

# PAYLOAD

THE TRADE MAGAZINE FOR THE ASIA-PACIFIC AND MIDDLE EAST REGION VOL. 38, NO. 3 APRIL/MAY 2022

## ASIA

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## ASIA

### EDITOR'S NOTE



Logistics players and air freight professionals, including shipper clients, right now are dealing with what comes as a 'nasty cocktail' of external factors that are putting pressure on rates and the industry at large.

In Asia, Shanghai has been a bottleneck and a shift to air cargo has seen massive inflation in the transport of goods by plane. Data from the Baltic Air Freight Index suggest elevated pricing relative to that in 2021 on Asia-origin lanes.

Elsewhere, challenges abound and one company is looking to put its name on the map by taking on almost any task with out-of-the-box solutions. Get to know more about Challenge Group and the

company's plans on page 22.

In our C-suite section, we got a chance to talk to Vivien Lau, chief executive of Jardine Aviation Services, as she gives us a glimpse of her leadership style as well as in-depth insights on the latest developments in Hong Kong. Turn to page 18 for our C-Suite interview.

We also talked to leading cargo drone developers and operators in Asia Pacific and around the globe for a sneak peek on the products that will soon be ready for commercial operations. Get to know the companies that are advancing air transport and logistics on page 20 for our cover story.

To make it more interesting, this issue also features interviews with leading charter specialists and project cargo transport companies. We also covered TIACA's 2-day executive summit held in March, which gathered the next generation of air cargo specialists and professionals in San Francisco.

The magazine won't be complete without the latest and insights from our newsmakers. Enjoy and share this bimonthly issue for April and May to stay updated with the latest news and exclusives in the air cargo and logistics industry.

#### EDITORIAL/PUBLISHER

**Keen Whye Lee**

Publisher

[publisher@harvest-info.com](mailto:publisher@harvest-info.com)

**Giullian Navarra**

PLA Editor

[editor-pla@harvest-info.com](mailto:editor-pla@harvest-info.com)

#### OPERATIONS

**Mari Vergara**

Head of Operations

[mari@asiantvawards.com](mailto:mari@asiantvawards.com)

#### MARKETING

**Lali Singson**

Marketing Manager

[mktg@harvest-info.com](mailto:mktg@harvest-info.com)

#### SALES

**Simon Lee**

Hong Kong, Europe and  
Middle East

[sales@harvest-info.com](mailto:sales@harvest-info.com)

**Chua Chew Huat**

Asia Pacific

[sales-sg@harvest-info.com](mailto:sales-sg@harvest-info.com)

**Matt Weidner**

North America

[mtw@weidcom.com](mailto:mtw@weidcom.com)

#### TECHNICAL SUPPORT

**Michael Magsalin**

[tech@harvest-info.com](mailto:tech@harvest-info.com)

Harvest Information Pte. Ltd.

150 Orchard Road, #07-05

Orchard Plaza

Singapore 169206

**Giullian Navarra**

Chief Editor

**HARVEST**  
*Information*

150 Orchard Road, #07-05  
Orchard Plaza, Singapore 169206



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# VIETNAM



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**CARGO**

## Lufthansa Cargo's A321P2F takes maiden flight

Lufthansa Cargo's first Airbus A321 freighter, under flight number LH835, took off for its maiden flight on 15 March 2022 from Frankfurt (FRA) to Dublin (DUB) before continuing to Manchester (MAN), kickstarting the German airline's medium-haul cargo network.

Dorothea von Boxberg, Lufthansa Cargo chief, said the addition of the narrowbody freighter will allow



the airline to tap the fast-growing e-commerce sector with same-day solutions within Europe and to select medium-haul routes through scheduled and charter flights.

Lufthansa Cargo plans to add Istanbul (IST), Tel Aviv (TLV), Malta

(MLA) and Tunis (TUN) to its network by deploying the A321 freighter, as well as Cairo (CAI) starting March 29 for the summer schedule. A second A321P2F is expected to enter service in late summer, which will also be operated under a wet lease agreement by Lufthansa CityLine.



## IAG Cargo returns to Australia with pax-freighter flights

IAG Cargo has restarted its London Heathrow to Sydney route for the first time since early 2020, as Australia reopened its borders to vaccinated passengers all over the world.

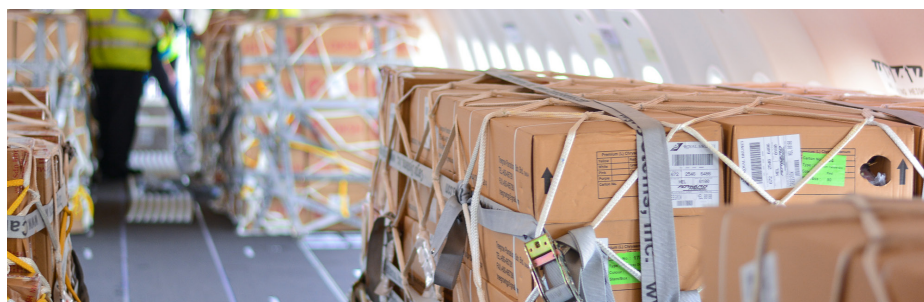
Starting 27 March, IAG Cargo will utilise one of British Airways' B787-9 widebody aircraft with the capacity to transport up to 13 tonnes of cargo (10 compatible pallets) on a daily rotation with the route connection via Singapore.

IAG Cargo said it started taking bookings on 15 March. Popular items typically exported from the region include vegetables and fresh fruits such as melons and mangoes. The service will also facilitate transportation of electronics, luxury goods and cosmetics into the region.

## EU to halt cargo-in-cabin flights from August

Cargo-in-cabin flights beyond 31 July are set to cease across the Europe Union, according to a recent statement from the EU Aviation Safety Agency (EASA).

The use of the passenger cabin for cargo has been permitted for airlines since 2020, after the EASA issued approvals and exemptions on a case-by-case basis. These were time-limited, and although the agency



extended the rules in August of last year, it will not extend the timeframe this time.

The agency has determined that the exemptions delivered in this context will not be extended from August. The same applies for existing approvals that have been granted based on the use of the deviation on transportation

of cargo in passengers compartments. These new rules also apply to 'any certification projects for which the approval is issued after that date.'

In a statement on 11 April, the EASA concluded that 'logistical challenges that arose in 2020 as a result of the Covid-19 crisis no longer exist to the same extent.'

## EVA Air greenlights 777-300 freighter conversions

EVA Airways (EVA Air) has announced plans to convert three Boeing 777-300ER passenger planes into freighters after reporting a net income of TW\$6.6 billion or US\$232 million for 2021, on the back of strong cargo demand.

The Taiwanese carrier selected Israel Aerospace Industries to convert the long-haul widebody aircraft, with the total transaction price estimated at US\$120 million at US\$40 million apiece.

The airline said that whilst the redesigned Boeing 777-300ERSF offers six tonnes less payload capacity than the 777F at 100 tonnes, its longer frame offers 25 percent greater cargo volume, making it suitable for conducting e-commerce operations.



## Vietnam's first local cargo airline awaits PM approval

New all-cargo airline IPP Air Cargo, owned by luxury retailer Imex Pan Pacific Group, has met all necessary requirements for an operator license and is now being lobbied by Vietnam's transport ministry for the prime minister's approval.

The move comes as air cargo volumes climb steadily in the Southeast Asian manufacturing hub. Vietnam's air cargo transport is currently handled by five existing airlines, with overall volume this year expected to rise to 1.52 million tonnes, up from 1.3 million tonnes last year, the ministry statement read.



IPP Air Cargo was established in March 2021 with an initial investment of 300 billion dong (US\$13.14 million). If approved, Vietnam will see its first

all-cargo airline initially operate five aircraft, including Boeing 737, Boeing 777 and Airbus A330 planes, with plans to double in size after five years.

## Seoul-based T'Way Air taps Jettainer to manage unit load devices

Seoul-based T'Way Air taps Jettainer to manage unit load devices

South Korean low-cost airline T'way Air has chosen Jettainer to provide unit load device (ULD) management services under a 5-year contract.

