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On the Cover

Gabriel Oliva

CEO, avianca cargo

COO, avianca

FALL/WINTER 2023 ISSUE

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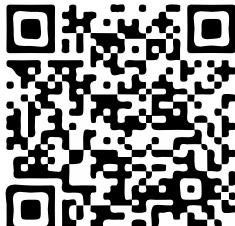
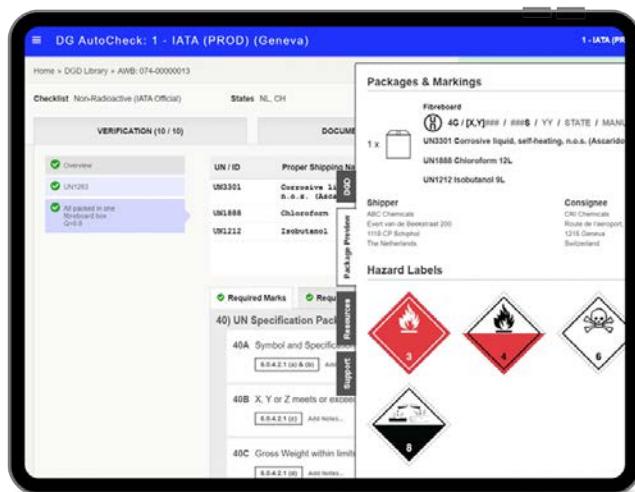
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DG AutoCheck



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FLOW-ing Into a New Era

Notes From the Editor's Desk



Alexis Dames

For many years, the pages of this publication have presented a deep analysis of issues affecting logistics, such as port congestion, high dwell times, and others. Through interviews and in-depth coverage, we have established the notion that to enhance data exchanges throughout the supply chain, a commitment from all parties involved is required. More importantly, a safe and trusted third party is also necessary to oversee the data.

While this is a complex assignment to complete on many levels, the US government has stepped up to become a trusted third party for a new voluntary logistics program, that will provide a secure exchange of data between companies at all levels of the supply chain.

In 2022, the White House announced a new initiative to improve the supply chain data flow. The Freight Logistics Optimization Works (FLOW) is a government/industry partnership that promises to speed up delivery times and reduce consumer costs. It was established as an information exchange for a forward-looking, integrated view of domestic supply chain conditions according to the U.S. Department of Transportation, which serves as a secure independent steward of the information supplied by program participants.

Through FLOW, key freight information is exchanged between parts of the goods movement supply chain. The sharing of data as part of the exchange can be automated daily or weekly if using manual means. The initial cohort of the program includes eighteen participants across the supply chain, including private businesses, warehousing, and logistics companies, ports, and more according to a fact sheet published by the White House.

An important part of FLOW is that the information submitted by each participant is not associated with a specific entity or business. This information is anonymized and protected by the Confidential Information Protection and Statistical Efficiency Act (CIPSEA).

While the initiative to establish FLOW is lauded by many, the technology required for such an endeavor has been available for many years. However, the adoption of digital solutions by stakeholders in the supply chain has not been equitable due to costs and other barriers. The topic of digitalization has been at the forefront of industry discussions for a long time, and the benefits of technology are evident in increased efficiency, sustainability, simplification, cost reduction, and better utilization of resources and existing infrastructures.

We are rapidly accelerating into a future where access to data will be pivotal for all parties to improve every aspect of operations. This will enable US companies of every size to improve efficiency, remain competitive and ensure compliance.

Speaking of efficiency, this Fall/Winter issue of FOCUS features some of the key players that are redefining the terms leadership and innovation for our industry. From avianca cargo and its many recent certification accomplishments to scaling cargo operations at MHT, insightful legal perspective articles, and a freight forwarder's take on upcoming regulations, this issue has it all!

Alexis Dames Vandenbrande
Editor



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FACE UP

From the Top - Gabriel Oliva

CEO, avianca cargo COO, avianca

by Alexis Dames



Gabriel Oliva

About Gabriel Oliva

Gabriel Oliva has over 20 years of experience in executive positions in diverse industries, and more than 12 years of experience in the aviation sector. Before assuming his roles as CEO of avianca cargo and COO of avianca, he was Senior Vice President for North America, Europe and Asia-Pacific for LATAM Cargo. Previously, he led the areas of Global Transformation, Alliances and Interline, Marketing and Customer Experience, Product Development and Revenue Management for North America and Asia. In addition to this experience, Gabriel has worked with companies that include The Boston Consulting Group, Siemens and Petrobras. Oliva holds an MBA from Harvard Business School and an undergraduate degree from the Instituto Tecnológico in Buenos Aires.

Focus: avianca Group recently announced the strengthening of the company's leadership team. What are the main changes and what will be your role in this new structure?

Oliva: At avianca, our commitment to winning is unwavering, which is why we have strengthened the airline's leadership team. In alignment with this commitment, starting in 2024, Adrian Neuhauser will take on the role of CEO at the ABRA Group and serve as the Executive Vice-Chairman of avianca. His primary focus will be accelerating the consolidation of the group (avianca and GOL), with the goal of establishing the premier air travel option in Latin America.

Concurrently, starting in 2024, Frederico Pedreira, who has held the position of Chief Operating Officer (COO) at avianca since 2021, will assume the responsibilities of CEO and President. He will immediately oversee critical processes for avianca, including operations, human resources, technology, corporate communications, customer service, and institutional relations.

In turn, I took over as Chief Operating Officer and remain as CEO of Cargo. In this capacity, I will lead the areas of maintenance, safety, network and ground operations, service delivery, airports, cabin crew, and pilots. I will also continue to spearhead the transformation of the cargo business.

To achieve all of this, I will have reinforcements: in the leadership of avianca cargo, I will be accompanied by Diogo Elias, Senior Vice President of Cargo, who will have greater responsibility for leading the day-to-day operation of this unit, developing and executing the growth strategy that has been outlined in terms of network & fleet, customer value proposition, infrastructure & processes, cost efficiency, and people & technology.

Focus: What are your expectations for this role, that combines the best of the cargo and passenger universe?

Oliva: Both cargo and passenger operators have adapted to be more robust and be able to compete in a challenging environment. avianca has reinvented itself and now, we are financially stronger, with a clear focus on cost and operational efficiency, digitalization, sustainability, safety, operating a more streamlined business model, and with a higher cargo contribution to the bottom line of our entire group.

Yet, there are key opportunities to materialize, and recently we have invested around USD 500 million to strengthen our operations to connect more people through a wider network reaching more destinations, providing incremental capacity

› From the Top – Gabriel Oliva, CEO, avianca cargo / COO, avianca.

with 16 additional aircraft, and generating more than 1,200 direct employments.

Having said that, I have well-defined objectives and expectations as the leader of avianca's passenger operations and cargo business. These goals are directed at consistently cultivating trust through:

1) leveraging the airline's planned growth with more efficient operations, while continuing to prioritize safety to ensure that around 30 million passengers can fly on time, safely, and with their luggage, and 2) continue consolidating avianca cargo as a leading operator in the region, by strengthening and investing in the cargo business in line with industry priorities.

Focus: How have you invested your time at avianca since joining the airline?

Oliva: I joined avianca cargo in August 2021 with a clear purpose: to reinvent it and turn it into a leading and winning cargo operator in the market. To accomplish this, I defined a five-pillar strategy on which that vision could rely: 1) Network and Fleet; 2) Customers' Value Proposition; 3) Infrastructure and Processes; 4) Cost Efficiency; 5) People and Technology.

Over the past two years, my time here has been marked by the successful implementation of this strategy, which has yielded remarkable results. To mention a couple of examples:

Network and Fleet: a) a fleet expansion plan to incorporate four A330PtoF from 2024, featuring the most sustainable medium-sized cargo fleet in the region; b) the establishment of a multi-AOC integrated network with our partner Mexican cargo-based airline, AeroUnion; c) more than a 50% increase in our market share across the United States, Central America, and the Southern Cone, versus pre-pandemic levels; d) the development of strategic alliances to enhance connectivity from Asia & Europe to Latin America.

Customer Value Proposition: a) sustained growth of our service levels to world-class standards; b) become the first carrier in America to certificate its operation under four CEIV categories by IATA; c) the re-definition of our product portfolio d) integrations with customers through 3 digital platforms.

Infrastructure and Processes: a) to achieve the highest service levels in one of our largest and busiest cargo HUBs, Bogotá; b) double our cooler capacity for perishables handling in Colombia; c) invest for capacity and time efficiency in our Miami warehouse; d) boost digitalization versus manual

approach in revenue management and scheduling processes.

Cost Efficiency: Cost is a top priority in creating efficiencies and optimization policies day after day.

People and Technology: a) organizational transformation with +90% change of leadership with industry expertise; b) digital enhancement for faster processes and end-to-end cargo system powered by IBS. All of this wouldn't have been possible without being surrounded by a talented team that genuinely enjoys what they do, possesses an unwavering desire to win, and inspires, making it truly spectacular to get up and work.

Focus: What steps have you taken to optimize company culture and increase output? What does the optimization culture mean in terms of leadership?

Oliva: As a whole, avianca embarked on a significant journey of cultural transformation, where employees play a central role. This move was initiated by the company's Executive Committee —of which I am proud to be a member— during the pandemic. We aimed to highlight our company's commitment of fostering a culture that prioritizes people and recognizes their role in achieving our organizational objectives.

