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ASIA PACIFIC REMAINS AIR CARGO'S POWERHOUSE

Almost one hundred years ago Asia Pacific became connected to Europe and North America by air. In 1924, KLM's 1924 intercontinental test flight from Amsterdam to Batavia underscored the safe air connection between Europe and Asia. Four years later, the milestone achieved by Charles Kingsford 'Smithy' Smith and Charles Ulm in 1928 saw the first individuals to cross the Pacific Ocean by air. There remains the ongoing battle between airfreight and deep ocean shipping in serving Europe from the Asia Pacific region. While it is fundamentally a duopoly facing freight forwards and shippers as a choice, railways are emerging as strong contenders in looking to capture cargo from both modes. However unless a somewhat hare-brained scheme to put a railway under the Bering Sea is accomplished, the Pacific route will remain a duopoly.

Business Market Insights (BMI) considers Southeast Asian countries, including Singapore, Thailand and Indonesia, present a significant opportunity for air cargo stakeholders. Airports in these nations are experiencing unprecedented growth, with Singapore, Incheon, Hong Kong and Taiwan airports actively supporting national carriers to expand airfreight operations and encouraging operators to enhance services. These initiatives aim to shift trade dynamics away from China, directing increased transfer cargo traffic from ASEAN to Taiwan.

The Association of Asia Pacific Airlines (AAPA) recently disclosed preliminary traffic data for the entire calendar year of 2023, revealing a robust surge in international passenger demand. This growth was attributed to a strong desire for travel following the removal of the remaining pandemic-related restrictions in the region.

While AAPA's statistics indicated challenges for air cargo markets in 2023 due to factors such as inflation, a robust US Dollar, and government policies impacting trade activity and household spending power, the year concluded with a substantial increase in demand. The surge was primarily driven by a rise in e-commerce shipments.

AAPA director general, Subhas Menon, noted that despite a 2.8%

decline in international air cargo demand for the full year, the last quarter of 2023 witnessed an 8.2% upturn compared to the same period in the previous year.

Strategic expansions by companies like APEX Logistics and SEKO Logistics underscore the increasing importance of Southeast Asian markets. According to Boeing's Commercial Market Outlook, the intra-Southeast Asian market is projected to become the fifth largest by 2039, leveraging a robust domestic and regional air network for a strong post-pandemic recovery.

BMI continues that the region's economic vitality is a key driver, having grown by approximately 70% in the last decade. The expanding middle class and rising private consumption contribute to a heightened propensity for travel. Governments in Southeast Asia recognise the pivotal role of the travel and tourism sectors in driving economic growth, further fuelling the air cargo industry's potential during the forecast period.

In the broader Asia Pacific region, the demand for air cargo is driven by robust economic growth and a heightened focus on retail activities. Foreign players are attracted to Asian countries for manufacturing expansion due to the availability of a cost-effective workforce. Continuous urbanisation, strong economic growth, and a burgeoning middle-class population generate substantial domestic demand for various goods, prompting companies in the e-commerce sector to explore diverse logistic alternatives, including air transport, to meet customer expectations.

BMI notes that the flourishing e-commerce industry is anticipated to propel the Asia Pacific air cargo market in the coming years, driven by increasing demand for efficient parcel delivery services across the region. Following a period of trade stagnation, the Asia Pacific marketplace entered a recovery phase from 2013 onwards, experiencing a consistent year-on-year rise in air cargo demand. China remains a powerhouse for the air cargo market in the region, primarily due to high demand from the thriving e-commerce segment aligning with global manufacturing trends.

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VIETNAM: A PROMISING DESTINATION FOR STRA INVESTMENTS

“The co-operation between Vietnam Airlines and Turkish Airlines is forged on the principles of mutual gain”

At the end of last year a pivotal moment was marked as Vietnam Airlines and Turkish Airlines embarked on fortifying their collaboration, targeting expanded avenues for partnership, particularly in the realm of air cargo operations.

As the globe's foremost airline in terms of destinations served, Turkish Airlines continues to surge not only through its expansive flight network but also via strategic alliances worldwide. In Ankara a significant step towards this goal was taken as Turkish Airlines and Vietnam Airlines, the respective flag carriers of their nations, formalised their intent through a Letter of Intent, enriching Turkish Airlines' already robust collaboration portfolio.

