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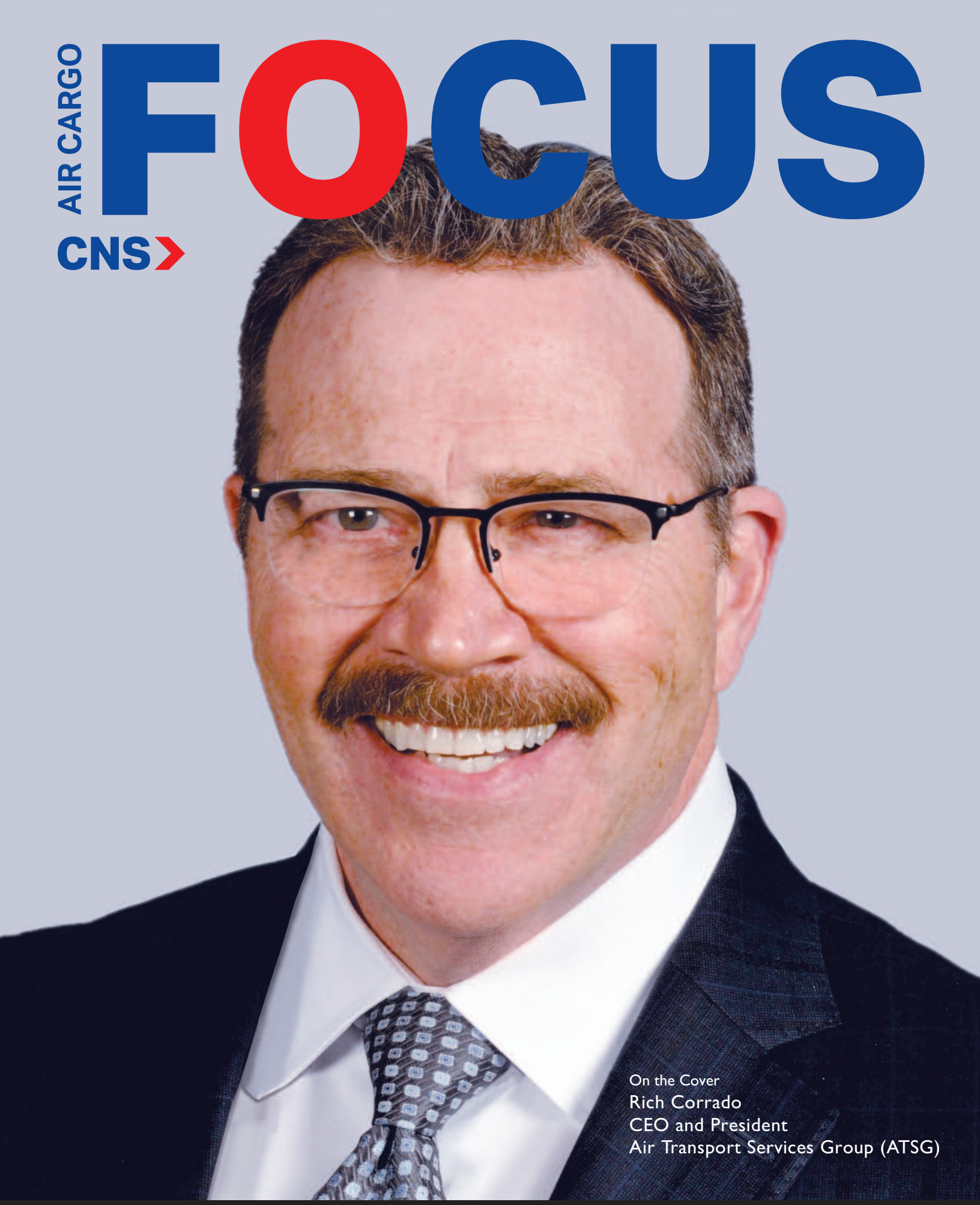

On the Cover
Rich Corrado
CEO and President
Air Transport Services Group (ATSG)

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We're dedicated to providing innovative shipping solutions for our customers and keeping global supply chains running during this critical time.

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703 Waterford Way, Suite 680
Miami, Florida 33126
Telephone: +1 786 413 1000
www.cnsc.net

Michael R. White
President, CNS

Douglas Lavin
Chairman, CNS Board of Directors

Walesa Tejeda
Publisher
e-mail: wtejeda@cnsc.us
All subscription requests should be directed to the individual listed above.

Editorial and Graphic Services:
Robert Christensen
Robert Christensen Publishing
e-mail: robert@airliners.tv
All editorial and news items should be directed to the individual listed above.

CNS Advertising Representative:
Matthew Weidner
Weidner Communications Intl., Inc.
Telephone: + 1 610 486 6525
e-mail: mtw@weidcom.com

AIR CARGO FOCUS CNS

Commissioner Ahern's Words

Your Industry Either Automates or Perishes

Michael R. White

We can all agree the year 2020, was the year of air cargo. This year we learned that people have the tools to be just as productive from home as in an office building.

Yes, it is important to interact with co-workers. Online real-time platforms have shown they can also work. Zoom, WebEx, Teams and Skype are working full-time across the planet as people are becoming less concerned about how they look from their living rooms, backyards and bedrooms.

We have also seen a larger surge of online buying. FedEx, UPS, US Postal Service and Amazon drivers are working more hours and delivering more goods than ever before. Why? Because we have the online capability to shop, order and purchase goods that come right to your doorstep. My own experience has been that I am working more on my yard and becoming a car detailer. Watching experts on YouTube has kept me busy with ideas and helpful hints of how to have that ultimate green yard and cleanest car ever. I now test my soil's pH scale, find the best mowing techniques, know what to do with weeds and have the most beautiful grass in the neighborhood.

This online capability has finally bled over into something that we have been trying to accomplish for the last 13 years. When I first arrived at CNS 13 years ago, a move to e-freight as an industry-wide initiative was one of my key objectives.

I was dubbed the "e-vangelist" on behalf of air cargo. It was going to be easy. My job took me to locations around the US to praise the glory of going paperless. Did it happen? Not so much. Yes, we provided great information, worked with industry partners like airlines, IT companies, forwarders and the government. What we did not get was a real buy-in from all our airline members, which led many forwarders to ponder the question, what was in it for them, other than cost.

Some companies took advantage of this challenge and did a great job. These companies that said yes, became leaders. They did so because they saw the savings and added value for their customers. Not all companies bought into the idea of moving e-freight to a platform. Some had good reasons, some had excuses and others said to call them when it is ready. The move was not easy because of IT issues and technical capabilities. There were no buy-ins and it took guts to say we will do this or else.

Another issue was that the governments themselves were not ready. The US government was ready for general international data on arriving cargo but some agencies, other than US Customs and Border Protection, still needed a piece of paper. Even more of a challenge was the export side and their limited electronic capabilities for any mode to be fully paperless.

This required the entire industry to not only send data electronically but to print it after it was sent. People began questioning the purpose of e-freight.

Several colleagues and I have worked diligently to remove paper documents so we could do true e-freight. We continue working with the CBP to build a true electronic export system, not just for air carriers but for all members of the supply chain.

We are also working on doing away with the ridiculous TSA requirements of a paper security declaration for each shipment by pushing the Known Shipper Program. We know the paper declaration should be replaced with an electronic cargo data check prior to being boarded, which could validate each shipment through the CBP's National Targeting Center for Cargo.

Along comes COVID-19. It has taught us many things. The key thing we learned is how important air cargo is to keep our world half-way normal. One outcome of the virus was learning to work from home using electronic data. By using electronic tools, we can see when and where capacity is available. Documents can be digitized in some form or fashion that does not require people sending paper. Electronic documents requires less person-to-person contact and limits the possibility of spreading the virus from one person to another. Over the last few months at CNS, we digitized our internal forms and required people to use electronic tools for endorsement, validation and payment. Today, I sign all our agreements electronically and the CNS customer list of information is being digitized in our databases. My goal is to do what I preach.

Prior to my e-vangelist days, I was in a meeting representing the air carriers. CBP was pushing us to not delay the implementation of the new air manifest system (AMS). My goal was to delay and stall because my members were not capable or ready to support the full system. Then Assistant Commissioner Jay Ahern, who later became acting Commissioner, said these words, "Mike, your industry either automates or perishes." His words were not a threat but a reality. Our industry needs to be a leader and not wait to join the group.

Today, Commissioner Ahern's words apply even more than ever. Our industry must move to electronic platforms to have the capability to

meet the needs of eCommerce. It is time to automate as many functions as possible during these struggling times.

We cannot and should not delay because of the pandemic. Instead, we should mobilize and bring current tools into place so we can work in the new norm.

Many folks ask, what is the new norm? The new norm is changing the way we do business from the way we did before. Look at every aspect of the supply chain including booking, pricing, data, storage, tracking, tracing and processing that needs to be recorded and shared with governments and partners around the world. Working in the new norm requires full digitization and using up-to-date communication systems. They are each an important part of how the future will work.