As the aviation industry was grappling with the challenges of the global health crisis, our fleet like many others was grounded. In response, we at the Executive Committee rallied employees around a common purpose: to overcome obstacles together and chart a path toward our shared destiny. A milestone that deserves to be highlighted.

Our employees are the true champions of our core values, and by taking ownership of their respective roles and processes, they have been instrumental in delivering exceptional results for the company.

Focus: Please provide a brief overview of avianca cargo's current operation. Including bases, fleet, and the key people that make cargo depart on time, every time.

Oliva: Both avianca cargo, together with the Group's affiliated cargo airline, AeroUnion, currently operate a fleet of 11 freighter aircraft, that include models like the A330-200F, B767-200F, and A300-600F. Additionally, we can utilize the belly capacity of over 120 passenger aircraft (B787 and A320s). Currently, we serve more than 70 destinations throughout America and Europe spanning approximately 24 countries, including the United States, Colombia, Brazil, Chile, Argentina, Ecuador, Peru, Spain, United Kingdom, among others.



An avianca cargo A330F in the new green livery. Photo: avianca cargo.

We have been chosen as the best cargo airline in the Americas, holding the #1 position in Colombia's flower market to the USA (one of the largest in the region) and relevant in the overall USA - Latin America cargo imports and exports markets. Our freighter operation concentrates on Miami, Los Angeles, Mexico, and Bogotá as main cargo hubs.

The avianca Group employs over 13,000 individuals, with 1,000 of them specifically focused on cargo operations. They are dedicated to achieving significant results as part of our ongoing turnaround strategy execution.

Focus: What can you tell us about avianca cargo's turnaround strategy and how does this strategy factor into your long-term goals?

Oliva: avianca cargo plays a strategic role for the Group, and the transformation plan we initiated at the end of 2021 has already positioned us as a leading cargo operator in the region. Our aim is to maintain this position in the long-term.

To effect this turnaround, we rely on the successful framework of the five-pillar strategy mentioned earlier. These pillars encompass enhancements in terms of Network and Fleet, Customer Value Proposition, Infrastructure and Processes, Cost Efficiency, as well as People and Technology.

Focus: avianca cargo's fleet of A330F has been mentioned as the most sustainable fleet in the region. What does the new green livery represent within avianca cargo's sustainability purpose?

Oliva: At avianca cargo, we are actively shaping the notion that sustainability is NOW. This is why we introduced a new green livery for our A330F, the medium-sized freighter heralding the most sustainable operations within our region.

With this green livery, we wanted to symbolize our commitment to our planet by having chosen the fleet with the lowest environmental impact in the region: our six A330Fs and the four A330PtoFs that we will incorporate from 2024 onward.

This milestone is in addition to many other impact initiatives we have been working on. Among them, throughout 2022, our commitment to the environment was underscored as we successfully averted the emission of over 59,000 tons of CO₂e through our avianca Group initiative: avianca Fuel.

We have significantly lessened our impact on the Galapagos Islands by transporting thousands of kilograms of waste to Guayaquil to be treated and recycled, and we are also actively modernizing our facilities with innovative refrigeration technologies, aimed at curbing emissions. And this is just the beginning because we will continue to move steadily forward with actions now to positively impact the future of our industry.

Focus: What are the key benefits of the avianca cargo network for the region you serve?

Oliva: We operate one of the wider networks in the region with both passenger bellies and dedicated freighters as a system, to offer our customers different possibilities to reach a variety of destinations globally. Our network is a key element of avianca cargo's value proposition; increasing capacity in key markets and adding new destinations to continue being a reliable partner for our customers.

As the leading carrier in Colombia, we maintain a strong position in this market, we also grew our presence in Chile with increased year-round service for salmon and have reached underserved regions such as Vitoria in Brazil, boosting the air exports in this region. We understand the importance of seasons and have flexibility to provide additional lift during periods such as Valentine's Day and Mother's Day for flowers, or in the southern hemisphere during cherry season, without disrupting service levels for regular customers.

Besides adding capacity, we have also grown in destinations, reaching San Salvador in El Salvador, Ciudad del Este in Paraguay, a direct service to Los Angeles from Colombia, Ecuador, Guatemala and Costa Rica, and more recently Monterrey in México, and Vitoria and Florianopolis in Brazil, to name a few.

In addition, the consistency in our freighter itinerary offer (over 85% OTP) with a steady upward trend during 2023, will continue to provide greater connection opportunities to our customers.

Focus: What plans does avianca cargo have in place to expand its network?

Oliva: We plan to keep strengthening our network and consolidate in markets where we have a relevant position while adding more destinations and options for our customers. Colombia is our home market, and as we are fully committed to the flower grower sector, we expect to add more capacity in this market. Salmon is another key export market in the region where we plan to continue growing as we've received great support from the customers in Chile. Furthermore, in addition to the growth of belly capacity with the wide body fleet increasing, we have a pipeline of new destinations for the freighters in the Americas to add more capillarity and direct options.

Another key factor for our network expansion purposes is the development of strategic partnerships to continue offering a wider network beyond online operations, we've been working with other carriers for deeper cooperation and to provide more options and connectivity to our customers.

Focus: You mentioned strategic partnerships, what are some alliances that avianca cargo has recently established?

Oliva: Our alliance strategy emphasizes joining efforts to provide wider access to major destinations worldwide by interconnecting networks, along with building up a robust value proposition under commercial, operational, technological, and product cooperation with top carriers.

Following with this strategy, we signed a Memorandum of Understanding (MoU) in April 2023 with Turkish Cargo as part of our effort to diversify markets and improve traffic and trade between Latin America and Asia. This agreement also represents the strengthening of bilateral cooperation between both airlines, and will help to identify commercial opportunities, operational enhancements, and end-to-end visibility through systems integration and product developments. We expect this cooperation to consolidate more than 10,000 annual tons of cross-border traffic by 2025.

We also plan to strengthen cargo hubs in the USA and bolster operations in Mexico by adding value with a more integrated network between avianca cargo and our Mexican-affiliated airline, AeroUnion. We will offer a more comprehensive and robust network to the West Coast, a key gateway to highly relevant markets in Asia, to the southern cone of America. Also, as part of Abra Group we are working with GOL to enhance our product offering and have seamless connectivity in Brazil to provide a wider range of destinations.

Last but not least, we continue strengthening our interline portfolio with over 70 partner airlines, developing strong commercial agreements which allow us to connect the avianca cargo network worldwide.

"avianca cargo plays a strategic role for the Group, and the transformation plan we initiated at the end of 2021 has already positioned us as a leading cargo operator in the region. "

Gabriel Oliva



› From the Top – Gabriel Oliva, CEO, avianca cargo / COO, avianca.

Focus: What is avianca cargo's take on the year-to-date (2023) service numbers and what do you expect to see in 2024?

Oliva: At avianca cargo, we want to continue improving every day in order to provide the best quality services to our customers. This means maintaining consistency in our processes and products.

In 2023, our company has consistently achieved a service delivery promise of over 85% flown as booked, marking significant progress compared to the pre-pandemic levels where the service was below standards. Also, the delivery of the highest quality standards of service, is supported by the rigorous processes and capabilities we recently validated for each CEIV certification. Our primary focus continues to be on consistency, service differentiation, product enhancement, and customer satisfaction. These priorities will enable us to build trust, strengthen our value proposition, and position ourselves as the preferred cargo carrier in the region for the years to come.

Focus: Congratulations on becoming the first airline in the Americas to receive three IATA CEIV Certifications. What were some of the lessons learned from these certification processes and how do they enhance your operation?

Oliva: Thank you very much! Becoming the first airline in the Americas to achieve the CEIV Pharma, CEIV Fresh, CEIV Lithium Batteries, and CEIV Live Animals certifications is a remarkable accomplishment and an exciting challenge. We swiftly established these programs and gained valuable insights into industry trends and specialized products.

The core focus of these programs is all about risk reduction, -an essential factor in maintaining a careful balance between top-tier service, seamless operations, and safety-. We developed our expertise to identify issues, communicate effectively, and brainstorm solutions, ensuring rigorous quality control. This journey propelled us to continuously enhance our operations through a culture of improvement and strict adherence to industry regulations and best practices.

And the momentum doesn't stop here. As I said, we've just successfully validated the CEIV Live Animals certification as well! This makes us a pioneer in the Americas, the only carrier holding all four certificates. It's a testament to our commitment to pushing the boundaries in aviation and striving to be the best in the field.

Focus: How do avianca cargo customers benefit from each of the four CEIV certifications?

Oliva: Compliance with IATA's CEIV certification standards

Opposite page: (Top) avianca cargo freighter and flower pallets. Photo: avianca cargo.
(Bottom) Unloading of freighter at Miami. Photo: avianca cargo.



CNS, IATA & avianca cargo representatives meet during the 2023 CNS Partnership Conference held in Miami. Appearing from left to right, Leonel Ortiz, Cargo Operations VP, avianca cargo; Gabriel Oliva, CEO avianca cargo, COO avianca; Laura Pullins, President and Head of Cargo, CNS; Brendan Sullivan, Global Head of Cargo, IATA. Photo: avianca cargo.

enables us to offer our customers important reasons to be confident in our service. Especially, because it conveys that we deliver diligent product care by exercising precision in handling, storing, and transporting sensitive goods. We strictly adhere to regulations, aligning our practices with both market expectations and regulatory requirements.

In addition, we assure our customers robust tracking and transparency by closely monitoring sensitive goods, facilitated by our comprehensive tracking systems and meticulous record-keeping.

