



Airforwarder Discussion: Up, Down, or Sideways

Christopher Connell

President, Commodity Forwarders Inc. (CFI)

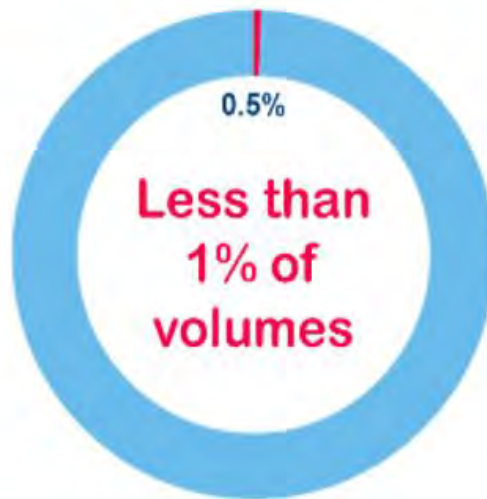
Chairperson, Airforwarders Association (AfA)



Air Cargo, a global economic enabler!!

In 2014, airlines transported 51.3 million metric tons of goods, representing more than 35% of global trade by value but less than 1% of world trade by volume. That is equivalent to USD6.8 trillion worth of goods annually, or USD18.6 billion worth of goods every day.

volumes



Source: the Geography Group, Oxford Economics

value



Source: the Geography Group, Oxford Economics

IATA Cargo Strategy (August 2015)

- Perishables – Developing to Industrialized economies.
- Pharma – Relies on speed and efficiency if air cargo.
- Electronic Devices were build using global supply chain.
- E-Retailers reply on express deliveries via air cargo.



Impacts on the business.