Regulatory compliance is becoming more of a challenge, whether it is for security, safety or meeting trade agreements. If an entity in the supply chain has a right to obtain need-to-know information then it should be part of the digitized process.

Take security. Why do we wait for cargo scrutiny to be done only at the security screening point? Should we not use the shipment data in conjunction with the screening of the cargo itself, before the cargo gets to the screening point?

From the shipment data we should look at shipper and consignee details, commodity descriptions, origin and destination information and historic data patterns. By using data with screening, we should be able to better determine what the item being screened is, as well as what it is supposed to be. Are the shipper or consignee legitimate? Are the addresses really there? If so, are they from the party of concern? The data should also be used to see if the cargo was flown as booked. If the data shows a delay in movement, why did this occur? We have tons of data that could have tools around them to help make us better. We should not use data as an excuse, but for improvement.

Today is a different world. No more excuses, it is time we change. The clock is ticking and the words of Commissioner Ahern are as important today as they were in 2004. Automate or your company will perish, sobering words but still very true.

Stay safe and well!

Michael R. White
President, CNS

NOTE: For additional information, please visit CNS: http://www.cnsc.net

America's Pandemic War

The Industry and Choices We Face

Robert Louis Christensen

From the very beginning, transporting air cargo has been intrinsically linked to the passenger airline industry.

Chrematophobia. The fear of money. The capital-intensive airline business takes huge investments and places them at risk. Up to 30% of airline operating resources are derived from shareholder investments. Domestic airlines are not government owned, and depend on stock market investors. If you can purchase enough shares of an airline's stock– you can own an airline.

How important is stock to an airline? The fact is, management will spend up to 80% of their free cash flow to buy back its own shares. Since 2010, American Airlines repurchased the highest number of its own shares, followed by United, Southwest, Delta and Alaska.

Cash Burn. Approximately 50% of an airline's operating costs goes to purchasing fuel. Profitability is fuel price dependent and the choices of purchasing fuel are limited. This drives airlines to time market prices and hedge their buys against whipsaw costs. This strategy is always a risky proposition when striving to stay ahead of market spikes.

An airline's primary asset is its aircraft. Airline planning programs are built around securing new, more fuel-efficient aircraft, maintaining competitive salaries, updating equipment and securing airport slots. In the end, there is not much profit left for stockholders. Outside investors add financial security by stabilizing an airline's financial portfolio. When investors pull their support, airlines suffer. Although airline sector shares plummeted in March, recent indications are that these stocks are edging higher. Now is a good time for the industry to make an argument for shareholders to return. The most critical message is– airlines are a safe and smart investment.

The Coronavirus. When the virus broke, financial analysts used coronavirus statistics to justify poor balance sheets. Objectifying the pandemic gave investors reason to sell the sector. This sparked institutional sell-offs that were quickly followed by individual investors.

Temporary government aid is not enough. Airlines could be forced into "right-sizing" their workforces. Industry experts are predicting consolidation and bankruptcies as seen in Latin America.

Aerophobia. The fear of flying. Airlines remain the most expensive way to travel. Approximately 60% of an airline's revenue is generated from passengers; only 6% is generated from cargo. Today's business traveler lives in a pandemic battlefield. They must choose between maintaining virus vigilance or returning to face-to-face meetings in a reconstructed business environment. Leisure travelers are affected by reports of unsafe conditions making flying a less attractive option.

The first prerequisite to restore the leisure passenger business, should be an airline and travel industry partnership. Next, build a campaign showing safe air travel to life-style destinations. To avoid further air cargo destabilization, building and securing destinations for belly-cargo and same-day delivery options are imperative.

Winners and Losers. The pandemic war has already produced sector winners such as pharma, telecommunications, chipmakers and banking. America will change after November. Our policy makers will choose rebuilding US manufacturing to become an export and import nation or remain a more globalized consumer nation.

Key Questions. How will a new coronavirus wave impact consumers? Will America embrace 5G technology? Will American infrastructure be upgraded? What protocols will dictate supply chain system changes? Can SMEs compete in a digitized, multi-modal supply chain?

Our thoughts are with the families and friends who suffered losses due to the coronavirus. Stay safe, you are America's greatest asset.

Robert Christensen

Robert Louis Christensen
Editor in Chief

NOTE: To contact the author, please email robert@airliners.tv

We welcome your comments, opinions, suggestions, and input for topics to be covered in this and future issues of CNS *Air Cargo Focus* Magazine.
We are always pleased to hear from you. You may contact the editor at robert@airliners.tv
The Summer 2020 eBook edition of this publication is available online at www.cnsc.net

A Successful Launch

Our Supply Chain at Work

Kathy Belmont

Volga-Dnepr delivered the first stage of United Launch Alliance's Atlas 5 Rocket for NASA's next Mars Rover mission. Photo courtesy Volga-Dnepr.

Our time has been consumed with discussions of industry stress, responses and recovery. However, America still has much to celebrate. On May 30, SpaceX Crew Dragon successfully launched two NASA astronauts Bob Behnken and Doug Hurley into orbit. This historical rendezvous gave us truly spectacular views of SpaceX's Falcon 9 rocket as it launched a crew for the first time. This was the first human space mission from NASA's Kennedy Space Center in Cape Canaveral, Florida since the end of the space shuttle program in 2011.

Behind the cheers and prayers were supply chain members working hundreds of hours to bring thousands of parts, sections, components, and supplies to assemble the spectacular launch that millions viewed on television sets, computers and mobile devices.

The supply-chain included the May 18th Volga-Dnepr's delivery of United Launch Alliance's Atlas 5 rocket booster to Kennedy Space Center for NASA's Mars Rover mission.

The AN-124-100 "Ruslan," is the only aircraft large enough to carry the Atlas 5, and flew the 32-meter long rocket booster from Huntsville, Alabama to its final launch location.

In addition to the over-length piece, Volga-Dnepr also transported payload fairings and RD-180 engines for the special mission. The Atlas V is the fifth major version in the Atlas rocket family. It is an expendable launch system originally designed by Lockheed Martin and operated by United Launch Alliance (ULA), a joint venture between Lockheed and Boeing.

Each Atlas V rocket consists of two main stages. The first stage is powered by a Russian RD-180 engine manufactured by RD Amross that burns a combination of kerosene and liquid oxygen. The Centaur upper stage is powered US RL10 engines manufactured by Aerojet Rocketdyne and burns liquid hydrogen and liquid oxygen. AJ-60A strap-on solid rocket boosters (SRBs) are used in some configurations and will be replaced by GEM-63 SRBs in the near future. The standard payload fairings are 4 or 5 meters in diameter with various lengths. The delivery signaled the start of a new phase of launch preparations.

NOTE: For additional information, please visit: https://www.volga-dnepr.com

Smart Facilities & ONE Source

Smarter Facilities for a Smooth Industry Restart

Marc Voelkl, Manager of Smart Facility and ONE Source, IATA

Marc Voelkl

Air cargo has been critical in the global fight against COVID-19, transporting vital equipment and medicines to those who needed them most. However, with over 3,500 differently sized cargo handling facilities worldwide, the industry still lacks visibility on the capacities and services these facilities can offer. This visibility becomes critical in the current context, as the pandemic affects schedules, available capacity, and rates.

Simultaneously, the industry has seen a shift in the goods transported towards special cargos that require specific handling and dedicated facilities.

Launched in 2017, the IATA Smart Facility program creates transparency in cargo handling services and enhances essential cargo operational capabilities to a consistently higher baseline level across the industry.

The program has the potential to help the industry during and after the COVID-19 pandemic as it reduces audit frequency, complexity, and cost through the Smart Facility Operational Capacity (SFOC) certification.

Besides, a remote validation process ensures that the existing physical infrastructure and equipment of cargo handling facilities can be captured without putting additional staff at risk. Finally, it creates visibility by making this information available on ONE Source, a new publicly accessible online platform for the entire aviation industry that will be launched later in 2020. The beta version of ONE Source is already available at onesource.iata.org.

"Air Cargo is a vital component of the global economy and more importantly the global society, whether transporting medical supplies, pharmaceuticals, fresh produce, high tech equipment, or general cargo. It is imperative that high quality services and solutions are employed to deliver on the commitments and promises made to air cargo customers. The Smart Facility program and the ONE Source platform will play a key role in ensuring that industry standards are maintained at the highest level and that the great solutions available at operational stations can be certified and facility capabilities can be demonstrated," said Glyn Hughes, IATA Global Head of Cargo.

