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# RESEARCH & INSIGHTS

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Authors: Aindrea Sewell, Darryl Judd, Mark Lutton

## COVID-19 Industry Focus: Transformation of the Air Cargo Industry Post COVID-19

Do you remember selecting two-day shipping on Amazon and having it arrive the next day? No one gave it a second thought. In fact, most of us probably just said “wow, Amazon is quick!” whilst opening our highly anticipated packages. Compare that feeling to how you felt when in the peak pandemic period of April and May 2020, trying to order something and getting a shipment date of ten to fourteen days later. Suddenly, we were frustrated by the delay; we started blaming eCommerce sites when really the main culprit was the loss of air cargo capacity in the skies.

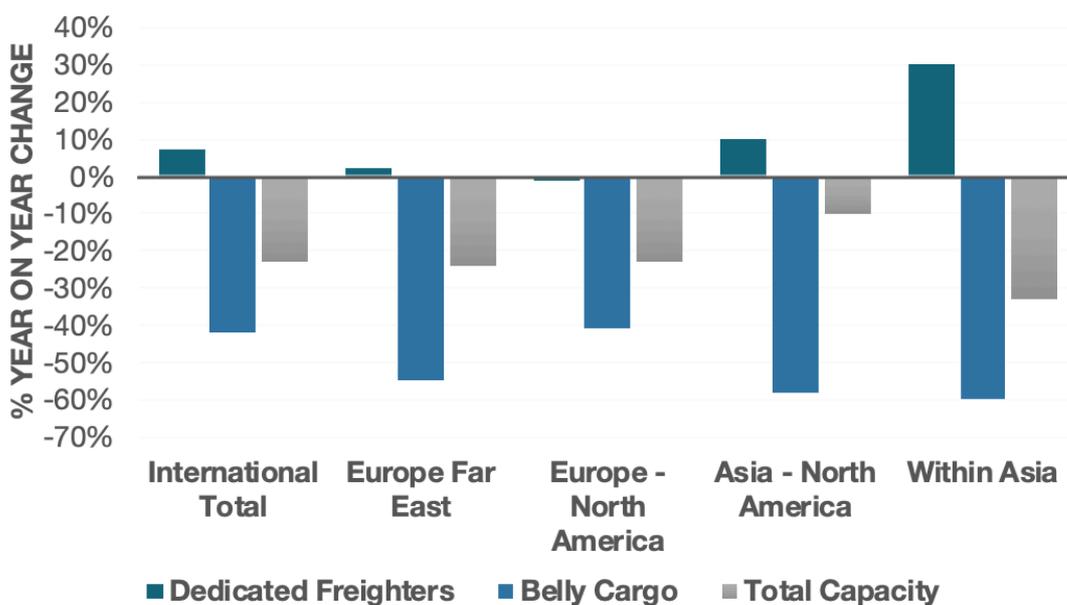


The aviation industry has been one of the most heavily impacted from the pandemic. Airlines which typically focus on passengers were hit the hardest by forced national border closures, mass booking cancellation as the fear of flying set in and travel budget freezes and the financial impact of having to ground aircraft. The industry came to an immediate halt.

According to the International Air Transport Association (IATA), the global airline industry will lose upwards of USD\$85 billion with revenues dropping to just US\$419 billion, a 55% decline year on year. Each day of grounding costs the industry approximately US\$230m and with no vaccine in sight, losses continue to rise higher pushing many well-established airlines closer to the edge. The names of those in trouble just rack up weekly with Flybe, Virgin Australia, South African Airways, Air Mauritius, Avianca, Trans States, Compass Airlines and Miami Air International all entering administration in recent weeks.

Table 1: IATA Data Volume Cargo Capacity due to COVID-19

### Capacity in Air Cargo (available cargo tonne kilometers, May 2020)



With cargo belly space in passenger aircraft dropping by over 75% as increasing aircraft stopped flying, it's little wonder our deliveries were taking a little longer.

The harsh reality of the global supply chain at the start of 2020 was that approximately half of the world's air cargo travels in the bellies of passenger aircraft. The immediate effect of this pandemic meant vital belly cargo capacity decreased affecting both imports and exports and with demand rising, pricing on the remaining capacity and freighters led to a massive price surge in air freight.

Long overdue, it's a wakeup call for airlines. Cargo has long been a valued contributor to group revenues but is often the poor cousin when it comes to investment.

## Working together to change

Faced with virtually no passenger revenue, high overheads and no immediate certainty as to when passengers could fly again (or if they wanted to...) cargo became the 'in-demand' revenue generator. In fact, the only real source of potential revenue.

Passenger planes suddenly had seats ripped out to create space for cargo or the passenger deck was filled with suitable cargo in the overhead lockers and on the seats, an unheard-of transformation 6 months ago.

This adaptation out of necessity is not likely to revert soon and although demand will neutralise as increased capacity returns, cargo will remain high on the agenda.