FUEL



OVERCAPACITY



INTERNATIONAL ECONOMY

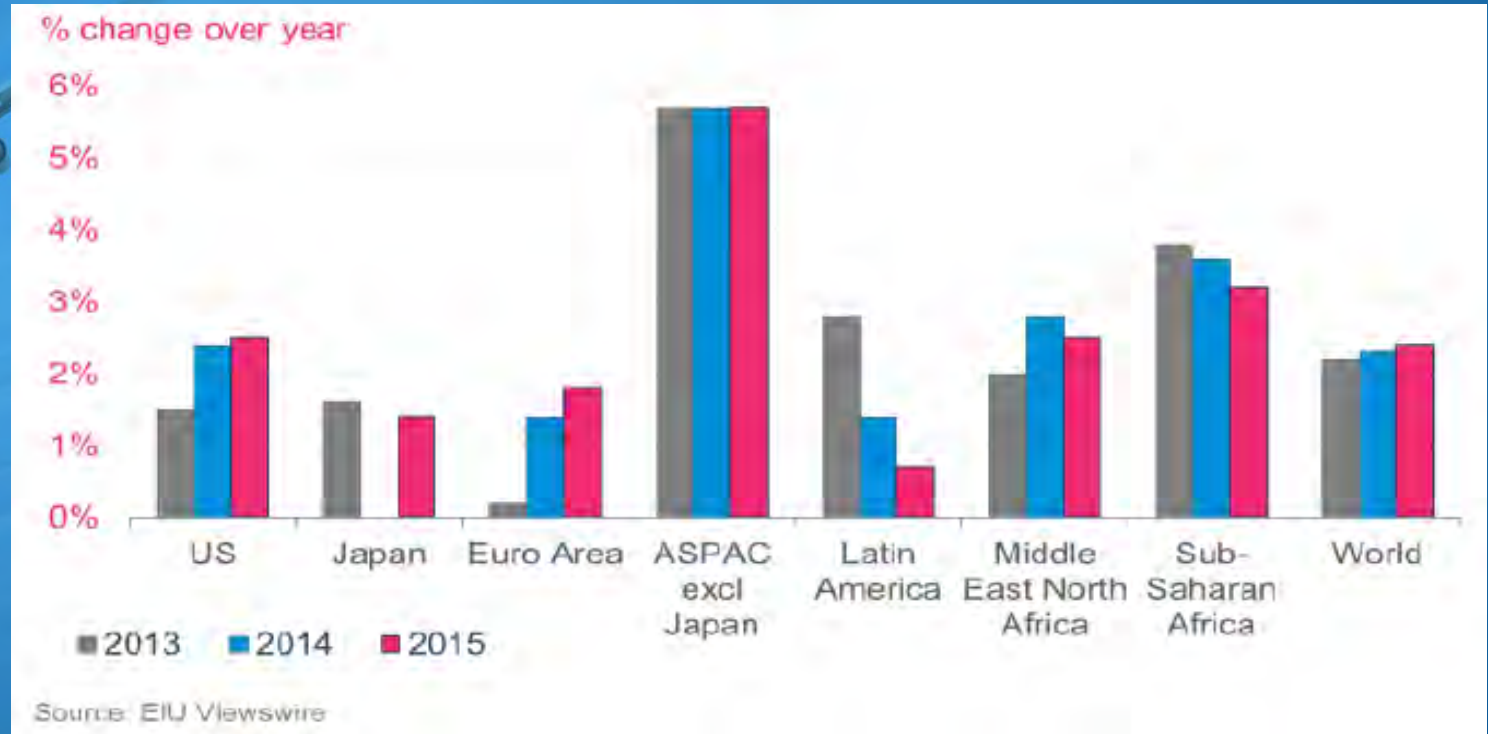


GOVERNMENT REGULATION



MODAL SHIFT

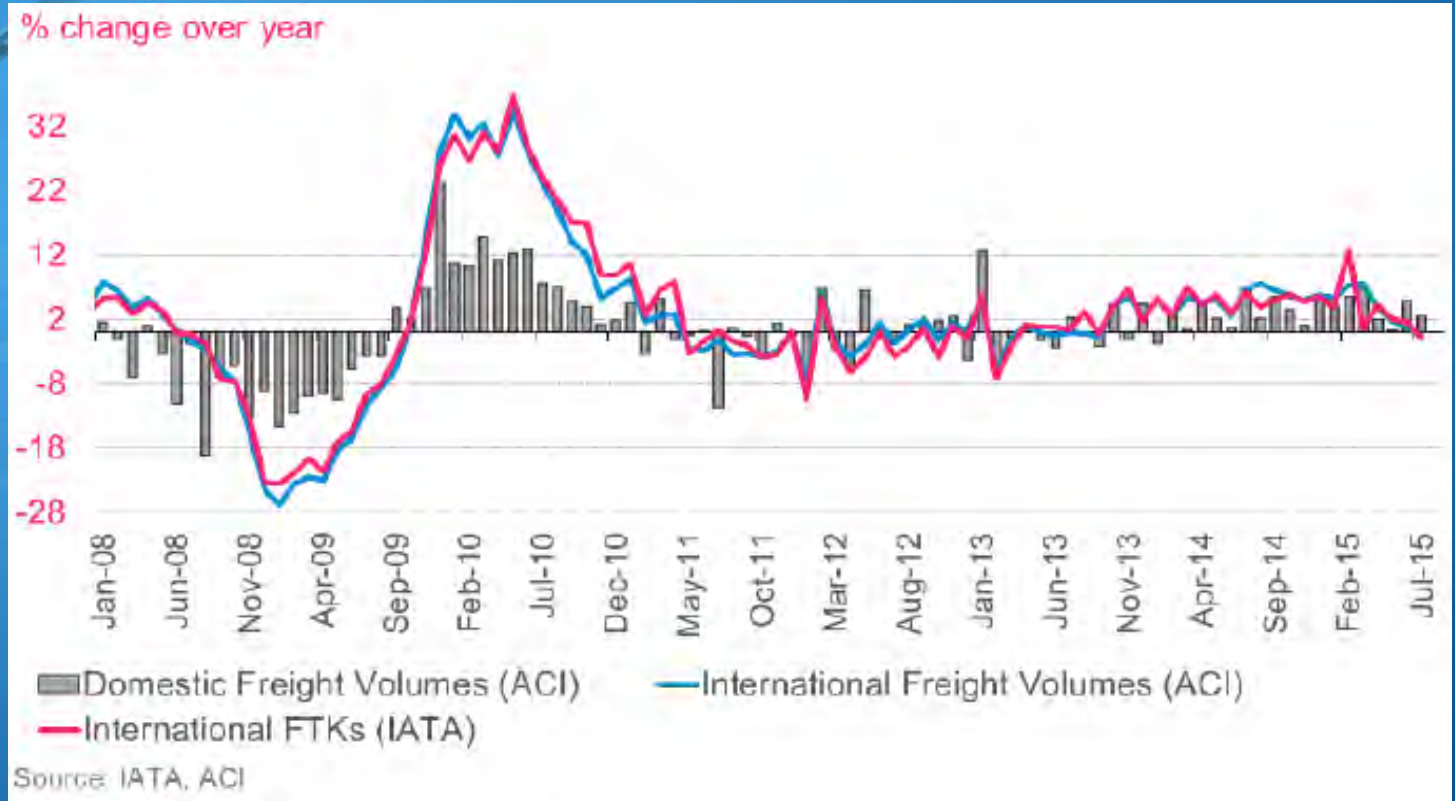
GDP Forecast:



- Global Growth – Projected 3.5% over next 2 years.
- USA – Overall doing well. GDP Growth, unemployment at 7 year low. Strong dollar effect on exports a concern.
- EU and Japan – Stagnation & Low Inflation.
- Emerging Economies – Volatility due to lower oil price.
- China – Investment growth in decline year over year.



Freight Traffic Growth or lack of:



- On aggregate, the cargo market **has shrunk year over year** per IATA.
- Less Cargo? Smaller sized cargo? Exchange rate?
- Jan/Fed Spike due to Port Strike?