The signing ceremony, held at the Presidential Complex, witnessed the presence of esteemed dignitaries including Vice President of Türkiye, Cevdet Yılmaz and Vietnamese Prime Minister Pham Minh Chinh. Representing Turkish Airlines were CEO Bilal Ekici and Chief Cargo Officer Turhan Özen, while Vietnam Airlines was represented by Chairman of the Board of Directors, Dang Ngoc Hoa.

This agreement stands as the cornerstone of a promising partnership, poised for further enhancement in the times ahead.

Vietnam, distinguished by its remarkable growth rate surpassing regional and global averages, emerges as a focal point within the dynamic landscape of Asia's ascent. The initiation of this collaboration by Türkiye, which itself has witnessed remarkable development over the past two decades, holds promise for substantial contributions to the commercial activities of both nations.

CEO Bilal Ekici of Turkish Airlines remarked: “Asia stands as one of our paramount markets. Our relentless endeavours to bolster our presence on this pivotal continent persist, driven by our adept teams and rigorous research and development efforts. Amidst a shifting paradigm in global aviation from West to East, these endeavours assume heightened significance. We anticipate that the collaboration, initially centred around our air cargo brand Turkish Cargo but envisioned to span across various domains in the future, will yield mutual benefits for both nations and their flag carriers.”

Chairman of the Board of Directors of Vietnam Airlines, Dang Ngoc

Hoa, affirmed: “The co-operation between Vietnam Airlines and Turkish Airlines is forged on the principles of mutual gain. Turkish Airlines stands to benefit from the expansion of its transportation network into hitherto restricted areas such as Oceania and Northeast Asia, leveraging Vietnam's strategically central geographical location as a transit hub. Concurrently, Vietnam Airlines can substantially augment its scale by utilising freighters and tapping into Turkish Airlines' extensive global network spanning 345 destinations worldwide. We envisage this collaboration propelling Vietnam towards becoming a foremost logistics hub in the Asia-Pacific region.”

Initially concentrated on air cargo operations, this partnership aims to explore diverse commercial dimensions in the near future for the carriers.

Strategic significance

Turkish Cargo, with one of the most comprehensive and efficient cargo networks, meticulously evaluates collaboration prospects in Asia, a region of strategic significance and immense potential. The collaboration materialised with Vietnam and its flag carrier, Vietnam Airlines, is emblematic of Turkish Cargo's adaptability and strategic foresight, reinforcing its commitment to extending its reach and enhancing service excellence. With this signing, Turkish Cargo reaffirms its pivotal role in shaping the future of air cargo transportation, particularly in fostering international trade and connecting vital regions.

In a parallel development, Vietnam Airlines' accession to the Association of Asia Pacific Airlines (AAPA) marks a significant stride towards bolstering international cooperation and amplifying its presence in the Asian region.

As a member of AAPA, Vietnam Airlines gains access to a platform for engaging in industry dialogues, staying abreast of aviation trends, and benefiting from expert insights, thereby bolstering its operational efficiency and service quality. Moreover, membership in AAPA facilitates the cultivation of bilateral relationships with leading Asian airlines, enabling Vietnam Airlines to diversify its offerings and provide

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passengers with enhanced choices.

Subhas Menon, Director General of AAPA, expressed: "AAPA extends a warm welcome to Vietnam Airlines. With its illustrious history and pivotal role in Vietnam's economic and aviation landscape, Vietnam Airlines adds significant weight to AAPA's representation of airlines across the Asia Pacific region."

Le Hong Ha, CEO of Vietnam Airlines, emphasised: "Through AAPA membership, Vietnam Airlines not only enhances its operational efficiency within the Asia-Pacific

region but also elevates its global standing. This membership affords Vietnam Airlines the opportunity to contribute valuable perspectives from both the airline and the broader Vietnamese aviation industry on crucial regional matters."

AAPA, the premier trade association for scheduled international airlines in the Asia Pacific region, serves as a pivotal hub for industry discourse, with its permanent secretariat based in Kuala Lumpur, Malaysia, and international representation in Brussels

and Washington, D.C. Collectively, the region's airlines wield significant influence, accounting for over one-third of global passenger and air cargo traffic, thereby playing a pivotal role in shaping global aviation dynamics.