Reducing Industry Audit Costs and Complexity

The Smart Facility Operational Capacity (SFOC) program reduces audit complexity and duplication for cargo handling facilities through two components:

A Standardized Global Audit Program

IATA has introduced the SFOC Audit Certification to provide airlines with the assurance that certified facilities are adhering to IATA's Resolutions and Recommended Practices in cargo handling and with IATA's Cargo Handling Manual (ICHM). It is estimated that 360,000 person-days per year are wasted on redundant cargo handling audits. The SFOC Audit Certification reduces redundant efforts across the industry up to 50% by removing the need to validate generic cargo operational procedures. In December 2019, SATS Singapore became the first SFOC certified cargo handling facility.

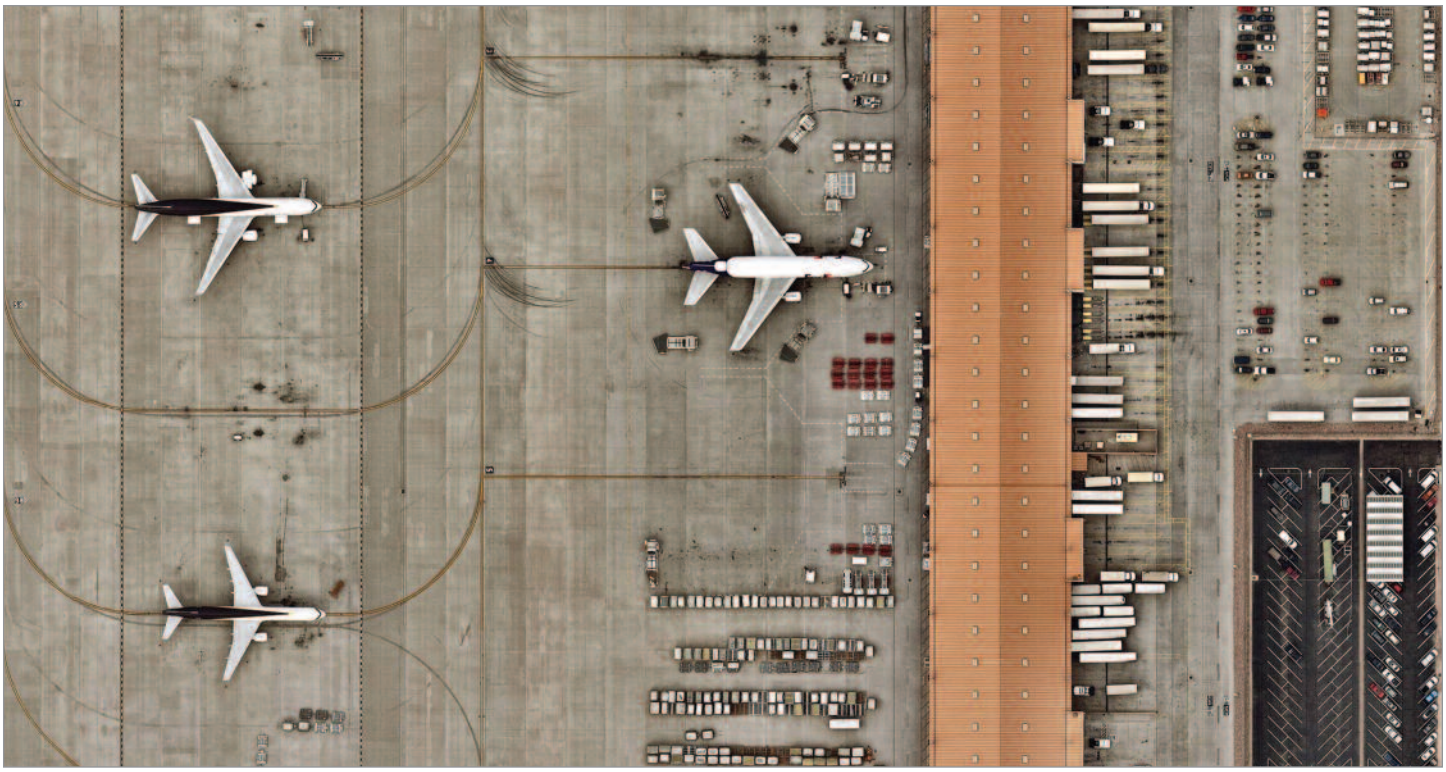
An Airline Commitment to Audit Reduction

The Audit Reduction Commitment (ARC) is an industry pledge to reduce audits. Airlines participating in the SFOC program will undertake a gap analysis to determine which audit standards will not need to be assessed for SFOC certified facilities. The revised audit scope is then defined through the ARC. Individual airlines will provide clear visibility on the potential audit reduction for SFOC certified facilities, ensuring there is a solid mechanism to eliminate redundant audits and save costs and time for the industry. Singapore Airlines is the first carrier to sign the ARC, pledging a 50% audit reduction to all SFOC certified facilities worldwide.

Remote Validations: Ensuring Staff Safety

The Smart Facility Remote Validation assesses a facility in a fast, cost-efficient and easy way. It focuses on general facility equipment and infrastructure, temperature control, working areas and temporary storage, and live animal and phytosanitary capabilities. Further, it covers electronic system capacities such as Cargo-XML and Mail tracking. The facility manager only needs to fill an online questionnaire and upload the documents to confirm that the information is accurate. As soon as the information is validated by IATA, it will be displayed in ONE Source.

The Remote Validation is an excellent way to bridge the gap towards an upcoming IATA audit as well as a stand-alone solution for smaller Cargo Handling Facilities. They are also an integral part of each Smart Facility Operational Capacity Audit. It allows auditors to focus on the



Transparency across the aviation transport chain - IATA ONE Source. Photo courtesy IATA.

procedural assessment of the facility, providing a more efficient onsite auditing process.

One Source of Validated Information

IATA ONE Source is the online tool that brings transparency to aviation service providers' capabilities and infrastructure. ONE Source will support the industry restart by making available critical information for process restructuration and optimization. It will enable the whole aviation industry to find the right business partners to meet their needs, from specific requirements such as temperature-controlled rooms to IATA certifications.

ONE Source lists aviation service provider stations for all company types along the transportation chain: airlines, airports, cargo handling facilities, freight forwarders, ground handlers, shippers, and trucking companies. Therefore, ONE Source offers the possibility to attract new customers for the entire aviation transportation chain by creating a free profile.

The Platform Offers:

- Visibility, raising the facility profile on the global market
- Improved matchmaking, attracting new customers
- Single source of up-to-date certification and infrastructure data
- Streamlined information per station types allows for direct capability comparison
- Increased audit efficiency by complementing risk analysis data for a more accurate evaluation of auditing needs
- ONE Source API providing a direct data feed to company systems
- Reduced audit complexity, focused on Unique Selling Points and security aspects

Displaying company information on ONE Source helps aviation service providers to showcase their validated capabilities, attract new business and enable transparency and efficiency in the aviation supply chain.

ONE Source currently lists more than 100 companies with over 300 stations that are already validated by IATA.

Visibility on Critical IATA Certifications

All the business-critical information contained on ONE Source has been verified through the different IATA validation programs. It guarantees that the data is accurate, enabling you to make better decisions for your business. Aside from Smart Facility Operational Capacity certification, ONE Source currently features CEIV Pharma, Live Animals and Fresh certifications, and IATA Environmental Assessment (IEnvA) and United for Wildlife accreditations.

Adhering to industry standards and best practices is more critical today than ever. IATA's Validation Programs are key to ensure adherence and create trust in air cargo handling capabilities. Having accurate and verified information on temperature control capabilities and infrastructure will be essential for an efficient industry restart.

NOTE: For additional information, please visit: https://www.iata.org/smart-facility
The beta version of ONE Source is available at: onesource.iata.org

From the Top

Rich Corrado, President and Chief Executive Officer Air Transport Services Group (ATSG)

Interview by Robert Christensen and Kathy Belmont

Rich Corrado

About Rich Corrado

Rich Corrado joined Air Transport Services Group (ATSG) as Chief Commercial Officer in April 2010. Since that time, he has held the roles of Chief Operating Officer and was chosen as President in 2019. During his tenure, Rich has been responsible for global commercial marketing strategy, day-to-day operations of ATSG's airlines, maintenance and service businesses. These experiences exposed him to each facet of the company including operations, finance, customers, and strategies. These experiences prepared Corrado to step into the role of CEO in May of 2020.

Corrado leads the ATSG leasing strategy know as A+CMI that allows customers to build a relationship with ATSG based on their current market demands. The A+CMI mode was integral in the capturing of the eCommerce business that relies on the mid-size, medium range Boeing 767 freighter.

These freighters are the airframe of choice for time-sensitive delivery and express markets. Corrado helped pioneer this strategy that has seen the ATSG fleet grow to nearly 100 aircraft.

Prior to joining ATSG, Corrado held various leadership roles in the consulting and air express industry. From 2006-2010 he served as President of Transform Consulting Group. He also served as Executive Vice President for Business Development and then as Executive Vice President of Air Products and Services for DHL from 2003-2006.

