



The global voice of freight logistics

The challenge of handling airfreight capacities in COVID-19 and beyond

Airfreight, being one of the most affected service commodities under the COVID 19 pandemic, is facing one of its worst challenges. Airlines are bleeding, and airport cargo terminals are congested with uncleared cargo. Customs are working at skeletal capacity in many parts of the world and the highly time-sensitive nature of airfreight shipments is overwhelming.

Capacity depletion

In the last few weeks, airfreight has witnessed a decrease in capacity of close to 45% as airlines have been grounded and belly capacities have disappeared overnight. Freighter capacities are being utilized to the fullest on routes that can afford the rocketing freight rates. Until very recently, many airlines would have bumped off cargo to accommodate passenger baggage. Now, those very airlines are compelled to replace passenger seats to accommodate cargo, survival being the key word - has COVID-19 given rise to a new terminology called **Preighters**? One would think why not, so long as a piece of cargo is safely transported from origin to destination and is delivered safely to the end customer.

Trade imbalance

However, all this jugglery has created a huge imbalance in the whole trade, as passenger aircrafts have been grounded for a considerable period. Re-commissioning them could take many months. And then will come the task of placement of capacities. Airport cargo terminals are overflowing and congested. How trade will move in the near future, and which economy will normalize first is anyone's guess. Aviation without surface connectivity is meaningless. Hence, how governments are preparing to phase out local lockdowns and return to near normalcy will have a huge role to play in the allocation of current knee-jerk capacity placements into more permanent ones.

There has always been an imbalance in trade lanes, and while one cannot hope to achieve full loads on both legs of transport, airlines do try to achieve optimum revenues on a per-flight basis. How this can be achieved in times of near normalcy is going to be an extreme challenge for the entire Industry. All these factors will play an important role in airlines deploying capacities in these sectors.



Exit COVID-19, enter chaos

The pandemic put the airfreight Industry into a glut as never before – dealing with a life-threatening disease, job losses, livelihood concerns, liquidity concerns, and most importantly, no definite end in sight. This initiated a domino effect in the trade taking desperate measure to survive – reducing costs, pay cuts, job cuts, near nil business investment of any kind – this in fact put the airfreight Industry in reverse gear. To restart this whole process could be later rather than sooner in terms of time. Although it is too early to tell if we are seeing the very earliest signs of the road to recovery, the most recent trends, coupled with the views of leading global economists begs the question: is the worst behind us?

Either way, the industry must be in a state of full preparedness as to the chaos that could follow, once normalcy resumes. How will capacities get allocated, how will affordable airfreight rates be available to the shippers, will there be enough infrastructure support on the ground available in terms of surface transport, cargo storage, manpower supply, and so on. Of course, all this will not happen overnight but more likely in a phased manner. However, the biggest question mark is which trade lanes will pick up first, and whether airlines and the entire Industry would be geared to move in that direction and how quickly. Freight forwarders pride themselves as being the most versatile of the lot, hence we must be quick in adapting to an ever-changing market.

Airfreight transports essential commodities such as pharmaceuticals, vaccines, medicines, and various perishable and non-perishable food products amongst others. Hence, it is irreplaceable by any other mode of transport. Industries that either export or import time and temperature-sensitive products would find it impossible to survive without an efficient airfreight service to back up their business.

Airfreight has always played second fiddle to the passenger travel business as well as the massive ocean freight Industry. We have already seen ‘cargo in the cabin’, but considering the urgency of shipments which can be expected in times to come, are we ready to service customers who unlike earlier times might want to choose the airfreight option first in days to come? Historically, ocean freight has carried 99% of EXIM cargo in volume terms. Is airfreight poised to see itself transform to a larger piece of the pie? The answer is a definite Yes. Once trade picks up and economies creep back to normalcy, airfreight could become the first choice for certain sensitive and perishable commodities, if the price is affordable. Even the current freighter capacity could prove to be insufficient, and the Industry will need to be prepared for this eventuality, which could be an opportunity for the front-runners.

Just like our airline colleagues would be busy analyzing capacity deployment, forwarders too will need to be in a state of preparedness to decongest piling warehouses as swiftly as possible. No airlines would bring in empty flights only to carry out export cargo if the cargo terminals are overflowing and no imports can be carried in – it would be unaffordable as one-way freights would be prohibitive. Like the airlines, many of the forwarders too have either downsized temporarily and



cut overheads to the minimum. Many now find themselves in a state of limbo, as there was and perhaps is, no clear vision in sight. All this could change swiftly and so must we.

Here, governmental programmes such as air cargo assistance initiatives may prove to be valuable responses to addressing disruptions in global supply chains. Such initiatives will aid airlines and forwarders in being able to offer the necessary air cargo capacity to strategic destinations. This will support the maintenance of international markets and allow exporters to deliver time-sensitive products internationally with greater efficiency. FIATA encourages governments worldwide to consider such initiatives to protect their vital export sectors during this unprecedented period of reduced air cargo capacity, and to recognize that each out-bound aircraft, provides similar in-bound capacity. This provides a multitude of options for governments, international traders, forwarders and airlines to work in unison to ensure commercial air cargo efficiently utilizes available capacities in a cost-effective manner. FIATA continues to actively participate in intergovernmental and industry coordination efforts, such as the UN International Civil Aviation Organization (ICAO) COVID-19 Aviation Recovery Task Force, to assist in facilitating the timely resumption of international air transport operations

Finally, the one very important issue that this pandemic has brought to the forefront is that of finance. Freight forwarders will need to exercise extreme caution in how they finance their customers going ahead in these unpredictable times where shipments are lying uncleared for weeks on end, orders are getting cancelled, shipments are being abandoned as ancillary charges have mounted, and so on. The cost of doing business is no doubt going to increase and forwarders might need to realign their charges. Customer segregation for credit lines could be a way ahead. This being an individual call which each forwarder will have to take her/himself, FIATA can only advise caution so that we do not land ourselves into another pandemic within our own organizations.