Unit load devices provided and managed by Jettainer will initially fly on routes between Gimpo International

Airport and Jeju International Airport with international flights to Singapore and Vietnam on the pipeline.

T'way plans to add three leased A330-300 aircraft to its current fleet of Boeing 737-800s by May. The airline is looking to grow its Airbus widebody fleet to seven by 2025 and begin medium-haul and long-haul flights to destinations like Sydney, Croatia and Honolulu.





## Incheon Airport moves up to second busiest cargo air hub

Incheon International Airport moved up a notch to become the second busiest cargo airport in 2021, according to airport trade body Airports Council International (ACI) World.

The airport, located some 40 kilometres west of Seoul, handled 3.23 million tonnes of international cargo

last year, up 18.6 percent from 2020. It previously ranked third in the world for international cargo in 2019 and 2020.

Hong Kong International Airport on Chek Lap Kok Island retained the top spot as it processed 4.98 million tonnes of international freight in 2021, up 12.8 percent from the previous year. Shanghai Pudong (CVG) airport dropped one spot to third over the same period, followed by Taiwan's Taoyuan airport (TPE) and Narita airport (NRT) in Japan. Rounding up the top 10 were Doha (DOH), Anchorage (ANC), Dubai (DXB), Frankfurt (FRA) and Miami (MIA).

## Hong Kong airport assumes ownership of AsiaWorld Expo

Airport Authority Hong Kong (AAHK) has become the sole shareholder of AsiaWorld-Expo (AWE) after the government transferred its entire interests in the conference facility.

The airport group said it is moving forward with phase 2 development of the AsiaWorld-Expo which will see Hong Kong's largest indoor arena for events and conferences upon completion. The Phase 2 expansion will increase the total exhibition space to 100,000 square metres, with over 20,000 seats and state-of-the-art facilities.



AsiaWorld-Expo is considered a prime venue in Hong Kong for business conferences, live events and industry summits. Before the transfer of interests, the Hong Kong

government and AAHK jointly owned AWE. The latter acquired ownership of the company that manages and operates the well-renowned convention centre in 2018.

## German airport group Fraport divests stake in China

Fraport AG is selling its stake in Xi'an Airport (XIY) in central China after 14 years, the group announced in April. Under an agreement signed on March 31, Fraport is letting go of its entire 24.5 percent stake in Xi'an Xianyang International Airport

(the airport's operating company) to Chang'an Huitong for RMB1.11 billion or around US\$174.4 million.

Fraport chief Dr. Stefan Schulte expressed satisfaction on the good work done with the airport but also some disappointment at the move to cease its operations in China.

"We always regarded our minority stake in Xi'an as a starting point for expanding our business in China – the most populous country in the world. However, this never materialized in

Xi'an or at any other Chinese airport. Consequently, we have now decided to cease our activities in the Chinese market," Shultze noted.

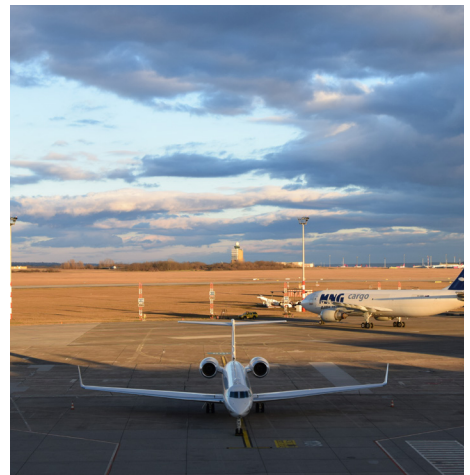


## Budapest Airport eyes cargo boost with TIACA membership

Budapest Airport is looking to become a key cargo player within central and eastern Europe and has joined The International Air Cargo Association (TIACA) as a trustee member.

József Kossuth, head of cargo at the Hungarian air hub, said the new cooperation will allow them to do great things in cargo digitization, cargo processes and organisation, technology upgrades, regulatory environment and other cargo developments.

The airport invested €50 million and opened its cargo terminal BUD Cargo City in 2020. Since 2015, the airport's cargo traffic has more than doubled its cargo volume. It handled 183,000 tonnes in 2021, up 36 percent compared to the volume seen in 2020.



## GMR Hyderabad Air Cargo unveils new express facility

Indian cargo handler GMR Hyderabad Air Cargo (GHAC) has inaugurated a new facility to handle international courier and express cargo consignments at Hyderabad Airport.

Located within the company's cargo terminal, the new facility is connected with the Express Cargo Clearance System (ECCS) of Indian Customs for quick consignment processing and clearance at the terminal. It is also well equipped with supporting infrastructure and equipment



including, advanced security screening and cargo handling systems.

GHAC said the new facility for international courier shipments opens up a whole new segment for Hyderabad's air cargo trade, becoming

a new gateway for import and export of courier cargo shipments from the region. This will enable international courier shipments from/to Hyderabad to be handled locally rather than being processed through designated facilities in other metro cities, the group noted.

## Emirates reactivates DWC to handle freighter aircraft

Emirates is reactivating its cargo hub at Dubai South (DWC) for dedicated freighter operations starting 26 March 2022. Cargo arriving or departing on passenger aircraft will be handled at DXB, whilst cargo on freighter aircraft will be delegated to DWC.

The move marks a return to the airline's dual hub cargo operations

in Dubai after a period of nearly two years when the airline consolidated its freighter (main deck) and passenger (bellyhold) cargo operations at DXB during the onset of the pandemic back in April 2020.

Emirates SkyCentral DWC, which can accommodate more than 1 million tonnes per annum, features extensive cool chain handling facilities and a dedicated pharma handling zone certified for EU GDP standards..



## WFS handles Hainan's cargo-only Dreamliner flights at SEA

Hainan Airlines and long-standing cargo handling partner Worldwide Flight Services have inked a new ramp handling contract at Seattle-Tacoma International Airport (SEA).

The Chinese airline, which has been a customer of WFS at SEA since 2013, has now appointed WFS to provide loading and unloading of the 3-5 passenger freighter services for its Boeing 787 aircraft connecting Seattle to Shanghai.

The cargo-only flights using passenger aircraft were introduced during the pandemic and can carry up to 20 tonnes of cargo on the lower deck each way. WFS will provide other ramp services for the airline, including crew shuttle,



lavatory, water and GPU services. It also holds handling contracts with Hainan Airlines at JFK and CDG.



## Swissport adds capacity in Belgium with Liege handler acquisition

Swissport International is adding more capacity at top air cargo hubs in Europe with the acquisition of Belgium Airport Services (BAS) and an additional facility at Schiphol Airport.

With the acquisition, the Swiss cargo handler has increased its total warehouse and handling capacity by more than 40 percent with a combined space of 76,000 square metres in Belgium, including the 38,000-sqm air cargo facility at Brussels Airport.

Swissport Belgium recorded 5.1 million metric tonnes, across 119 facilities with 14 certified pharma centres, up 10 percent over its 2019 volume. The company said it will continue to invest in developing its cargo business with plans to add an additional air cargo center at Schiphol Airport.

## dnata to purchase Cologne Bonn cargo handler as it expands into Germany

dnata is set to expand its European footprint with the planned acquisition of Germany-based cargo terminal operator Wisskirchen Handling Services. The Dubai-based airside services provider said it has executed agreements with the owner of Wisskirchen, Oliver Hellwig, to acquire 100 percent of the shares in the company.

Wisskirchen is the exclusive operator of the 12,000-sqm cargo centre

at Cologne/Bonn Airport (CGN). It handles more than 85,000 tonnes of cargo annually, including general cargo, perishables, pharmaceuticals, dangerous goods, electronics and fast moving consumer goods.

Across Europe, dnata has made significant investments in advanced

infrastructure to enhance its cargo offering, which include state-of-the-art cargo facilities in Manchester and additional cargo capacity and infrastructure in Brussels. It also said it would invest over €200 million in its operations in Amsterdam and operate one of the world's largest and most advanced cargo facilities at Schiphol.