Briefing for the future

Vietnam Briefing has evolved into a premier source for comprehensive business insights on Vietnam. Pritesh Samuel, the Head of Business Intelligence, has provided a detailed analysis of the airfreight →

"AAPA extends a warm welcome to Vietnam Airlines"





“The air cargo market in Vietnam is predominantly dominated by major foreign players such as DHL, FedEx, and Cathay Pacific Cargo”

sector in Vietnam. According to Samuel, as of 2022, Vietnam's domestic aviation market comprises six airlines operating an average of 55-60 domestic routes connecting key cities such as Hanoi, Da Nang, and Ho Chi Minh City, as reported by the Transport Ministry. Presently, the country boasts 19 airports facilitating inter-regional and intra-regional routes.

Despite the adverse impact of the pandemic on international air passenger transport, with a staggering 93 percent decline in 2021, international airfreight witnessed a remarkable surge of over 21.3% compared to 2020, as stated by the Civil Aviation Authority of Vietnam (CAAV). In Q1 2022, domestic cargo volume stood at approximately 98,000 tonnes, experiencing a modest 5% decrease compared to the same period in 2021, while international cargo volume surged by 21.1% to reach around 292,000 tonnes over the same period.

The air cargo market in Vietnam is predominantly dominated by major foreign players such as DHL, FedEx, and Cathay Pacific Cargo. As Vietnam solidifies its position as a manufacturing hub, particularly

in electronics, textiles, garments, and other sectors, its exports, notably to the US, have surged, further driving demand for airfreight services.

During the pandemic, national carrier Vietnam Airlines demonstrated adaptability by utilising 12 wide-body aircraft to transport cargo in both passenger and belly compartments, including modifying narrow-body aircraft to accommodate goods. Additionally, IMEX Pan Pacific Group, a prominent conglomerate in Vietnam, has sought government approval to establish its IPP Air Cargo subsidiary, aiming to bolster the country's airfreight capabilities. Chairman Johnathan Hanh Nguyen also expressed intentions to collaborate with foreign carriers to enhance Vietnam's logistics industry.

Samuel highlights Vietnam's emergence as an ideal “China plus one” destination for manufacturing and exports, attracting substantial investments from major firms like Samsung, Nike, and Foxconn. Furthermore, Vietnam's agricultural sector, with exports totalling approximately \$25.5 billion in 2019, relies significantly on air transport, accounting

for up to 25% of the export value of agricultural products.

Despite these promising developments, industry observers recognise challenges in Vietnam's airfreight sector, notably in infrastructure and logistics services, leading to escalating costs. Dr. Hoang Ha, former Director of the Science and Technology Department at the Ministry of Transport, emphasises concerns regarding the establishment of transport airlines given current airport infrastructure limitations.

However, Samuel concludes on an optimistic note, highlighting Vietnam's airfreight industry as an emerging economic focal point likely to attract increased attention from investors and logistics players. With supportive government policies and a conducive business environment, Vietnam presents compelling opportunities for investment in the airline sector.

Overall, Vietnam's burgeoning airfreight industry underscores its growing significance in the global logistics landscape, positioning it as a promising destination for strategic investments.



BANGKOK JOINS WFS' CERTIFIED PHARMA HANDLING FACILITIES NETWORK



Bangkok Flight Services (BFS), a collaborative venture between Bangkok Airways and Worldwide Flight Services (WFS), a member of the SATS Group, has attained certification for Good Distribution Practice (GDP) for its specialised pharmaceutical handling facility situated at Suvarnabhumi International Airport in the city.

This recognition brings WFS's global tally of GDP or IATA CEIV Pharma certified facilities to 27. Apart from Bangkok, WFS and other affiliates of the SATS Group now manage certified pharmaceutical handling facilities in numerous locations in the region, including Bangalore, Beijing PEK and PKX, Ho Chi Minh, Hong Kong, Jakarta, Kuala Lumpur and Mumbai.

Stewart Sinclair, managing director of BFS, remarked: "BFS, WFS, and SATS share a collective commitment to ensuring the safe and secure handling of temperature-sensitive pharmaceutical cargoes. Our dedication is evident through our investments in top-notch pharmaceutical centres across Asia. More certified facilities are slated to join this network in 2024. These operations play a critical role in upholding the integrity and compliance of pharmaceutical shipments while supporting the premium and specialised cargo services offered by our customers."

BFS obtained its GDP certification from the independent audit body Escem/TüV Rheinland following a rigorous two-day evaluation of the pharmaceutical facility conducted by Global Pharma Solutions LLC. This certification validates the facility's adherence to the EC Guidelines on Good Distribution Practice of medicinal products for human use and the World Health Organization's WHO TRS 1025 – Annex 7 for Good Storage & Distribution Practices for medical products.