Freighter load factors / utilization:

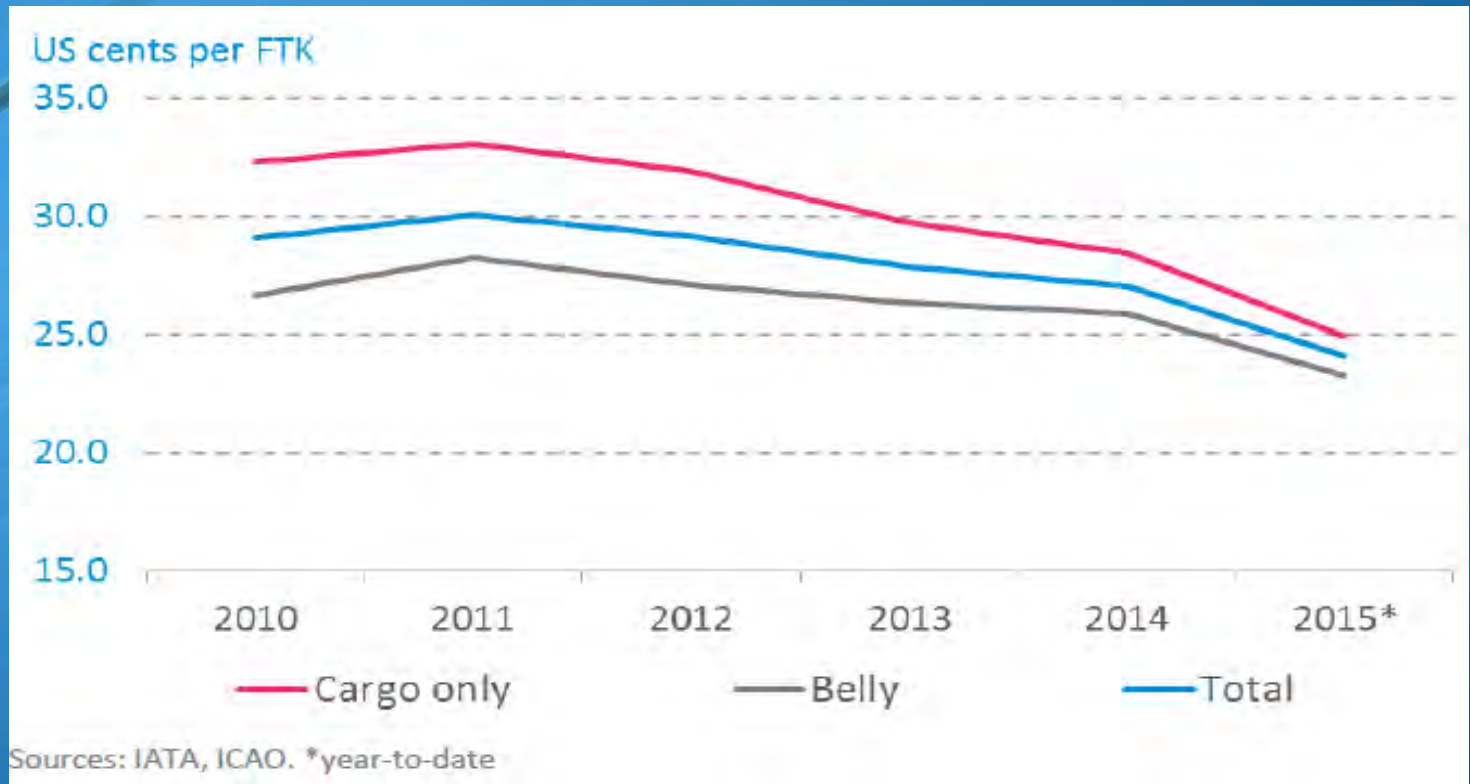


Source: IATA, Boeing

- More Aircraft, less cargo or same cargo with less aircraft?
- Trend is same as on PAX side.
- For example... have seen more freighters into LAX, some away from Houston due to oil machinery sector fall off?