Finally, we deliver enhanced operational efficiency, resulting in expedited processes, proficient time management, and dependable service, emblematic of our dedication to excellence.

Focus: How do CEIV and other initiatives tie into your ESG efforts?

Oliva: IATA's CEIV programs seamlessly align with the industry's sustainability objectives and with our objectives as a company. The CEIV standard not only brings about operational efficiencies through streamlined handling practices but also leads to waste reduction and reduced emissions in our warehouse activities.

Ensuring the utmost quality of our temperature-sensitive products, we've introduced advanced refrigeration systems that not only meet stringent environmental standards but also represent the pinnacle of emission-lowering technology.

Our active participation in IATA's working groups dedicated to process optimization empowers us to make strides in multiple areas. This includes exercising heightened control over food waste, as is the case with CEIV Fresh.

Additionally, we contribute to formulating strategies for the sustainable recycling of materials such as plastic pallets and covers, all the while curbing the utilization of single-use plastic in our operations.

Focus: As the industry progresses into digitalization, how has avianca cargo worked with its customers to improve digital interactivity?

Oliva: At avianca cargo, we're actively advancing our digitalization efforts to enhance the customer experience, make better decisions using real-time data, improve quality and safety, reduce costs, and minimize our environmental impact.

We've seamlessly integrated our technological ecosystem to simplify our processes, optimize resource utilization, and elevate our service standards.

In less than a year, we've made our capacity available on the world's leading electronic booking platforms, successfully activating 80% of our network capacity. Our steadfast commitment is to achieve 100% integration by year-end. Simultaneously, we're continuously innovating in digitalization, now implementing Host-to-Host integrations to align even closer with our customers' systems and processes.

Focus: Regarding avianca cargo's hubs at MIA and BOG, what are some of the investments in capacity and efficiency improvement that the airline has undertaken?

Oliva: Regarding our strategic pillar of Infrastructure and Processes, we have focused on building an organization based on processes that enable stability, consistency, and transparency in decision-making and value capture. In that sense, some of the investments in capacity and efficiency that we have been making as a company have been made in our Miami, Bogotá, and Medellín hubs. Some of them are:

In our warehouse in Medellín, we doubled the cooling facility capacity for perishables to more than 120 tons and we achieved 40% lower import delivery times.

We've also made significant investments in our Bogotá facilities, introducing a cutting-edge jet floor that streamlines our operation. This advanced addition not only makes it easier for our staff to handle goods but also results in time savings, reduced damage, and overall improved efficiency.

In our Miami warehouse, we've increased our capacity for Build-Up position handling, achieving over 40% faster processing times. Additionally, we've simplified the Flight & Ground Ops process by 50%. We are actively working towards centralizing processes and transforming our Revenue Management practices for continued enhancement.

Focus: What are some recent investments in technology avianca cargo has made? What is currently in your pipeline?

Oliva: Strategically, we see technology as a lever to improve service and enable efficiencies. Over the past year, we have digitized our entire itinerary and operational control process, implementing tools from Sabre and Lufthansa that provide us with a broader view of operations. This allows us to explore different scenarios during planning and execution, as well as make decisions with the maximum amount of information possible. We are also working to bring this technology to the management of our crews.

We have been increasing integration with our ground handlers to have real-time information and traceability through standard and ad-hoc integrations in the Latin American region. Recently, we developed and launched our internally built credit card payment platform, allowing us to reduce commission costs for our customers. Additionally, we are exploring artificial intelligence solutions to support reservation processes and customer service, aiming to accelerate response times.

Focus: Where do you see the biggest opportunities in terms of digitalization?

Oliva: In this industry, we have important lags in terms of digitalization, especially when it comes to operational aspects and regulatory bodies. Many processes in Latin America still rely on paper-based methods. While we're actively simplifying transactions for our customers, there's still much work ahead, particularly in customs and regulatory processes.

We are participating with IATA in the region's digitization initiatives, as active members of the Digital Operations & Technology Board. We are providing a regional perspective to the forefront of the industry's priorities, aiming to collaboratively drive the much-needed change in customs processes in our region.

The greatest opportunities for digitization are customer-facing. The simpler we make their processes and the flow of information, the more competitive our industry becomes. That's why we are working diligently to develop Host-to-Host integrations to provide increased visibility in terms of capacity, traceability, and rates to our customers, accelerating the closing of the sales cycle. We plan to launch significant integrations in 2024 with some of our clients.

Additionally, we are working on solutions to digitize our ground processes, making cargo handling and connectivity processes more efficient. We recently launched a digital tool that enables real-time delivery of information to the ramp team. With this tool, we can digitally assign tasks, special services, and even



Gabriel Oliva and Diogo Elías with avianca cargo pilots. Photo: avianca cargo.

key documents for ramp personnel, eliminating the need for time-intensive office visits.

Focus: What are currently the biggest challenges for avianca cargo or the air cargo industry as a whole?

Oliva: One of the biggest challenges we are facing right now is the contraction of global air demand and the competitive environment, mostly from widebody recovery – yet below 2019 levels – and freighter capacity above pre-pandemic levels. However, our long-term strategy remains steadfast, at avianca cargo we see these challenges as an opportunity to continue targeting service differentiation, focusing on load factor optimization and cost efficiency, all while delivering more customer-centric operations. We have exceeded all our goals based on the successful turnaround we have accomplished, and we will continue on that path, raising standards and delivering excellence.



An avianca cargo freighter receives a water-cannon salute. Photo: avianca cargo.

About avianca cargo

avianca cargo is a leader in the region and is the main operator in different markets in the Americas, with around 200 weekly freighter flights, and more than 1,300 passenger flights per week. It serves more than 70 destinations with one of the largest networks in America and the A330F as the most sustainable cargo fleet based in the region. It is the first airline in the Americas to obtain IATA CEIV certifications in four different categories: Pharma, Fresh, Live and Lithium Batteries; in 2022 it was recognized as a top global leader in air cargo logistics for perishables handling by STAT Times, in 2023 as the Best Cargo Airline in the Americas by Air Cargo News, and continues to raise its position in the relevant markets.



NOTE: For additional information, please visit: www.aviancacargo.com



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CEIV Lithium Batteries

IMPROVE

The handling and transport
of lithium battery products
along the supply chain

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Center of Excellence for Independent Validators Lithium Batteries (CEIV Li-batt) is a certification program designed to enable shippers, freight forwarders, cargo handling facilities and airlines to meet their safety obligations by complying with the applicable transport regulations, improve the level of competency, infrastructure and quality management in handling and transportation of lithium battery products throughout the supply chain.



From the Top - Ted Kitchens

Airport Director

Manchester-Boston Regional Airport

by Alexis Dames



Ted Kitchens

About Ted Kitchens

Ted Kitchens, A.A.E., is the Airport Director at Manchester-Boston Regional Airport. In this role, Ted oversees an approximately \$1 billion economic engine to the Greater Manchester and Southern New Hampshire region that includes commercial aviation development, cargo, general aviation, concessions, rental cars, and property development.

After serving as a consultant in airport planning and development, Ted moved into managing airports by joining Hartsfield-Jackson Atlanta International Airport in their planning and development bureau and has progressively moved into senior leadership and executive roles.

Before joining Manchester-Boston Regional Airport, Ted served as the General Manager for George Bush Intercontinental Airport, the nation's 15th busiest airport. In this role, he oversaw operations, security, maintenance, capital development, and the administration of a \$150m annual operating budget. Ted successfully led the airport through flooding that

occurred due to Hurricane Harvey, the worst natural disaster in U.S. history.

Ted holds a bachelor's degree in Sociology from the University of Central Florida and a Master's Degree in Urban and Regional Planning from the University of Florida. He is an Accredited Airport Executive from AAAE, having received his accreditation in 2010. In his spare time, he enjoys photography, golf, and cooking on his Big Green Egg!

Focus: How has MHT scaled throughout the years and how has it evolved to adapt to customer requirements in the region?

Kitchens: MHT has routinely been a Top 50 cargo airport in the United States based on volume. We moved over 200 million pounds of cargo through two, 25,000 square foot buildings last year, which represents a very healthy utilization of over 4,000 pounds of cargo per square foot - nearly twice the utilization rate that newer cargo facilities are designed for. As such, we have a need for additional cargo warehousing space to continue to meet the cargo demand of not only Northern New England, but also for portions of Massachusetts and the greater Boston metropolitan region.

Focus: What markets do the cargo airlines operating out of MHT serve and what products are most commonly transported?

Kitchens: Our three cargo carriers all provide integrated cargo services. UPS and FedEx cargo operations tie into their national networks, and last year we welcomed our newest carrier - Amazon Air - which provides world-class B2C logistics within their network. Overall, the MHT shipped product profile matches typical business and consumer product profiles with some impact from local manufacturing operations.

Focus: What advantages does MHT's location offer to cargo airlines and other industry stakeholders?

Kitchens: We provide easy access to the greater Boston metropolitan region with airspace, airfield, and ground

› From the Top – Ted Kitchens, Airport Director, MHT

transportation advantages. Cargo providers can count on operational reliability from MHT's CAT IIIb ILS instrument approach to our 9,250-foot runway, congestion-free airspace, and an airfield team that keeps our airfield open, operational, and safe. We have not closed the Airport in over 30 years due to snow or winter weather, a feat that other airports in the region cannot claim. Another unique advantage is that MHT acts like a "mini-hub" for small package delivery utilizing twin turboprop carriers to reach smaller New England towns like Nantucket, Massachusetts and Presque Isle, Maine. Lastly, the ground transportation network serving the Airport provides congestion-free access to interstates and major markets, including Boston, as cargo moves with less congestion than larger cities.

