disrupted enough to justify a charge? (Current answer: the shipping line, with no appeals allowed); and from what perverse school of customer service does the concept that 'I am going to be late so I will charge you for it' (aka a congestion surcharge) come from? Or 'I have got more business suddenly, so I can rinse you for a bit more on our agreed price' (aka a peak season surcharge)."

Shippers struggle with the concept of being charged while in some cases having no direct commercial contract with the lines, as well as with the arbitrary nature of the costs, and the fact that lines appear not to negotiate with ports and terminals who impose charges, simply agreeing to pass the cost onto customers.

Of course, there would be less upset in the market if service levels were good, but they are in fact appalling.

"What none of the industry metrics show are the huge numbers of shipments not being moved – boxes left on the quay, stacked in the terminal or stockpiled in export warehouses awaiting a slot."

GSF is also working on a campaign for the decarbonisation of shipping, where policy has perhaps been made simpler by the fact the lines now have all the cash; the shippers have not.

"Decarbonising the industry is something shipping lines need to spend this money on.

"Given the windfall profits, I hope it's the last we hear of a need for financial support to do research and development.

"The profits made will easily fund this kind of activity, it's an obvious use of the cash. And that's shareholders funding R&D, rather than cashflow via customers. That would be good."

Insights IN

Seafreight – comment by Mike Wackett

Slay the D&D dragon

MIKE WACKETT
Sea Freight Consultant, FICS

D&D: not the roleplaying game of swords and sorcery, Dungeons & Dragons, but the equally creative container shipping process of Demurrage & Detention charging, is enraging the global shipper community.

The shipping version of D&D is a contentious charge that rubs salt into the wound of beleaguered shippers that have seen freight rates sky-rocket since the start of the pandemic, while at the same time they have witnessed schedule reliability and customer service levels plummet to new depths.

> The shipping version of D&D is a contentious charge that rubs salt into the wound of beleaguered shippers

On the other side of the coin this extra revenue cash cow, which has seen exponential growth in the past six months due to the congestion at ports, haulage shortages and infrastructure shortcomings, is adding more silver to the bulging pockets of opulent ocean carriers.

The demurrage charge is levied when the shipper or receiver holds the lines' or their own equipment on the terminal for longer than the agreed free time, i.e, does not collect the container within the number of days the carrier has decreed.

In practice, due to congestion issues prevalent at many ports during this extraordinary period for the global supply chain, containers mostly exceed their free time periods and therefore start to incur increasingly higher demurrage charges per day.

And carriers have reduced the free time at many ports which they maintain is to "incentivise" shippers to pick up their boxes promptly.

But when haulage is scarce, this often only succeeds in increasing the carriers' revenue earned from demurrage.

Moreover, the shipping lines have agreements with the terminal operators on the number of days that are rent free at the terminal, which is commonly far greater than the number of free days allowed to shippers.

And sadly, the days when a shipper could 'negotiate' the way out of a large demurrage bill with carriers by promises of continued support are long gone, given the new market conditions.

Turning to detention charges, levied when the customer holds onto the lines' equipment outside the terminal in excess of the free time allowed, carriers again maintain that this is an incentive to return the box promptly in order that it can be put back into circulation.

They have a point, of course, as there have been many incidents in the past when rogue customers have held onto containers for months, using them as a cheap warehouse space.

Furthermore, carriers are paying a daily hire for the container if it is leased; it follows that reasonable additional charges are justified.

However, if the restitution terminals or depots are full when the container is returned empty, how are shippers supposed to avoid these detention penalties?

And once again, carriers are showing little interest in negotiating detention charge reductions with shippers in view of their total domination of the markets.

Notwithstanding, the obvious reluctance of the carriers to dial back on this lucrative win-win revenue stream, at least in the US, is leading regulators to wind up the pressure.

In September the US Federal Maritime Commission (FMC) said that it was in the process of consulting on new minimum standards from carriers and terminal operators on D&D billing.

Firstly, whether it should require the D&D invoices to include "certain minimum information".

And secondly, that the carriers and terminal operators "adhere to certain practices regarding the timing of demurrage and detention billings".

With cumulative carriers' profits now expected to top US$150 billion this year and again next year, surely it is time that the shipping lines took a more lenient view on some of their punitive D&D charges?

ICS doubles carbon reduction targets

THE International Chamber of Shipping (ICS) has effectively doubled maritime's climate change targets, to net zero by 2050.

In its latest submission to the International Maritime Organization (IMO), the ICS said the proposals agreed in 2018 were well below the necessary decarbonisation proposals required by the UN's expert panel on climate change.

But increasing the targets would require tangible measures to make the necessary changes, it warned.

The proposal will be discussed at the online Marine Environment Protection Committee (MEPC) 77 meeting, following the COP 26 climate change conference in Glasgow, due to start on 1 November.

