

cargo facts UPDATE

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Will partnering with Alibaba's Cainiao payoff for global carriers?

In recent weeks, Alibaba's Cainiao Smart Logistics Network has intensified its focus on cross-border e-commerce with several announcements of new investments in logistics centers at six cities around the world, and, as of this week, new partnerships with global carriers. If Cainiao succeeds in meeting its objectives of reducing delivery time domestically and internationally, demand for air cargo will undoubtedly see a major boost. Already, an average of 100 million parcels move through Cainiao's logistics platform each day, and continued rapid growth is expected in the cross-border e-commerce segment.

But another key pillar of Alibaba's ambitious vision for cross-border deliveries includes major reductions to logistics costs. Jack Ma, Alibaba CEO, has said a key aim of the Cainiao Network is to "push logistics costs down to less than 5% of China's gross domestic product from around 15% at present." With the aim of keeping delivery costs to a minimum, the question emerges whether the opportunity to work with Cainiao will be beneficial for carriers' bottom lines.

A few carriers have already expressed concern. An executive at one of the largest combination carriers based in China told *Cargo Facts* that his airline did not see many opportunities to work with Cainiao, adding: "Because cost will be their first concern, any airline will lose if they rely on Cainiao." This suggests that, much like Amazon, Alibaba may choose to invest in airlines and pursue the development of an own-operated fleet. At present, Alibaba has stakes in express integrator YTO Express and its airline-affiliate, YTO Cargo Airlines. The company also backs other express companies, such as Best Inc., and, as of last month, ZTO Express. YTO's freighter fleet consists of narrowbody aircraft, which fly mostly within China. Over the next few years, the airline expects to boost service to international destinations, likely from Hangzhou (HGH). Cainiao could support the development of YTO's long-haul fleet and network.

Alternatively, airlines may find ways to partner with Cainiao. This week, Emirates SkyCargo signed an MoU with Cainiao to "jointly facilitate the delivery of cross-border parcels as Cainiao looks to expand its global logistics infrastructure with Dubai as a hub," according to a release from Emirates. While the particulars regarding how the two companies will cooperate "will be announced progressively as they are developed by the two parties," the details of the MoU suggest that Cainiao will utilize SkyCargo capacity for e-commerce shipments destined for, or transiting through, the Middle East and neighboring regions.

ZTO acquires 15% share in Cainiao Post. Chinese express company ZTO Express is investing about US\$168 mil-

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Following an MoU with Cainiao, will Alibaba-related parcels become a common sight on SkyCargo freighters?

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lion to acquire a 15% stake in Cainiao Post, the last-mile delivery network of Alibaba's logistics platform operator, Cainiao Network. ZTO is investing alongside four other Chinese express delivery companies: YTO Express, STO Express, Yunda Express, and Best Inc., for a combined US\$495 million. According to ZTO, the investment in last-mile delivery services is necessary as last-mile services grow more competitive, and customer demands for pickup and delivery services increase alongside daily parcel volumes. ZTO's announcement follows last month's news that Alibaba and Cainiao would invest US\$1.4 billion in ZTO, for a 10% stake in the company.

Turkish Cargo, ZTO Express, and PAL Air Ltd. sign MoU to form jv courier company, to be based in Hong Kong. The trio of companies will leverage the offerings of each partner firm, which represent different links in the global express chain – an airline, a parcel delivery company, and a freight forwarder. The new company will provide integrated door-to-door delivery services such as parcel collection & distribution, freight transportation, trucking, cross-docking & final mile delivery. The jv aligns with Turkish Airlines' vision for the "Mega Hub" it currently has under construction at the Istanbul New Airport. Set to open by 29 October, the cargo facility will gradually be expanded to accommodate a throughput of 4 million tonnes annually. Much of that cargo may be e-commerce related, but it remains to be seen just what kind of impact the jv will have on the carrier's cargo volumes.

Emirates aims to recruit US-based pilots. Emirates Airlines, one of the world's largest cargo carriers, is responding to the ongoing shortage of qualified pilots with a tour of the United States – dubbed the "Emirates Pilot Roadshow" – in hopes of recruiting pilots in-person to be based out of the airline's hub in Dubai. Emirates will visit major US cities including Houston, Fort Lauderdale, Boston, and Seattle, to host information sessions and network with qualified pilots. Interested pilots unable to attend the roadshow can apply [online](#).

