



Air Freight: A Market Study with Implications for Landlocked Countries



TRANSPORT
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AIR FREIGHT: A MARKET STUDY WITH IMPLICATIONS FOR LANDLOCKED COUNTRIES



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CONTENTS

- FOREWORD..... IX**
- ACKNOWLEDGMENTS..... XI**
- ABBREVIATIONS AND DATA NOTES XIII**
- EXECUTIVE SUMMARY XV**
- INTRODUCTION: ROLE OF AIR CARGO IN LANDLOCKED COUNTRIES..... 1**
 - Potential market 1
 - Types of service 2
 - Cargo airports 3
 - Cost considerations..... 5
 - Marketing and supply chain considerations 5
 - Future role of airfreight in landlocked countries 6
- 1 DEMAND FOR INTERNATIONAL AIRFREIGHT 7**
 - Stages of growth 7
 - Deregulation 8
 - Nature of air cargo 9
 - Market concentration 11
 - Developing countries traffic 12
- 2 AIR CARGO SERVICES 17**
 - Combination carriers..... 17
 - All-cargo airlines 18
 - Integrators 19
 - Air cargo fleet 21
- 3 AIRPORT CARGO OPERATIONS 25**
 - Types of airports 25
 - Cargo handling operations 28
 - Cargo airport economics..... 31
- 4 OPERATING COSTS AND EFFICIENCY OF CARGO AIRCRAFT 33**
 - Cost structure 33
 - Aircraft operating costs 35
 - Fuel efficiency 38
 - Pricing strategies..... 40
- 5 CASE STUDIES 43**
 - Trade in perishables..... 43
 - Cut flowers 43
 - Fruits and vegetables 49
 - Fish Exports..... 51
 - Electronics Exports 54
 - Sea-air services..... 55
 - Air express services 57
 - Viracopos Airport (VCL) 59
 - Dubai Cargo Handling Facilities 60

ANNEX A. ADDITIONAL TABLES	63
ANNEX B. CONVENTION ON INTERNATIONAL CIVIL AVIATION	69
ANNEX C. CARGO AIRCRAFT	71
ANNEX D. OPERATING COSTS	73
ANNEX E. FUEL EFFICIENCY	76
ANNEX F. FREIGHT FORWARDERS	81
ANNEX G. AIR CARGO VILLAGE	86
ANNEX H. SHELF LIFE FOR FRESH FRUITS AND VEGETABLES	89
ANNEX I. AIR FREIGHTERS THROUGH TIME	90
BIBLIOGRAPHY	93

BOXES

Box A. Africa-Europe round trips.....	xvii
Box 3-1. Liege Airport	27
Box 3-2. Lynx-GECAS.....	30
Box 5-1. Evolution of cut flower market	44

FIGURES

Figure 1-1. Air cargo traffic, 1975-2005.....	7
Figure 1-2. Market share of air freight	9
Figure 1-3. Air cargo by commodity.....	10
Figure 1-4. Air cargo by route.....	11
Figure 1-5. Air freight market share by route.....	11
Figure 1-6. Airport cargo traffic.....	12
Figure 1-7. Distribution of cargo in developing regions.....	13
Figure 1-8. Distribution of cargo in Asia	13
Figure 1-9. Distribution of cargo in Latin America.....	14
Figure 1-10. Distribution of cargo in Africa	15
Figure 1-11. Distribution of cargo in Middle East	16
Figure 2-1. Polar air route plan, 2005	18
Figure 2-2. DHL distribution network in China.....	20
Figure 2-3. U.S. carrier freight transport market shares.....	21
Figure 2-4. Distribution of airfreighter fleet	21
Figure 2-5. Distribution of airfreighters by capacity (m.t.)	22
Figure 2-6. Freighter fleet by aircraft size.....	22
Figure 2-7. Source of new capacity	22
Figure 2-8. Age of aircraft at conversion	23
Figure 3-1. Dubai Flower Center	30
Figure 4-1. Load factor for international scheduled services.....	34
Figure 4-2. U.S. airlines costs, 2006.....	35
Figure 4-3. Airfreighter backlog	35
Figure 4-4. Trade-off of distance and payload.....	36
Figure 4-5. Average prices for jet fuel (\$/barrel)	37
Figure 4-6. Improvements in TSFC	39
Figure 4-7. Historical trends in L/D_{MAX}	39
Figure 4-8. Fuel efficiency	39
Figure 4-9. Fuel efficiency vs. load factor	39
Figure 4-10. Average unit revenue for U.S. airline cargo	40