However, his first role with an ATSG company was with the predecessor to ABX Air where he served as Vice President of Administration from 1999-2000 and as Senior Vice President of Marketing for Airborne Express from 2000-2003.

For years, Corrado has been very involved in the ATSG Employee Charity Campaign which in 2019, provided more than $380,000 to local charities in the communities they serve. He recently took part in the Executives in the Classroom day at the Clinton County (Ohio) Headstart program. There Corrado read aviation themed books to pre-school children to celebrate the launch of a local chapter of the Ohio Governor's Imagination Library. This program provides free books to children from birth to age five in an ongoing effort to increase literacy in communities across Ohio.

Focus: ATSG is a diverse group. Which subsidiary first attracted you to this company?

Corrado: Early in my career I worked in sales for Airborne Express, the original parent company of ABX Air. I had several different roles there, and one was working at ABX Air, which was the legacy company that eventually formed ATSG.

Focus: What insights did CEO Joe Hete share with you?

Corrado: I worked with Joe for a long time. His leadership style and approach to the business were truly unique. His integrity and work ethic are two things he not only shared with me, but remain a cornerstone of our culture. For example, when Joe Hete made a deal, his word was all you needed.

No matter what the challenge, our subsidiaries know when we make a commitment to a customer, we meet that commitment. We are in a service business and are only as good as our last departure.

Many of our leasing customers started as ACMI customers, then leased our aircraft on their own. Some customers, such as Northern Aviation Services and Amerijet flew the aircraft themselves. Others leased the aircraft and established a CMI agreement with one of our airlines (ABX Air or ATI) to fly the aircraft for them.

Focus: What were the take-ways from your years of service at AFMS Logistics, DHL Express, Transform Consulting, and Airborne Express?

Corrado: My entire career has essentially been in the parcel express business. I have worked in every segment of the business including direct sales, sales management, corporate marketing, operations, pick-up and delivery, aviation and management. Over the years, I spent a lot of time directly in front of customers. This means that I thoroughly understand our role in our customer's commitment to their customers. I tell my team all the time, that what we do is critically important to ensuring our customers deliver on their commitment to service.

Parcel express and eCommerce packages have a heightened sense of urgency. This is very different from general air cargo because in our eCommerce fulfillment, we are part of the customer's ordering experience. We deliver part of the customer purchasing experience, and therefore a critical aspect of repeat buying opportunity for our customers. This concept is what guides our constant drive to deliver service to our customer at all levels of our companies.

Focus: What are ATSG strengths during economic cycles?

Corrado: One of the most significant financial aspects of our business model is its resiliency. We have essentially immunized ourselves from the peaks and valleys of the business cycle.

The majority of our EBITDA comes from aircraft leases, flying for the DoD, and CMI contracts with DHL and Amazon. These are revenue business volumes that do not fluctuate with the ebbs and flows of the business cycle. ATSG aircraft leases span 7-10 years, and are paid regardless of the amount of time the asset is used by our customer.

The DoD demand requirements are not related to specific business cycles, but to government deployment requirements. We do express flying for the DHL and Amazon US networks, that require time and

An ABX Air flight is prepared to serve express customers across the globe. Photo courtesy ATSG.

day-definite service provisions, so those networks are less responsive to business cycle down turns.

Focus: How does ATSG interact with its subsidiaries on behalf of its customers?

Corrado: ATSG guides the overall strategy and investment for the corporation. Our business model starts with an aircraft lease from our leasing subsidiary Cargo Aircraft Management. Then we leverage our other subsidiaries to add additional value on top of the lease.

For example, our MRO, Airborne Maintenance & Engineering Services (Airborne) can provide line maintenance, heavy maintenance services and aircraft modifications for the lessee. Our airlines, ABX Air or ATI, could sub-lease the aircraft back from a lessee and fly it for them. Our logistics company, LGSTX, could supply aircraft handling, load/unload, de-icing, fueling, hub sortation, and other services related to running an express network. This provides great differentiation from any lessor in the market and allows us to add incremental returns on top of the base lease. This means better value and lower risk for customers, in addition to higher returns for shareholders.

Focus: What part of ATSG does charter brokerage services play?

Corrado: We do very little cargo charter work due to our model of bundled services starting with a customer lease. Our passenger airline, Omni Air International does quite a bit of chartering and ACMI flying for private entities, airlines, and government.

Focus: Describe the "A+CMI" business model, and its customer benefits for those companies seeking air transport services.

Corrado: A+CMI essentially separates the Lease of the aircraft (A), and the Operating Agreement (CMI) to fly the aircraft using two separate and distinct transactions.

In 2010, ATSG pioneered this model in the express business with DHL. It was essentially the basis of our agreement with Amazon established in 2016. This gives the customer control over the asset so that over time if their needs change, they can opt to move the aircraft to another operator, or alternatively operate the aircraft themselves.

We originally created our Wet2Dry model, so we could move a customer from a wet lease, or ACMI model, to a leasing and operating model.

In fact, most of our leasing customers started out as ACMI customers, and then, eventually leased the aircraft on their own, and either flew it themselves, such as Northern Aviation Services and Amerijet, or leased the aircraft and then established a CMI agreement with one of our airlines (ABX Air or ATI) to fly the aircraft for them.

Service has always been the most important aspect of what we sell and what our customers buy. We are not the least expensive operator, but from a performance perspective we are the service leader. Air cargo and air express services are expensive, but a single failure is even more costly.

Focus: How has ATSG planned for eCommerce growth?

Corrado: Our heritage is that of an express carrier. ABX Air was a wholly-owned subsidiary of Airborne Express, before becoming the backbone of the DHL USA network after Airborne Express was sold to DHL. We have been flying time-definite and day-definite packages since our inception, and eCommerce fits into that pocket. The other significant factor has been our leadership position with the Boeing 767 freighter. In the late 90s, we were the first company to begin converting B767s. Today we are the world's largest lessor of B767 converted freighters. The B767 is the clear leader in express and eCommerce networks due to its durability, reliability, and economics. It's now the most widely utilized freighter by express companies, UPS, FedEx, DHL, Amazon, and keeps growing.

From a leasing perspective, we leverage our experience with the aircraft and knowledge of the industry to do some unique things. For example, to the eCommerce segment the cube of the aircraft is much more important than its weight-carrying capability. This is why we offer an "express" version of the B767-300 freighter that does not upgrade the aircraft's weight capability. This allows us to charge a lower lease rate because our investment is lower, and the customer pays lower landing fees for the reduced weights of the aircraft. Our return on the investment stays the same, but the customer enjoys savings without losing utility, based on their particular needs.

Another significant factor is a corporate mindset around service. Our employees understand that on every B767-300 freighter aircraft there are perhaps 15-20,000 individual packages. These may represent up to15-20,000 individual promises for eCommerce delivery. We need to keep our promise on every departure.

This is very different from general air cargo where the plane may be full of car parts or large shipments going to distribution centers for fulfillment operations. In eCommerce fulfillment, we are part of the ordering customer's experience. Delivery is part of the customer purchasing experience, and therefore a critical aspect of the repeat buying opportunity.

Focus: ABX Air had a strong Miami market presence for many years. What types of cargo customer does ABX Air support today?

Corrado: ABX Air predominately services the express package and eCommerce markets. The majority of their aircraft fly for DHL, Amazon, and seasonally for UPS. ABX Air does some flying for the Department of Defense but is essentially an express airline.

In Miami, ABX Air did business for Strategic Air Services, which was bought by Northern Aviation Services who then leased two B767-300 freighters and assumed the flying themselves. This is an example of our Wet2Dry versatility. This type of ATSG market strategy creates opportunities for our customers to successfully deliver as their business demands change.

Focus: How do ATSG's integrated services fit multiple customer demands?

Corrado: Our market model provides bundled services that meet our customers need to be able to grow their business. We believe that each customer has the opportunity to be integrated across all our subsidiaries. These new relationship experiences provide possibilities for value-added growth.

Focus: What have customers who utilize ACMI Services expected over the years?

Corrado: Service has always been the most important aspect of what we sell and what our customers buy. We are not the least expensive operator, but from a performance perspective we are the service leader.

Air cargo and air express services are expensive, but a single failure is even more costly. We do not offer much ACMI flying, as we believe that if we are investing in long-term assets, such as airplanes, we need to have a customer model that assumes a long-term contract. Our heavy focus is on dry leasing as a core business, and CMI flying as a value-added service.

Omni Air International's B777-200 provides passenger ACMI and charter service to private entity, airline, and government customers. Photo courtesy ATSG.

Focus: Who creates today's strongest demand for converted cargo aircraft?

Corrado: The express carriers, FedEx, UPS and DHL as well as Amazon are the dominant players in the demand for converted cargo aircraft. This includes the airlines that fly for them. For example, Cargojet is a very good customer of ours, and they fly for UPS, Amazon and Canada Post in Canada. Star Air in the EU flies exclusively for UPS. When you look at actual freighter deployment globally the express carriers are dominant and they serve the fastest growing segment of the market, eCommerce. When we specifically look at our B767 freighters, by the end of 2019, over 85% of were deployed globally in an express network.

