From geopolitical concerns to trade protectionism; from declining yields to over capacity; from modal shift to on-shoring, air cargo industry is under stress and it needs path breaking strategies to catch up with its industry peers. What’s the air cargo of the future?

Reji John
Air cargo is so integral to many facets of human life. Getting perishable goods from developing economies to markets in industrialised nations would be impossible without air transport. The healthcare industry relies on air transport for its speed and efficiency in transporting high-value, time and temperature sensitive shipments, particularly vaccines. Live animals, particularly thoroughbred horses, carried by air are considered the most humane and expedient method of transportation over long distances. All of us use multiple personal electronic devices that were built using a global supply chain linked by air. Ecommerce ventures like online retailers like Amazon, Alibaba, and eBay rely on the express delivery services made possible by aviation to get those devices, and so much more, to their customers around the world. It is estimated that about 340 billion letters and 6.7 billion postal parcels are sent every year, and air transport plays an essential role in their delivery.

While there is so much happening in the air cargo industry, there is much more required for this mode of transport to be effective and relevant in the modern day world of fast evolving technology that is enveloping every aspect of human life. Air cargo’s inclination to adopt the latest technology innovation like other industry verticals is far from what is expected.

Reflecting on the current global scenario of falling oil prices industry experts suggest that while economic factors which are normally conducive to heighten consumption there isn’t the expected rise in consumption. They attribute “social factors” more than economic factors as reasons for such a phenomenon.

Yes my financial circumstances maybe better. But there is terrorism now. Something that Europeans are sadly made aware of. That is impacting the state and frame of mind. So for consumers to be active spenders they need to have money in the pocket and also have the right frame of mind to go out and purchase,” says Glyn Hughes, the global head of cargo for International Air Transport Association (IATA). “The economic indicators would point to a far more positive situation than we are actually seeing in reality. This I think is the new norm going forward which is a very volatile and challenging,” adds Hughes.

Both the industry and IATA expect solid, but not spectacular, growth in air cargo volumes over the next five years. The IATA’s forecast is for an average growth rate of 4.1 per annum.

However, it is the long term future of air cargo that is under scrutiny. It is the value proposition of air cargo industry which needs immediate attention from every stake holder. Under the circumstances of constantly evolving geopolitical concerns and volatile global markets, there is an urgent need for the global air cargo industry stakeholders to introspect and innovate. Introspection and innovation have to happen across the air cargo value chain and among all stakeholders.

“The industry cannot use these figures as an excuse to stand still. A comprehensive structural transformation is necessary if air cargo is to have a profitable, sustainable future,” warns Hughes.

Challenges include stubbornly low yields, exacerbated by extra capacity coming into the market through passenger aircraft bellyhold. A mode shift to ocean-borne trade is also playing its part. As laptops have come down in price, for example, it makes financial sense for some manufacturers to move the product over the oceans or to use new rail connections springing up throughout Asia and the near East. And some products that were once the mainstays of air cargo like desktop computers or boxed software packages have all but disappeared. Despite all recent hoo-ha about cross border trade and commerce, protectionism remains an issue and restricts the free flow of goods.

According to the World Trade Organization (WTO), between November 2013 and May 2014, 112 new trade-restrictive measures were enacted by G20 governments. This is not always about traditional tariff barriers, which continue to fall because of WTO work, but the general regulatory environment. Governments’ procurement policies are pushing contracts to be awarded at home to boost jobs and domestic prosperity.

However, some of the recent global events should be of immense importance to the global business community. The Obama administration’s historic decision to loosen its trade embargo on Cuba with a new round of regulations allowing American companies to sell to Cuba on credit and export a potentially wide range of products to the Cuban government for the first time.

Secondly, there is so much that the logistics industry stands to benefit from the removal of Iranian sanctions. The removal of certain aspects of the Iranian sanction regime has opened a flood of business, much of it requiring logistics infrastructure. It is reported that Iran is poised to begin the long process of rebuilding its civil aviation fleet. The Iranian government is expected to sign a deal for about 114 Airbus aircraft, which would allow state carrier Iran Air and other operators to begin the process of replacing aircraft that in some cases date to before the Islamic Revolution in 1979. The end of sanction regime also means an opportunity for Iran to unlock the value of about $100 billion stuck in overseas financial institutions.

During a recent air cargo conference Hughes called for cooperation across
The biggest challenges for us as a cargo GSSA are the falling rates and commissions. We only can stay competitive with an efficient organisation and an efficient IT. You can match this challenge with growing tonnages and more cargo GSSA contracts.

Ingo Zimmer, ATC Aviation Services