Figure 5-1. Changing composition of agro-food exports	43
Figure 5-2. Flow chart for Colombian flowers	45
Figure 5-3. Kenya export of cut flowers to Europe	46
Figure 5-4. Kilograms of flowers shipped from Kenya	46
Figure 5-5. Average value per kg of Kenya's cut flowers	47
Figure 5-6. Growth in Ecuador flower export.....	47
Figure 5-7. U.S. imports of cut flowers by value, 2001.....	48
Figure 5-8. Kenya horticultural/floricultural exports by product category.....	51
Figure 5-9. Tanzania seafood export to EU	52
Figure 5-10. U.S. shrimp imports from Ecuador	53
Figure 5-11: Southeast Asia air cargo hubs	54
Figure 5-12. Volume of air express traffic.....	57
Figure 5-13. Market share of air couriers	57
Figure 5-14. Blue Dart 757 airfreighter	59
Figure 5-15. Air cargo tonnage	59
Figure 5-16. Dubai Cargo Village.....	60
Figure 5-17. Mega Cargo Terminal	60
Figure 5-18. Jebel Ali Airport layout.....	61

TABLES

Table 1-1. Projected share of growth in airfreight 2005-2010 (% of additional FTK)	10
Table 1-2. Average growth: value of U.S. air cargo (%).....	12
Table 1-3. Projected rates of growth by route 2005–2025 (%).....	12
Table 1-4. Commodities: Intra-Asian air cargo (%)	13
Table 1-5. Commodities: Latin American air cargo (%)	14
Table 1-6. Commodities: African air cargo (%)	15
Table 1-7. Commodities: Middle East air cargo (%)	16
Table 2-1. Ranking of scheduled air cargo airlines (million FTKs), 2006.....	17
Table 2-2. Destinations in Africa & Latin America for Martinair and Cargolux	18
Table 2-3. Integrator acquisitions	19
Table 2-4. Percentage of currently operating converted aircraft	23
Table 3-1. Hub status of top 15 cargo airports.....	25
Table 3-2. JFK airfreight carriers, 2004.....	26
Table 3-3. Characteristics of airport warehouses relative to throughput in tons.....	29
Table 3-4. International third party cargo handlers	30
Table 4-1. Information on aircraft operating costs from two sources.....	35
Table 4-2. Aircraft capital cost	36
Table 4-3. Estimated aircraft operating costs per block hour.....	37
Table 4-4. Boeing 747 average fuel efficiency	39
Table 4-5. Differentiation of service levels, DHL.....	40
Table 4-6. U.S. airfreight carrier performance, 2006.....	41
Table 4-7. Typical freight rates.....	41
Table 5-1. Kenya's principal greenhouse exports, 2005.....	47
Table 5-2. Exports of seafood from Ecuador to the United States, 2006	53
Table 5-3. United States shrimp imports by source	54
Table 5-4. Malaysian exports by destination	55

FOREWORD

It is a pleasure to welcome this study on air freight which has been skillfully created by a team of World Bank professionals. This publication, which contains a comprehensive analysis of issues related to air freight, addresses in detail air cargo operations in its most diverse dimensions.

Like other growing industries, the air freight industry is expanding exponentially. The issues faced by the industry are complex and their impact on other business operators is tangible. Transportation, an essential service relied upon by the air freight industry, makes it inevitable that this industry affects almost every other business and brings to bear its relevance and interest to business management.