ICS also noted that the development of the relevant technologies such as fuels, propulsion systems and infrastructure were the responsibility of stakeholders outside the ship-operating industry.

Part of its proposal is to expedite the development of new technologies through the introduction of "market-based measures (MBMs) that will encourage the industry uptake of innovative technology".

But it warned: "It will be premature to impose a disproportionately high carbon price on shipping, especially if there are no zero-carbon technologies and net zero fuels available globally that can be readily applied to international shipping, for ships to transition to, at the time when the MBM is initially implemented."

Preighters show staying power

UNITED Airlines is returning some of its widebody planes to full cargo service. The US carrier, which had been one of the first proponents of deploying passenger planes for cargo flights, shifted those aircraft back to passenger operations during the summer, but some are now going for a second spell in cargo.

Last month Andrew Nocella, United's chief commercial officer, announced that five 777-300ERs – the favourite widebody passenger plane for cargo missions – would be back in the cargo market.

Passenger aircraft use for cargo appeared to be on the wane, chiefly thanks to improving passenger demand. Moreover, the operating economics are not great, which has not been helped by the escalating fuel costs, but for now rates are high enough to keep them going. Some airports have been reportedly reluctant to accommodate these flights, as cabin loading is labour-intensive and time-consuming.

Like its US airline counterparts, United had seen a strong rebound in domestic flying, and the easing of international travel restrictions in major markets prompted management to allocate the active widebody fleet fully to the passenger market. However, rising infection rates in the US as well as several international markets have sent down passenger bookings and yields. Projections for travel in the upcoming holiday season have been scaled back, and businesses have signalled continuing reluctance to resume corporate travel, which forced a reassessment of the carrier's requirements for passenger widebody capacity.

United has been one of the leading players in the use of passenger planes for cargo missions. Between March 2020 and late July it operated more than 13,000 of these flights. They have made a huge contribution to its cargo revenues of US$1.1 billion in the first six months of this year, an increase of 86 per cent over the first half of 2020.

American Airlines and Delta Air Lines fielded fewer planes for cargo flights than United, but they keep going for now.

ANDREW NOCELLA
United Airlines

"We are operating just under 200 cargo-only flights in October, all widebody aircraft. Our cargo-only flights have remained around this number for the last few months, and we are focused on serving Asia-Pacific and European markets with these routes, specifically Beijing and Shanghai, and then Frankfurt and London," remarked Maulin Vakil, managing director of customer care & performance analysis at AA Cargo.

> "We are operating just under 200 cargo-only flights in October, all widebody aircraft"

"In the near future we see a continued focus on these markets for cargo-only flying, but are constantly evaluating the need for our cargo-only operation as we make network decisions," he added.

Delta has pursued a different strategy, which its cargo vice-president Robert Walpole has described as a "cargo-led" approach. International flights have been launched on sectors where freight is the primary revenue generator and passenger revenues top up the income. Routes to Rome, Milan or Nagoya are examples of this strategy.

ROBERT WALPOLE
Delta Airlines

Management has decided to start a weekly cargo-only flight on 11 October. It is going to use an A350-900 aircraft to fly from Detroit to Incheon and Shanghai, returning the same way.

"This is the only cargo-only flight that Delta is operating at this time," remarked a spokesperson for Delta Cargo, adding that the flight is slated to run until the end of the year.

"It is to support the overall strength in China exports, with Detroit being one of our key gateways to China," she stated.

Other carriers are also reluctant to stop their passenger cargo missions. Cathay Pacific signalled earlier that it was looking to this tool (using planes with seats removed from the cabin) to boost its capacity for the peak season, as its freighters are pretty much maxed out. Air Canada is continuing to use its 'preighters' until the end of the year. It has been flying seven B777s and five A330s that had the seats removed, plus a number of other passenger widebodies, for cargo missions.

Management of Malta-based SmartLynx Airlines does not think it's too late to run preighters. Last month it offered cargo charters on five A330 aircraft, all of which had their seats removed.

United Airlines' top brass are looking to get their passenger business up again, but they are tempted by the revenues that cargo has earned over the past 18 months. Nocella said that they are trying to figure out how to retain as much of the current cargo revenue as possible.

Increase in airline cyber attacks

EXPERTS have warned that air cargo could be targeted by hackers. Between 2019 and 2020, there was a 530 per cent increase in cyber attacks reported to Eurocontrol, while there were 775 cyber attacks on airlines in 2020.

Amar More, director at Kale Logistics Solutions, agreed aviation is a target. "A shipment can often involve data or intellectual property transfer between up to 10 separate parties across the globe. Being global entities, airlines get connected with several stakeholders across the globe like forwarders, customs, airport systems etc.

"Since the airlines are connected to a lot of smaller entities who do not have the wherewithal to create good cybersecurity infrastructure, there is a constant risk of a cyber attack. In most cases, the hackers are into the system for about eight to nine months, and then they strike when you least expect it."

Voice of the Independent
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