## Agility's airport services unit confirms Menzies takeover

Executives at British aviation services company John Menzies have accepted a £571 million (US\$741 million) takeover bid from Kuwaiti rival National Aviation Services, owned by logistics giant Agility. Analysts say the Menzies and Agility merger would create the world's largest airport services firm, according to the number of countries it operates in.

The Kuwait-based company had earlier secured a 19 percent stake in its British rival, after the latter rebuffed three previous offers. At 608 pence a share, Philipp Joeinig, chairman and chief executive at John Menzies, said that 'directors believe the offer represents a fair and recommendable price for shareholders which recognises Menzies' future prospects'.

The combined revenues of Menzies and NAS were in excess of US\$1.5 billion in 2021. The merged group is estimated to count around 35,000 employees at



more than 250 airports in 57 countries, handling more than 600,000 aircraft turns per year.

Menzies, which offers services ranging from cargo and baggage-handling to

passenger check-in and plane de-icing and refuelling, will be combined with National Aviation Services. The Agility subsidiary counts British Airways, Air France, KLM, Emirates and Qatar Airways amongst its airline customers.

## Vietnam Airlines taps BFS as cargo handler in Bangkok

Vietnam Airlines has appointed WFS subsidiary Bangkok Flight Services (BFS) as its new cargo handler at Suvarnabhumi Airport (BKK).

The joint venture, established in 2004 between WFS and Bangkok Airways, will handle around 12,000 tonnes of cargo per annum for the airline, which operates Airbus A321, A350 and Boeing 787 flights ex Bangkok to Hanoi and Ho Chi Minh City.

Bangkok Flight Services, which also offers full passenger and ramp services at BKK, will handle cargo for the airline's five and seven passenger freighter flights each week between Thailand and Vietnam.



## Boeing secures widebody freighter orders from top players

Boeing and long-standing customer Ethiopian Airlines have signed a memorandum of understanding (MoU) with the intent to purchase five 777-8 freighters. Meanwhile, DHL Express has placed an order for six additional 777 freighters which the integrator will deploy to connect Cincinnati, Leipzig and Hong Kong as well as other key markets.



The 777 freighter is Boeing's best seller with more than 300 cargo jets delivered since the programme began in 2005. The new 777-8 freighter, launched in January 2022, has secured 34 firm orders as of writing.

## EFW to convert 29 Airbus widebody A330s for ATSG

Aircraft lessor Air Transport Services Group (ATSG) wants more next-generation widebody freighters in its 117-aircraft fleet and has committed a total of 29 slots for the Airbus A330 passenger-to-freighter (P2F) conversion with Airbus-ST

Engineering joint venture Elbe Flugzeugwerke (EFW) in March.

The conversions will be performed from mid-2023 through 2027 mainly at EFW's German facility in Dresden, and at a future conversion site in Shanghai. EFW said multiple conversions will be carried out in parallel.



Mike Berger, chief commercial officer at ATSG, said the availability of feedstock combined with its cargo capacity make the A330 a very attractive option to meet the demands for full-capacity freighters long into the future. Customer response has been exceptionally strong, Berger noted, with secured deposits towards future leases for half of the 29 freighters.

## New air cargo route links Shenzhen to Leipzig

A new air freight route has been launched that will link the southern Chinese city of Shenzhen with Leipzig (LEJ) in Germany. Shenzhen Bao'an International Airport (SZX) announced in a press statement.

The route will be operated by German cargo airline AeroLogic, a joint venture between DHL and Lufthansa Cargo,

with six round trips each week using a Boeing 777 freighter.

Shenzhen airport said it has been coordinating with airlines since the start of the year to expand routes and

increase capacity to ensure the stability of the supply and industry chain amidst the resurgence in COVID-19 cases across China. The airport has so far opened international air freight lines reaching 35 destinations.



## ASL Aviations tops up orders for Boeing's 737-800BCF

Aircraft lessor and ACMI airline operator ASL Aviation Holdings has ordered up to 20 additional 737-800BCFs (Boeing converted freighters), bringing up its total order to 40 for the Boeing narrowbody freighter.

The agreement is for 10 firm orders and 10 purchase rights. The aircraft will be converted by Boeing at approved MRO sites, including STAECO in Jinan and at the company's London Gatwick MRO facility in the United Kingdom.

The 737-800BCF is considered a step-up from the 737 Classic freighter with more payload (up to 23.9 tonnes) and a flight range of 2,025 nautical miles



perfect for short- and medium-haul routes. The Dublin-headquartered aircraft leasing company received its

first 737-800 freighter conversion in February last year under ASL Airlines France.

## Embraer offers 'right-sized' cargo jets for e-commerce



Embraer is offering more options for cargo operators with the launch of its E190F and E195F passenger to freighter conversions (P2F), which will be available for all pre-owned

E190 and E195 aircraft, with entry into service expected by 2024.

These right-sized jets, as Embraer describes, will fill the gap in

the freighter market between turboprops and larger narrowbody jets. The E190F can handle a payload of 23,600 pounds or 10,700 kilos (10.7 tonnes), whilst the E195F variant can carry up to 27,100 pounds or 12,300 kilos (12.3 tonnes).

Earlier E-Jets that entered service some time 10-15 years ago are now emerging from long-term leases and beginning their replacement cycle, continuing into the next decade. In Asia, Tianjin Airlines has 32 E190s and 20 E195s in its fleet, whilst GX Airlines in China (17 E190s), J-Air in Japan (14 E190s). Other E-Jet operators include Bamboo Airways in Vietnam and Taiwanese carrier Mandarin Airlines.



## Asia Cargo Network launches new airline in Indonesia

Asia Cargo Network launched RGA-Black Stone Airlines after it received the Air Operator Certificate (AOC) in Indonesia on 28 March. The inaugural flight flew two days later from Soekarno-Hatta International Airport (CGK) in Jakarta to El Tari

International Airport (KOE) and then Komodo International Airport (LBJ).

Asia Cargo Network offers freighter services, aircraft leasing, aviation-related and logistics services with operations throughout Indonesia, Malaysia and Singapore. The group said this is the second AOC handed to Asia Cargo Network in Indonesia and its third airline AOC in the region. Earlier this year it invested US\$10 million to build an MRO facility at Kertajati International Airport in West Java..



## Teleport adds intra-Asia capacity with cargo-only A330 flights

Teleport will deploy four widebody Airbus A330 on cargo-only flights to 12 destinations within Asia Pacific as it looks to add more capacity in the region.

The logistics venture of Capital A (formerly AirAsia Group) is resuming

more scheduled cargo flights through the use of its Airbus widebody planes beginning March 2022, offering more capacity from its hub in Kuala Lumpur. It plans to include its Bangkok hub in the second quarter.

The list of scheduled routes commencing in March are Kuala Lumpur (KUL), Sydney (SYD), Hong Kong (HKG), Seoul (ICN), Tokyo (HND), Taipei (TPE), Bangalore (BLR), Mumbai (BOM), Bangkok (BKK), Manila (MNL), Jakarta (CGK) and Kota Kinabalu (BKI), with frequencies ranging from two to seven times per week for each routing.

## Geodis strengthens Asia Pacific footprint with Keppel acquisition

Geodis is looking to expand its contract logistics footprint and enhance its e-commerce fulfillment services in Asia Pacific after it signed a binding agreement to acquire Keppel Logistics.

With the acquisition, Geodis will further expand its footprint in Asia Pacific, adding to recent investments in contract logistics sites in India, South Korea and Australia.

Singapore-based Keppel Logistics offers end-to-end B2B and B2C



logistics solutions, including warehousing and last-mile delivery, with strong capabilities in e-commerce omnichannel service offerings thanks to its subsidiary UrbanFox.

Ranked in the top 5 of the city state's contract logistics players, the company owns more than 200,000 square metres of warehouse space across Singapore, Malaysia and Australia.

## Maersk's new air freight company prepares to take off

Maersk is looking to enhance its air freight offering as it announced the launch of its air freight unit, Maersk Air Cargo. The Danish company has chosen Billund Airport, considered Denmark's second largest airport, as its main hub, and the team is expected to start in the second half of 2022.

The shipping giant said it plans to increase its presence in the air cargo

arena and will progressively deploy and operate five aircraft, including two new B777F and three leased B767-300 cargo aircraft.

