

# CARGO TRENDS

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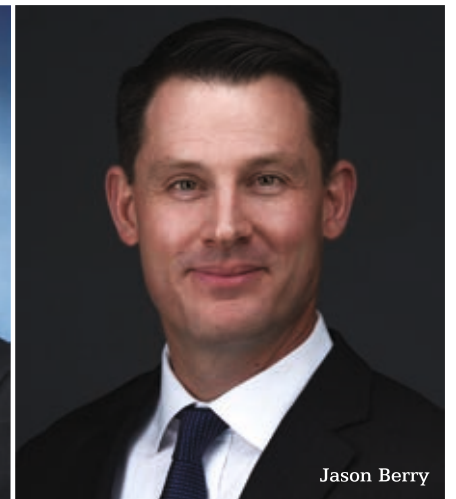


## THE CARGO INDUSTRY CONTINUES TO SEE CAPACITY CONSTRAINTS THAT WILL CONTINUE IN THE NEAR-TERM

While the pandemic has provided unique opportunities such as cargo only passenger flights, the long-term growth at airlines remains focussed on their mission of building a world-class service through their world-class employee and partner base. Airlines are committed to enhancing the experience in 2021 by improving their operations to advance their customer experience. In an exclusive to Cargo Trends, the airline professionals mentioned that their airlines has completed several vaccine-transport missions and they will continue to refine their processes to ensure this vital cargo is transported in the safest, most efficient way possible. Here are the details.....



Jan Krems



Jason Berry

What kind of air cargo industry would be emerging this year after a pandemic and what innovations can one see from air carriers? How sustainable the growth would be?

**Jason Berry, Vice President, Air Canada Cargo :** The cargo industry continues to see capacity constraints that we believe will continue in the near-term. This is a trend that will likely continue as global passenger operations continue to be depressed. While the pandemic has provided unique opportunities such as cargo only passenger flying, our long-term growth at Air Canada Cargo remains staying focussed on our mission of building a world-class service through our world-class employee and partner base.

**Jan Krems, President, United Cargo -** As we look forward into 2021, we know that we have challenges ahead, but we must continue to work together to make it through to the other side. Our employees' hard work helped us get through last year and we would not have been successful without the support of our cargo industry partners and our customers.

We are also committed to enhancing the United Cargo experience in 2021 by improving our operations to advance our customer experience.

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# THE ULD INDUSTRY HAS REALLY STEPPED UP TO MAKE A POSITIVE IMPACT DURING THESE DANGEROUS AND CHALLENGING TIMES

ACL Airshop has effectively navigated the challenges by pivoting and accelerating the way they do business, and how they communicate with their team and airlines customers. Steve Townes, CEO & founder Ranger Aerospace LLC, Chairman & CEO, ACL Airshop LLC informed Cargo Trends that they have adapted new ways to engage, added new technologies for faster scalability, always working with speed and reliability. The proud owner of ACL Airshop Steve Townes says that they salute all of their customers and competitors for leaning forward into the COVID-19 Challenge. Here are the details.....

How do you think that covid-19 situation has affected the air cargo industry? How sustainable is the role of ULD organizations in the difficult times?

**Steve Townes** - The ongoing COVID-19 situation has impacted the air cargo industry and many other businesses far more than we could have predicted. Let's recognize the crucial strategic long-term importance of air cargo to the global economy and recovery:

" Trillions of dollars in value of annual world trade relies on the global air freight ecosystem. Plus, "last year and this year, massive population segments are working from home and shopping from home. It is no wonder that the big air freighters are so busy!"

" We agree with market analysts' estimates that roughly 40% of all world trade transport costs in a typical year are spent in air cargo. Air cargo is a far smaller percentage of the actual amount of physical goods shipped, indicating that flying is a highly valued shipping method for critical and time-sensitive goods. When it absolutely must get there quickly and reliably, shippers preferentially select air cargo by sheer necessity.

" "The admirable worldwide pivot by Air Cargo with time-critical, cost effective, speedy shipments of vaccines is safeguarding millions of lives during the pandemic."

" Air cargo facilitates broader customer linkages, plus globalized robust supply chains.

" Without doubt, air cargo is the fastest and safest transport method, and even offers better security of the shipped goods themselves.

" "Continuing into 2021, Air Travel is DOWN, but Air Cargo remains strongly UP. It is the brightest segment in the entire global sector of Air Transport right now." World Trade has not stopped. E-Commerce is running at record rates. Products,

Perishables, Just-in-Time Inventories, and Pharma goods are not afraid to fly. In fact, they MUST fly.