Focus: What percentage of MHT's air traffic is by cargo airlines?

Kitchens: About 30% of our daily departures are conducted by UPS, FedEx, or Amazon. This does not include the regional cargo operations that provide access to smaller Northern New England airports.

Focus: Please provide an overview of cargo facilities and cargo-dedicated infrastructure at MHT.

Kitchens: The Airport currently has 114,000 square feet of cargo warehouse space including the two, 25,000 square foot buildings and a recently opened state-of-the-art, 64,000 square-foot cargo warehouse development by Realterm. The Realterm facility is a common-use facility with tenant Amazon Air utilizing 54,000 square feet and two of the three aircraft parking positions. This warehouse can be expanded by an additional 36,000 square feet and one additional aircraft parking position.

Focus: What aircraft are typically used to fly cargo at MHT? What is the largest model that could be accommodated?

Kitchens: On a scheduled basis, the largest aircraft we typically accommodate are Boeing 767-300/400 and Airbus A300-600F aircraft. However, the Airport has accommodated Boeing 777-200F size aircraft on a non-scheduled basis, and we continue to evaluate improvements needed to accommodate all Group V aircraft.

Focus: What cargo volume has the airport seen so far this year? How does this compare to initial estimates?

Kitchens: We have seen six months of record-breaking cargo

volumes since January 2023 due in large part to the beginning of operations by Amazon Air. Monthly volumes in general are up 20% YoY. Some of this is also due to intra-regional migration of population resulting from the pandemic as the New Hampshire region is drawing people out of Boston, New York City, and even as far away as the West Coast due to our low cost of living, no state income tax, no state sales tax, and ample natural beauty. Manchester is in a prime geographic position of being within an hour's drive of beaches, mountains, lakes, and a major urban center, and we believe we are one of the only, if not the only, cities in the United States that can say that. As the Manchester population and businesses grow, time-sensitive cargo services are also expected to increase.

Focus: What variables currently impact capacity and how is MHT addressing them?

Kitchens: The Airport has ample airspace and airfield capacity, instrument approach capabilities, and a 24-hour air traffic control tower. In addition, MHT has land available for continued cargo development.

Focus: Last year, Amazon Air began operating at MHT. What does this new operation represent for the airport?

Kitchens: Having a new air cargo carrier to complement our long-standing partners in UPS and FedEx has positively impacted our cargo volumes. We have seen very little, if any, reallocation of cargo volumes among the carriers. From an airport revenue perspective, the additional landed weight has helped to keep our airfield landing fee relatively stable despite cost pressures on the balance sheet stemming from personnel costs, contracted labor costs, and higher product costs due to inflation. We are currently on pace to move a total of 230 million to 240 million pounds of cargo this calendar year.

Focus: What opportunities and/or benefits can MHT offer to new airlines/customers?

Kitchens: The Airport provides an incentive for new airlines under our Air Service Incentive Plan-2 ("ASIP-2") which includes a cargo incentive of 50% waiver of the landing fee. In addition to our uncongested airfield, airspace, and ground access networks, the Airport has land available for further cargo development.

Focus: What improvements or expansions are planned for MHT?

Kitchens: Based on a modest 2,500 pounds/sf/year planning



MHT from above. Photo courtesy of MHT.

factor, our current warehousing can accommodate up to 285 million pounds of cargo per year and up to 375 million pounds if the Realterm building is expanded by 36,000 square feet as planned. We are actively planning for additional cargo facilities through redevelopment and expansion options, including the potential for developing an additional 25 acres beyond currently available land.

Focus: Does MHT offer Sustainable Aviation Fuels (SAF)? What is the airport's planned capacity of SAF for the coming years?

Kitchens: While we currently do not offer SAF, fueling services are provided by Signature Flight Support which has an aggressive SAF program. The Signature fuel farm is capable of doubling in size, and the provision of SAF could be accommodated as SAF becomes more widely available.

Focus: How does MHT approach the topic of sustainability?

Kitchens: The Airport is focused on triple bottom line of sustainability in all that we do. We are actively planning to electrify the Airport to provide enough electricity to support eGSE, eVTOL, and eCTOL airport operations as well as eRACs and EVs in ground transportation. We are also pursuing our Level 1 Airport Carbon Accreditation and mapping out a strategic pathway to Net Zero carbon emissions.

Focus: Does MHT have a sustainability roadmap?

Kitchens: Our planning efforts include Level 1 ACA efforts and establishing a Net Zero goal with associated strategies, tactics, and timelines.

Focus: In terms of cargo, *ceteris paribus*, what numbers do you expect to see next year?

Kitchens: We are planning for a 5-10% growth rate in cargo volume next year, depending on US and global economic factors. The growth rate would be higher if we attract a new entrant cargo carrier(s) in the market or experience significant expansion of our existing carriers.

About Manchester-Boston Regional Airport

Strategically situated in the heart of New England, Manchester-Boston Regional Airport is located less than fifty miles north of Boston, Massachusetts, and less than an hour's drive from the region's most popular ski areas, scenic seacoast beaches and peaceful lakefront resorts. MHT is the premier aviation gateway for the region. For more information, visit www.flymanchester.com.



NOTE: For additional information, please visit: <https://www.flymanchester.com>

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Legal Perspective

Air Carrier Liability - Reminder of Practical Differences Under International Law

by Jonathan R. Todd, Vanessa I. Gomez and Sam Fujikawa



Vanessa I. Gomez



Jonathan R. Todd

and liabilities when moving air cargo between countries where the older Warsaw Convention may apply in lieu of the more common Montreal Convention?

This article provides a background on the two Conventions, the key liability provisions, and the relative differences (and similarities) between the two.

INTERNATIONAL LAW EMERGES

The Warsaw Convention was signed in 1929 as a response to insurers' concerns regarding the potentially unlimited damages air carriers may suffer when providing service. In 1933, the Convention went into effect, creating an international liability regime with limits for the burgeoning aviation industry. Since then, the Warsaw Convention has been amended to change the liability limits and protocol for air carriers, including the Hague Protocol of 1955, Guadalajara Convention of 1961, Montreal Agreement of 1966, Guatemala City Protocol of 1971, Montreal Protocols of 1975, and IATA Intercarrier Agreements of 1966. These amendments brought a cloud of confusion. Service providers and users alike found themselves caught in a whirlwind of disjointed liability regimes, making it more difficult to conduct business.

The Montreal Convention was signed in 1999 as the United Nations' International Civil Aviation Organization sought to address the numerous amendments to the Warsaw Convention. This new consolidated agreement created a more cohesive system of air carrier liability. It became effective in the United States in 2003 and today is ratified in over 130 countries.

INTERNATIONAL LAW EVOLVES

Notably, the Montreal Convention updated the Warsaw Convention to provide carriers with more predictability regarding their respective rights and obligations. For example, Montreal explicitly states that the rules are intended to include servants and agents of the carrier as well as to contracting carriers. Plaintiffs cannot, however, aggregate damages to an amount that would exceed the highest amount which could be awarded

Montreal and Warsaw references are so ingrained in the air transportation industries that few pause to consider the differences. Sometimes those differences can take on pragmatic significance when negotiating with enterprise shippers or performing on non-signatory routes. Unlike other modes, air carriage has been controlled by an international convention almost since the moment that technology emerged – and as you would expect it changed over time.

Since its inception in 1929, the Warsaw Convention set the stage for the limitations of liability for transportation between signatory countries. It was not until 1999 that the Montreal Convention brought a revolutionized form of standardization. The intervening 70 years between Conventions saw the rise of globalization, consumerism, and technological connectivity. The utility of a harmonizing liability regime was clear in this wake of change – so clear that its standards have become ubiquitous and have often been adopted for even domestic United States interstate and intrastate air traffic liability minimums which remain largely unregulated to this day.

Transportation is an intense, fast-paced, complicated, and fact-specific business. Operational practice does not fit into neat boxes while, as time is ticking, business needs an actionable answer. For example, what are the balance of relative risks

against either party under the Convention. Montreal additionally created a two-tier liability system that shifted the burden put on plaintiffs to recover with a near strict-liability regime for claims up to a Special Drawing Rights (SDRs) threshold and a negligence standard for claims over that threshold.

Other key updates brought by the Montreal Convention are explained here, including changes made to limitations of liability, claims periods, defenses to claims, force majeure provisions, and undisclosed transportation substitutions across modes.

Limitations of Liability - While both Conventions sought to limit the liability of service providers, Montreal significantly updated those limitations. Numerous amendments have been made ever since, and service providers as well as users can expect the continuous modernization of limitations of liability.

Limiting the liability amount for air carriers was a major component of the Warsaw Convention since this was one of the primary concerns of insurers who were wary of issuing policies to air carriers in the case of potentially unlimited damages. Article 22 of the Warsaw Convention limits cargo liability of the carrier to a sum of 250 Francs per kilogram, which would amount to around \$9.75 USD per kilogram of cargo. Various later amendments increased the recovery amount, with Article 22 of the Montreal Convention of 1999 increasing the amount to a sum of 17 SDRs per kilogram, or about \$23.21 USD. This amount was updated to 19 SDRs in 2010 and, most recently, 22 SDRs per kilogram, making the current recovery amount per kilogram around \$30.04 USD today. SDR value is set by the International Monetary Fund as a composite of five world currencies that, as a result, yields actual monetary values that change with some frequency.