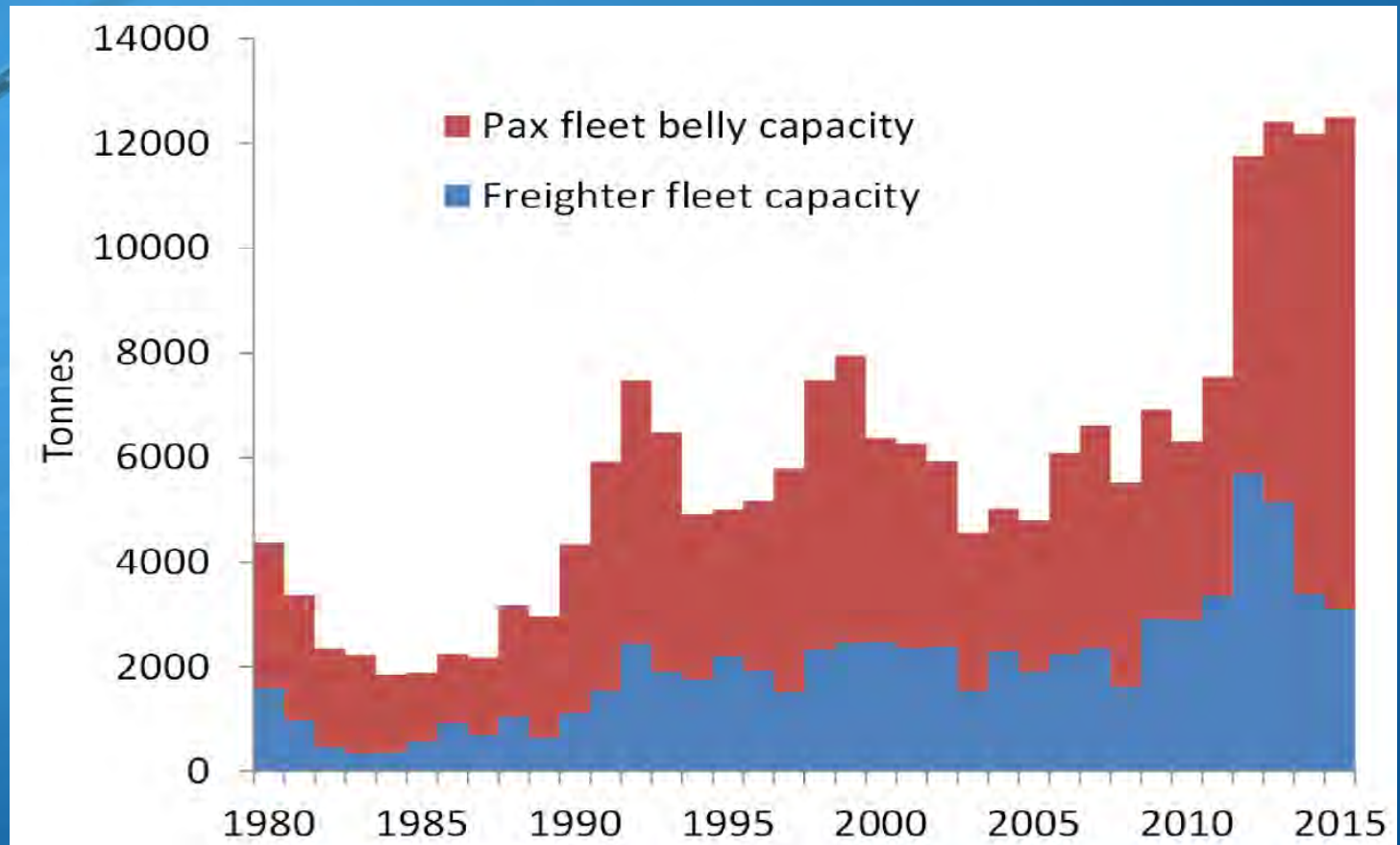
Cargo Yields are down:



- Yields for air carriers varied by lane segment (Exchange Rate).
- Down 15% +- but price of jet fuel fell by over 40% so masking the weakness in cargo flows?
- Strong USD a concern on exports out of USA.
- “Strike” Spike is in these numbers as well.



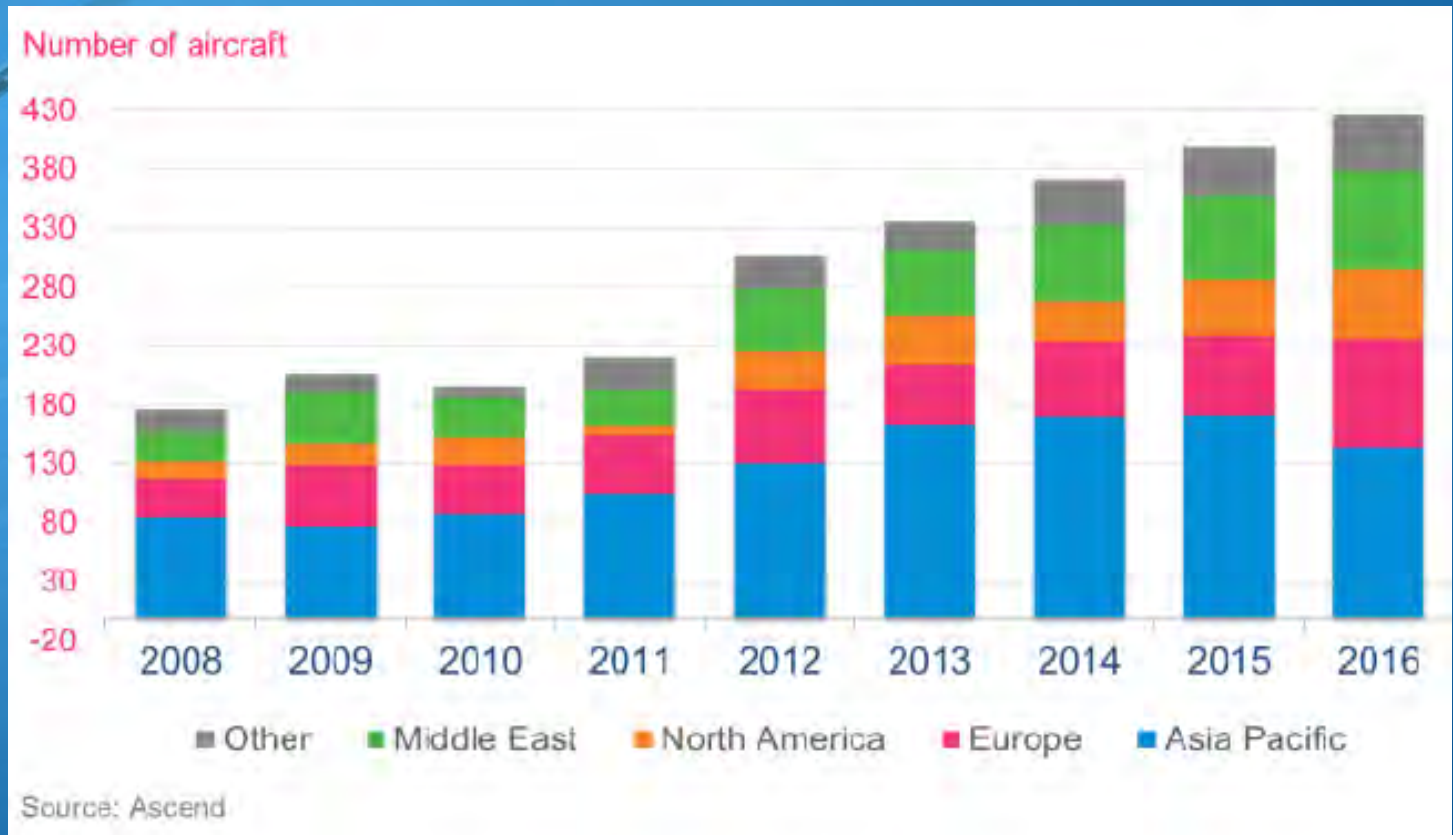
Cargo Capacity is up:



- PAX to double, 3 billion people per year by 2027.
- Middle East Carriers leading the way with new wide body orders.
- Open Skies? More capacity into cargo mix?

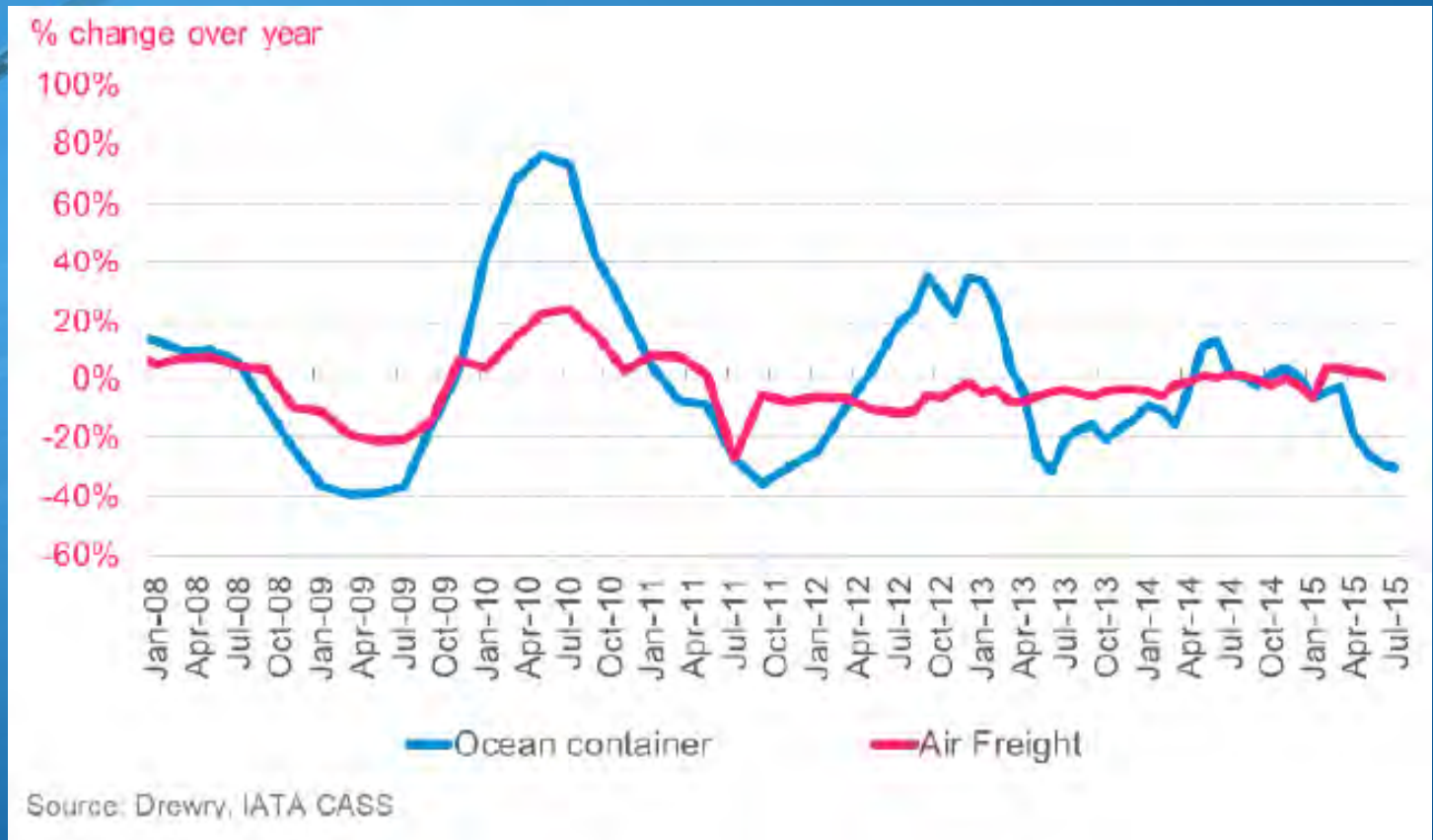


New Widebody by Airline / Region:



- Fleet Replacement but better cargo aircraft in mix on PAX side with new aircrafts? (787, 777, 340, 350, 747-8)
- “Narrow body” new aircraft & updated seats for existing create less weight for cargo. (Jet Blue)

Ocean vs Air freight rate growth.



