

# cargo facts UPDATE

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## Is Alibaba's new joint venture at Hong Kong International Airport a game changer?

Last week, Alibaba's logistics affiliate, Cainiao, announced plans to open five global hubs in Asia, Europe and the Middle East "to meet the surging cross-border e-commerce needs." This week, Hangzhou-based Cainiao unveiled a separate US\$1.5 billion investment in a joint-venture logistics center at Hong Kong International Airport (HKIA), what will effectively be the sixth hub. With six large-scale logistics centers now in development, it seems only natural that airfreight capacity will follow.

With the investment, Cainiao will own a 51% controlling stake in the new joint venture logistics hub, with China National Aviation Corporation (CNAC) and YTO Express holding minority shares of 35% and 14% respectively. The tripartite venture has reached an agreement with HKIA to build a 380,000 sq. meter facility adjacent to the airport. The facility is expected to commence operations in 2023 and will gradually ramp-up operations to ultimately handle "tens of millions of parcels every year" with cargo throughput of about 1.7 million tonnes per year, according to a release from Cainiao.

It remains unclear if the facility will handle cargo for other carriers and compete directly with HKG's existing air cargo terminals, or if it will operate solely as a logistics hub for Cainiao and its partners. A bit of competition however, seems most likely. In January of this year, YTO Cargo Airlines (an affiliate of both YTO Express and Alibaba) launched flights to Hong Kong where HACTL currently serves as the carrier's handling agent for its 4x weekly services.

As Cainiao adds global hubs, it can be expected that air freight capacity will be added in parallel. One option is through its affiliate YTO Cargo Airlines. At present, YTO flights at HKIA are limited to regional flights with a 757-200PCF. But hub-to-hub flights will require long-haul wide-body freighters, which YTO does not currently possess or have on order. In the coming years, YTO has said it expects to add widebody freighters to accommodate cross-border e-commerce shipments. Regarding the planned facility in Hong Kong, a source familiar with YTO's plans told *Cargo Facts* that additional flights into Hong Kong are dependent on slot availability and market demand, but added that having a major presence at HKIA could only be beneficial.

Cainiao could also choose to pursue other lift options such as BSAs or ACMI, or it could acquire aircraft of its own. Cainiao said it has already "opened an airfreight route between Hong Kong and Belgium last month." Sources have confirmed to *Cargo Facts* that while Cainiao does not charter an entire aircraft, e-commerce logistics specialist 4PX charts one leg of Silk Way West-operated 747F flights between LGG and HKG. Cainiao is one of 4PX's customers utilizing capacity on these flights. *(More news on page 3)*



Cainiao, in partnership with CNAC and YTO, will build a logistics center at Hong Kong International.

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**EgyptAir plans to launch A330-200F flights between Cairo and Chicago beginning in November.** The carrier recently told *Al Ma/* that the first of three freighter-converted A330-200Fs it has on order with EFW will be redelivered around 30 June. A second will be redelivered in October, enabling the launch of trans-Atlantic freighter flights. EgyptAir became the launch customer (and so far the only customer) for EFW's A330-200P2F program, when it placed an order for two conversions in late 2014. The first aircraft (600) entered conversion in April 2017, while the second (709) was inducted in May. Both aircraft were previously operated in the carrier's passenger fleet. EgyptAir maintains that it will add a third freighter-converted A330-200F in April 2019, though EFW has not yet confirmed the order.

Increased demand for freighter flights to the United States stem, in part, from the US Transportation Security Administration's January ban on belly cargo for flights originating in six different countries, including Egypt. Freight flights however, are still permitted as long as EgyptAir participates in additional cargo screening measures, according to EgyptAir's cargo boss.

Apart from the A330-200Fs, EgyptAir plans to add two freighter-converted 737-800s. Like the A330 conversions, the feed-stock will be sourced from the carrier's passenger fleet. A conversion order has not yet been announced.

**Alaska Air Cargo's three 737-700BDSFs flying high, carrier considers adding a fourth.** Better late than never, Alaska Air Cargo took redelivery of its first Bedek-converted 737-700BDSF about two years later than originally expected in September 2017. The first -700F entered commercial service on 27 September 2017, and as of March 2018, the Seattle-based carrier was operating all three -700BDSFs it had on order with Bedek. Looking ahead, Jason Berry, managing director cargo, recently told *Cargo Facts* during a visit to the company's cargo hub in Seattle that the new additions to Alaska's freighter fleet are fitting in so well that Alaska is considering adding a fourth freighter.