Covid-19 has ensured that cargo will become increasingly important as a source of revenue. Whilst this is a positive turnaround for many who sit in airline cargo departments, there is an acknowledgement that after years of underdevelopment and focus, they need to work together to accelerate the transformation needed to ensure cargo grows efficiently and keeps up with its customer sectors. Expect to see a rise in key issues such as;

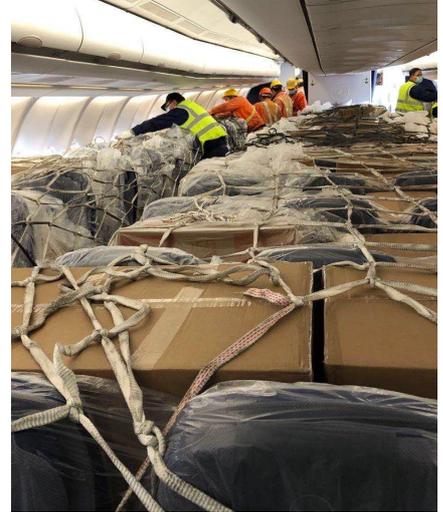
- Full digitisation of the air-cargo industry
- Closer alignment with beneficial cargo owners to design new service solutions
- Transforming airports to meet the new demands of air travel including cargo
- Ensuring the voice of cargo is represented in the boardrooms

## Flying out of the dark ages

In today's digital world of mobile communication, the air cargo industry is still largely a paper-based industry.

Why is that the case when we all know that digitisation has the potential to ease and improve daily business processes across all industries, not just aviation?

The eCommerce boom in the last decade has meant that global logistics needed to increase speed, security, safety, and transparency to meet customer expectations, but in 2020, things like the e air waybill have yet to be universally adopted. Faced with times in which most of the global workforce had to stay home, things like e Air Waybills (e-AWB) which facilitate electronic signatures would have prevented some of the bottlenecks faced. Unfortunately, it took something as intense as a global pandemic for business operators to



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***“The industry needs to get out of the dark ages.”***  
**- Stan Wraight,**  
**CEO/President of**  
**SASI**

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understand the core strengths of fully digitising. During the crisis when we needed vital supplies, nations had cargo stuck in ports that could not be gated out because of paper that was stuck elsewhere due to airfreight delays. IATA first introduced e Air Waybills in 2010 and as at April 2020 e-AWB penetration stands at only 69.1%. Now is the time when the iron is still hot for the industry to get together and drive this percentage higher and smooth out the disturbances across the supply chain that paperwork causes.

### **Airlines need to get closer to the customer**

The beneficial cargo owner (BCO), is the party that ultimately owns the product being shipped; yet most airlines have little to no contact with them. Without direct customer relations, most airlines have no real-time insights into the needs and demands of the market. Going forward, as airlines put a greater emphasis on air cargo, they must begin to work closer with freight forwarders to gain and retain a larger customer base.

### **Transforming Airports**

Airports have a history of transforming their operations to become a country's frontline of defence in response to crises. Just as post 9/11, we saw airports increase their security measures to protect their local citizens, it is highly likely that as we emerge from this pandemic, airports will become responsible for health checks to prevent future outbreaks.



Airports need to step their game up in their ability to reassure their passengers' and staff's safety. Without increased health and safety measures, passenger airlines will be forced to remain grounded until demand returns which will continue to rob our supply chains of vital belly cargo capacity.

In the past, most airports have been designed primarily for passengers with cargo handling capability being a second thought. Going forward, airport renovations will need to place a greater emphasis on their ability to handle freighters and higher volumes of cargo. According to Des Vertannes (ex-head of Cargo, IATA) it will be strategically important for governments to play a role in giving the logistics infrastructure at airports some extra attention. There will be a need for improved air cargo facilities with greater data handling capability to serve the industry going forward.

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*“ The use of paper to supplement the movement of freight should not exist”*

*- Des Vertannes, (ex-head of Cargo, IATA)*

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### **Professional cargo personnel needed**

As with any major industry change, the right people are required to be the catalysts for change to happen. According to Stan Wraight, President/CEO of Strategic Aviation Solutions International (SASI), the industry needs more cargo professionals to be hired,

constantly trained on best practices, and have a voice in the airline boardrooms to influence strategies and tactical solutions. To move the aviation industry out of this COVID-19 period, airlines need to accept that cargo will be the major revenue earner compared to passengers for the next few years. As such air logistics careers and air cargo personnel will be important in re-shifting operational focus.

### **Cargo as a core strength**

Cargo will save most passenger airlines in the short to medium term and even after passenger numbers return to pre-pandemic norms. This shift in focus for airlines will require dedicated cargo professionals who are willing to transform the industry in all aspects from the facilities available at airports, the adoption of digitisation and their relationships with the customers. If airlines must learn one thing during this pandemic, it is that cargo has been a core strength of an airline, not a second thought after passengers.



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*“The old rules don’t apply, and the new rules are not written and now is not the time to write rules”*

*- Ram Menen (former DSVP)*

The discussion does not end here. Tune into our vodcasts or subscribe to **Logistics Executive TV** ([Subscribe Here](#)) where we are featuring a COVID-19 series covering the current global situation all the way through to the impact on driving business forward and future supply chains. With regards to Air Cargo, our 2 part vodcast feature explores ‘The Future Way Forward’ joined by world-renowned Air Cargo experts, Des Vertannes (ex-head of Cargo, IATA), Ram Menen (former DSVP Emirates SkyCargo) and Stan Wraight (President, SASI).

Watch the two-part vodcast here: <https://www.youtube.com/watch?v=yFck6RQo7So&t=792s>

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## **Contact the authors**

Aindrea Sewell - Business Intelligence Specialist  
Mark Lutton - Senior Project Director  
Darryl Judd - Managing Director Corporate Advisory

e: [AindreaS@LogisticsExecutive.com](mailto:AindreaS@LogisticsExecutive.com)  
e: [MarkL@LogisticsExecutive.com](mailto:MarkL@LogisticsExecutive.com)  
e: [DarrylJ@LogisticsExecutive.com](mailto:DarrylJ@LogisticsExecutive.com)

Phone: +971 4 361 6275  
Phone: +971 4 361 6275  
Phone: +971 4 361 6275