There are few studies of this nature which have drawn information from a wide range of research in the manner in which the World Bank team of authors has accomplished, both effectively and adroitly.

I consider this study to be particularly valuable to the international aviation community, both in terms of its penetrating analysis as well as its well-reasoned economic discourse which culminates in down to earth and practical case studies. The thrust of this study brings to bear the important and useful role of air transport in the carriage of freight, as well as the compelling need to be aware of the implications that a global economic crisis, such as the one we are experiencing at present, has on the carriage of air freight.

Without doubt this study fits squarely within the mission of both the World Bank and the International Civil Aviation Organization (ICAO), which have been partners in offering to the aviation industry a series of annual air transport development fora in various regions of the world since 2005.

I am pleased to note that this publication is yet another step in the indomitable drive and conviction that our two organizations have in collaborating with each other to foster the development of air transport.

Dr. Taieb Chérif
Secretary General
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The capability of many poor countries to grow through trade integration and export development is constrained by physical constraints such as distance to market, but also by trade facilitation bottlenecks which can be even more daunting than distance. This is especially true for developing landlocked countries often dependent on a fragile transit system and long corridors just to connect to international shipping routes. For those countries, air transport has always attracted much interest as a mode of transportation that avoids the access challenge and meets the needs for nontraditional export opportunities notably for high value goods.

Several examples confirm the potential of air cargo for economic development of poor countries (including some of the least developed countries): fresh flower and fresh fish and sea food exports from Africa and Latin America are well known today. But these developments have been comparatively modest. The industries developed globally over the last decade along North-South routes linking rich countries and major emerging economies. In poor countries, the initiative came from the private sector, often starting from niche opportunities. There are also lessons to be learned on the enabling role of governments when it comes to trade facilitation initiatives at airports, liberalization or partnerships to facilitate the delivery of key services, and infrastructure.

Sustainability comes naturally to mind, as the last year saw dramatic negative trade developments for poor countries. Higher fuel prices and exit of key cargo providers in Africa point to dependences that the document also tries to analyze. Volatility and risks are significant and hamper the potential of air-freight for developing countries, as the availability and cost of service is very dependent on market trends in rich economies.

The reader will find here probably the first in depth look at this important topic in trade and development. It has been prepared by a team of experts with background in air-cargo, logistics, and development. We hope it will be of interest to a wide audience, including policy makers and development organizations. It provides a robust foundation and inputs for analyzing export diversification projects and initiatives. Finally this work should encourage further analysis and development of the theme of air freight, which is by essence going through rapid changes.

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ABBREVIATIONS AND DATA NOTES

AAWH	Atlas Air Worldwide Holdings
APEC	Asia-Pacific Economic Cooperation
ATA	Air Transport Association
ATPA	Andean Trade Preference Act
FAK	Freight All Kind
FOB	Free on Board
FTK	Freight ton-kilometer
GSP	General System of Preferences
HCDA	Horticultural Crop Development Association
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ILS	Instrument Landing System
IPO	Initial Public Offering
IT	Information technology
JIT	Just in Time
Km.	Kilometer
LDC	Less Developed Countries
MAS	Malaysia Airlines
MJ	Million joules
mn	million
MRO	Maintenance, Repair and Overhaul
MTOW	Maximum Take-off Weight
OEM	Original Equipment Manufacturer
OEW	Operation Empty Weight
RFS	Road freight service
RTK	Revenue ton-kilometer
SAA	South African Airways
SEZ	Special Economic Zone
TACT	The Air Cargo Tariff (IATA)
ton	metric ton
UAE	United Arab Emirates
ULD	Unit Load Devices
U.S. DOT	United States Department of Transportation
USDA	United States Department of Agriculture

All dollar amounts are U.S. dollars unless otherwise indicated.
Billion means 1,000 million.