Maersk added that three new B767-300 freighters will be added to its US-China or transpacific operations, which will be initially handled by a third-party operator. The new aircraft are expected to be operational by the second half of 2022 up to 2024.



The forwarder is eyeing around one third of its annual air tonnage to be carried within its own controlled freight network.

## DHL Express taps Singapore Air's 777F to support e-commerce

DHL Express is adding more capacity from Asia Pacific to the Americas with a crew and maintenance agreement (CM) with long-time partner Singapore Airlines who will operate five Boeing 777 freighters for the integrator.

The initial agreement is set for more than four years with the opportunity for an extension. The first aircraft is scheduled to be delivered in July 2022, with the second one expected in October. The remaining three aircraft are planned for delivery throughout 2023.

DHL Express said it sees good prospects for strong growth in trans-Pacific trade lanes with the new freighter operation expected to meet customer demand in fast-growing international express shipping markets driven by e-commerce.



## JD.com's new charter service connects China to Brazil, Germany

Chinese e-commerce giant JD.com has launched new cargo charter services from China to Brazil and Germany, which will be operated by Angola Airlines and Capital Airlines.

The new charter services, launched on March 17 and 19, respectively, will see Angola Airlines connect Hong Kong airport and Guarulhos International Airport in Sao Paulo two times each week. The inaugural flight carried a variety of e-commerce goods from China, including FMCG products, sports equipment and digital accessories, with local goods



from Brazil shipped to China on the return trip.

Meanwhile, JD.com's Zhengzhou-Cologne route will set CGN as the company's main air hub

covering major European cities, including Frankfurt, Brussels, Liege, Amsterdam, London and Paris. Capital's first flight for JD saw the transport of Covid-19 rapid test kits manufactured in China.



## Kerry Logistics launches new service between UK and Turkey

Kerry Logistics Network is responding to growing demand for multimodal options with a new one-stop solution (1S2) for imports and exports between the UK and Turkey.

The new service features supply chain visibility through an online portal called KTreker and covers all modes as customers look for alternative sourcing locations outside Asia. Turkey is considered a key cargo hub

for the UK, particularly for textiles and fashion, automotive cargo and FMCG.

As one of IATA's primary cargo agents in Turkey, Kerry Logistics said the one-stop solution was developed for FCL and LCL fast transit services to all UK ports; daily FTL and LTL across the EU; bonded and non-bonded, consolidation, value-added and quality control warehousing solutions, as well as in-house customs clearance.



Air Charter Service arranging the transport for Covid-19 test kits en route to Australia

## ACS Singapore: Moving big like the locals

*Payload Asia* interviews Jason Bird, head of cargo at Air Charter Service Singapore, to learn more about the company's Asia Pacific network and the length it goes to, to provide reliable service amidst cargo and supply chain disruptions.

### Can you describe ACS' network in Asia Pacific?

ACS has five offices in the APAC region which are Hong Kong, Beijing, Shanghai, Sydney, and Singapore. Because we have native speaking brokers in all major centres, it allows us to communicate more effectively with both customers, and suppliers. The languages collectively spoken amongst the group include Mandarin, Cantonese, Korean, Japanese, Malay, Bahasa, Vietnamese, Thai and Tagalog. With such a broad scale of local diversity, we also have brokers who have relocated with ACS from other regions including North America & Europe adding additional perspective and disparity.

On average, our region handles 3-4 flights a day for our customers based inside the APAC region. These are all

quoted, contracted, coordinated and monitored through a combination of our brokers and our 24/7 flight support in both Hong Kong and at our London HQ.

Last is our hand carry and time critical service in the region. Although headquartered by our team in Frankfurt we have an extensive database of couriers in the APAC region allowing us to offer competitive time-critical options to not only our customers in APAC, but also globally.

### Which routes and what types of aircraft are seeing great demand for charter services? Why so?

We are still seeing a good mix of freighters and Passenger to Freighter (P2F) aircraft being utilised. It's impossible to predict how long the P2F market will sustain for, but I think it's safe to say they will play a vital role in the air cargo industry for at least Q2 & Q3 of 2022. South East Asia to the US is always a popular lane and the demand has remained strong through the first quarter of 2022. Australia was another popular destination as the push for test kits arose following

their COVID outbreak in December/January, combined with their easing of restrictions in the last few weeks.

### What's your outlook on air cargo? What kind of investments is ACS planning in Singapore?

I would say air cargo is not quite at the peak it was mid-pandemic but still treading at very high levels.



Jason Bird, head of cargo at Air Charter Service Singapore



**We are not reliant on one specific carrier at any time, so for us it is business as usual with continuing to produce creative, out-of-the-box thinking and solutions for our customers that cannot be found elsewhere**

We've had pleasant experiences working with both Dnata and SATS, both of which operate quite a flawless operation. It's been impressive meeting so many knowledgeable and experienced partners, customers and colleagues in the air cargo industry. With Singapore being such a big gateway for many large forwarders in South East Asia, the quality of staff and local talent is noticeable.

#### **Amidst disruptions and flight bans, how is the company looking to capitalise on the current business environment?**

With current flight bans it obviously means less supply in the market. We are not reliant on one specific carrier at any time, so for us it is business as usual with continuing to produce creative, out-of-the-box thinking and solutions for our customers that cannot be found elsewhere. In terms of capitalising on the environment, I think it is just an opportunity for us to work more with airlines we would use less-frequently, which is a good thing for us.

#### **What are the company's plans for future growth?**

In Singapore specifically, our main focus is maintaining a high level of service for our existing customers, which will help us continue to grow our headcount as we plan to double our staff in the next year. We'll do this by investing in recruiting to ensure we continue hiring top local talent, and then guide them through a training program to ensure the level of service & expertise we demand is at the forefront of every new customer we have on board. We would also like to continue adding bilingual staff so we can serve more customers on a local level.

There are subtle signs of the industry normalizing again, but I would not expect rates or capacity to be at pre-pandemic levels for at least another 12 months. Very difficult to predict with so much uncertainty with the crisis in the Ukraine and COVID restrictions in China and Hong Kong which affect a lot of the capacity in the region. ACS Singapore is growing at a rapid pace as our local presence in Singapore has accelerated our business quicker than anticipated. We have plans of doubling our headcount in the next 12 months and moving to a larger long-term office space.

#### **What are the main challenges in conducting charter operations? How does the company address these challenges?**

Main challenges with a charter operation are typically delays in the schedule, which in turn can throw off pre-arranged handling, slots, pick up/drop off, etc. What we do on every charter is keep tabs on the tail number at least two to three days prior to the flight to ensure the flights leading up to our charter are on time. If they are not, it gives us the ability to remain

one step ahead of the possible delay and liaise with the affected parties. We also keep in close contact with handling agents and any other third parties involved to make sure ample notice is given to avoid future issues or delays. Another challenge we often face are operational restraints at remote airports or airports that don't often handle cargo-only flights. I once had a forklift break down an hour prior to the aircraft's arrival. With no other resources available at this small airport, at 3am I managed to find a factory 50 miles away who was willing to 'lease' a forklift to us so we were able to offload the urgent cargo. I also arranged for the truck to deliver and return the forklift.

#### **What can you say about Changi Airport's modernization and air cargo community?**

Changi Airport is incredible. Sadly, I have only lived in Singapore for about two years, so my experience in the passenger terminal is minimal but from my few visits it's been nothing short of spectacular. On the cargo side, the Changi Cargo Complex is also very state-of-the-art and extremely efficient.



Jardine's cargo operations at HKG

## Jardine Aviation Services' Vivien Lau on ground handling, Hong Kong and more

As we see more women of great stature grace the top ranks of what-was-once a male-dominated air cargo and logistics industry, Payload Asia listens to Vivien Lau, chief executive of Jardine Aviation Services Group, as she shares her thoughts for the C-suite.

### Can you share with us your work experience and what led you to pursue a career in aviation?

I have spent over 15 years in the aviation industry, with the last 10 years working at Hong Kong Air Cargo Terminals (HACTL). In November 2021, I was appointed chief executive of Jardine Aviation Services Group (JASG).