Focus: How does ATSG maintain costs to stay competitive?

Corrado: Frugality is a corporate value. We have always managed the company very tightly as it relates to costs. We innovate where we believe we can drive real value that translates to bottom-line results or to customer value enhancement.

To control costs, we vertically integrated key services that other companies contract out. Our MROs are a good example of that. We do our own heavy and line maintenance; we maintain our own aircraft as well as those of our lessees and other commercial customers. This creates a larger scale platform, and thus promotes lower cost.

On the engine side, we have established Power by the Cycle engine agreements for the CF6-80A, and CF6-80C2 engines. This helps us smooth our engine cost, while giving us an excellent value to extend to our lessees. This allows our lessees to lower their risk and the cost on a critical operating area, aircraft engines.

Focus: Has the pandemic affected the service of ATSG subsidiary West Atlantic Group?

Corrado: West Atlantic Group is a holding company for two European cargo airlines, West Air Sweden and West Atlantic UK with its head office in Gothenburg, Sweden. These all-cargo operators continue servicing their customers while maintaining their high standards. Both operators have sought opportunities for more growth.

Focus: Where do ATSG subsidiaries operate?

Corrado: Currently, ATSG leases airplanes worldwide including the US, Canada, Europe, the Middle East and Asia. Our leasing pipeline for the B767-300, a mid-range, widebody aircraft includes operators in US, South America, Mexico, and Asia. Wherever regional networks prevail, B767-300's will be a valuable solution. On the flying side, we have some great opportunities for intercontinental routes.

Focus: Does ATSG integrate A2A service?

Corrado: No. ATSG does not fly scheduled service routes. It is our customers who provide the IT solutions that enhance the cargo movement, billing, and trackability of their packages.

Focus: How important is creating a trucking industry relationship for ATSG customers?

Corrado: For our customers, it is essential, as everything we fly either came to us on a contracted truck or went onto a truck after we landed. We do not get involved in direct trucking relationships in our role with our customers, but we do understand the value that it has to their networks.

Focus: Has ATSG considered adding truckload logistics services?

Corrado: We are always looking for adjacencies that help us differentiate our value proposition and diversify our revenue. Truckload logistics certainly would accomplish both goals but it would be a departure from our aviation focus. We have no immediate plans to pursue this avenue. Most of our customers use us across all, or some of our subsidiaries, taking advantage of the services we offer.

Focus: How much R&D takes place at ATSG?

Corrado: Quite a bit of R&D takes place, most of it centers around aircraft modification. We own multiple Supplemental Type Certificates (STCs) for modifying 757 and 737 aircraft at our Pemco Conversions subsidiary. We are currently in a joint venture with Precision Conversions to develop the STC for converting an A321-200 to a freighter. Another one of our current projects is installing diagnostic computer systems on the aircraft to monitor and provide data on hundreds of data points to assist us with predictive maintenance. We are using this technology to improve aircraft reliability.

Focus: What does it take to keep up with customer timelines?

Corrado: In the aircraft conversion business, timelines are long and depend on when we interface with a customer's needs. For charter opportunities, it could take a couple of days or up to a year. If a customer wants to lease a converted B767 freighter, we try to have something available for lease at all times, but we do not speculate to any great extent. We buy and convert freighters only when we are confident we will be able to lease them when they are ready to fly.

Focus: How does ATSG work with airports and airside facilities?

Corrado: We manage the airport at Wilmington Air Park (ILN). This is where one of our MROs, Airborne Maintenance and Engineering Services (Airborne) is located. Amazon Air also has a regional sorting facility at the airport. We do everything from managing the office buildings and hangars, to maintaining the ILS system. We clear snow from the runways and ramp, de-ice, and also fuel all of the aircraft that transit the facility. We even run the control tower. In the past, we also operated the sort operation in the early days of the Amazon operation. We also have gateway sort facilities for Amazon in Charlotte (CLT) and Tampa (TPA). We load and unload aircraft and trucks. We also sort packages and containers for Amazon at these facilities. We have a second MRO facility located in Tampa, Airborne-Tampa, and our Pemco Conversions operation is co-located with the MRO as well.

Focus: Where does eCommerce fit on the ATSG future?

Corrado: We were built as an air express service provider, and eCommerce is the fastest growing sales channel leveraging speedy delivery to customers. Our B767 assets and future A321s are geared for express networks. These assets will be the main fulfillment for air express linehaul both now and in the future.

ATSG's business model leverages aircraft leasing, flight operations, maintenance operations and logistics services to give customers a one-stop-shop to lower the risks and cost of getting into the B767 freighter business.

The first example of this business model was ATSG's 2015 initial deployment of the Amazon's five-aircraft network. We put up five ACMI aircraft, flying into several airport gateway operations and a central sort hub operation in Wilmington, and ran the operation through the peak shipping period of 2015. This successful operation helped us achieve our initial A+CMI agreement with Amazon for 20 aircraft, which will grow to over 31 in 2020, and 42 at the end of 2021.

Focus: After the airline sector fell precipitously in March, ATSG regained its 2020 January levels in under 30 days. How do you explain the growth of the ATSG stock?

Corrado: The majority of ATSG's businesses were not directly impacted by the virus. We have two airlines that fly passengers, Omni Air and ATI. Both airlines saw drops in volume related to passenger traffic. At the same time, cargo transport and leasing demand remained high. Now, freighter aircraft are more in demand than ever before.

Our stock originally trended down with other airline stocks, but after we announced good first quarter earnings, and a revised outlook, investors reacted appropriately to improve the stock's price performance. We are projecting better than last year levels, but slightly off our Pre-Covid 2020 plan. We are very fortunate and thankful to have a business that is so much in demand, especially in a market where many companies are struggling.

Focus: What will be ATSG's next airframe move?

Corrado: We are in a joint venture with Precision Conversions to produce an STC for converting Airbus A321-200's to cargo freighters. We hope to get the STC approved in the second half of the year.

The A321 will be the base of an express network freighter. The A321 cubic volume is very close to the B757 freighter, which with its installed base of over 300 aircraft, is getting long in the tooth. This should create a great market.

Initially, we looked to convert the aircraft at our Pemco Conversions subsidiary in TPA, and then wrap the rest of the ATSG value-added offering around it. This would include leasing, flying, maintenance, and logistics. This compelling offering is similar to our B767 freighter. To date, ATSG has captured over 65% market share of the B767 freighter leasing business.

Focus: Will China's role as a manufacturing center increase?

Corrado: The pandemic has highlighted some significant weaknesses in several US supply chains. For years, many industries relied on low cost manufacturing from China. What first manifested as factory closures early in the COVID-19 crisis, transitioned to transportation challenges, resulting from the reduced belly capacity when the majority of global passenger fleets were grounded. I believe companies will be closely evaluating near-shoring and domestic production options in the near term to reduce future risks in their supply chains.

Focus: Will freighter cargo demand diminish or strengthen?

Corrado: We believe the demand for eCommerce will continue to grow and significantly outpace general air cargo. According to the US Department of Commerce, eCommerce is projected to grow in the

Airborne Maintenance and Engineering services prepares a Boeing 767-200 for an AFT Pressure Bulkhead Replacement. They have completed this FAA AD ten times. Photo courtesy ATSG.

Airborne Maintenance & Engineering Services provides heavy maintenance services at their 315,000 sq. ft. facility in Wilmington, OH and their 320,000 sq. ft. facility located at the Tampa International Airport. Photo courtesy ATSG.

mid-teens through 2023. This is great for the B767 and A321 as they will be the aircraft solutions for integrators, express companies, and eCommerce for years to come.

General air cargo had a rough 2019. Despite trade and tariff disruption around the globe, eCommerce still grew double digits. With the COVID-19 situation general air cargo is down due to manufacturing and distribution being closed in many areas. However, volumes for main deck freighters are up due to the parking of most of the global passenger fleet and the loss of that belly space. Short-term when regional markets begin to open, air cargo will snap back faster than slower modes to refill supply chains and pipelines. Long-term growth for air cargo should settle in the 3-4% range.

Focus: How do customers measure ATSG teams in terms of its POV for maintenance, flight, and leadership?

Corrado: Our rich history dates back 40 years. This has provided us with a wealth of experienced employees and has seasoned us to be able to anticipate customer needs.

Our customers value team members who keep their focus on service and delivering that service in all aspects of business interactions. They understand what it means to make delivery promises. Their execution at every level reflects the customer's service requirements.

LGSTX Services provides airport ground services including fueling, gateway operation, GSE leasing, and 24-hour maintenance through their Call Center.
Photo courtesy ATSG.

A broad range of services including freight handling and material handling solutions are provided by LGSTX Services and their subsidiary TriFactor Distribution Solutions.
Photo courtesy ATSG.