Claims Periods - As you would expect both the Warsaw and Montreal Conventions lay out claims periods for damage, delay, and other legal claims. The Montreal Convention updated those periods in notable ways.

Articles 26 and 29 of the Warsaw Convention control the periods to initiate claims of damaged and delayed cargo. According to Article 26, damage claims must be brought within seven days from the date of receipt of goods and delayed claims must be made within 14 days from the date of delivery. Legal claims, on the other hand, fall under Article 29 and must be brought "within two years, reckoned from the date of arrival at the destination, or from the date on which the aircraft ought to have arrived, or from the date on which the carriage stopped."

The Montreal Convention addresses claims periods in Articles 31 and 35. Article 31 of the Montreal Convention extends the claims period for damaged goods to 14 days from the date of receipt, and likewise extends the claims period for delayed

goods to 21 days from the date of delivery. Like the Warsaw Convention, the Montreal Convention has a two-year claim period under Article 35. Courts have found that this two-year statute of limitation does not include claims for contribution and indemnification.

Defenses to Claims - Defenses available to carriers for damage or delay claims differ between the two conventions. Article 20 of the Warsaw Convention exempts liability if a carrier proves that it has "taken all the necessary measures to avoid the damages or that it was impossible for [it] to take such measures," or that the damage was caused by negligent pilotage or negligence in handling of the aircraft. Article 21 additionally provides air carriers a defense to liability if the damage was "caused by or contributed to by the negligence of the injured person."

The Montreal Convention created a more comprehensive set of defenses. Article 18 details a wide range of exemptions from air carrier liability: inherent defect, quality, or vice; defective packing by a third party; act of war or an armed conflict; and act of public authority carried out in connection with the entry, exit, or transit of the cargo. Article 20 also excludes liability analogous to Warsaw's Article 21 where the damage was "caused or contributed to by the negligence or other wrongful act or omission of the person claiming compensation."

Force Majeure Provisions - Neither the Warsaw nor the Montreal Convention contain an express force majeure or "Act of God" provision in those terms. Each Convention has language that does however exempt liability for carriers in circumstances beyond the control of the carrier. While Montreal brought about updates to account for the "extraordinary circumstances" noted in both Conventions, the net effect of said changes was minor.

Article 20 of the Warsaw Convention exempts a carrier's liability if it has "taken all the necessary measures to avoid the damage or that it was impossible for [it] to take such measures." Article 34 of the Convention additionally notes that it does not apply to "carriage performed in extraordinary circumstances outside the normal scope of an air carrier's business." Warsaw does not define "impossible" and "extraordinary circumstances," but the terms can generally be construed to include weather conditions or political unrest as defenses for carriers in the case of delayed or damaged cargo.

Article 19 of Montreal Convention contains a similar provision regarding the impossibility for the carrier to take measures to prevent damage. Article 18 of the Montreal Convention includes an explicit defense for damage caused by an act of war or armed conflict. Additionally, Article 51 notes that documentary requirements for air waybills, cargo receipts, and

other records of the carriage found in Articles 4,5,7, and 8 do not apply in the case of carriage performed in "extraordinary circumstances outside the normal scope of a carrier's business."

Undisclosed Substitutions of Carriage – The Warsaw Convention is silent on remedy for instances in which a carrier agrees to provide a consignor with carriage by air and, without the consignor's consent, wholly or partially substitutes carriage by another mode of transport. In those instances, Article 18 of the Montreal Convention treats carriage by another mode of transport the same as carriage by air.

CERTAIN INTERNATIONAL LAW KEYSTONES REMAIN

Some aspects remained the same while the switch from one Convention to the other brought about many updates. Similarities include maintaining provisions regarding the usage of inland and combined carriage as well as the freedom to contract to account for unique terms.

Inland and Combined Carriage - The concept of "international carriage," defined in Article 1 of both conventions includes any carriage in which the nation states of departure and destination are parties to the Convention. If one country is not a party and the other is, the Convention will cover carriage to the extent there is an agreed upon stopping place in another country regardless of whether that country is a party to the Convention. Combined carriage that has breaks or is performed by different carriers as a single operation are also included in the definition of "international carriage."

Article 31 of the Warsaw Convention, Article 38 of the Montreal Convention, and Article 18 of both limit applicability to carriage by air and do not extend to inland portions of travel, except for carriage "for the purpose of loading, delivery, or transshipment." Under that exception, both Conventions presume any damage, "subject to proof of the contrary, to have been the result of an event which took place during the carriage by air."

Both Conventions allow the parties the freedom to include terms relating to other modes of carriage in their contracts as long the provisions of the Convention are only observed to the carriage by air. While the Warsaw Convention explains this in Article 31, the Montreal Convention does so in Article 18.

Freedom to Contract- Finally, a key point to remember with all air transportation transactions is that the parties enjoy a freedom to contract under either the Warsaw or the Montreal Convention. Article 33 in the case of Warsaw and Article 27 in the case of Montreal stand for the proposition that commercial

and even legal terms can be negotiated provided that no party is deprived of the fundamental minimums established under the respective convention. This gives flexibility to business teams when negotiating the particular details of service, while maintaining a limit to those terms. For example, the terms of an Air Transportation Services Agreement or an Air Waybill issued by an air carrier or indirect air carrier may establish a lengthier claims period or a recovery amount in excess of the then-current SDR measure. Attempting to establish terms lesser than the respective Convention, however, risks a court reinstating those terms to the extent that the Convention applies.

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About Benesch Law

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Felipe Ángeles International Airport (AIFA) Mexico's New Cargo Hub

by Alexis Dames



Newly-built terminal at AIFA. Photo: AIFA.

About AIFA

The Felipe Ángeles International Airport (IATA NLU, ICAO: MMSM) is located in Zumpango, State of Mexico. It is the second civilian airport serving the Mexico City metropolitan area and is located 48 kilometers north-northeast of the historic center of Mexico City.

Focus: What is the history of the Felipe Ángeles International Airport (AIFA)? How did the airport get its name, and what was its original purpose?

AIFA: AIFA was created to address the saturation of operations at the Benito Juárez International Airport in Mexico City (AICM), improve the connectivity of the National Airport

System, provide medium and long-term aviation services in the Mexico City area, and strengthen the competitiveness of the regional and national economy. On February 10, 2019, during the celebration of the Mexican Air Force Day, the President of Mexico instructed the Ministry of National Defense to construct AIFA and manage it on the grounds of the former Santa Lucía Military Air Base No. 1, located in Zumpango, State of Mexico.

Many airports around the world are often named in honor of prominent public figures from the country in which they are located. In the case of AIFA, General Felipe Ángeles, a distinguished military leader and revolutionary commander who fought alongside Francisco I. Madero and Francisco Villa, was chosen by the President of Mexico as the namesake for this airport.

Focus: How many cargo flights operate to/from AIFA per month?

AIFA: According to definitive data provided by the Process Management and Statistics department, the number of monthly cargo operations conducted at this airport is as follows:

2023 Cargo Operations			
Month	Departures	Arrivals	Subtotal
January	0	0	0
February	2	3	5
March	42	41	83
April	43	43	86
May	43	43	86
June	51	52	103
July	155	152	307
August	329	332	661
September	371	372	743
Total	665	666	1331

Focus: With many passenger flights currently operating at AIFA, what percentage of the cargo at the airport comes from Belly Cargo?

AIFA: Currently, only 0.51% of the cargo transported at this

› Felipe Ángeles International Airport (AIFA). Mexico's New Cargo Hub.

airport is carried via Belly Cargo, more specifically, on flights that mix passenger and cargo.

Focus: What are the main types of cargo transported through the airport?

AIFA: According to the information provided by service providers, the transported cargo includes perishable food, poultry, horses, automobiles, mail, diplomatic pouches, oversized cargo, parcels, and medicines.

Focus: What dedicated cargo infrastructure does AIFA currently have in operation?

AIFA: There is a category "F" runway 04L/22R, a Cargo Platform with a capacity of up to 10 aircraft, of which 5 positions are of the MARS (Multi-Aircraft Remote Stands) type, capable of both lateral and frontal loading, covering an area of 345,881 m². Additionally, there are 12 controlled premises, 3 for domestic cargo, and 1 strategic facility.

Its purpose is to address the need for infrastructure to handle foreign trade goods in the metropolitan area, having the technical and physical capacity to process all kinds of merchandise according to the market segment, while complying with applicable customs and aviation regulations.

Focus: What are the cargo airlines currently operating at AIFA?

AIFA: Presently, there are 26 cargo airlines conducting cargo operations at the airport:

Cathay Pacific, Turkish Airlines, DHL Guatemala, Estafeta Carga Aérea, Air France, Cargolux, DHL Express Mexico (Cargojet), Emirates SkyCargo, MasAir, Lufthansa Cargo, Aerounion, Amerijet, Qatar Airways, UPS, Air Canada, China Southern Airlines, National Air Cargo, Atlas Air, Galistair Trading Limited, FedEx, ABSA, Ethiopian Cargo, Aeronaves TSM, Viva Aerobus, Volaris, and Copa Airlines.

The following airlines, TAR (mixed), MCNeely Charters, and Silkway West carried out a flight, with no further operations scheduled.

Focus: What are the main challenges affecting cargo operations in the region?

