

# cargo facts **UPDATE**

The air freight and express industry newsletter of record

November 8, 2001

Vol. 21, No. 11B

The U.S. Federal Aviation Administration (FAA) has called for the installation of traffic-alert and collision-avoidance systems (TCAS) on all-cargo aircraft by October 2003. Under the proposed rule, TCAS 2, plus a Mode S transponder, will be required on larger aircraft, TCAS 1 or equivalent on aircraft under 33,000 lbs. In a concession to cargo operators, who have been resistant to the idea, the FAA may allow them to use new ADS-B technology that would perform both navigational and TCAS functions. TCAS is mandatory for passenger aircraft in the U.S., and for all aircraft in Europe, and both pilot unions and the NTSB have long argued for its application to cargo aircraft.

ATLAS AIR WORLDWIDE HOLDINGS (AAWH), parent company of Atlas Air, formally completed its acquisition of POLAR AIR CARGO, at a better-than-expected price. The original price of \$84m was reduced to about \$54m through various financing commitments and the restructuring of associated aircraft leases, and, additionally, about half the balance was financed by the seller (GECAS), allowing Atlas to make the purchase with a cash payment of less than \$30m. Separately, AAWH reported a \$4.2m net loss for 3Q01, on revenues of \$150.7m, down from its 3Q00 profit of \$23.1m on revenues of \$208.6m. The decrease is a reflection of the 28% drop in block hour production to 25,207, and the parking of six aircraft for much of the quarter. (Atlas received a first installment of \$10.1m in Federal Government compensation for the post-September 11 grounding, but the payment came after the end of the quarter.)



Atlas completed its acquisition of Polar Air Cargo

The government of Taiwan lifted its 52-year-old ban on direct trade with and investment in China. The impact on the airfreight industry may not be immediate, but in the medium and long term it will be considerable – particularly in Hong Kong, which stands to lose a substantial amount of pass-through traffic.

One more sign that Hong Kong will liberalize its aviation policy – at least for cargo: According to the *China Civil Aviation Report*, Peng Dingzhong, Executive President of the Hong Kong Airport Management Bureau, said the Airport would open bidding in 2003 among express companies for the right to operate the Airport's new Express Cargo Center. The operating license would be non-exclusive, but would likely include fifth-freedom rights.

The U.S. Postal Service will award AIRBORNE, BAX GLOBAL, and DHL small (by comparison) Priority and Express Mail system contracts for tonnage not currently included in the USPS/Federal Express joint venture. There is also volume that was handled in the Emery Priority Mail system that is not part of the FedEx Joint Venture that could support a truck and air system based in the Ohio River Valley. This traffic is currently not meeting the Postal Service's internal service standards. No decision has been made on the timing for these new initiatives except a desire to award the contracts before the end of calendar year 2001.

(more on page two)

**RESCHEDULED**

## cargo facts 2001

### SEVENTH ANNUAL AIRCRAFT SYMPOSIUM

January 8-10, 2002  
Sheraton Seattle Hotel & Towers  
Seattle, Washington

<b>CARGO FACTS 2001 FEES</b>	
\$750	advance registration
\$850	at the door
\$675	ISTAT members
\$175	spouses

CARGO FACTS 2001 is an annual aviation conference focusing on timely issues related to the operation, support, finance and use of aircraft by passenger, all-cargo and regional airlines from around the world.

- Over 40 industry leaders share their equipment strategies for 2002
- Get your questions answered in round table discussions
- Exchange information & ideas with industry decision-makers at 10 social events
- 70+ airlines participate in conference program
- CARGO FACTS room reservation block at Sheraton Seattle (206) 447-5555

To register or request a CARGO FACTS 2001 brochure, contact Kristy Koch, CARGO FACTS 2001, Conference Manager, Tel. (206) 587-6537; Fax (206) 587-6540; Mail: 520 Pike Street, Suite 1010, Seattle, WA 98101; email: [kkoch@cargofacts.com](mailto:kkoch@cargofacts.com); Web Site: [www.cargofacts.com](http://www.cargofacts.com)

**BOEING delivered its first 737-700 Convertible this week.** The Quick-Change aircraft, purchased by an unidentified private corporation, has strengthened wings, a main-deck cargo door, and a new cargo handling system. In cargo configuration it can handle up to 41,420 lbs. of cargo on eight pallets. Boeing claims conversion from passenger to freighter configuration takes less than an hour.

**U.K.-based charter freight specialist HEAVYLIFT will wet-lease two Tu-204-120Cs from CAIRO AVIATION** (a division of SIROCCO AEROSPACE) in February and May 2002. The aircraft will reportedly be operated for TNT.

