Aviation in a world of evolving supply chains

Hall 2, Level +1

Thursday, May 28, 2015, 09:00 - 10:30

This session explored the role of air cargo in global trade. It addressed issues such as modal competition, making supply chains more fluid and efficient and the need for policies that are both socially acceptable and economically efficient.

Air cargo plays a very important role in global trade, being responsible for 35 percent of the value of world trade. London’s Heathrow airport, which is not considered a global cargo hub, handles more value that the ports in the London area. In Germany alone, air freight has a market share of 30 percent representing two percent of tonnage. A ton of air freight is worth on average €70,000, compared to between €1,200 and €3,000 for surface and marine freight. Germany is also home to two major air cargo express hubs, DHL here in Leipzig and UPS in Cologne, in addition to Lufthansa’s global hub in Frankfurt. However, Germany is facing competition, both from within Europe and from emerging and developing markets in Asia so it needs to create the right policy landscape to ensure Germany maintains its competitive position.

Globally, the air cargo industry very dynamic and the outlook is looking increasingly positive. The world’s economy is starting to pick-up again, as is global trade, which should buoy air cargo. In addition, the emerging middle class in China will drive the need for more consumer goods and more e-commerce, two factors that should help support air cargo growth. Even 3-D printing could support air cargo growth, because the manufacturing and distribution of those printers could make extensive use of air freight. As air freight relies on high value and time sensitive products and the consumption of those are on the rise, the prospects for air cargo are increasingly positive as the emerging middle class is increasingly present in the e-commerce marketplace. However, air cargo could be negatively affected by manufacturers who are
increasingly turning to near-shoring and a number of new protectionist barriers, be it quotas, tariffs or questionable requirements, that could impede global trade.

On intermodal competition, air cargo competes for service rather than volume. It enables supply chains to shrink the time component of travel. A good example for this was the Formula 1 races where cars are shipped from one race to another on freighters. No other mode would be able to sustain the 20-odd global race calendar in the same way air freight does. However, the maritime mode is significantly more liberalised on international trade lanes than air transport is and the liberalisation of air cargo is often a tied-in to the air passenger transport market, despite the fact that these are completely different markets. To that point, there has been discussion at the International Civil Aviation Organisation (ICAO) on adopting fast-track for air cargo liberalisation and we have seen some air services agreement be more liberalised for air freight, however work continues to be needed on that front.

Air cargo is dependent on having infrastructure that is responsive to its needs. This means having sufficient cargo apron areas, warehouses, the right loading equipment and qualified personnel. In addition, the air express business being articulated around night operations, it requires airports that do not have night-time curfews and liberal traffic rights to be able to build an economically sustainable network. Liberalisation should also be framed beyond the question of air traffic rights to also include ownership nationality requirements and the right to self-handle, which is particularly important to freighter operators.

Air cargo is also about intermodal supply chains. Since air cargo can’t walk off a plane, when thinking of an aviation supply chain we must also consider the road component of it. So the supply chain really needs to be examined from the shipper to the consigned include all intermediate stakeholders, including the air freight component.

However, despite flying on the most technologically advanced vehicles, air cargo remains challenged in moving to fully electronic documentation. Air cargo can
require up to 30 paper documents in order to fly and despite industry’s best efforts, over three-quarters of air freight today does not fly paperless.

One challenge with air cargo is increasingly its visibility so that governments and the civil society understand fully the contribution it makes to the economy. Raising such awareness can help air cargo gain increased social acceptability and help air cargo hubs to remain competitive. In that respect, there is a need to better communicate the role air cargo plays in the economy and shift the focus from speed to self-promotion.

Finally, all panellists agreed that air cargo needs to be more visible and encouraged the International Transport Forum to conduct more activities that can help raise and improve the sector’s visibility.

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**Speaker**

**Dorothee Bär**  
Parliamentary State Secretary, Federal Ministry of Transport and Digital Infrastructure  
Germany

Dorothee Bär was appointed Parliamentary State Secretary at the Federal Ministry of Transport and Digital Infrastructure in December 2013. Her responsibilities include being Federal Government Coordinator for Freight Transport and Logistics since January 2014. Prior to this, Bär was Deputy Secretary-General of the Christian Social Union of Bavaria (CSU) from 2009 to 2013. Since 2011, she was been Chair of CSUnet, having previously been Chair of the CSU Internet Council. Bär has been a member of the German parliament (Bundestag) since 2002.
James Billing is the leader of Boeing Commercial Airplanes’ Airline Market Analysis Group. His team is responsible for providing Boeing’s market outlook for the future of air transportation and the demand for commercial jet airplanes. The Market Analysis team consists of experts from a variety of fields including economics, airline strategy, network development, fleet planning, air cargo, aviation infrastructure, product development, and aftermarket services. Each year, Market Analysis publishes Boeing’s “Current Market Outlook”, a forecast of the future of air transportation developments, including an assessment of key industry trends, traffic growth, fleet development, and airplane delivery requirements. The group also prepares the biennial Boeing “World Air Cargo Forecast” which focuses on the future of the air cargo industry, provides a forecast of air cargo growth and the freighter fleet.

Glyn Hughes has overall responsibility to ensure the International Air Transport Association (IATA) delivers on the agenda agreed by the Cargo Committee to support the Air Cargo industry. Priority areas include safety, security, quality, special cargoes, operations, modernisation and industry sustainability. He became IATA’s Global Head of Cargo in June 2014, having joined IATA in 1991. He previously headed the IATA Cargo Agency and Cargo Accounts Settlement System (CASS) programs growing the CASS network to cover more than 80 operations in over 75 countries processing more than 18 million airway bills with a combined settlement value in excess of USD 30 billion. Hughes has been involved in air cargo for over 30 years, having started his career with British Caledonian in the UK.

Since 2008 Vladimir Zubkov has been Vice President of Volga-Dnepr Group of Companies, responsible for relations with international organisations and governments. His role involves maintaining relations with International Civil Aviation Organization (ICAO), International Air Transport Association (IATA), Airports Council International (ACI), International Air Cargo Association (TIACA) and UN. He led a multi-disciplinary team in the introduction of paperless environment for cargo transportation (e-freight and e-AWB) in Russia, bringing this to a successful conclusion in May 2012. He has also worked with Asia-Pacific Economic Cooperation (APEC) on development of e-commerce in the transportation sector. In 2011, Zubkov was listed in the Top 1 000 Russian managers.
**Speaker**

**Al Bedran**  
Transportation District Manager / Europe Region  
United Parcel Service

Al Bedran was appointed Europe Region Transportation District Manager in 2013, having been Corporate Transportation Manager since 2010. Prior to this, in the US, since 2006 he has been Alabama District manager, then Kansas District Manager following various assignments. Bedran began his UPS career in 1979 as a part-time package handler in the North Florida District, USA. Following numerous district assignments he was promoted to Jacksonville Hub Sort manager in 1990. He completed a special assignment in Atlanta in the Corporate Hub and Feeder function before being named Central Florida District Hub Division manager in 1993.

**Moderator**

**Axel Threlfall**  
Moderator  
Editor-at-Large for Reuters Television

Axel Threlfall is a lead anchor for Reuters Television, based in London. He also presents special reports for Reuters from events such as the World Economic Forum in Davos. Prior to joining Reuters, he spent four years as one of business news channel CNBC’s main presenters in London. Before that, he was a news reporter and editor with The Wall Street Journal in New York and Bloomberg in London. He has also advised businesses and non-government organisations on their dealings with the international media. Threlfall is frequently asked to moderate events for international organisations, including the United Nations and the Organisations for Economic Co-operation and Development (OECD).