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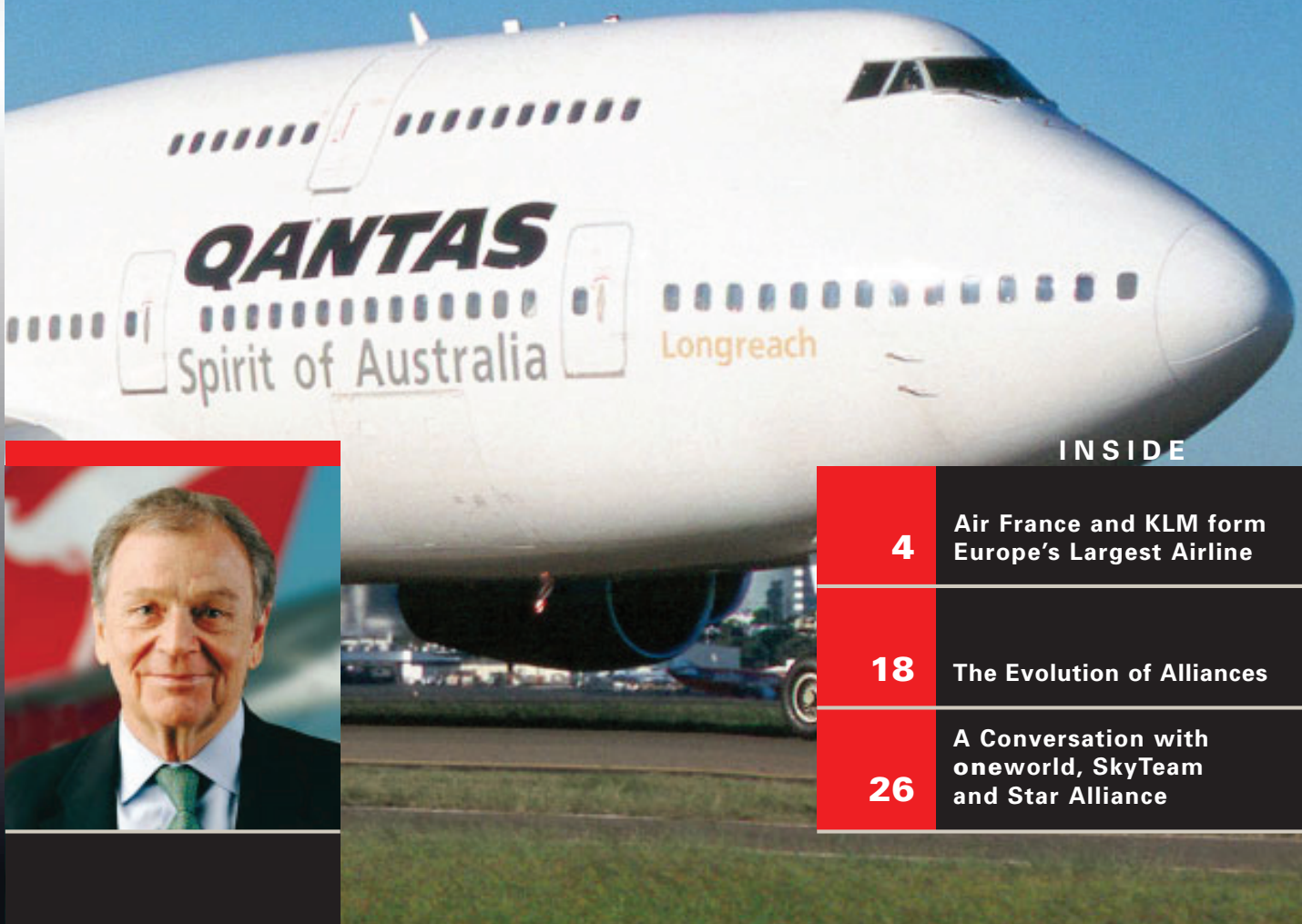
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Taking your airline to new heights

AN ALLIED FRONT

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Carrying the Freight

Like their passenger counterparts, global cargo alliances, although still in the early going, have potential to help reshape the airfreight industry.

Photo courtesy of Lufthansa Cargo



■ By Mukundh Parthasarathy | *Ascend* Contributor

Expanding network reach. Providing seamless services across airlines. Generating incremental revenue. Reducing costs. For years, large passenger airlines have known about the benefits of membership in a global alliance. Now, more and more cargo airlines are discovering the same thing.