" The eventual global rally of revived national economies will be facilitated and indeed accelerated by Air Cargo. Our industry is a "Leading Indicator." "As economies recover, Air Cargo will see continued LIFT."

ACL Airshop has effectively navigated the challenges by pivoting and accelerating the way we do business, and how we communicate with our team and airlines customers. More meetings and conferences have been moved virtually, but we were accustomed to that for years, given how far-flung our entrepreneurial organization is. We added extra energy and a redoubled mandate for SPEED as a competitive weapon that Customers VALUE. We are known for high-speed responsiveness to customer requests, answering in minutes or hours, not days or weeks. "I liken our enterprise to an ant-hill-visualize that in terms of efficiency, cross-talk, teamwork, and rapid results." We do not have multiple layers of staff and bloated overhead, we are a NETWORK organization, broad and flat, and very effective. We adapted new ways to engage, added new technologies for faster scalability,



Steve Townes

always working with speed and reliability, while providing our customary service to over 200+ airlines on 6 continents. "We have not broken stride at all, in fact we are extraordinarily busy, investing in growing our ULD fleet and our technology innovations, safely and dependably growing alongside our customers."

ULD organizations are faring differently, depending on what sector they operate in. For example, with so much Belly Load remaining grounded or hobbled, ULD service providers who are heavily reliant on the Passenger Fleets might be having a tough time right now. By contrast, in our own case as an example, those who work chiefly with the Large Freighters are likely doing better. The Cargo Freighters swooped in to pick up the slack caused by prolonged grounding of belly load cargo lift. The ULD industry overall, has really stepped up to make a positive impact during these dangerous and challenging times. "We salute all of our customers AND competitors for leaning forward into the COVID-19 Challenge."

Since vaccines have been rolled out globally, how important is the role of ULD which require the temperature controlled ULD devices? Is ACL

Airshop capable of handling the temperature controlled sensitive shipments.

**Steve Townes** - The role of temperature controlled ULD devices are more important than ever in the global supply chain of vaccine distribution. ACL Airshop has recently teamed with Sonoco Thermosafe in an exclusive global agreement for the assembly, handling, and repair of their Pegasus ULD bulk temperature-controlled containers. "With Sonoco, we are doing our part in the global cold-chain airlift." We are pleased to offer this innovative solution for the transport of vital, life-saving products. Sonoco is a global \$5 Billion publicly traded company headquartered in South Carolina, which is also our headquarters state. We will utilize our 55-airports network to aid Thermosafe's market proliferation of the Pegasus ULD, and we will continue growing our network. Our Voice of the Customer surveys prove to us that the bigger our network and our ULD Fleet, the more convenient we are to our customers with our various ULD logistics solutions and new technologies. 5 years ago, that Survey said, "we need you in more cargo hubs." Our overarching strategy became "GROW THE NETWORK." Behind that headline there are hundreds of sub-tasks and millions of dollars in expansion investments.

Since passenger traffic is down globally and only cargo is on the move, under such circumstances, how challenging is it to manage the ideal ULDs.

**Steve Townes** - We track our ULD Fleet metrics real-time, every day in our systems. "New tools such as "ULD Control" and "FindMyULD" are so easy and useful, even an "old dog" like me can use them." Customers find these improved logistics techniques and tools allow them to do more with less, to balance their ULD fleet more efficiently, to pick up and drop off in different hubs, to collect demurrage charges, and ultimately save money and time. In the mid-Spring of last year, we wrote a white paper for our Board called "Freighters Rising." At first, it looked like a short-term phenomenon for shipping PPE gear, but the prolonged pandemic has now started some new trends to be emerging, shifts in the tectonic plates of the Air Transport industry. Since the vast bulk of our business is freighter-centric, we are now rising with those new, prolonged trends. We are helping passenger carriers adapt with "Freighters" or shift to cargo-only flights. We have stepped-up as cargo carriers have brought additional planes on-line to meet the steadily rising demand.

How critical is the role of technology in managing ULD in the current climate?

**Steve Townes** - The role of technology is mission-critical as we adapt to new trends brought on by the COVID-19 pandemic. Technology innovations are adding to the efficiency across the entire cargo ecosystem. But it only started a few years ago and is now picking up speed and proliferation.

5 years ago, we recognized that to be a MARKET leader, a company also needs to be a

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TECHNOLOGY leader. We began building-up and enhancing our legacy "ULD Control" system. We wanted to be first-to-market for tracking & tracing, so then we are partnered with Descartes/CORE, a large publicly traded global systems management company, adding Bluetooth and other innovations to ULD fleets.