In related news, **Alaska Airlines is preparing to significantly increase the volume of belly capacity it has on offer across its US domestic network.** Later this month, on 19 June, the carrier will begin marketing capacity on the 70 Airbus A320/321 aircraft it acquired as part of its takeover of Virgin America. Unlike many past mergers, Alaska's acquisition of Virgin America is unique in the sense that the latter did not carry cargo. "It's all new capacity for the industry to fill," said Rick Bendix, manager marketing & business development, Alaska Airlines Cargo. *(More news on page 4)*

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**DHL GF evaluating expansion of dedicated freighter ops**, particularly on trans-Pacific trunk routes, according to an interview with David Goldberg, CEO of the US-division of DHL GF in *Air Cargo News*. While Goldberg does not see an overall shift away from bellyhold capacity towards maindeck, he implied that capacity constraints on certain trade lanes justified dedicated capacity so that DHL GF can ensure reliable lift for its customers. In September 2017, Atlas Air, Inc. began operating a 747-400F on an ACMI-basis for DHL Global Forwarding, the world's largest freight forwarder. Last month, DHL GF contracted a second 747-400F from Atlas, and the aircraft is now connecting cities in Asia, Europe and North America. If demand for air cargo remains robust, more such flights can be expected.

**UPS drivers voted 90% to authorize a strike** if the union that represents them, the Teamsters, and UPS do not come to an agreement by 1 August, when the current five-year contract expires. Points of contention include the introduction of a two-tier wage system with a pay differential between new-hires and existing drivers, and language relating to UPS Ground's expected transition into a seven-day operation.

**American Airlines began carrying cargo on its passenger flights between the United States and Cuba**, becoming the first U.S.-based combination carrier to do so. The carrier says it is carrying cargo, parcels and express mail on its daily flights from Charlotte Douglas International Airport (CLT), and four-times-daily service from Miami International Airport (MIA), which the airline says it will increase to five daily flights in October. The MIA flights are operated with Boeing 737-800 aircraft and the CLT flight is operated with the Airbus A319.

**Mistral Air to focus on cargo ops** as part of a restructuring plan to bring the company back into the black after incurring a €7.6 million loss in 2017. The Post Italiane airline subsidiary will operate its last scheduled passenger flight on 1 July, according to local media reports. Mistral has a single parked ATR-72-200F, and an active 737-300QC, but ACMI-leases ATR-72-200F capacity from Switzerland-based Zimex and a 737-300F from Bluebird Nordic.

**Kenya Airways considering more freighters**. At present, the carrier operates a pair of 737-300Fs. In the future, the airline may acquire more 737 classics, or even smaller airframe types, to accommodate lighter payloads, according to *ch-aviation*.

**UK cabinet approved third runway at Heathrow Airport, after years of debate**. However, the British International Freight Association (BIFA) cautioned against celebrating prematurely, noting that MPs still have to vote on the plan. Without any further expansion, aviation capacity in the UK is predicted to max out in 2025, according to BIFA.

**Antonov has no plans to modernize existing freighter models**, and is currently focused on expanding its airline activities, Orlov Oleg, VP, Antonov recently told *Cargo Facts* on the sidelines of Air Cargo China. Despite rumors of a refreshed An-124 and renewed production efforts, Oleg maintained that such programs would be years off.

**Air Belgium commenced A340 flights to Hong Kong on 4 June**. The start-up airline says it can carry approximately 14 tonnes of cargo in the bellyhold of its passenger flights between Hong Kong and Brussels Charleroi (CRL). Air Belgium appointed HACTL as its cargo handler.

## **Recent freighter aircraft transactions:**

**US-based Kalitta Air acquired a 747-400F** (26414, ex-Korean Air) [FAT 004448]. The aircraft has been parked at ICN since November 2017. Kalitta's fleet now includes twenty-two 747-400 freighters (1 ERF, 11 Fs, 10 BCFs) and five 767-300BDSFs. The carrier also has two more 767-300ERs in or awaiting conversion with Bedek. Kalitta serves a number of ACMI customers and operates two 747-400Fs for Turkish Airlines, five 747-400BCFs and four 767-300BDSFs for DHL Express, one 747-400BCF for Pacific Air Cargo, and one 747-400BCF for Apex Logistics.

**RAM Cargo took redelivery of a 767-300BCF** (30008) following conversion to freighter configuration by Boeing at the Paya Labar facility in Singapore [FAT 004449]. Prior to conversion, Royal Air Maroc operated the aircraft in passenger configuration.

**Hungary-based Fleetair acquired an ATR-42-300F** (121, ex-ASL Aviation Holdings) from UK-based Airstream [FAT 004450].

**Estonia-based Airest acquired a CRJ200 SF** (7452, ex-J-Air) on-lease from Miami based Regional One, following conversion to freighter configuration by Aeronautical Engineers, Inc [FATs 004451 – 4452]. Airest is the first European carrier to operate a CRJ200 SF.