To expand their ability to recruit new aviation maintenance technicians, Airborne Maintenance & Engineering Services provides an internship program with a path to licensing.
Photo courtesy ATSG.

Focus: Have you seen more applicants wanting to work for ATSG and its subsidiaries?

Corrado: Yes. Employees want to go to work for a company that is growing and has a good outlook for future opportunities. Due to growth across all our subsidiaries, we have an easier platform and message to recruit and attract quality candidates.

For example, ATI has been attracting pilots and maintenance technicians for its expanding Amazon operations even prior to the changes in demand due to the global pandemic.

This year, we added five additional aircraft to that operation, providing even more opportunities for candidates who want to be on board with a growth-focused company.

Focus: What does ATSG look for in new applicants?

Corrado: Brainpower, a record of high achievement, and a desire to work hard and have fun. ATSG has a great culture at the company and great growth opportunities.

One thing I have always loved about our company is that employees get back as much as they put in.

Focus: What advice do you have for future pilots?

Corrado: Currently, the pilot market is experiencing an unprecedented shift related to COVID-19 and new challenges in the commercial airline business. Three or four months ago, the world was looking at a significant pilot shortage given the strong growth of global aviation, and mandatory retirement ages.

Now, there may be thousands of pilots furloughed as a result of the virus' impact on air travel demand. This difficult situation remains in flux. One can only hope that passenger volumes will bounce back quickly, and pilot jobs can be preserved.

Focus: Sooner or later sports will return. What can the Boston fans expect from their teams this year?

Corrado: I see from this question, my team prepared you well for this interview. As I said in my earlier statement, I do not like to speculate but would rather be patient and reminisce about the results.

The best part about being a Boston sports fan is sharing that passion with family and friends. In the end, I am really the big winner regardless of the score!

An Air Transport International (ATI) Boeing 757 Combi Aircraft have been proudly serving the US military for more than 20 years. Photo courtesy ATSG.

About Air Transport Services Group (ATSG)

ATSG provides aircraft leasing, air cargo lift, passenger ACMI and charter services, aircraft maintenance services and airport ground services.

Great things are happening at Air Transport Services Group, Inc. (ATSG) and its subsidiaries. 2019 was a year of record financial performance, as the company's major initiatives over the last several years yielded substantial gains in revenues, operating income, and cash flow.

ATSG recently grew into a larger company, with passenger as well as freighter aircraft in its fleet and the US Government, primarily the Department of Defense (DoD), became its largest customer. This was due to the November 2018 acquisition of Omni Air International based in Tulsa, OK. The acquisition diversified our fleet and customer base with DoD making up 34% of the company's 2019 revenue.

Amazon and DHL represented 23% and 14% respectively. The 29% remaining balance was a mix of other blue-chip customers including UPS, Delta, United, and Frontier to name a few.

Our current in-service fleet includes 42 Boeing 767-300 freighters, nine in a passenger configuration, plus a total of 35 Boeing 767-200s with 32 in cargo and three in passenger service, eight Boeing 757-200s, plus three Boeing 777-200 passenger aircraft.

ATSG is currently the global leader in freighter aircraft leasing and will be adding additional aircraft in 2020.

Rich Corrado said, "No other company in the world can compete with our bundle of services for midsize freighters, including leasing, air express operations, heavy maintenance, freighter conversions, and logistics services."

Growth is good news for the over 4,000 employees that make up the ATSG companies. The exceptional people of ATSG work together and understand that success impacts everyone– including employees, customers, and the community.

A career at an ATSG company means, "You Work Globally and Live Locally." As the world's largest freighter lessor, we have a global reach that believes in community and enriching the lives of employees with opportunities to make an impact. This is a simple but effective management approach that has stood the test of time and changing business environments.

ATSG is focused on providing customer reliability and service they can trust while strengthening relationships with their employees by believing every employee makes an impact.

A diverse organization strengthens the company and as it grows, everyone benefits because they share in the success.

NOTE: For additional information, please visit: https://atsgcorp.com

From the Top: Pandemic Response

Wally Devereaux, Managing Director Cargo and Charters, Southwest Airlines

Interview by Robert Christensen and Kathy Belmont

Wally Devereaux

We took the opportunity to speak with Wally Devereaux, Managing Director Cargo and Charters Southwest Airlines, two months after COVID-19 decimated the passenger airline industry sector.

We were not the only media organization interested in Southwest Airlines. CNBC host Jim Cramer offered this observation. Southwest CEO Gary Kelly is a tremendous airline operator.

Also, in a statement that came after Southwest's stock (NYSE: LUV) was upgraded, Credit Suisse analyst Jose Caiado lifted his price target on Southwest to $45 a share from $35, indicating a 37% premium over the stock's previous June pricings. "Southwest offers a way for investors to catch the tailwinds of an emerging rebound in leisure travel," said Caiado. The Dallas airline also benefits from a "Best-in-Class" balance sheet, which positions LUV to stage an aggressive comeback.

Caiado noted, "Southwest has managed to retain its investment-grade ratings through the worst of the crisis, while also noting the airline has built up a $13 billion war chest."

As of this interview, Southwest passenger and cargo customers have begun returning. Although passenger flights remain less than full, more customers are booking than canceling. This news is good for Southwest customers and shareholders.

Our interview takes place during an early post-viral environment.

Focus: How has Southwest helped during the pandemic?

Devereaux: Southwest firmly believes in building stronger and more resilient communities. There has never been a better opportunity for Southwest to help shoulder community needs for food and supplies than during these devastating pandemic times. This was especially true for those most in need.

When we suspended onboard service, in an effort to reduce touchpoints between Southwest flight attendants and customers, we found ourselves with a surplus of inflight provisioning snacks and other items. Instead of letting these supplies go to waste, we donated more than $400,000 worth of products to dozens of foodbanks across the nation, helping to ease the burden of hunger in some of the areas hardest hit by the virus.

Southwest also provided complimentary travel for medical professionals going to and from the hot spots. We also moved COVID-19 related shipments including test kits and personal protective equipment (PPE) as communities faced the impacts of the virus head-on.

I have never been so proud of our Warrior Spirit and seeing so many of our employees across the country come together for one mission – helping each other get through this crisis.

Focus: Have your views of the aviation industry changed?

Devereaux: No. I believe aviation still provides a critical component of the nation's infrastructure. As our passenger numbers declined, we saw an increase in cargo. Whether we are moving passengers or much-needed cargo across the country, this is proof we provide a service to communities.

The aviation community is accustomed to challenges and just like issues we overcame in the past, we will get through this.

Focus: What has been the feedback from SW cargo customers?

Devereaux: Our cargo customers have been wonderful during this unprecedented time. We work hard to ensure shipments get to the places they need to go.

We made changes to protect our customers and employees such as adding Plexiglas® shields in our cargo facilities. These efforts have been appreciated by everyone.

Despite continued changes in flight scheduling, we have also been able to continue moving mission-critical goods.

Focus: During a downturn, how important does teamwork, communication and leadership become?

Devereaux: Chairman Gary Kelly said, "Running an airline is the ultimate team sport." There is no question that this statement remains true today.

I have learned, whether on the front lines or in a support role at our headquarters, people depend on honest communication. They want to know what the current business environment is, how we as a company and a department are bracing ourselves for changes, and what they can do to help out the business.

Southwest instills a mantra in its leaders and employees to always check in with each other and make sure they are doing OK. The leadership you see with our executive team is the same leadership you see throughout the entire organization. These are values I admire about Southwest.

Focus: How do you build cargo customer relationships?

Devereaux: For Southwest Cargo, our relationships start with a "People First" mentality. We strive to understand their business' needs and put together a shipping solution that ultimately helps their business grow. This still holds true even during the pandemic.

Focus:: What airline issues face forwarding customers?

Devereaux: I think the primary challenge facing forwarders, as it relates to airline partners, is reduced capacity due to flight schedule reductions and availability.

While we have certainly reduced our capacity at Southwest, we are still operating over 1,300 flights per day with plans to grow going forward. We have maintained operational cargo facilities in all locations, aside from temporary closures of international markets. So, we are open for business and still have plenty of capacity to move cargo.

Southwest Airlines donated $400,000 in snacks and other provisioning items to food pantries across the United States. Photo courtesy Stephen M. Keller, Southwest Cargo.

Focus: What cargo services are available to customers?

Devereaux: We certainly did not want to use the current environment as an excuse to stand still. With that in mind, we have continued forward with many elements within our 2020 plan.

This includes the rollout of planeside cargo scanning in all locations (starting in early June) and commencing cargo service on our own aircraft to HNL. We have even added a few new options including the ability to book a Cargo-only Charter Service.

Focus: What new cargo has been introduced into Southwest's mix?

Devereaux: Just as the pandemic started to impact the country, we saw an increased number of COVID-19 related goods being shipped. These included ventilators, test kits and PPE supplies.