Our recent FindMyULD app is a free mobile app available to all ACL Airshop customers which allows live tracking and tracing of ULDs. Ground handlers and cargo centers can see stock levels on products and report damages via this app, saving our customers time and money. The FindMyULD app now has over +1375 users and growing steadily.

We have also upgraded our internal ERP system, we now have proprietary Repair Station Software, and we are implementing "APS" (Advance Planning Software") for our manufacturing operations as well as our supply chain management on 3 continents. Our business processes are now greatly improved with "Power B.I.," our own analytical Data Warehouse, Strategic Pricing Models, and other sophisticated techniques.



"What if we could help customers fly more cargo, achieve faster turn-times, and save money with an efficiently smaller ULD fleet?" All our technology efforts started as thoughtful questions and good ideas, then kept gaining momentum through our entrepreneurial professionals around the world. We have several very large institutional partners in our Boardroom who recognize the strategic value of building a technology enabled ULD logistics leader, and our customers value those new tools for sure. "We have become stronger, faster, better in the eyes of our clients and our employees. Success begets success, we are moving from strength to strength."

**Is ACL Airshop eyeing any strategic partnership with the airlines this year?**

**Steve Townes** - ACL Airshop follows a very clear twin strategy in our custom ULD logistics model: Dominate short-term leasing solutions (under 1 year), while also growing a strong base of long-term multi-year contracts and strategic

partnerships with customers. We have numerous examples of starting small with a growing customer, helping them expand their business, and eventually converting them to a customized multi-year commercial alliance. Not a rigid cookie-cutter approach, like Pooling. We look forward to continuing our long-term, strategic partnership with Silk Way West, and we recently added several other multi-year arrangements with other growing air cargo carriers. We plan to open in 3-4 more new locations this year starting with the announcement of our most recent station in SYD. We are now at 55 cargo hubs, with more to come. Within 5 years from now, our global footprint is likely to be in more than 75 excellent locations for our customer driven GROW THE NETWORK strategy.

**What will be the new normal in the ULD segment?**

**Steve Townes** - ACL Airshop has set the bar for the new normal in the ULD industry. Speed, accessibility, and enhanced technology logistics programs are now EXPECTED by airlines customers. We accelerated our own digitalization journey in early 2017, building on our legacy ULD

Control system, and now automating other parts of our business offerings for customer. Plus, the ability to stay connected is more essential than ever: employees and customers are using new ways to manage their work, their teams' productivity, and their important work-life balance.

**PERSONAL ANECDOTE:** Many years ago, I was privileged to be Chief Operating Officer of an aviation services company dealing with a deep recession. The whole industry was suffering. We said "Recession? No thanks! We decided not to participate!" And that company grew its way out of the

challenges, rising over 20% each year for several years. Others were failing—we grew like gangbusters.

Nowadays, we believe the air TRAVEL industry may be changing in fundamental long-term ways, but the air CARGO industry is rising strategically for decades to come. New trends are emerging. Now is the time to rise up, to accelerate, to make bold moves forward. Our new normal is to be highly adaptive, flexible, nimble. **RESILIENT.** "We will relentlessly and unflinchingly invest in growth, technology, and people. We have emerged in 2021 stronger than ever, thanks to the dedication and teamwork of all of our people."

**How do people make the centre of your strategy for successful transformation and sustainable future**

**Steve Townes** - "We are truly a High-Performance Culture. I humbly say that about all of our outstanding professionals around the world with pride and love." Recall my ant-hill analogy, it is a



sincere compliment to our unique 38-years-young company:

- \* Every individual is part of an inter-connected team.
- \* Communications are rapid.
- \* Teamwork is exemplary.
- \* Every soul knows their role, every soul knows where we are going, and how we will get there.
- \* And as a competitive force? -> downright fierce!

"It is no secret that our secret weapon is PEOPLE. We have grown and adapted at the speed of change, embracing every hurdle and turn in the road ahead as just another opportunity to get better and faster for our customers and ourselves."

Successful transformations stem from the organization's heart, from that magic "X-Factor" that separates truly GREAT companies from simply GOOD companies. Our unique corporate culture is sustainable and scalable because the entire enterprise's goals are aligned, woven into a well-defined strategic vision, and practiced with dogged determination and collective hard work. We have a brisk "battle rhythm." We have daily, weekly, monthly metrics and reporting rituals that are Customer-centric, Growth-centric, and People-centric. We are known as a caring and generous employer, a great place to work. We celebrate operational successes as well as personal achievements. And we welcome newborns into the ACL Airshop family with a lifetime memento for that child and their family: a collectors-quality aircraft model, signed by the CEO and "Aim High!" hand-written on the underside of the wing. All those intentional actions add up to superior results, exceptional customer service, accelerated growth, and spirited morale.