About five years ago, the cargo divisions of Star Alliance members Lufthansa German Airlines, Scandinavian Airlines System and Singapore Airlines began looking for ways to create a cooperative airfreight group to provide some of the same types

of services they received from their passenger alliance.

Building on those discussions, in April 2000, Lufthansa Cargo, SAS Cargo and Singapore Airlines Cargo launched the New Global Cargo alliance, now known as the WOW alliance, which has since been joined by Japan Airlines Cargo. Five months later, the cargo divisions of several SkyTeam alliance members — Aeroméxico Cargo, Air France Cargo, Delta Air Logistics and Korean Air Cargo — also joined together to form the SkyTeam Cargo alliance. CSA Cargo and Alitalia Cargo later joined the alliance.

The cargo alliances help airlines “meet the demand for rapid deliveries to all parts of the world,” according to an article in SAS Cargo’s *Cargotimes*.

“[A]irfreight companies have recognized that they must create global networks,” the article said. “The new economy has made cooperation essential. No single airfreight company has a reasonable chance of meeting the needs of all customers.”

By joining together, the members of the WOW alliance can provide customers a combined fleet of 43 freighters and the belly

capacities of more than 760 passenger aircraft. Together, the alliance's network comprises 523 destinations in 103 countries on five continents. Similarly, the SkyTeam Cargo alliance members combine to provide more than 8,217 daily flights serving 512 destinations in 114 countries using more than 1,200 aircraft. Also, by seamlessly coordinating their networks, alliances can drastically reduce the amount of time — in some cases by several hours for an urgent delivery — required to transport freight.

Joining an alliance “will lead to extensive advantages for our customers and strengthen our market position into the

future,” said Peter Grølund, general manager of SAS Cargo, when WOW was launched. “A stand-alone model is no longer sustainable if we are to offer customers the services they demand.”

Although they are relatively new, and include just a handful of members, the global cargo alliances will have a dramatic impact on how freight is transported. Airline industry observers say they expect the cargo alliances to grow and new alliances to form in the coming years. The current alliances themselves still have plenty of room to grow. WOW, for example, currently lacks a North American partner. And neither WOW nor

SkyTeam Cargo has a member from South America or Africa.

Several large cargo airlines, including American Airlines Cargo, United Airlines Cargo, British Airways World Cargo as well as cargo-only airlines such as Polar Air Cargo, continue to keep their options open. Some airlines have remained on the sidelines due to the degree of integration required by membership in a successful cargo alliance.

Despite such gaps, the cargo alliances represent a response to the demands of the current marketplace. By providing extended global networks that can better handle express shipments and by utilizing the net-

hightech

News on New and Improved Products and Services from Sabre Airline Solutions

product

Sabre® AirCrews® Disruption Control

description


AirCrews Disruption Control is an industry-leading system designed to help airlines overcome crew schedule disruptions quickly so crewmembers are able to return to regular operations with minimal schedule interruption.

benefits

The system lessens the economic impact of unexpected costs to airlines and prevents significant revenue loss during times of irregular operations. By integrating the capabilities of *Disruption Control* with those of the *Sabre® AirCrews® Crew Management Suite* or the *Sabre® Flight Control Suite*, the system provides several benefits enabling airlines to competently manage both flight schedule and crew disruptions:

- **Rapid recovery** — Crew schedulers can develop a solution quickly, resolving both pairings and crew, and then target the most efficient resolution to a particular type of disruption.
- **Cost savings** — Disruption-related costs, such as lost short-term revenues caused by cancelled and delayed flights and decreased customer satisfaction and loyalty that may have a long-term impact on an airline's brand, can be minimized through efficient disruption recovery.
- **Smart integration** — While offering direct integration with other products in the *Crew Management Suite*, *Disruption Control* can also interact with other crew operations systems.
- **Efficient deployment** — Utilizing *Disruption Control*, crew schedulers can analyze various solutions as scenarios prior to implementation, ensuring that a solution adequately addresses the desired needs without causing additional problems to crew operations.
- **Cross-functional integration** — Integration with other Sabre Airline Solutions recovery products provides airlines with the necessary tools to produce recovery solutions in the areas of crew, aircraft and passengers.