- Container Rates via ocean have dropped more verse Air Freight rates year over year.
- Puts increased pressure on air cargo rates to reduce Modal Shift.



The Big Three.....



- Highway Bill – Pending.
- FAA Reauthorization – Extension for 6 months.
- Trade Promotion Authority to President – Done.
Pacific Trade Pact (not China) being negotiated by administration and then to congress for final approval.





- Highways are a vital part of getting cargo from one place to another. Its makes us competitive!!
- Air Cargo Shipments, at one point touch a truck!!
- 4+ year federal funding helps states, & local plan.
- How do we pay for it?
 - Higher Gas Tax? - Tolling? -Vehicle miles Tax?



Congestion at ports:



EMO TRANS
Continental Global Logistics
100 2746 81

Flying Typers
SENT THE AIR EVERYWHERE

Shut Down JFK Cargo?

VIEWPOINT
Shut Down JFK Airport Cargo?

NOT!

NYC JFK International Airport, New York—the airport that pioneered the “Freightliner” in 1962, has been closed since 2014 with an announced plan in building at the airport—due to cargo in the area of the previously undervalued security. Airport Executive Director, Douglas G. Miller, said in a statement: “As of Friday, executive director, Airforwardsers Association.”



- Driver Shortages – 35,000 openings now & expected to grow in future.
- Hours of Service: Regulated by Federal Motor Carrier Administration under DOT.
 - 11 hour max per day per driver.
 - 34 hour consecutive rest hours on hold for now.
 - CSA2010 Driver Rating Scheme provides Thumbs up or down.
- Negligent Selection Liability? HR1120 in congress.
- Driverless Trucks: Earliest impact late 2020's?

On the Regulatory Front:



- Update to TSA CCSF due soon.
 - TSA Administrator Peter Neffenger confirmed.
 - Requesting K9 to be added to CCSF tool box.
- Risk Based Security for TSA & CBP:
 - Inbound and outbound.
- FDA Transportation Requirements.

Air Cargo Advance Screening:

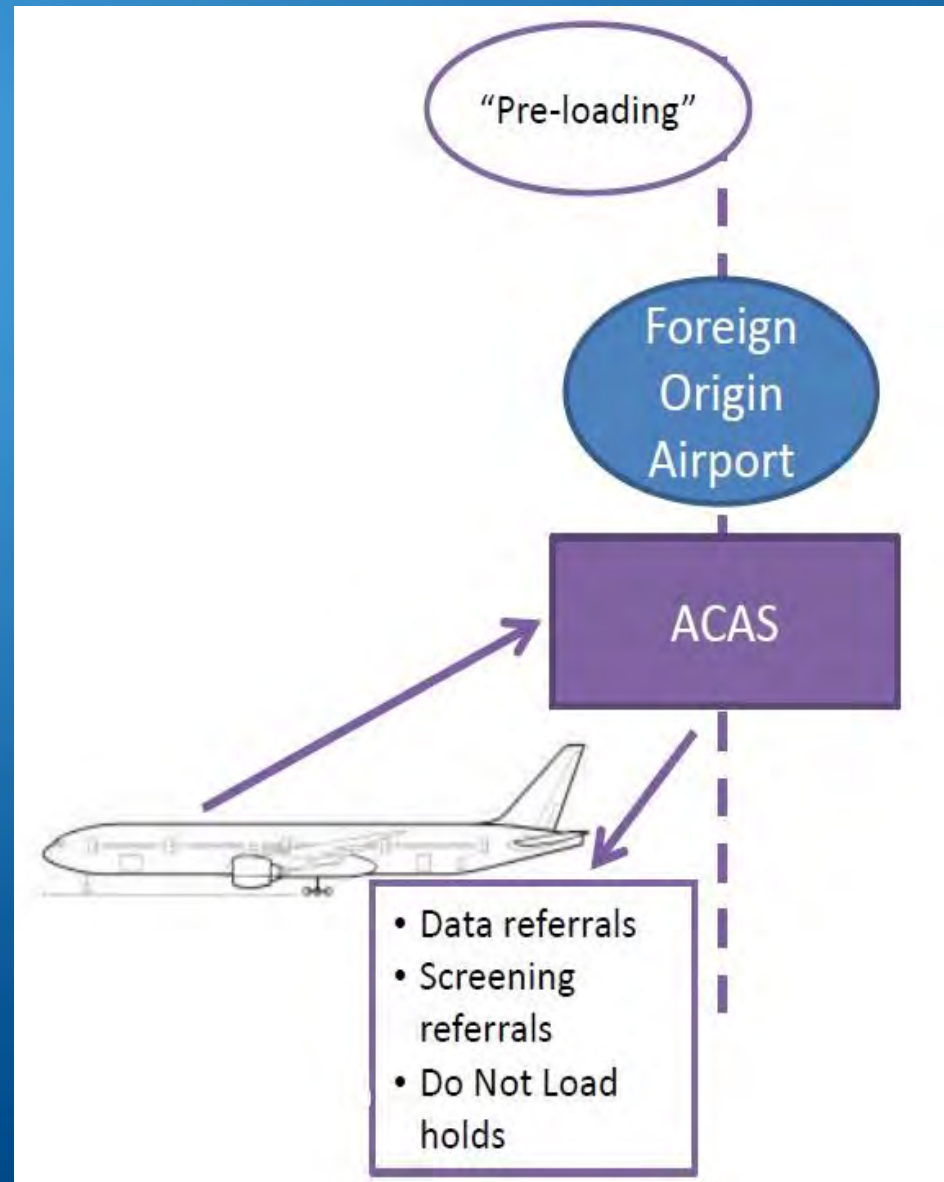
- Into the USA.
- 9/11 & Trade Act 2002.
- Yemen Printer Cartridge Incident 2010.
- Pilot operational since ??????
- Obama???