I started my career as executive trainee in Jardine Matheson Group, and got the opportunity to rotate to different business sectors. In one of my earlier assignments working in the airport, I just loved to work with the people—who are all very professional and collaborative—in the aviation industry. Since then, I have never left the aviation industry. I had spent 6 years working

in a joint-venture project to set up a passenger ground handling company in China, and then worked in air cargo and logistics business for 9 years; now I am responsible for a full range of ground handling services including passenger, ramp, cargo and ground support equipment (GSE) services.

### What's a typical day like as chief executive?

Being the chief executive during crisis time, I spent most of the time talking and meeting with people. To me, the top priority is to keep close communications with staff. People are afraid to talk to the senior team; therefore I reach out to the frontline managers to understand what's happening around. I also like meeting up with customers because they can share with me the latest market trends, and it is the most effective way to know how to steer the company in the right direction in a highly competitive environment.

I am pleased to be elected as the President of Hong Kong Airline Service

**Cargo visibility and traceability will become the critical success factors not only to e-commerce players but also air cargo operators.**



Providers Association (HASPA), whose members are non-airline aviation operators representing some 24,000 staff at Hong Kong International Airport. Hence, for most of the time, I am engaged in regular dialogues with Hong Kong Airport Authority and the related government departments to exchange views and lobby for wider support to the aviation sector particularly during the pandemic.

### Tell us about Jardine's cargo operations. Where do you operate and how is the company performing?

JASG is based in Hong Kong International Airport, providing ground services to 60 international airlines including freighters and belly cargoes. Our passenger-related business is

badly affected by the travel restrictions to Hong Kong. Nevertheless, similar to most other ground companies, it gives us an opportunity to expand our capabilities in cargo-related services.

During the pandemic, our cargo-related business has grown and expanded with more value-added services including but not limited to the freighter ramp, cabin-loading, operations control, air cargo documentation, charter flight handling, crew escort, and pet caring services.

We set up the Integrated Operations Centre (IOC) just before the outbreak of COVID19 which then played an important role in coordinating the dynamic changes of new cargo requirements such as pax freighters. IOC is a single point of contact to airlines, GSA and charterers. For new airlines or existing airlines with new requests, IOC helps in facilitating the local coordination and operational matters, as well as ensuring regulatory compliance.

### **What do you think will be the trends that will become part of our new norm across the air cargo and wider supply chain?**

Before the pandemic, cargo typically made up around 12% of airlines' total revenue, but cargo contributions increased significantly to 49% during the pandemic. The pandemic also fueled the growth of e-commerce sales which traditionally relied on aircraft belly capacity. Airlines will continue to look for ways to grow cargo in an agile way that allows for quick adjustments.

The industry's use of data and analytics has been increasing and will accelerate spanning the entire supply chain. Airlines are using big data and AI to improve on-time performance and real-time decision making. Cargo visibility and traceability will become the critical success factors not only to e-commerce players but also air cargo operators.

As for implications to ground handlers like JASG, there will be higher demand for digitalization and innovation of ground handling operations. The use of technology to facilitate real-time visibility of flight data and operations performance will be the game changer under the new normal.

### **There's a list that says Hong Kong was the busiest cargo airport last year and there's one report that claims the world city as 'off the map'. What can you say about Hong Kong's status as an aviation hub?**

While most countries are opening up for quarantine-free travelers, Hong Kong's travel restrictions and quarantine requirements make us less competitive. The Hong Kong government has shared a roadmap to gradually relax some anti-pandemic measures in the coming three months, and it will pave the way for the border opening eventually. Even if there is no definite date yet, I have confidence in Hong Kong as it is a highly resilient place. Hong Kong International Airport just re-claimed the world's number 1 position in 2021 given the unique competitive edge on air cargo.

Taking advantage of low traffic, the Airport Authority managed to speed up the construction of a three-runway system, which expects the completion by 2024. After the expansion, the airport will be able to handle the targeted annual passenger and cargo volume of around 120 million and 10 million tonnes respectively, enabling Hong Kong to enhance its status as an international aviation hub. The development of Airport City, comprising retail, dining and entertainment facilities; as well as office

towers, a logistics centre and a mega performance venue, will be completed in phases from 2023 to 2027. Taking full advantage of the Hong Kong-Zhuhai Macao Bridge, the new development will link Hong Kong with the Greater Bay Area to all travelers to/from other parts of the world.

### **Any thoughts on the entry of Greater Bay Airlines to the Hong Kong market?**

The approval of Air Operator Certificate (AOC) and ATLA license is a big step forward, but the pandemic situation has slowed down the growth plan and launch date of Greater Bay Airlines. Given Greater Bay Airlines is a new startup, they have the advantage of launching a new travel experience without burden from the legacy carriers under new normal.

JASG is pleased to be appointed the ground handler of Greater Bay Airlines in Hong Kong. We will provide full ranges of services from passenger, baggage, ramp and cargo operations. At the preparation stage, both Greater Bay Airlines and JASG are exploring further opportunities in view of the new travel behaviors in the new normal. Greater Bay Airlines had operated some cargo charters during the pandemic, and JASG supported the cargo handling as well.



Vivien Lau, Chief Executive, Jardine Aviation Services

## TIACA covers all angles at this year's Executive Summit

On 22-23 March, TIACA made its return as industry event host with the 2022 edition of the trade body's executive summit. The two-day conference programme, which was held in conjunction with Transport Logistics Americas included cluster sessions to discuss industry priorities across the whole spectrum, including industry staff challenges, capacity constraints, regulations, innovation, and sustainability.

The labour force challenge seen on the ground at airports ran through many panels, TIACA noted, as well as people-first business strategies for growing companies, such as diversity and inclusion and proper mentoring and training to develop positive cultures.

Regulations also garnered much discussion with a call for a distinct regulatory regime for all-cargo operations. TIACA said the regulatory framework needs to be more results-oriented, flexible, and fast-moving with a window of opportunity to influence policy with the ICAO Assembly this autumn. Members were encouraged to contact their national government to send coordinated messages in this regard, the group noted.

A session on advanced air mobility, meanwhile, put the spotlight on the near-future use of drones for air cargo operations, with enthusiasm coming

from the audience. The audience during the summit unanimously said that TIACA should play a central role to raise awareness and drive industry readiness to embrace cargo drones.

On sustainability, the trade group received support from Pharma. Aero on addressing sustainability matters given its growing importance to shippers. TIACA also launched its BlueSky Programme which will serve as the air cargo industry's first validation and verification programme

to track sustainability progress, improve transparency and drive industry transformation.

The 2021 TIACA Sustainability Awards was also featured on the agenda with XFret, an innovative in-cabin cargo solution, winning the \$10,000 cash prize.

The event capped off with a unique tour of world-class startups and innovative companies in Silicon Valley for a glimpse of some new tech, including software that can automate warehouse inventory management and ground support equipment by AeroVect, as well as automated cargo planes and drones.



## What's the BlueSky Program?

The BlueSky Program is a tool that the air cargo industry can use to track their sustainability progress, benchmark against peers and accelerate the industry's transformation.

The program aims to benefit not just individual companies, but future

partners and the air cargo industry at large by providing a common vision, transparency and a mechanism to demonstrate how businesses can grow responsibly, as well as an improved image of the air cargo industry.

The BlueSky program is a multi-tier platform that can be renewed every two years, which will be launched in phases:

**Tier 1:** Assessment guidelines – This marks the start of verification and validation through awareness and self-assessment.

**Tier 2:** Desktop verification – This includes An online assessment and verification of the documents provided. A performance score in each area will be provided through a company dashboard.

**Tier 3:** Onsite validation –This includes the desktop verification and an onsite independent audit. A performance score in each area as well as an excellence badge, detailed report with recommendations on how to become more sustainable will be provided through an enhanced company dashboard.



**COVER STORY**

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# **Drone players on the move to usher in new era for air freight and logistics**



Skyports has been testing ship-to-shore drone delivery services with shipping companies in Singapore to prepare for commercial operations.