Also, we experienced a spike in eCommerce goods as people shopped from home.

At this point we are beginning to see an uptick in retail commodities and perishable products as more regions begin reopening.

Focus: What is the status of the mobile enabled tracking app?

Devereaux: We are not currently offering a mobile tracking app, but are introducing Planeside Scanning for each and every piece of cargo loaded on all flights at all locations. This is being rolled out system wide in June.

Focus: Will cargo locations remain staffed by SW employees?

Devereaux: Yes. We have no current plans to change any of our Southwest-staffed cargo locations. Our employees are second to none in the industry and do an exceptional job managing cargo locations and assisting our customers.

Focus: How can redundancy be maintained while using fewer planes on reduced flight schedules?

Devereaux: Though flight schedules have been temporarily reduced, we offer over 1,300 daily flights connecting cargo, aircraft to aircraft. By carrying fewer pax bags at the moment, we have been able to maintain a high level of redundancy despite the current environment.

Focus: Has demand for perishable products increased?

Devereaux: Initially, demand for perishables declined rapidly during the early stages of the pandemic. Over the past 30 days, we are seeing steady improvement with most perishable commodities. Much of this increase has been targeted toward our Fresh Fast product.

Focus: When do you see international markets returning to pre-pandemic levels?

Devereaux: This is really hard to predict. After suspending all international service in March, we will begin resuming some service over the summer.

Southwest Airlines ramp agents load cargo in Denver. Photo courtesy Stephen M. Keller, Southwest Cargo.

Flight demand will be dictated by a variety of factors. No one can predict when the industry might return to previous levels from prior months. I hope we get moving soon. I look forward to working again with our regional customers and moving their commodities.

Focus: What steps for safe cargo handling have been introduced in Southwest cargo warehouses?

Devereaux: In May, we introduced our Southwest Promise, a multi-layered approach to the safety and well-being of our employees and customers.

Through this initiative, we are focusing on enhanced cleaning efforts, social distancing, and keeping our employees and customers safe.

Throughout our cargo facilities, we added Plexiglas® shields at our counters and stepped up cleaning and disinfectant efforts.

Please see Southwest.com/Promise for a full list of our efforts.

Focus: What progress has been made in plane-side cargo scanning programs?

Devereaux: We have make good progress with plane-side scanning. Recently, we had our first successful scanning of cargo and our test results have proven to be very successful.

Once we have all locations up and running, our next focus will be on providing tracking information to our customers via swacargo.com and other means.

Focus: Have recertification and delivery timelines been announced for the B737 MAX8?

Devereaux: Right now, we are anticipating the MAX to be back in the fleet by the end of the year. We have also made changes to our order book including reducing the number of aircraft we plan to take from Boeing over the next two years.

Focus: When do you anticipate returning to 4,000 daily flights for the US market?

Devereaux: It is too soon to make any predictions. Right now, we want our customers to know we are here for them when they need to ship or travel. We look forward to welcoming all of our customers back onboard when they are ready to fly.

About Wally Devereaux: As Managing Director of Southwest's Cargo and Charters team, he leads a team of dedicated employees who provide exceptional service and hospitality for all Southwest Airlines customers. Devereaux started his Southwest career at Dallas Love Field as a customer service agent. He held positions in ground operations, PR and marketing before joining the Cargo and Charters team in 1999.

Editor's Note: Wally Devereaux's interview took place in late May.

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

The Beacon Council Webinar

A Round-table Discussion of the Aviation Industry

Robert Christensen

As a member of the Greater Miami Aviation Association (GMAA), I received an invitation to a webinar sponsored by the Miami-Dade Beacon Council, hosted by the Council's Aviation Committee.

The round-table discussion focused on the state of the aviation industry and what the future may hold. During the webinar I kept in mind the evolving interaction between air cargo and passenger airlines. Half of air cargo is carried in the belly of passenger aircaft. The following discussion has been carefully consolidated and edited for page-space considerations.

The moderator, Lars Pottgiesser, serves as the current Beacon Council Aviation Committee Chair as well as the International Air Transport Association (IATA) Head of Business Development for the Americas.

Distinguished speakers included, Peter Cerda, Regional Vice President of The Americas, International Air Transport Association (IATA).

Klemen Ferjan, Beacon Council Aviation Committee Chair-Elect and Senior Consultant for Cost Excellence at Amerijet International.

Juan Carlos Liscano, Vice President of Miami Hub Operations for American Airlines.

Martin Schaaf, Miami Learning Center Campus Manager, Training and Professional Services, Boeing Global Services.

Lester Sola, Director and Chief Executive Officer for the Miami-Dade Aviation Department.

Mike Finney, CEO of the Miami Beacon Council opened the webinar discussion with the following statement, "The committee work we do with the aerospace industry lends forward-looking support to drive regional, national, and ultimately global economic success. Included in our essential areas of concern are accessing talent lost during the crisis, reconnecting business-to-business relationships and facilitating local supply chains. We are also diligently working on accessing capital for small businesses. The Council works directly with Miami-Dade County and other entities to ensure that capital pipelines are available to companies as they start the reopening process."

Lars Pottgiesser thanked the Beacon Council and Miami-Dade County for their support and spoke about looking forward. "The crisis has not yet gone away and is unlikely to resolve imminently. We need to determine the best way to drive economic regional, national and global success. The course we take will directly impact aviation. Part of our work requires getting beyond shut-down responses and focusing on reopening," Pottgiesser said.

Peter Cerda addressed the new norm of empty terminals, canceled flights and thousands of grounded planes. He said, "We are looking to what the future may hold. The economic implications on jobs has huge implications. Even as China and Europe begin their restart, other areas have taken alternative courses. Key Latin American governments have implemented harsh measures to address this pandemic. From IATA's standpoint, we emphasize Latin America and the Caribbean as they are an important economic touch point for South Florida business."

Presently, Mexico, Brazil and Chile offer limited service. Their domestic flight scheduling is of little help to international travelers."

Lars Pottgiesser gave insights from the 2003, 2015 and 2019 global health crises. "After these impacting pandemics subsided, the industry restart was five to 12 months. For six months following the outbreak IATA forecasts showed that $304 billion was at risk. Even after the US government proactively provided airline funding, a combined 6 million jobs are still at risk in North and Latin America. For the aviation industry to survive we must adapt."

The Headwinds

For decades, Boeing maintained a substantial training presence in Miami. Boeing's Martin Schaaf offered a OEM perspective, "The pandemic's recovery will take longer. Governmental organizations cite two years for domestic recovery and up to seven years for international. Boeing officials forecast three to five years before the numbers return."

Major changes taking place in European airlines include Lufthansa Airlines' decision to ground its long-range A380s and A340s. This will directly affect Lufthansa's new service from Europe to Miami and Fort Myers. In addition to restructuring Florida routes, Lufthansa has stated its case for a government financial bailout. Observers predict Lufthansa will emerge a structurally different airline.

Copa Airlines CEO Pedro Heilbron predicted, "When we come out of this, we will not look like the airline we did 28 days before the crisis began. We will look like the airline we were 28 years ago, a much smaller airline."

Ecuador's President Lenin Moreno announced its publicly-owned Tame Airlines liquidation. The Panamanian flag ship carrier's action will surely reduce MIA destination totals.

Colombia-based Avianca Airlines filed for bankruptcy and will go through restructuring. The airline has been a leading factor in establishing Florida's import-export business.

The Restart

Peter Cerda shared insights on IATA's government work with countries from Canada to Chile to Argentina. Cerda said, "IATA created a restart plan working with industry leaders and with European community endorsement. IATA continues to work with US officials to strengthen the plan for global use."

The plan outlines ways to build public confidence, reduce risk mitigations and implement solutions for governments to properly and safely open borders.

The Investments

Lars Pottgiesser said, "To keep air travel safe, industry and government must assume an investment role. Providing dollars, even during these complicated, economic times is a challenge that needs to be met."

The speakers all agree on the need for technological investments. However, several countries that have begun testing for COVID-19 are using inconsistent protocols, which create their own ambiguities. In some US cities, infected people that are not exhibiting virus symptoms may be turned away from testing.

No one wants a repeat of 911's overarching, unilateral decisions. Even now, US security checks differ from Europe and Latin America.

Peter Cerda said, "For a true international aviation restart, a defined set of global best practices for industry and governments must be aligned. In Ecuador, only a few of its carriers will start service due to its non-compliance with revitalized post-virus measures."

Lars Pottgiesser noted, "It is important to bring back public confidence, starting with people feeling safe enough to leave their neighborhoods. The work ahead involves industry, government and the public. Steps taken over the next several months will determine our success."

Concerns and Proposals

From an industry standpoint communication is critical. The industry must do a better job demonstrating it will safeguard the way people and cargo travel.

Industry messages include the installation of HEPA filters on 98% of modern aircraft. Airline passengers are now required to wear masks at all times. Social distancing is now mandated throughout airports. Passengers and employees will adjust as the industry adapts.