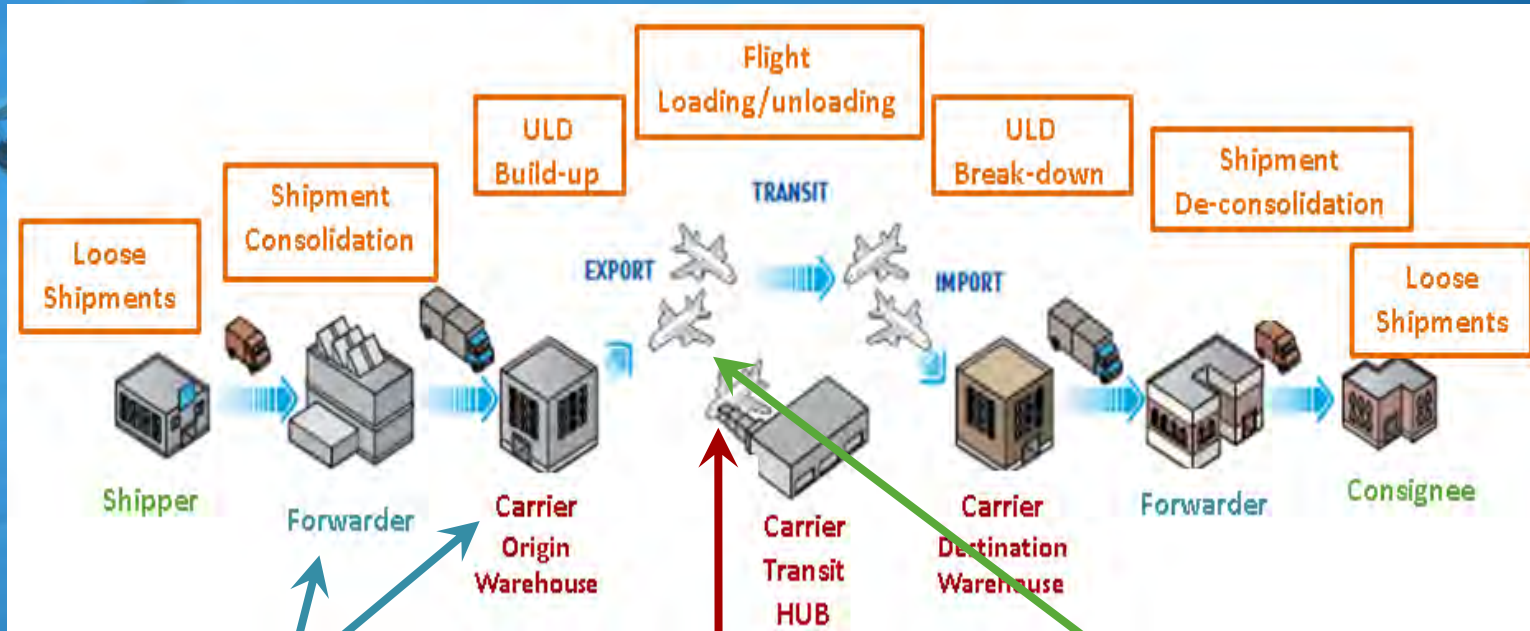
Airlines for America®
We Connect the World



Airforwarders Association
Forwarder Thinking. Global Focus.



Export Manifesting (could be)?