## Drone players on the move to usher in new era for air freight and logistics

The use of drones or unmanned aerial vehicles has certainly come a long way. From hot air balloons for reconnaissance in the late 1800s to remote-controlled planes for military purposes, the technology has greatly evolved and its usage has become widespread across different sectors, most notably logistics.

Across the globe, leading engineers and companies are developing all sorts of drones for air cargo operations, whether for inspection, sorting in fulfilment centres, wildlife management or cargo transport and delivery. Meanwhile, the aviation industry and logistics players are keeping close watch on the benefits of the unmanned aerial technology when it comes to cost and sustainability.

Some of the use cases that have taken off include the use of drones for medical missions to remote places but it doesn't stop there. Drone service operator and infrastructure developer Skyports has been testing ship-to-shore drone delivery services in Singapore since early January together with major shipping companies to prepare for commercial operations.

### Strong investor interest

Sanjay Suresh, head of business development and operations APAC at Skyports, said investor interest has grown exponentially in the last few years, with US\$7 billion pouring into the industry in 2021, more than double the total investment secured by the industry in the last decade.

In March this year, the UK-based startup raised US\$23 million from non-European investors based in Japan, Australia and the US. Whilst Skyports is mainly an operator and infrastructure developer, the company's vehicle partner Wingcopter is moving strides with its newest drone technology.

The German drone developer on 12 May announced that the Federal Aviation Administration (FAA) has issued the Special Class Airworthiness Criteria for the company's unmanned aircraft, as part of its certification process in the US. Its Wingcopter 198 is a fixed-wing and vertical take-off and landing (eVTOL) drone, meaning it has both the advantages of landing without the

need for major infrastructure and flying forward like an airplane. The drone can carry 6 kilos and is the first of its kind to offer a triple-drop mechanism, meaning it can deliver up to three parcels to three different locations on the same flight.

### Weighing the options

Whilst Wingcopter's payload would limit its use to delivering packages, spare parts, food, or groceries, other drone operators and developers are working on expanding their capabilities. In Malaysia, Pen Aviation is working in partnership with the French company Cavok-UAS to develop drones that can transport shipments weighing 3 kilos to a tonne.

In October last year, the company signed an MoU with DHL Express to demonstrate the commercial viability of its drone product Pen55V for first-mile to last-mile port logistics to serve the maritime industry. The companies, working alongside Raya Airways, will aim to certify and utilise the medium-sized cargo drone, which resembles a remote control helicopter and can carry up to 12

kilos, to move shipments from the cargo ship deck to the port and vice versa round the clock.

Serving the middle mile, drone developer Dronamics, with main hubs at Sofia airport in Bulgaria, is moving forward with the commercial deployment of its Black Swan product with plans to start commercial flights in Europe this year. Amongst the new technologies, Black Swan, which took 7 years to develop, offers payload up to 350 kilos and flight distance of 2,500 kilometres. Dronamics said it chose to start with a certified ROTAX, a widely used aviation engine and known to regulators, that will allow the company to enter the market now instead of waiting for electric or hydrogen engines to catch up.

### Getting certification

According to Svilen Rangelov, company CEO, obtaining authorization for operations is now the main hurdle for any drone logistics operator. The company plans to operate 'low-risk routes', flying primarily over sea, and the ambition is to get more flight hours and connect regional centers across countries.

"Since 2021 EASA has pioneered the unified drone regulations across the EU that is a cornerstone framework that sets out a clear path to authorization for us and other drone delivery platforms. We hope that once more and more operators start flying in Europe, civil aviation authorities across the world like the FAA in the US and CASA in Australia will take note and adopt a similar approach by establishing such frameworks following the European know-how," Rangelov adds.

More recently, the company expanded its droneport network in Europe with the addition of regional airports in Mannheim City, Germany and Odense,

Denmark, which could fare well for the certification process. This network now covers 42 locations in 14 European countries to enable same-day flights.

Within the broad applications for same-day delivery, the company is focused on three specific business cases in e-commerce, pharmaceuticals and spare parts delivery. "We operate on a service model where we sell blocked space capacity on our cargo drones to logistics companies or directly to cargo owners to ship between the droneport networks we build," Rangelov noted.

For Pen Aviation, the company treats the drone development program similar to manned aircraft, with different phases of tests, certification, then operation, commercialization and industrialization. "This process allows us to address the requirements of the various authorities, whether in Malaysia or in other countries," Laetitia Boura, head of special projects, told Payload Asia.

### More interest

With the recovery in passenger travel still hanging in the balance, the prospect of drones ushers in a new era for airlines that are looking for a less costly and more sustainable way to earn revenue in the future. In South Korea, flagship carrier Korean Air plans to develop a multi-purpose hybrid cargo drone in the next four years that can accommodate 250 kilos for both civilian and military purposes. "The cargo UAV will be developed as a VTOL type, in a modular way so that it can be used in various ways according to its different purposes," the spokesperson told Payload Asia.

In Japan, Wingcopter secured a partnership with ANA and drone orders from general trading company Itochu. The company said the country is a very important market, citing the government's very progressive

approach of integrating drones into everyday life, especially for those living in rural communities.

Elsewhere, Wingcopter secured deals from Spright in the US worth \$16 million, whilst Synerjet in Latin America has ordered a 'significant' number of drones to resell or lease in their markets. Most recent was the order of seventeen Wingcopter 198s from German logistics company Zeitfracht and its subsidiary German Airways with options to purchase another 115 until 2023.

### Collaboration

Whilst progress is clearly evident, Rangelov said there is still a lot to be done in every location and country and this involves private and public collaboration. "We aim to operate in terms of collaborating with the local CAA, ATC operators and airport authorities in order to get this new set of operations as something normal at an airport."

"We are really targeting the so-called 'ghost' airports that currently serve little to no air traffic but can act as a vital transportation hub for the regional economies, effectively offering a cost-effective alternative to trucking and offering the speed and connectivity of air transportation.

In such cases, he says, the company needs to collaborate with local authorities for securing the necessary infrastructure for transforming a runway into a droneport as well as sharing the business opportunities amongst the local industry.

Skyports said constant collaboration within the industry will play a key part of scaling drone services. In March 2022, it announced a partnership with Australia-based vehicle OEM Swoop Aero and German tech company BD Rowa to integrate autonomous air logistics in the pharmaceutical industry.

"Progress across the industry and markets are at different stages of maturation, and we are actively engaged in a multitude of partnerships worldwide to develop plans for operations, conduct trials, and eventually scale up these operations and establish permanent logistics facilities and infrastructure," the company said.



Dronamics' Black Swan UAV can carry up to 350 kilos with a flight range of 2,500 kilometres



## Rebranded Challenge Group shows off its aviation and air cargo expertise

With years of experience in air cargo and dedicated assets spanning the air cargo supply chain under its belt, Challenge Group is out to make a bold statement and rightfully so. Headed by CEO Yossi Shoukroun, the group is looking to contribute proactively and tangibly to the future of the industry as a member of TIACA.

Challenge Group has more than four decades of cargo airline experience and almost 25 years in cargo handling. Operating out of Liege airport, it also provides extensive road feeder services and other aviation expertise, including aircraft and parts leasing and line maintenance.

The group's fleet includes B747-400Fs, with four 767-300BDSF and four 777-300ERSF converted freighters expected over the next two years. With 65 percent of its business dealing with non-standard cargo, Challenge has its fair share

of dedicated solutions, including a 52-tonne high-loader at Liege for outsized freight. It also manages the Horse Inn hotel where more than 250 horses transited on their way to the Tokyo Olympics last year.

Payload Asia talks to CEO Yossi Shoukroun to find out more about Challenge Group's recent rebranding, the company's plans, as well as the current nuisances of handling and flying all kinds of commodities in a disrupted market.

