

cargo facts **UPDATE**

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Malaysia-based low-cost carrier AIRASIA entered the express parcel business with the launch of REDBOX, which it bills as the world's first "low-cost courier." Redbox will offer two-to-three day package delivery, with online tracking capability. The service was rolled out today in the Central Region of Malaysia, and several East Malaysian cities, but will be expanded to other destinations in the AirAsia regional network, as well as to destinations served by the carrier's long-haul arm, AirAsia X. AirAsia CEO Tony Fernandes said Redbox would be priced up to 50% below competing express services, and that it would not only compete in the existing Malaysian express market, but would expand that market. Redbox offers ten standard package sizes from 17 x 17 x 17 cm (6.7 x 6.7 x 6.7 in) up to 48 x 48 x 48 cm (18.9 x 18.9 x 18.9 in). Seven of these are cubical, but three of the largest offer rectilinear shapes with the long dimension up to 59 cm (23.2 in). The heaviest allowable weight is 25 kg (55 lb). Prices for the currently available service range from 27 ringgit (US\$7.58) to 193 ringgit (\$54.16). Packages may be dropped off at Mail Boxes Etc outlets, and Redbox has a "Preferred Account Customer" option that includes pickup by DHL. Those interested in learning more about AirAsia and AirAsia X should attend our Cargo Facts 2009 Aircraft Symposium in Seattle this September where AirAsia CEO Tony Fernandes will give the keynote address. (Go to our website www.cargofacts.com for more information, or see the ad on p. 2).



Malaysia-based regional low-cost carrier AirAsia and its long-haul partner AirAsia X have entered the package express business.

Shenzhen-based all-cargo startup SF AIRLINES placed a firm order with PRECISION CONVERSIONS for the conversion of a 757-200 to freighter configuration. The aircraft (24401) is a 1989-build, Rolls-powered, ex-China Southern unit. The conversion (Precision's twenty-second) will be done by FLIGHTSTAR AIRCRAFT SERVICES at its Jacksonville facility, with redelivery to SF Airlines scheduled for November. SF Airlines is majority owned by Shenzhen-based SHUN FENG, which does business as SF Express. Shun Feng is not widely known outside of China, Hong Kong, and Taiwan, but it employs more than 60,000 people and has a package volume between Hong Kong and the PRC and Taiwan of over 1 million pieces per day. It was established in 1993, and its main focus since then has been domestic express service. SF Express entered the air cargo transportation arena in 2003 using two 737 freighters from Yangtze River Express, and its current network includes Shanghai, Beijing and Hangzhou using belly space on various airlines as well as some main-deck lift from DONGHAI AIRLINES. The new SF Airlines subsidiary is a joint venture between SF Express and Shenzhen Taihai Investment Ltd. When it first announced the establishment of the new carrier earlier this year SF Express said it would target FedEx's business in the region.

A minority shareholder in Hong Kong-based low-cost carrier HONG KONG EXPRESS AIRWAYS (HKE) is trying to block the airline's entry into the main-deck freight business. HK Express, which is controlled by China's HNA Group (parent of HAINAN AIRLINES), currently operates a small fleet of 737-800s in passenger service between Hong Kong and various mainland and Asian regional destinations. But HNA has long seen HKE as a door into the Hong Kong cargo business, and recently applied to the Air Transport Licensing Authority (ATLA) for a cargo license. However, it was forced to withdraw the application when minority shareholder Andrew Tse, who holds a 14.7% stake, filed an objection with the ATLA on the grounds that the carrier had not delivered on its promise to present a detailed business plan for its proposed cargo operation. Since then HKE has applied for and been granted a temporary license to lease a 747-400 freighter from Taiwan-based CHINA AIRLINES, but before that license (from the Civil Aviation Department) can be made permanent, the carrier must also receive the cargo license from the ATLA. HKE has reportedly now re-applied for that license, and hopes to launch 747-400F service in September on a Hong Kong-Abu Dhabi-Luxembourg route. (More on page 2)

According to a report in Japanese business daily *Nikkei*, JAPAN AIRLINES (JAL) will seek a 30% increase in international freight rates effective mid-July. The report added that JAL expected stiff resistance from forwarders, and was prepared to negotiate the increases. Given the excess main-deck freight capacity worldwide, and the fact that Japan has seen export traffic fall further than just about any other country, it is hard to imagine such an increase sticking – even if it is really just an attempt to bring rates back to where they were a year ago.

Four carriers have pled guilty to price-fixing air freight surcharges in Canada between 2002 and 2006. AIR FRANCE, KLM, and MARTINAIR (now all part of the Air France-KLM group, but independent operators during the period concerned), as well as QANTAS will pay fines of US\$3.4 million, \$4.3 million, \$858,000, and \$133,000, respectively. The Canadian Competition Bureau said it estimated that AF, KL, and MP imposed air freight surcharges totaling about US\$27 million during the time in question, and added that the fines would have been considerably greater if the carriers had not cooperated with the Bureau during the investigation.

While cargo carriers have generally not contested price-fixing charges in other jurisdictions, several say they will fight to prove their innocence in New Zealand. The country's competition authority, the Commerce Commission, has filed charges against thirteen carriers which it claims were the main instigators of a price-fixing group that included a total of 60 airlines. Of the thirteen, two (British Airways and Qantas) have agreed to cooperate in exchange for a 50% reduction in penalties, while one (so far not named) is reported to have agreed to give evidence against the others in return for full immunity. However, four carriers (Air New Zealand, Cathay Pacific, Emirates, and Singapore Airlines) deny the charges and say they will defend themselves in the proceedings.

According to a report in *Air Cargo News*, DHL GLOBAL FORWARDING (DGF) is demanding \$75 million from LUFTHANSA CARGO (LHC) in compensation for LHC's participation in price-fixing of air freight surcharges. Lufthansa, as first to cooperate with the US Department of Justice, was allowed considerable immunity from prosecution by federal authorities, and settled a civil class-action lawsuit in the US by agreeing to pay \$85 million to the claimants. But according to the *Air Cargo News* report, DGF opted out of the class action and has chosen to pursue its claim independently, and Lufthansa Cargo is refusing to pay. As a result, again according to the report, DHL Global Forwarding is moving volume from LHC to other carriers. LHC and DGF have both declined to comment, although a spokesperson for DHL's Express unit was quoted as saying that the matter had "nothing to do with Express, we are not involved in the dispute." Presumably, this means that AEROLOGIC, the Leipzig based all-cargo joint venture between DHL and LHC, will not be affected.

Cargo Facts notes with great regret the death of Hafthor Hafsteinsson, Chairman of Iceland-based Avion Aircraft Trading, in a private aircraft accident. Hafthor was both respected and much loved in the industry, and all of us at Air Cargo Management Group offer our sympathy to his family and friends.

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