**VOLGA-DNEPR is attempting to gain U.K. type certification for the An-124.** The airline, which operates nine of the outsize freighters (with a tenth in final assembly), wants to be able to operate the aircraft through its new Stansted arm. Volga-Dnepr also says that getting the An-124 on to the U.K. register will enable it to secure financing from Western banks, and begin serious talks with Western engine and avionics suppliers about upgrades.

**DHL AIRWAYS Inc. has resumed construction of its new hub facility in Cincinnati.** Separately, industry observers report that DHL's operating losses now exceed \$100m annually, and have worsened since September 11 due to increased security costs. Despite this, DHL has reduced its fuel surcharge to 3%, matching a similar move by FedEx.

**Airborne's new Ground Delivery Service, which started in April, is reportedly now shipping 60,000 packages per day.**

**UPS announced new rates to take effect January 7, 2002, one month earlier than the usual implementation date.** Overnight and two-day express service rates will increase approximately 4%, U.S. export service rates will increase 3.9%, and UPS Hundredweight will increase 5.9%. New for 2002 is a \$1.10 premium for Air Express delivery to residential addresses. Rates for commercial ground services will increase 3.5% on average, with the residential ground delivery premium rising from \$1.05 to \$1.10. The temporary 1.25% temporary fuel surcharge will remain in effect.

**FEDEX EXPRESS announced a service enhancement to its International Priority DirectDistribution (IPD) product.** The Single Point of Clearance feature enables shippers to consolidate multiple-recipient shipments to Europe under one international air waybill, clear customs through a single gateway, and deliver to recipients in up to 12 EU countries. FedEx claims this option will accelerate distribution to within two to four days, and reduce order-to-delivery cycles by four to twelve days. Origin countries for IPD include the U.S., China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Thailand and Taiwan. Destination countries are Austria, Belgium, Denmark, France, Finland, Germany, Ireland, Italy, Luxembourg, the Netherlands, Spain and the U.K.

**October cargo volume at BRITISH AIRWAYS fell 23.9% from last year, to 326 million RTKs, and, despite a significant reduction in capacity, cargo load factor was down 8.7 points to 58.9%. Across the channel, cargo volume at KLM fell 4% in October to 354.5 million RTKs.** Capacity rose 1% in the month, leading to a 3-point fall in load factor to 71.6%. As has been the case at many airlines, traffic on North Atlantic routes was particularly hard hit.

**October was even worse on the west side of the Atlantic.** UNITED AIRLINES saw October cargo volume drop 37.7% to 178,649 CTMs. Of the total, freight was down 35.2% to 151,767 CTMs and mail was down 48.8% to 26,882 CTMs. Year-to-date, United's cargo volume is down 22.3% to 2,045,928 CTMs. At CONTINENTAL AIRLINES October cargo volume fell 28.8% to 71,559 CTMs, while AMERICAN AIRLINES reported a 30.7% drop to 143,525 CTMs.

**Belgian airline SABENA declared bankruptcy on Wednesday.** The carrier, which had been operating under bankruptcy protection for the last two months, could not find an investor willing to bail it out of its \$2 billion financial hole – perhaps not surprising, given that it has had only two profitable years since it was founded in 1923. The Belgian government, which owns 50.5% of Sabena (Swissair holds the other 49.5%), is trying to either broker a deal with private investors that would allow regional subsidiary DAT to take over at least some of Sabena's services, or start a completely new airline from scratch.

**In testimony, before the U.S. Senate, the U.K. urged the U.S. to grant antitrust immunity to the AA/BA alliance in exchange for a new bilateral "that would open the U.K./U.S. markets to carriers of both sides."** The U.K. also recommended approval of the United/British Midlands alliance. When asked whether the new agreement would include slots at Heathrow, the U.K. responded, "it would not be proper... to comment on the remedies that might be appropriate."

cfUP

CARGO FACTS is published by AIR CARGO MANAGEMENT GROUP, 520 Pike St., Suite 1010, Seattle, WA 98101 U.S.A.  
Tel: (206) 587-6537 • FAX: (206) 587-6540 Email: news@cargofacts.com • Web Site: www.cargofacts.com • E.C. Laird, Publisher • David Harris, Editor  
Associate Editors: Robert Dahl, Dan Moyer • Advertising: Christopher Reanier • Circulation: Jackie Edinger • CARGO FACTS Conference Manager: Kristy Koch  
ISSN 0278-0801 • Copyright © 2001 Cargo Facts. All rights reserved. None of the contents of this publication may be reproduced, stored in a retrieval system or transmitted in any form without the prior written permission of the publisher.