**Can you share with us the story behind Challenge Group's rebranding? Tell us about certain aviation assets that you own.**

To offer our customers tailor-made end-to-end solutions, from handling to air and ground logistics, aviation services and a wide range of ancillary services, it was decided to create a dedicated management team to better overlook, harmonize and coordinate all the activities performed by different entities: this

**The airfreight business will continue to play a key role in supporting world trade, and the more extreme the situation becomes, the more the world economy understands its value.**



is how Challenge Group started. Currently under the Challenge Group umbrella you can find 3 airlines (CAL Cargo Airlines in Israel, Challenge Airlines in Belgium, and Challenge Air Cargo in Malta), a ground handling company (Challenge Handling in Liege, Belgium), a European road feeder provider (Challenge Logistics in Liege, Belgium), an aircraft and parts leasing division (Challenge Aviation), and a comprehensive line maintenance provider (Challenge Technic).

**What's the market situation like for big widebody freighters given what happened in Ukraine?**

Obviously, any extreme situation forces an organization to review its strategy when dealing with a disruption: a sudden gap in overall airfreight capacity, mainly focused on specific trade lanes, likewise high demand for urgent and special commodities to supply specific markets.

**Have you been able to secure capacity for outsized cargo shipments?**

Our core business is based on verticals and special products, therefore we have been able to secure new business to support the industry and mitigate some of the capacity shortage resulting from the current geopolitical situation.

**How did the company perform over the last 2 years? What's the outlook for air cargo?**

We have experienced two exceptional years in terms of overall performance, fleet utilization, destinations reached, customers served and tonnage transported.

When it comes to the future of air cargo, we deeply believe that the airfreight business will continue to play a key role in supporting world trade, and the more extreme the situation becomes, the more the world economy understands its value. Air cargo is here to stay and can be trusted.

**What would be the advantages of being part of wider industry groups like TIACA?**

We are driven by one principle on which we have based our vision: the shared economy in a collaborative environment. We therefore expect TIACA, as a main industry organization, to be the key catalyst in connecting stakeholders to build a sustainable business environment.

**How would you describe your network strategy? What are the short and long-term plans?**

At Challenge Group, we have a clear growth plan and roadmap that calls for a tripling of our fleet over the next 4 to 5 years.

In the short term, we will continue to strengthen our presence in the US,

Middle East and Far East markets. But when it comes to the long term, we are willing to export our success story of a centralized European hub and strategic partnerships to complement our network on other continents as well, starting with North America.

**Was there any challenge that you had to decline?**

Unfortunately, we have had to decline some requests due to the current geopolitical situation and related restrictions, but don't forget that our motto is "challenge accepted" and therefore, our attitude is to never give up and never say no!

**Which factors do you think will add pressure to freight and logistics in the current environment?**

The key concept here is the ability of our community to understand the

**We have had to decline some requests due to the current geopolitical situation and related restrictions, but our attitude is to never give up and never say 'no'.**

breadth of change in world trade and the capability to quickly adapt the business model to sudden changes and uncertain future.

**What are the challenges for forwarders and logistics players?**

For us, the real challenge for the logistics industry is to adopt a multimodal approach to the supply chain and be able to develop alternative solutions from origin to destination based on a variety of different services.



Yossi Shoukroun, CEO of Challenge Group



## Supplying 250 million antigen test kits in a turbulent market

Over the past few years, the ongoing challenges confronted across the logistics industry have continued to test supply chain resilience.

Tasks previously considered standard processes by the teams on the ground are now significant challenges. This new market environment brings more variables and complications than ever before in the history of logistics. Therefore, transparent communication with customers is vital when recommending how to build a more resilient and flexible supply chain, as it ultimately impacts delivery deadlines or, worst case, availability for consumers. This is now the critical difference in customer success.

### Navigating market turbulence by air

Entrusted with undertaking a critical project during this period, Scan Global Logistics (SGL) was involved in launching the antigen test kits supplied from China into the Australian market. The task was to build a solution that could supply approximately 250 million test kits and personal protective equipment (PPE) to meet the contractual deadlines across the country.

Jason Wilson, head of products, Asia, at SGL, described a solution in a complex market: "With flexibility and

resilience as crucial factors in any solution design for our customers, we constructed a transparent program, robust yet agile enough to handle the volatile market environment. A control tower of key stakeholders supervised daily activities 24/7. It monitored the potential risks in China, Asia, and Australia, from the factory floor to the destination and across all touchpoints in the possible 30 operational routes designed in the mission. The robust communication process between our core teams ensured they kept ahead of the risks and made alternate arrangements with all critical partners in advance—warehouse, transport, and airlines."



A strict zero-Covid policy has brought significant disruption that has made the movement of aircraft, people, and haulage more challenging.



### Coordinating 300 charter flights

Over 90 days, just short of 10,000 tonnes of antigen test kits were successfully handled from six airports in China to five cities in Australia, playing a part in helping meet the Covid-19 testing demands of the Australian population. The solution required coordinating around 300 charter flights in one of the most complex environments the industry has ever faced.

Jason Wilson explains the challenges the team encountered in delivering on its customer's demands. "To provide some perspective insight into the challenges we faced, you only need to focus on China. A strict zero-Covid policy has brought significant disruption that has made the movement of aircraft, people, and haulage more challenging."

"As Covid-19 case numbers rose, we saw cities locked down at a moment's notice which influenced factory production output and operational practices from all vendors involved. As more workers got confined to their homes, the restrictions on employee movement affected processes that would normally enable the export of these products. The situation heightened further as the project moved through the local, new year holidays," Jason continues.

### Disruptions continue to appear

With standard operations for most organisations involved not possible, contingency plans were regularly introduced. Residences and buildings were locked down according to the Covid risks identified. At one point, one of SGL's teams had to isolate for days in the physical office as the building got locked from a case identified on a lower floor.

Collecting goods or processing them in warehouses faced scrutiny as logistics parks were restricted. Drivers, perhaps the most impacted overall, faced many testing requirements and route diversions that squeezed transport companies' resources and met concerns from staff who risked becoming isolated from their families. Coordinating contingency plans for cargo re-routing to alternate provinces became a significant challenge and critical function as aircraft charter flights, scheduled in advance, continued to arrive as planned.

### Managing with airline restrictions

It wasn't smooth sailing for airline partners either, as Australia's restricted international border dramatically decreased flight schedules, and the ability to introduce additional capacity was more complex than it was perceived to be initially. As with all vendors involved, the forwarder's partnership-oriented approach ensured



airlines were part of the decision-making process. "Their input helped coordinate routings that generated the best opportunity for customer success. Together we were able to navigate the various Covid protocols on loading aircraft in China and the congestion faced upon arrival in Australia," noted Jason.

### Keeping products moving

Within SGL, resilience and flexibility are not just about processes; they're about ensuring employees have the necessary support. Rickard Ingvarsson, CEO in Asia, comments: "Our virtues and culture, built on empowerment, well-being, and a human-first entrepreneurial approach, set the scene to help the entire team overcome the seemingly endless supply of challenges to keep the products moving. Our front line employees, empowered to make instant decisions, helped navigate the potential threats in real-time without delay. In contrast, our focus on well-being helped ensure necessary support was in place each day to the front line, which continued to perform an exceptional job for our customers."

Jason continues: "With restrictions moving by the day, we have had an open dialogue with our customers on moving schedules and making decisions to divert cargo as risks got identified. While this may have increased costs or time, it ultimately helped eliminate a potential hazard that may have impacted the deadlines and product supply to the public."

"Our ability to build resilience and flexibility into our processes ultimately allowed SGL to play an essential part in providing critical equipment to the Australian population. A potential once in a lifetime solution that we are proud of our teams for being able to support and successfully execute together," Wilson concludes.



## Project cargo specialist deugro on securing air capacity at a time of disruption

Interview with deugro

Working as a key logistics provider for the energy sector and related industries, freight forwarder deugro is no stranger to the heavy transport of outsized project cargo by land, sea or air. In an interview, Pavel Kuznetsov, head of air chartering at deugro, gives a rundown on the nuisances of handling and flying mega shipments by air amidst transport curbs and congestions across every mode.

**Can you give us a brief description of deugro? What's your specialty and where do you operate?**

deugro is the industry-leading specialized project freight forwarder with a global network of offices. Offering complex and non-standard air freight solutions as well as air chartering are just two of our key competencies.