US Department of Homeland Security implemented the Air Cargo Advanced Screening (ACAS) program, requiring all carriers of commercial cargo to report electronic airfreight data to US Customs and Border Protection (CBP) before the cargo is loaded onto aircraft bound for the United States. According to CBP, the ACAS program is intended "to address ongoing aviation security threats," and has been tested in a long-running pilot project, in which certain carriers participated

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voluntarily in submitting air cargo data, such as the air waybill number, the shipper's name and address, the consignee's name and address, and a short description of the cargo, including its quantity and weight. The CBP added that it will be "flexible" in enforcing the ACAS program over the next 12 months, to allow carriers and forwarders to test their procedures for cargo entering the United States.

Cargo growth continues in May. May data from the world's big cargo carriers, airports, and handlers show that, with a couple of exceptions, growth in airfreight traffic has remained surprisingly strong, despite increasingly tough year-over-year comparisons. While a couple of European outfits (Frankfurt Airport and Air France-KLM, in particular) posted y-o-y declines for the month, Asian operators that have released May results posted gains across the board, and some Latin American and Middle Eastern carriers recorded double-digit gains. As has been the case every month since September 2017, Turkish Airlines reported the highest growth for the month. On the other hand, after reporting double-digit growth y-o-y at this time in 2017, US-based Delta Air Lines and

United Airlines recorded only slight gains last month. Those European operators that did not post declines for the month reported virtually no change year-over-year, which is unsurprising considering the slot shortages European operators have faced since late last year. You can view more details of the results in the chart above, and [on our website](#).

China's unmanned aircraft business license management system went live on 1 June as part of its ongoing process to promote orderly development of its fledgling UAV industry. Companies looking to engage in commercial drone activities can now apply for a business license through the Chinese Aviation Administration of China's (CAAC's) online platform. The CAAC says a total of 328 companies submitted permit applications on 1 June, of which 25 companies were granted permits.

Recent freighter aircraft transactions:

UPS took delivery of a 747-8F (64256) from Boeing [FAT 004453]. UPS now operates six 747-8Fs and has twenty-two more on order.

FedEx took delivery of a 767-300F (43553) from Boeing [FAT 004454]. FedEx now operates fifty-eight 767-300Fs and has fifty-six more on order.

Atlas Air Worldwide Holdings (AAWW) took redelivery of a 767-300BDSF (28495, ex-S7 Siberia Airlines) following conversion to freighter configuration by Bedek Aviation Group [FATs 004455 – 4456]. Titan Aviation Holdings (AAWW's leasing arm) will lease the freighter to Amazon, which will hand it back for operation in the Prime Air network by Atlas Air.

Guangdong-based Longhao Aviation Group to acquire a 737-400F (27916, ex-Japan Transocean Air) from Luxembourg-based Vallair [FAT 004457]. This will be the carrier's sixth 737-400F. Longhao's active freighter fleet consists of three 737-400Fs. Additionally, the carrier is finishing up the importation process for two ex-ASL Airlines Belgium -400Fs it purchased from GECAS in March of this year (29108, 29109). Longhao told *Cargo Facts* it expects the GECAS aircraft to arrive in Guangdong next month, while the Vallair aircraft is due in August. Longhao primarily operates charter flights on behalf of SF Airlines, but says it may consider operating some of its own flights as its fleet expands.

Airline and Airport Cargo Statistics			Percent Change	
May 2018			May	YTD
Asia	Carriers	Air China	5.6%	9.4%
		China Southern Airlines	2.2%	5.3%
		China Airlines	5.9%	3.5%
		EVA Air	4.1%	2.8%
	Airports	Pactl (Shanghai PVG)	8.6%	6.8%
		Incheon	4.4%	1.8%
Europe & Middle East	Carriers	Lufthansa Group	0.4%	3.6%
		Air France-KLM	-3.6%	-2.3%
		IAG	0.3%	0.2%
		Turkish Airlines	21.6%	29.8%
	Airports	Frankfurt (FRA)	-1.6%	0.1%
		Heathrow (LHR)	0.5%	3.1%
Americas	Carriers	LATAM	11.8%	9.6%
		Delta Air Lines	2.3%	5.4%
		United Airlines	1.6%	6.8%

Source: Carriers, handlers, airports

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