AIFA: The Cargo Terminal at Felipe Ángeles International Airport was designed to be part of the national strategic infrastructure and a fundamental element of the industrial area in

the Metropolitan Zone. Currently, it has an annual capacity of 590,000 tons. In response to the presidential decree regarding cargo, airport authorities have implemented preventive actions related to security and connectivity for mobility to and from AIFA, in coordination with authorities at all three levels of government.

One of the achievements in this regard is the signing of a collaboration agreement between the National Guard, the State Security Secretariats of Mexico, Hidalgo, Mexico City, and AIFA, aimed at contributing to the establishment of strategies to enhance security on the roadways connecting to this airport.

In this context, the main challenge is to maintain coordination to provide security within the defined area outlined in the agreement and establish this airport entity as the safest in the country.

Focus: How is the effectiveness and quality of cargo services at AIFA measured and improved?

AIFA: Quality is a priority at Felipe Ángeles International Airport, with continuous monitoring of air cargo operations and close communication with service providers and customers to address their needs and improve services in compliance with applicable regulations. As of September 2023, 67,027 tons have been handled, serving 26 national and international cargo airlines that have joined the airport so far. They have found AIFA to offer sufficient infrastructure for their operations and the security that guarantees service quality.

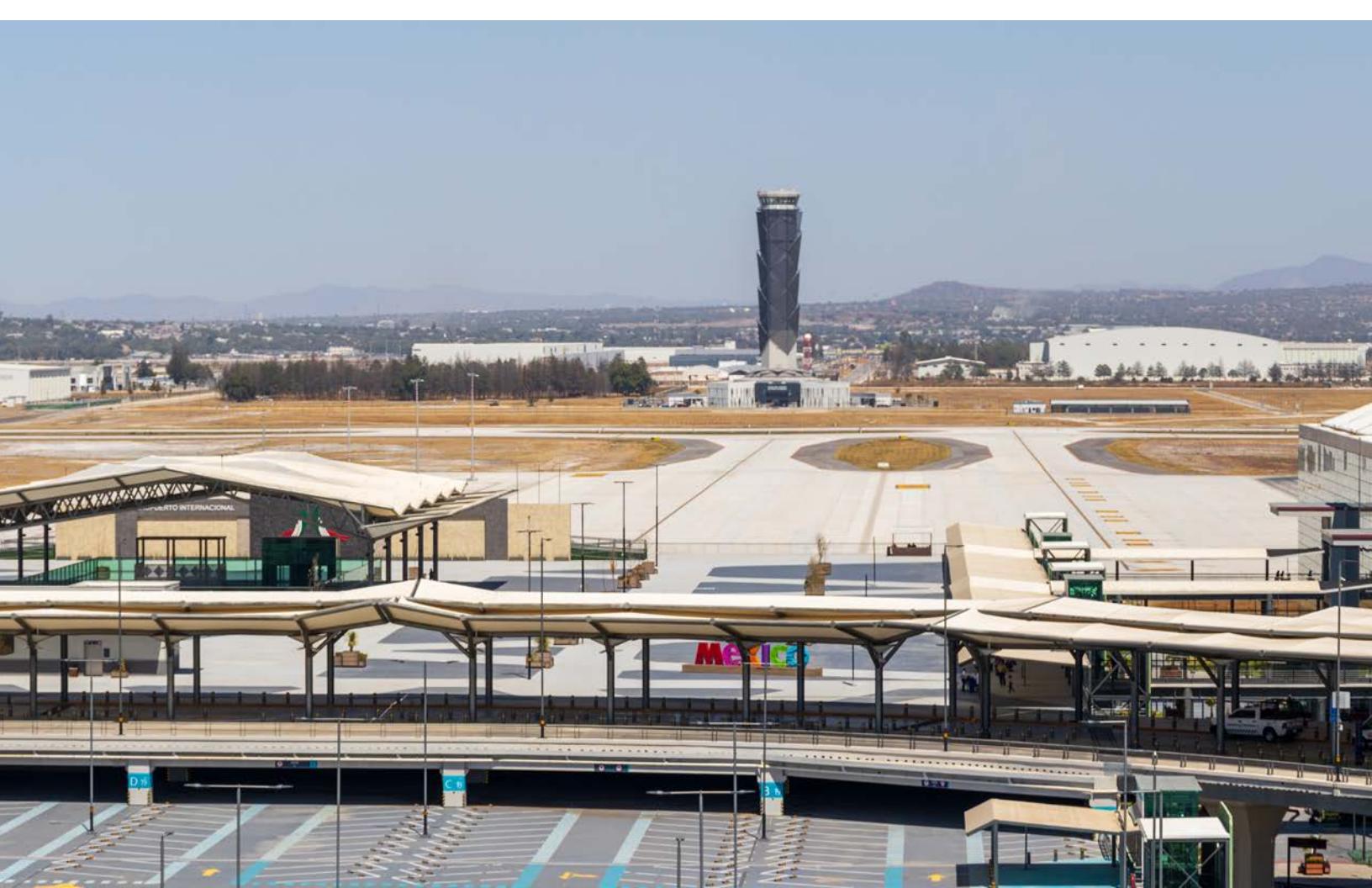
With this approach, the Quality Management establishes satisfaction surveys to understand requirements and suggestions for service improvement. Additionally, there is a suggestion and complaint box as a permanent additional mechanism for this purpose.

Focus: What measures does AIFA take to ensure the security of cargo and personnel? What protocols and standards does the airport follow?

AIFA: The Cargo Terminal has 24-hour security video surveillance and security procedures for the entry and exit of personnel, as well as for customs goods to the aeronautical platform.

As for protocols, the customs authority does not conduct aviation security protocols because Customs focuses on the clearance of goods for their legal stay and clearance.

Focus: How is sustainability integrated into AIFA's opera-



› Felipe Angeles International Airport (AIFA). Mexico's New Cargo Hub.

tions? What can you tell us about the ESG efforts at the airport?

AIFA: Felipe Ángeles International Airport features high-tech infrastructure, positioning itself as a sustainable and environmentally friendly airport. This infrastructure includes the generation of clean energy, such as:

Cogeneration Plant:

It operates with a natural gas turbine, with a capacity to generate up to 12 Mega Watts-hour of electrical energy, equivalent to supplying 16,000 households per month. The use of natural gas aligns with the National Development Plan and applicable regulations for clean energy.

Photovoltaic Farms:

The airport has three photovoltaic farms for generating electrical energy using solar panels, collectively producing 2.1 mega-watts hour of electricity. With these technologies in use at Felipe Ángeles International Airport, up to 95% of the total electrical energy consumed in the Airport-Military complex is generated. This helps reduce CO₂ emissions into the environment by up to 40% compared to conventional generation methods.

Wastewater Treatment Plants:

Every day, 332,000 liters of wastewater generated by this airport are treated and repurposed for irrigating green areas.

Blue Water Treatment Plant:

This plant receives liquid waste from aircraft and, following international standards, undergoes treatment through an aerobic system that reduces biological agents that may pose risks to health and the environment.

Sustainable Building:

The Passenger Terminal Building was designed with an architectural focus on harnessing natural lighting throughout daylight hours. The terminal is covered with large windows featuring double-glazed bioclimatic glass, which helps maintain a stable temperature through insulating effects, resulting in energy savings due to reduced air conditioning use. Additionally, it incorporates an intelligent LED lighting system with motion sensors, leading to a 60% reduction in electrical energy consumption.

By implementing these technologies, Felipe Ángeles International Airport reaffirms its commitment to reducing its environmental impact and works daily for the benefit of Mexico.

Focus: How does the airport support the local community and its economy?

AIFA: The construction of Felipe Ángeles International Airport (AIFA) has profound social, economic, political, and environmental implications. In a region like the Valle de México (The Valley of Mexico), where the demand for mobility and transportation is high, and the logistics framework is complex, a comprehensive and responsible proposal is needed, with a vision ranging from the short to the long term, to complete a project that will change the urban landscape and reality for millions of people.

During the construction of the new airport in Mexico, it managed to generate approximately 167,706 direct jobs and 253,568 indirect jobs over more than 800 days of work. Currently, it creates over 5,000 direct jobs in various business sectors and administrative roles, including logistics, food services, retail, and mobility. This has provided significant opportunities for local residents to practice their professions and trades.

According to the 2022 report from real estate platforms evaluating the four municipalities surrounding the new airport, Tecámac, Zumpango, Nextlalpan, and Jaltenco, in two categories of average sale prices (houses and apartments), property values have increased in these areas in the State of Mexico. This growth has led to the development of new residential and commercial units.

Specifically, support for the local economy is provided through the generation of direct and indirect employment from the start of construction to its current operation, as well as all the infrastructure and urban development that has been initiated around AIFA, which has increased the real estate value in the area.

Focus: How does the airport plan and forecast capacity and resources to adapt to the changing demand for cargo?

AIFA: Initially, the cargo demand at the Mexico City International Airport (AICM) was used as a reference, and the current capacity of AIFA was analyzed in relation to the projected growth. Necessary provisions were made to ensure the optimal handling of the transition of air cargo services. Currently, cargo operation statistics are monitored to analyze trends and anticipate the necessary growth.



Cargo dedicated infrastructure at AIFA. Photo: AIFA.

Focus: Digitalization is a trending topic in the industry. What new technologies are they currently exploring or implementing at the airport?