Post-consolidation

- Break-down / re-build cost
- Warehouse disruption
- Delay to other cargo

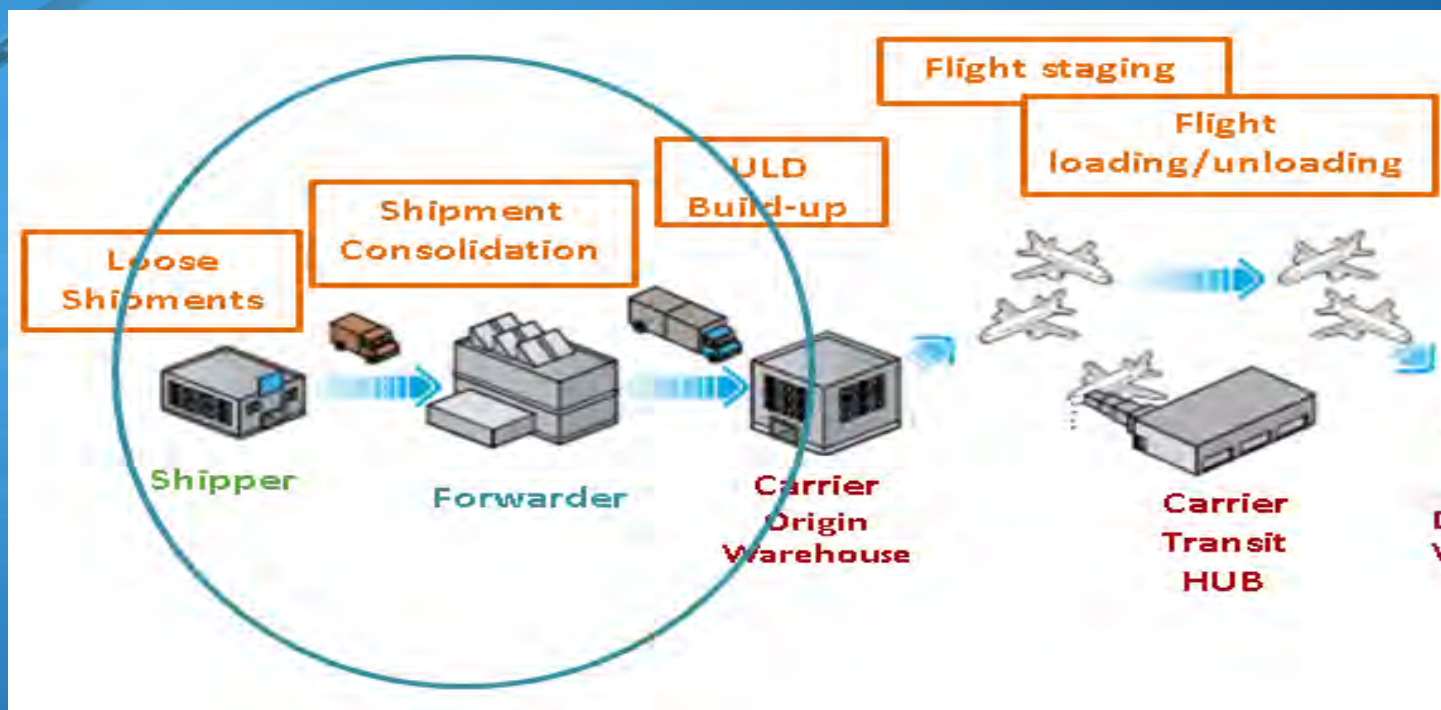
Post-Aircraft load

- Cost, disruption, delay now impacts the flight operations level
- Cascading down-line consequences

Post-ULD Build

- Additional cost, disruption, delay
- Spoiled aircraft capacity and lost revenue

Export Manifesting (Should be)?



- Solution? Data into the pipeline earlier.
- Focus on House AWB Level that then attaches to Master AWB Level.
- Question is CPB and Bonding Requirements.

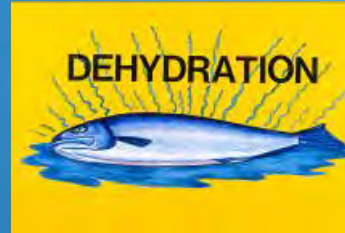


Food Safety Modernization Act:

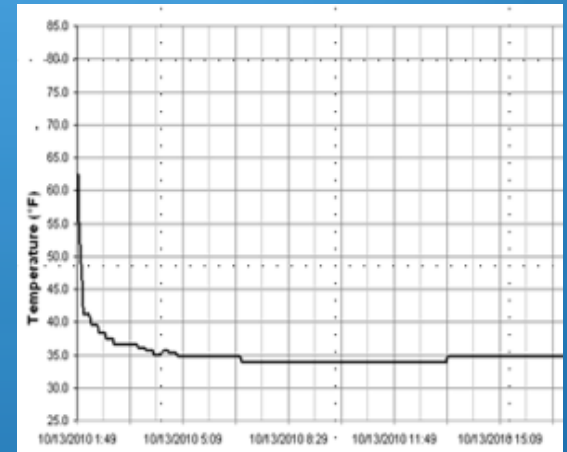
- Sanitary Transportation of Human and Animal Food.
- The non-pharma side rules expected out in spring 2016.
- Is your airport infrastructure ready?
- What is the liability for logistics sector?



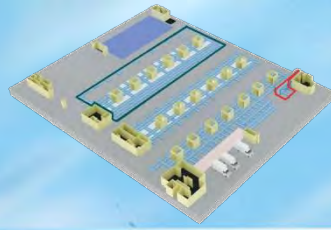
Cool Chain: *Now more than ever!*



Bacteria
Enzymes
Dirt
Sunlight
Oxidation
Physical Damage
Heat
Contamination
Dehydration
= Product Waste



Airport Facilities: *Cool-Chain!*



Take the paper
OUT >>



e-freight
SIMPLE > ELECTRONIC > PAPER FREE



IF IT FITS



IT SHIPS



June 8 - 10
Phoenix