Situated within the main BFS cargo terminal, the pharmaceutical facility encompasses three zones with a combined capacity of approximately 120 sq m. It boasts over 215 storage positions across controlled temperature ranges of 15-25°C and 2-8°C. Additionally, the facility is equipped with charging stations for 'active' cargo containers utilised in the transport of temperature-controlled pharmaceutical products. A specialised team operates the facility, which is safeguarded by comprehensive security measures.

In 2024, BFS is undertaking investments to expand its pharmaceutical storage capacity to accommodate the increasing volumes from its customers. Presently, over 20 of the 80 airlines managed by BFS in Bangkok routinely transport pharmaceutical cargoes.

Suvarnabhumi Airport, colloquially referred to as Bangkok International Airport, serves as the primary international airport for the city. Spanning an area of 3,240 hectares (32.4 sq km 8,000 acres), it ranks among the largest international airports in Southeast Asia and serves as a regional aviation hub. The airport also functions as a major airfreight hub, featuring an allocated Airport Free Zone and direct road links to the Eastern Economic Corridor (EEC) via Motorway 7.



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Collaboration aimed at boosting air cargo traffic between Korea and Europe

Korean Air and Vienna Airport inked a deal to bolster their existing partnership, with the goal of satisfying the burgeoning demand for air cargo services between Korea and Europe via Vienna Airport, a pivotal cargo hub for Central and Eastern Europe. The expansion plans encompass joint marketing efforts targeting freight forwarders and customers, alongside an exchange of industry expertise to optimise services. Korean Air has been operating cargo flights to Vienna for 20 years.

Jaedong Eom, senior vice president and head of the cargo business Division at Korean Air, expresses: "We are delighted to announce our collaboration with Vienna Airport. Through this agreement, Korean Air is dedicated to enhancing air transport services and ensuring utmost customer satisfaction between Korea and Vienna."

Julian Jäger, joint CEO and COO of Flughafen Wien/Vienna Airport, remarks: "The neighbouring regions of Austria and Asia have long been intertwined economically through international air cargo traffic, particularly in industries like automotive and electronics. Korean Air has been a vital air cargo partner for 20 years, and I am pleased to see our longstanding partnership in the cargo sector expanding further with this agreement."

Michal Zach, head of ground handling services at Flughafen Wien, adds: "For two decades, Korean Air has utilised Vienna Airport to facilitate swift and reliable access to Central and Eastern European markets. With this new agreement to broaden our cooperation, we will collaboratively enhance our air transport services along the Vienna-Incheon Airport route to meet the rising demand optimally."

Vienna Airport serves as a crucial cargo hub for goods travelling to and from Asia, particularly for companies involved in automobile production in Central and Eastern Europe, as well as electronics and pharmaceutical goods. Its well-established logistics infrastructure and ample handling capacities enable quick trans-shipment via the European motorway network, allowing goods to reach approximately 23 countries by truck within 36 hours.

Asiana business combination

The signing of this agreement follows closely after the European Commission's (EC) approval of Korean Air's business combination with Asiana Airlines on February 13.

This approval, subject to certain commitments, marks a significant step forward for Korean Air, which has now successfully obtained approval or completed the review process with 13 of the 14



(FROM LEFT) JULIAN JÄGER, JOINT CEO AND COO OF VIENNA AIRPORT, AND JAEDONG EUM, SVP AND HEAD OF CARGO BUSINESS DIVISION, KOREAN AIR

regulatory authorities requiring business combination approvals.

The process, initiated by Korean Air in January 2021, involved a pre-consultation with the EC followed by a formal merger notification in January 2023. After opening a Phase II review in February, the EC issued a Statement of Objections in May, expressing competition concerns in both passenger and cargo markets resulting from the merger.

To address these concerns, commitments have been proposed, including the divestment of Asiana Airlines' cargo freighter business and support to ensure the entry of a new airline on the four overlapping passenger routes between Korea and the European Union. These measures aim to preserve a competitive landscape in the relevant markets.

For the cargo commitments to be implemented, Korean Air and Asiana Airlines will undertake various steps, such as appointing an advisory firm to oversee the divestment of Asiana Airlines' cargo freighter business, initiating the bidding process, and selecting a buyer for the cargo business. The approval of the selected buyer by the EC is required to finalise the airlines' merger deal. Once Korean Air completes the acquisition of Asiana Airlines, the actual cargo divestment process will commence.

“We are delighted to announce our collaboration with Vienna Airport”

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