AIFA: An Automated Passenger Processing System using biometrics and facial recognition is currently being implemented. Biometric technology enables the seamless flow of passengers without the use of paper at pre-security checkpoints and allows for expedited boarding of the aircraft, reducing wait times and avoiding crowded areas.

Focus: What benefits and opportunities can new cargo airlines expect when operating at AIFA?

AIFA: To meet the needs of cargo airlines in providing complementary services, various aviation-related companies operate, as listed below:

Ramp Services:

Logistica Torres S.A. de C.V.

Ramp and Traffic:

Teams Aircrafts Services, S.A. de C.V.

Globalia Hand ling de México, S.A. de C.V.

Servicios Complementarios Aéreos S.A. de C.V.

AGN Avition Services, S.A. de C.V.

Rampa y Tráfico

Grupo Hércules, S.A. de C.V.

Aéreo Services Jireh, S.A. de C.V.

Aero Chárter de México S.A. de C.V.

Aircraft Dispatch

Menzies Aviation México, S.A. de C.V.

Menzies Aviation México, S.A. de C.V.

Eagle Aviation Services, S.A. de C.V.

Aircraft Maintenance

Qet Tech Aerospace, S.A. de C.V.

A&P International Services, S.A. de C.V.

Saltillo Aircraft Maintenance S.A. de C.V.

Provisioning

Gate Gourmet & Maasa México S.A.P.I. de C.V.

Sky Chefs de México S.A. de C.V.

Security

SPPAI Central en Seguridad Privada, S.A. de C.V.

Private Real Security, S.A. de C.V.

Tecnología en Seguridad Privada SSIA Q.ROO, S.A.

Formación Personalizada en Vigilancia, S.A. de C.V.

Furthermore, this airport has: 12 authorized controlled premises, 1 strategic controlled premise, and 3 for domestic cargo, which are operational to address the needs of cargo airlines, as follows:

Insumos Comerciales Especializados, S.A. de C.V.

AAACESA, Almacenes Fiscalizados, S.A. de C.V. (2 Areas)

Terminal Logistics, S.A. de C.V.

CCO Almacén Fiscal, S.A. de C.V.

Interpuerto Multimodal de México, S.A de C.V.

JC&JF Cargo, S.A. de C.V.

Grupo Camili de México, S.A. de C.V.

World Express Cargo de México, S.A. de C.V.

Talma México Servicios Aeroportuarios S.A. de C.V.

TMM Almacenadora, S.A.P.I. de C.V.

Strategic Controlled Premises

ADM ERCE, S.A. de C.V.

TMM Almacenadora, S.A.P.I. de C.V.

ADMERCE, S.A. de C.V.

Estafeta Carga Aérea S.A de C.V.

Azale del Mar de Cortes, S.A. de C.V.

This translates into an annual capacity to move 600 thousand tons of merchandise. In addition, 2 Customs Buildings, authorities offices (SENASICA, INTERNATIONAL HEALTH and COFEPRIS), abandonment warehouse, merchandise review platform, import, export, equipment non-intrusive x-ray inspection, service building, among others; as well as a regulating and load transfer yard.

Focus: What changes can we expect to see at Felipe Ángeles Airport in the next five years?

AIFA: In line with the trend demonstrated by the preference of passengers who have already used this airport, a significant increase in the number of passengers and operations is expected, along with the introduction of new routes, both from national and international airlines, and an expanded commercial offering. This will solidify AIFA as an entity committed to total quality in the provision of airport services, complementary services, and commercial services. Based on the above, a substantial growth of the country's aviation industry is anticipated, encouraging direct investment, driving regional economic development, and sustainable job creation.

Additionally, the recovery of Category 1 in aviation safety, granted by the Federal Aviation Administration (FAA) of the United States of America, will allow more airlines to operate at this airport. This will lead to increased dynamism in the facilities, transforming it into a multicultural meeting point with cutting-edge technology and a wide range of domestic and international destinations, with the aim of becoming the primary airport of this kind in the country.



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Counsel for the Road Ahead®



Legal Perspective

P2F Conversions

by Charlotte McNeilly, Stephenson Harwood LLP



Charlotte McNeilly

About Charlotte McNeilly

Charlotte McNeilly is a senior lawyer in Stephenson Harwood LLP's aviation group. A recognized future leader in the industry, Charlotte has significant experience advising leasing companies on the terms and ongoing maintenance of P2F conversion contracts.

Here we discuss some of the potential issues facing a customer looking to participate in the passenger to freighter market.

Availability of conversion slots

As more and more industry players turn to the option of converting passenger aircraft into freighters, demand for passenger to freighter ("P2F") slots has surged. The P2F process is highly complex, and requires certification per specific aircraft type; entry into the conversion market is not therefore straightforward and accordingly there is a limited number of conversion outfits that can perform the P2F conversion process for any given aircraft type. Israel Aerospace Industries, for instance, currently offers B737, B767 and B747 P2F conversion but also has P2F programmes for B777-300ER and A330-300 aircraft under development while Elbe Flugzeugwerke, another of the big players in the P2F conversion market, currently covers all new generation Airbus freighter conversion programmes (including the A320, A321 and A330).

While many of the P2F conversion providers (including Boeing) are looking to expand their capacity through the bringing online of new sites, with some in the industry estimating that 30 new conversion facilities will be open by 2025 (as compared with 2020), this is a slow process given the need to recruit specialist staff and to obtain the requisite supplemental type certificates from the original equipment manufacturers.

As things currently stand, there are not enough P2F conversion slots to meet current or projected demand, which means that any customers looking to convert an existing asset might expect to experience a substantial wait time (perhaps several years) before their asset could be inducted into the P2F conversion process. Interested parties will therefore need to plan sufficiently in advance so as to avoid having aircraft on the ground for lengthy periods awaiting conversion (particularly if they are looking to put several aircraft through conversion at the same time). That said, when compared with possible lead times and costs a customer may face when ordering a new ex-factory freighter from an aircraft manufacturer, such wait times may not be considered so unattractive.

With Thanksgiving, Black Friday sales and Christmas all on the near horizon, our minds are perhaps drawn to the buying and giving of gifts. This spike in consumerism will in turn bring a surge in demand for freighter capacity to get orders shipped in time. However, this isn't simply a seasonal phenomenon.

Demand for freighter aircraft is said to have increased by 6.9% between 2019 and 2021. Commentators have understandably attributed the recent growth of the air cargo sector to issues arising from the COVID pandemic; the absence of belly space in passenger aircraft being one clear driver for change. While cargo demand unquestionably spiked through COVID, reflected by a slight softening in demand in the first half of 2023, the trend for growth remains on an upward trajectory. Forecasts estimate annual growth in the freighter aircraft fleet of approximately 3% over the next two decades and Cirium is predicting "the supply of some 3,560 freighter aircraft over the next 20-year period, including 1,060 new builds (30%) and 2,480 conversions from passenger aircraft (70%)".

With that trend in mind, operators and operating lessors alike have been increasingly looking to enter into, or build up their presence in, the aircraft freighter market. This is in some cases a solution for older aircraft in their fleets which may not otherwise be attractive for a follow-on passenger lease or aircraft where demand for passenger operations has fallen.

Delays with Conversions

Securing a P2F conversion slot is not the only potential timing issue for anyone looking to convert an existing passenger aircraft. As a result of certain restrictions imposed across various jurisdictions in recent years in connection with COVID, some P2F conversion sites experienced prolonged lockdowns, which resulted in delays to the production line of certain P2F conversion sites. While COVID lockdowns thankfully now seem to be a thing of the past, the fallout from such measures remains as P2F conversion facilities in some jurisdictions have not yet managed to recover the lost time; the knock-on effect of each P2F conversion slot being delayed remains an issue in some cases.

From the customer perspective, it is important to bear in mind the fact that the P2F conversion slots which, as mentioned above, are scheduled well in advance, could be delayed for any number of reasons. Customers should, where possible, seek to negotiate compensation from the P2F conversion provider into their P2F conversion contracts in the event of a delay in conversion beyond a basic grace period; customers should however be aware that P2F conversion providers are not likely to agree to compensation for delays caused by circumstances beyond their control such as force majeure events, lack of supplies or industrial action. It would also be prudent for any customers looking to place an aircraft with an operator post completion of the P2F conversion to try and build into their lease agreements some flexibility for delays in the P2F conversion process so as not to lose those leasing opportunities or suffer financial penalties for such delays.

Financing of P2F conversions

Participants looking to effect P2F conversions of aircraft may well wish to cover such conversion costs by way of third-party financing as opposed to equity given the significant costs of a P2F conversion, which are typically payable in instalments.

In addition to taking out third party debt financing specifically for the purpose of financing P2F conversions, customers may consider whether their existing financing facilities could be amended or expanded to cover P2F conversion costs, for example in a warehouse debt facility as opposed to drawing upon general corporate lending facilities (to the extent customers have access to the same). In such circumstances, customers will need to consider what waivers or amendments may be required to their existing debt facilities and given the typical instalment nature of the payment obligations under P2F conversion contracts, this is something that

customers should consider upfront when negotiating the P2F conversion contract.

In addition, customers should bear in mind that any financier will likely require security to be granted over the P2F conversion contract (specifically the right of the customer to have the subject aircraft converted by the conversion facility under the terms agreed in the conversion contract, any entitlement to damages payable by the conversion facility if the P2F conversion is not fully and punctually performed and the benefit of any warranties granted by the conversion facility). As such, customers would need to ensure that the P2F conversion contract expressly permits the granting of such security and an undertaking on the part of the conversion facility to execute documentation necessary to perfect such security.