features

- **Automated solutions** — Once a crew tracker receives updated flight information, *Disruption Control* provides an automated solution to a particular disruption based on data provided by the crew tracker.
- **Deadheading or positioning of crew** — The system considers all flight legs available for deadheading, utilizing a unique deadhead-selection logic to select a subset of all deadheads to be included in the development of a solution.
- **Graphical user interface** — The system's user-friendly interface enables a crew tracker to quickly create a solution scenario by specifying the inputs and recovery parameters, which control the type of crew and flights chosen for the solution.
- **Recovery parameters** — With the recovery parameters defined, the system provides a list of affected and candidate crewmembers, which can be reviewed by the crew tracker to determine whether to include or remove crew from the solution.
- **Multiple scenarios** — At any time, the recovery parameters can be changed in *Disruption Control* so an alternative solution can be considered. 



Leading Cargo Airlines

The top 20 airlines for international freight traffic in 2003.
(in millions of scheduled freight ton kilometers)

1. FedEx	13,320
2. Lufthansa	7,260
3. Korean Air	6,896
4. UPS	6,732
5. Singapore Airlines	6,681
6. Cathay Pacific Airways	5,197
7. Air France	4,875
8. China Airlines	4,727
9. EVA Air	4,713
10. Japan Airlines	4,388
11. Cargolux	4,348
12. British Airways	4,194
13. KLM	4,085
14. Northwest Airlines	3,001
15. Emirates	2,586
16. Asiana	2,566
17. American Airlines	2,555
18. United Airlines	2,388
19. Nippon Cargo	2,321
20. Air China	2,177

Source: International Air Transport Association

The world's top 50 cargo airlines transported 125,299 million freight ton kilometers in 2003, of which 95,010 million FTKs were handled by the top 20 cargo airlines.

work of alliance members, cargo alliances deliver a better product to customers. The alliances also allow their members to consolidate ground sales and marketing infrastructures.

The alliances are gaining acceptance in the industry — last year, the Asia Freight and Supply Chain awards even created a new category for best air freight alliance, won by WOW in 2003 and 2004.

In addition to the large alliances, many cargo divisions are, like their counterparts on the passenger side, exploring individual links with specific partners through codeshare agreements. Smaller airlines are creating such links with larger international carriers to provide worldwide coverage. Air Jamaica Cargo, for example, has formed alliances with 13 airlines and four major trucking companies. There are also numerous individual relationships. JAL Cargo and American Airlines Cargo have a strong relationship as do British Airways and Qantas Airways. And there still exist some relationships outside the global alliance framework, such as SkyTeam Cargo member Korean Air Cargo's alliance with WOW member SAS Cargo.

Although positioned to become more important in the industry, cargo alliances still face a number of challenges to their operation.

One of the key steps for a successful cargo alliance is to create a unified "storefront" that coordinates pricing and selling at a global level, leading to cargo transported under the alliance brand rather than that of an individual airline. To do so, however, is complicated

by differing information technology systems, corporate and national cultures, and varying cargo services.

Alliance members must standardize pricing, as well as product offerings and levels of service. Individual airlines must also harmonize their similar products — express delivery, for example — so that packages move seamlessly through the network. They also must set up a mechanism to determine how to split the revenue generated from a shipment that involves multiple alliance members.

One promising development that may assist cargo carriers in addressing these challenges is that developing technology is emerging — such as cargo reservations, revenue accounting and claims management — that can help airlines integrate their cargo operations. Standardizing IT platforms will enable the individual carriers to more efficiently coordinate operations as well as communicate with each other. Consistent standards will help the cargo alliances offer a unified service.

Although still in the early developmental phase, cargo alliances likely will play an increasingly important role in the future of freight transport. **E**

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THE HIGH • LEVEL view

News Briefs from Around the Globe

Who

Comair

What

Selected the *Sabre® AirCrews® Operations Manager* to efficiently track flight crew. Included in the agreement is the *Sabre® AirCrews® Crew Connection*, which will provide increased benefits to Comair's flight crewmembers, enabling them to

review work schedule changes and perform trip trades automatically online.

Why

"With the implementation of *Operations Manager*, Comair will have quicker, more reliable access to information about all aspects of our crew operations," said Pat Ryan, director of crewmember services.

"Partnering with Sabre Airline Solutions will have a positive impact on daily operations at Comair, providing us with improved operational reliability while maintaining a level of cost effectiveness that a carrier our size needs.

"We expect Comair to benefit from the increased operational flexibility granted by the proven system," he said. **E**