**Given the Russia and Shanghai situation, have you been able to secure capacity for transporting outsized cargo shipments by air? What's the best way to transport project cargo right now?**

The air freight market has experienced a substantial impact on both scheduled as well as charter flights due to the situation in the Ukraine.

Used to having a fair share of the international air freight market, Russian carriers are now unable to

When there are only a handful of aircraft in the whole world that can do the job of transporting certain out-of-gauge equipment, you need to make decisions quickly to secure the required aircraft.



operate in many key regions, meaning the number of options available to clients is lower. Besides that, many cargo and passenger airlines have had to reroute their flights around the Russian and Ukrainian air space. Some flights on the EU-Asia-EU lane have been canceled altogether. By operating these same flights with longer routes, fuel consumption increases and



Pavel Kuznetsov, head of air chartering at deugro

with it, the prices in general. All of this has taken its toll.

The niche of heavy and oversized air freight has been impacted the most. The pool of Antonov and Ilyushin aircraft still available on the market has become even more limited than it used to be. The iconic Antonov-225 Mriya (which means “Dream” in Ukrainian), the biggest freighter aircraft ever built and literally a dream of everyone dealing with air freight and air chartering, was tragically destroyed. There will be—in the near future—no substitute for this aircraft with comparable capabilities.

These developments make finding a suitable solution for heavy lift air freight even more challenging. While the landscape has changed fundamentally, we kept working closely with our partners and were able to identify alternative options for our clients. When there are only a handful of aircraft in the whole world that can do the job of transporting certain out-of-gauge equipment, you of course need to be able to make decisions quickly to secure the required aircraft. Leveraging the relationships we have built for years, coupled with our own in-house understanding of the airline business, has helped us tremendously to successfully navigate and stay on top of the situation to secure both needed capacity and favorable conditions for the needs of our clients.

As for the Shanghai situation, with the lockdown there the shortage of flights and capacity has not been the only problem—trucking the cargo to and from the airport has also become a challenge. And the Shanghai lockdown is not an isolated case; we are seeing similar dynamics and challenges developing at other airports where, with the local growth in COVID-19 cases, the carriers are canceling flights or have stopped accepting new bookings. The only solution here is constantly keeping an eye on those developments and routing the shipment through alternative airports.

**When the market gets challenging like it is now, I see it as an opportunity for specialized companies like ours to demonstrate our expertise and ability to think outside of the box.**



When the market gets challenging like it is now, I see it as an opportunity for specialized companies like ours to demonstrate our expertise and ability to think outside of the box to offer reliable solutions to our clients.

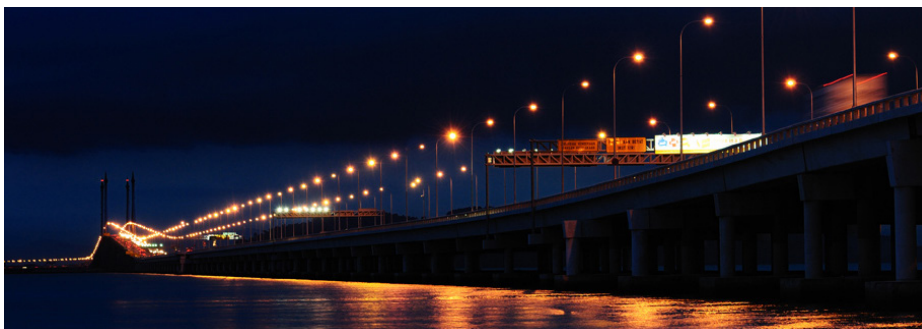
**Which regions or sectors do you think will see huge demand for deugro's services?**

If we talk about the demand side in the current situation, of course we have seen a reduction of activities involving air freight in the projects related to Russia. But at the same time, we are seeing strong demand in other regions, for example for projects in the Middle East and India. With energy resources being a hot topic in the world, I am sure we will continue to see a steady need for air freight solutions to transport outsized equipment for this market.

**Which factors do you think will add pressure to freight and logistics in the current environment? Do you think air cargo will sustain its momentum over the next 12 months?**

Despite current impacts related to the situation in the Ukraine as well as the lockdowns in China, which certainly have an influence on capacity and pricing, I think the air cargo market will continue to remain strong over the next 12 months. We will continue to see interest from clients in air freight, since ocean freight will continue to contend with its own disruptions. So, even with all the factors adding pressure on the supply side of the cargo market, it will remain competitive enough to be in strong demand.





## Penang freight forwarders host APAC general meeting in July

For the first time in 2 years, the Federation of Asia Pacific Air cargo Associations, or FAPAA, is proud to announce that it will be holding a face-to-face general meeting in Penang on 15-16 July 2022 at the Golden Sands Hotel on Batu Ferringhi. The Penang Freight Forwarders Association (PFFA) will be the host of this year's meeting, which expects to gather major associations across Asia Pacific to discuss important industry issues. In an interview, Paul Golland, chairman of FAPAA and vice chair of the International Freight Forwarders and Customs Brokers Association of Australia (IFCBAA), gave us a rundown of the comeback meeting, as well as his take on the air freight industry in Asia Pacific.

### Can you give us your outlook for freight and logistics across Asia Pacific?

There does seem to be a slow but steady increase in airfreight across the Asia Pacific region but this has fallen behind where most thought it would be due to Omicron and the conflict in the Ukraine. The latest IATA figures show a 2.7 percent growth in January 2022 YoY. Trade and economical growth continues to expand but consumer confidence is easing. More flights are being canceled which reduces the airfreight capacity when it should be growing more.

### Which countries do you think will see more logistics infrastructure developments across the region? Why so?

Those countries that are relaxing their border controls will benefit more than those keeping restrictions in place.

Australia, after having some of the toughest border controls, is reopening to the world and seeing more tourists, flight capacity which help to increase its economy. The Asia Pacific region must follow Europe in living with Covid but reducing the disruption to people, travel, and economies.

### What are the challenges for freight forwarders and logistics right now? Where are the opportunities?

The biggest challenge at the moment is getting space on flights to move their customers' cargo. Freight is moving from other parts of the world into the Asian hubs but then being held due to lack of available space to complete the last leg of its journey. This lack of space has also seen an increase in freight rates throughout the world. Lack of staff at airlines, terminals, warehouses etc are also causing challenges for freight forwarders often meaning cargo misses its connections or is delayed in check in and availability at destination.

Finally we are seeing the introduction of shipping lines moving into the airfreight business and threatening what have up to now been freight forwarder markets. Opportunities will exist for those who can react quickly and efficiently once the effects of the pandemic reduce further. Freight forwarders have to ensure they have trained staff in place to meet customer needs in the future.

### How important are trade bodies like FAAPA and IFCBAA in addressing industry issues?

Trade bodies are vitally important to industry as they allow individual

members to have a voice that reaches national and international bodies as well as governments. FAPAA does this one step higher in that it is made of country associations rather than individual members. It speaks as a single voice for the airfreight industry in the Asia Pacific, the biggest region movers of airfreight in the world. It looks to deal with Macro issues covering the whole region.

My association IFCBBA represents the interests of Australians forwarders and brokers domestically and feeds international issues on to organisations, such as FAPAA, who then refer them to the likes of IATA. In this way, we get the best representation for all our members on international issues.

### How many associations have confirmed their attendance for this year's AGM? What can participants expect at the event?

So far we have Malaysia, Australia, Sri Lanka, India, Indonesia, Vietnam, Singapore, Pakistan and Taiwan attending and we are waiting to hear from another 5-6 countries depending on their government's approach to Covid. We intend to offer online access to those unable to attend personally. Participants can expect to discuss all aspects of the international airfreight business, training, what other member countries are doing and their issues and hopefully hear from the likes of IATA and carrier staff. In essence we want delegates to come away able to go back to their members and advise them on the trends for future airfreight development.

### Why should companies attend the upcoming event? What are the benefits of being part of a wider trade body?

As FAPAA is an association of country associations, and individual companies do not really attend. They rely on their elected representatives to put their issues forward at an international forum with access to senior organisations they would not normally get to talk with, as individuals. This is the biggest advantage of being part of a bigger trade body as it allows every member of a national organisation to have a voice at the international table.



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