In conclusion, while there are common issues involved with P2F conversions, with appropriate time, care and expert support, these can be navigated smoothly. We expect P2F conversions to remain a popular option for many in the industry looking to establish or expand their cargo fleet provided, just like holiday season, customers are prepared well ahead.

About Stephenson Harwood

Stephenson Harwood is one of the world's leading international transportation law firms, with some of the most respected lawyers working in the field of aviation law. The firm has a well-won reputation for delivering quality legal advice that is set squarely in the real world.



¹ Boeing, "World Air Cargo Forecast 2022-2041" (accessed on 12 October 2023)

² Damien Brett, 24 January 2023, aircargonews.net/airlines/freighter-operator/freighter-fleet-expected-to-grow-by-2-3-per-year/ (accessed on 12 October 2023)

³ Cirium Fleet Forecast 2022-2041 Executive Summary <https://resources.cirium.com/cirium-fleet-forecast>

⁴ <https://www.iai.co.il/commercial/aviation/passenger-cargo-conversions> (accessed on 12 October 2023)

⁵ <https://www.elbeflugzeugwerke.com/en/freighter-conversion/> (accessed on 12 October 2023)

⁶ Mike Stengel of Aerodynamic Advisory, 3 March 2022 "Can the Cargo Conversion Boom Last" (accessed on 12 October 2023)



Industry Snapshot

Written Export Compliance Procedures

by Bob Imbriani, Executive VP - International Team Worldwide.
President - Air Forwarders Association (AFA)



Bob Imbriani

All exports fall under some form of export controls. These controls can be very general (such as not dealing with "denied parties" or embargoed/sanctioned countries) or have very specific requirements (such as requirements for an export license for a specific commodity or destination). It is the responsibility of all exporters to know which rules apply to a specific export and to comply fully with the applicable regulations.

A Technology Control Plan may stand alone or be part of an overall export compliance program.

A company's export compliance program should be tailored to a company's specific exports and structure. It would incorporate not only compliance procedures but also the company's best business practices for export. The program should 1) begin with a policy statement by the company's most senior executive, and 2) list all personnel involved in the export process and their responsibilities. Positions or titles can be used in place of actual names if that is preferred by the company, 3) incorporate export compliance into the entire export process from order inception to record keeping. Knowing your client, the end use, and the end user are all critical aspects of any EMS. Other sections would include compliance training, procedures for classification, screening of clients, filing Electron Export Information (EEI), use of SNAP-R and DECCS, control of technical data and much more.

Although it may be possible to comply without written procedures, having written procedures not only helps to ensure compliance but also demonstrates the exporter's commitment to compliance. It is highly recommended by all government agencies responsible for export controls, that exporters have a written compliance program. During an audit or "investigation" the existence of a functioning program (along with other factors) can be a mitigating factor if errors (violations) are identified. Export Management System (EMS) and Export Compliance Procedures (ECP) are common titles for such written programs.

If a company falls under the International Traffic in Arms Regulations (ITAR) or controlled items under The Export Administration Regulations (EAR) and does not have any "physical" exports, they may have what is called a Technology Control Plan (TCP). This is a compliance program that relates directly to the control of technical data, material or services and may specifically address "deemed exports" (transfer to a foreign national, including within the United States, of material or technical data by verbal, visual, electronic, or other means—as opposed to through actual "physical" exportation overseas).

While no two compliance programs will be exactly alike, many of the compliance issues addressed will be. How EMS goals are accomplished, however, can vary greatly. The actual commodity, technology or services provided by a company will greatly affect its program. Information on establishing an EMS can be found on the Bureau of Industry and Security (BIS) website (www.bis.doc.gov) and on the Directorate of Defense Trade Controls (DDTC) site (www.pmddtc.state.gov). When establishing an EMS a company should aim to implement a basic control plan as quickly as possible covering all key compliance issues applicable to its exports. A continual improvement process should then be put in place to expand and improve the procedures on an ongoing basis.

While the above specifically refers to the US, having written export compliance procedures is a global best practice.

Don't wait until a problem arises to create the solution!

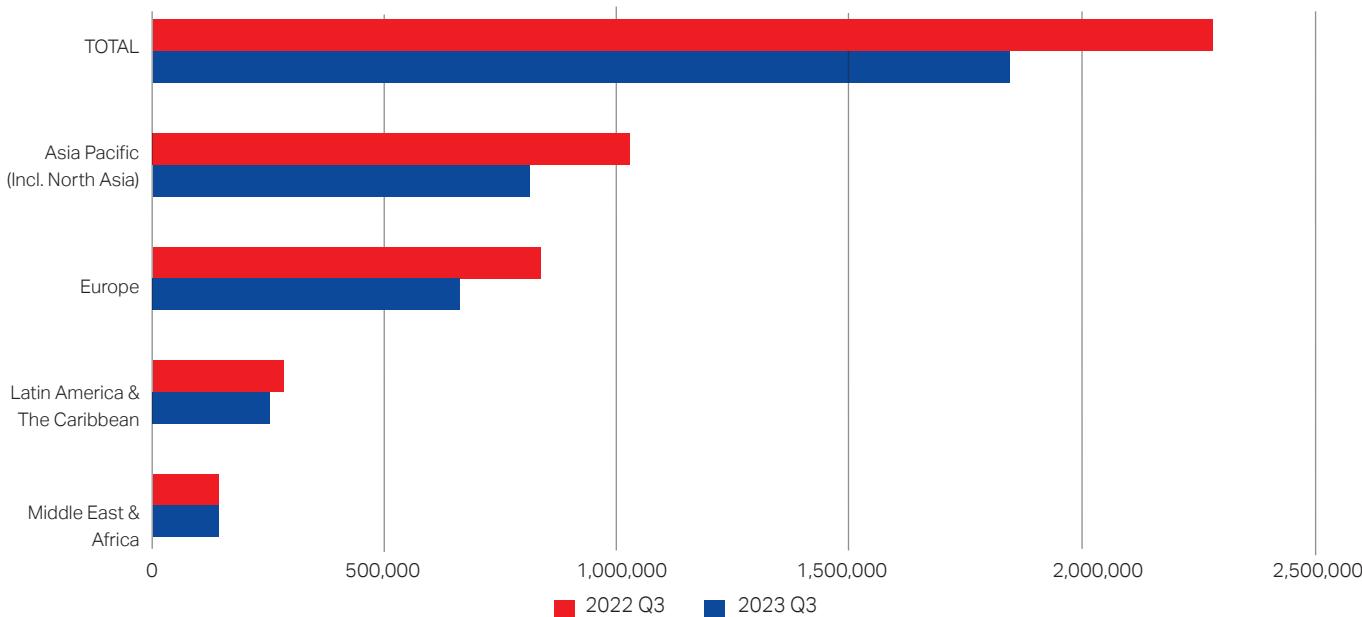


NOTE: For additional information, please visit: www.teamww.com

CASS-USA Market Monitor

CASS-USA Market Monitor appears in every issue of CNS Air Cargo Focus Magazine. The Market Monitor is designed to highlight market trends till the most recent data month available. It provides both the year-to-date activity and monthly air cargo traffic trends originating from the United States to other regions based on CNS CASS-USA data. Additional detailed reports are available to CASS-USA Participating Carriers and CNS Endorsed Agents.

WEIGHT IN TONS



2023 Q3 Weight in Tons		2022 Q3 Weight in Tons		2023 Q3/2022 Q3	
Region	2023 Q3	Region	2022 Q3	Region	% Change
Asia Pacific (incl. N. Asia)	797,092	Asia Pacific (incl. N. Asia)	1,023,743	Asia Pacific (incl. N. Asia)	-22.1%
Europe	646,162	Europe	815,300	Europe	-20.7%
LatAm & The Caribbean	249,246	LatAm & The Caribbean	277,420	LatAm & The Caribbean	-10.2%
Middle East & Africa	135,972	Middle East & Africa	136,477	Middle East & Africa	-0.4%
Total	1,828,472	Total	2,252,940	Total	-18.8%

2023 Q3 Shipment Count		2022 Q3 Shipment Count		2023 Q3/2022 Q3	
Region	2023 Q3	Region	2022 Q3	Region	% Change
Asia Pacific (incl. N. Asia)	756,515	Asia Pacific (incl. N. Asia)	805,961	Asia Pacific (incl. N. Asia)	-6.1%
Europe	612,536	Europe	634,706	Europe	-3.5%
LatAm & The Caribbean	254,403	LatAm & The Caribbean	243,129	LatAm & The Caribbean	4.6%
Middle East & Africa	181,165	Middle East & Africa	166,751	Middle East & Africa	8.6%
Total	1,804,619	Total	1,850,547	Total	-2.5%

SEPTEMBER 2023

In September, U.S. export revenue decreased by 42% YoY compared to decreases of 44% in August and 43% July. Yields were reported to decrease by 31% YoY in September, compared to a decrease of 32% in August and 32% in July. U.S. Tonnage to Asia Pacific and North Asia decreased by 20% YoY in September compared to decreases of 20% in August and 15%

in July. Export tonnage to Europe decreased by 21% YoY in September compared to decreases of 19% in August and 23% in July. Overall YoY results for Q1 2023 (July to September) statistics reflected a 43% decrease in revenue, a 17% decrease in tonnage and a decrease in yield of 32%.





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