Timed Responses

To ensure globalized standardization, aviation must implement its plans to begin public conferencing and the universal messages they will communicate to the public.

Governments and organizations cite recovery times of two years for domestic and up to seven years for international. Boeing officials forecast three to five years before the numbers return.

Working together is vital. When an airline offers a solution differing from what countries implement, it becomes non-productive. Aligning common policies will ensure safe practices.

Who supports the airlines? An IATA country-by-country snapshot shows the aviation industry is not looking for a bailout. No private financial institutions are providing loans to the airline sector, particularly in developing regions. This includes the International Monetary Fund and World Bank.

Airlines receive individual support through financial packages from state and federal institutions. The US government prioritized the aviation sector as essential and provided a $60 billion airline package.

Brazil also provided airline aid packages. Colombia and Chile provided tax exemptions for airlines, reduced airport fees, and executed changes to help the industry during the downtime.

Airline revenue drains continue in the form of ongoing overhead and those financial losses are not coming back. An airline's revenue is generated primarily from passenger and cargo sales.

American Airlines and Miami International Airport

Juan Carlos Liscano knows the importance of American Airlines to the City of Miami and South Florida. Liscano said, "With each passing week, it is important to note that American's initial go-forward plan was subject to change.

We encountered sovereign countries altering their plans and decisions on when to open airports. Initially, our plans encompassed 99 destinations in 31 countries. We only flew to two of the original 31 countries. On our lowest daily departures dropped below 30. We make schedule adjustments in order to continue leveraging Miami as the Gateway to the Caribbean and Latin America."

Executing the flight schedules for international destinations now reflects a country's individual updates. Airline schedulers work against opening date postponements and continuous policy changes. Liscano gave this example of new scheduling. "American Airlines' initial July planning session showed only 204 departures to 107 destinations, 51 international and 56 domestic. This is what American intended in terms of service resumption. The South American continent remains subject to change. We are hopeful more countries find a path forward. "

Currently, American Airlines is focused on cargo-only flights, something the airline had not done for several decades. The cargo arteries are built on B777 and B787 passenger aircraft routes. With a shortage of cargo space American has removed passenger seats from its aircraft to accommodate excess belly cargo. This presented unique safety, weight and balance challenges for the aircraft and its crew.

IATA air freight ULD pricing takes tariffs, contracts and spot bid prices into consideration. Air freight pricing is fluid and is affected by capacity and market conditions. Carrier specific tariff rates may vary by carrier. "Some regions drive higher yields than others, which gives us clear guidance and serves as a compass as to where American positions its B777s," said Liscano.

New cargo records are being made. Liscano explains, "American Airlines broke the old-time record for the amount of cargo loaded on a B777-300. After verification, only one Middle East carrier actually loaded more cargo than American, only because they were able to carry less fuel between the two destinations. As this mission continues, cargo becomes an even more integral part of American's going-forward plan."

Safety Enters a New Norm

American Airlines looks at safety from a different perspective. Safety used to be defined in terms of an aircraft's air worthiness. Today, airplane sanitation and disinfection are now an equal part of the safety conversation. This policy shift is here to stay.

MIA's Lester Sola's safety plan involves enhanced cleaning through disinfecting specific areas multiple times on every shift. These areas of concern include customer and staff high-touch points, ticket counters, gates, Customs facilities, elevators, handrails and cargo facilities."

Lester Sola said, "I find the subject of HEPA filters important enough to bring into every conversation. HEPA filters remove 99.7% of germs in the airplane's cabin, 15 to 30 times every hour. Every American Airlines mainline aircraft employs HVAC filtration using hospital-grade HEPA filters."

Sola contined, "Reports emphasize six-feet of social distancing. But if airlines adopted six-feet of social distancing for all passenger seating, it would drive the airlines out of existence. In aviation HEPA filters are making a significant difference for the industry."

Requirements and Protocols

New procedures have taken place at MIA. First, the aircraft's cabin external air and cooling system are kept on when an airplane arrives or sits at a gate. The normal process was to connect the aircraft to an external power unit. MIA's ground support team keeps the aircraft's APU on, allowing the HEPA filtration system to run continually. This allows filtrated air to remain uninterrupted during aircraft turnarounds or while waiting on the ground.

Another important fact at MIA is its overnight deep cleaning on all aircraft using electrostatic fogging devices. The electrostatic application causes disinfection agents and antimicrobial cleaner droplets to produce a fine mist that wraps around all objects. The mist coats in a way that prevents human hands from touching outer surfaces.

The electrostatic process charges molecules so they attach and stick to a surface up to seven days. This type of sanitation wash-up exceeds CDC standards.

MIA adapted a layered approach to safety. Arriving prepared includes passenger education, faces covered by masks, no-contact check-ins, cleaned touch points throughout the terminal prior to entering HEPA filtered aircraft and maintaining social distancing throughout check-in procedures. The cargo facilities also employ unique safety precautions.

Demand and traffic will return, whether it begins with a vaccine or treatment. When people plan to travel or cargo is being shipped, American's goal is to ensure relevant messaging is sent. For passengers walking into the airport, or employees working at cargo facilities, a higher protocol of how people are treated and how airlines handle safety operations will be seamless to the terminal visitor, the passenger and the cargo agent.

Sola stated, "As an international gateway, the airlines' role at MIA will continue to provide a means by which individuals and cargo will move.

Partnerships

The issue of corporate partnerships can produce terrific results. Liscano pointed to the work accomplished by American's partnership with Deloitte. Together they delivered over 40,000 tons of PPE equipment from Asia to New York for hospital distribution. The medical supplies were donated by Deloitte and flown by American Airlines.

At MIA, American's Admirals Club Lounge became a mask-making factory complete with 18 sewing machines. The production work was done by local team members and produced over 10,000 masks, which were provided to the cities of Tamarac and Hallandale's emergency first responders, as well as local Miami destinations.

At American's catering facility, boxed meals and snacks typically sold onboard its airplanes were brought to the United Way and distributed to veterans and children for the Head-Start Program.

American Airlines continues to find new opportunities to partner with the community and provide PPE equipment as seen in its partnership with New York Hyatt Hotels and Elmhurst Hospital in Queens, the epicenter of New York's coronavirus cases. The airline offered emergency first responders a three-day vacation to South Florida with paid accommodations, courtesy of the Hyatt Hotel. "This initiative was very rewarding for all involved," Liscano said.

OEM Perspectives

Boeing has a backlog of 4,800 airplanes across its commercial portfolio. As COVID-19 remains an industry challenge, Boeing continues its work with industry partners to navigate through the pandemic and position the industry to recover.

Martin Schaaf oversees Boeing's Miami Training & Flight Services aviation facility for the Americas. Inside the 134,000 square-foot building are 20 full-flight simulators, flight training devices and computer classrooms as well as composite and structural repair labs being utilized full-time under normal circumstances.

"Boeing's narrowbody sales are trending higher as widebodies are falling behind. One issue facing Boeing includes lowering the number of employees by roughly 10% across the enterprise. Boeing is exploring voluntary layoffs, natural turnover and involuntary layoffs," said Schaaf.

Schaaf continued, "The elephant-in-the-room topic is the return of Boeing's 737 MAX. To that end, we continue our work with the FAA and global regulators on a safe return to service. We remain focused on completing software validation and finishing required technical documentation, which precedes the certification flight. The documentation has taken longer to work than we anticipated, due to the virus situation and working remotely with regulators. We have conducted 1,225 test flights, and more than 2,350 flight hours, using the software that will be placed in the airplane."

"Safety is our focus for returning airplanes to service. This is clear to our team, our suppliers, and to our constituents. We have applied additional resources and talent to this end," Schaaf said.

It should be noted that Boeing manufactures its airplanes employing a 50/50 mix of outside air and filters. Although it is not proven, the average size of COVID-19 is 0.12 to 0.125 microns. Boeing's aircraft HEPA filters remove 99.9% of the contaminants.

Who Is Doing All The Training?

Martin Schaaf has seen a significant uptake in training. Today, Boeing's primary training customers are Miami-based cargo companies, utilizing both wide and narrow body airplane simulators. Schaaf said, "Boeing's Miami Training & Flight Services facility are receiving increased requests from cargo carriers to provide additional classroom pilot training.

Boeing's Miami Training & Flight Services facility are receiving increased requests from cargo carriers to provide additional classroom pilot training. Previously, carriers had difficulty filling positions for pilots, first officers and mechanics. Because of industry disruptions, cargo carriers receive 3,000 to 4,000 applicants for these positions. Cargo carriers are hiring as many people as they can to fill cargo demand and keep airplanes in the air. This is a definite increase in the air cargo flight training business.

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Concerning the Embraer partnership, Boeing notified Embraer it was exercising its rights to terminate the agreement between both companies to establish a strategic partnership.

This crisis permits our industry the opportunity to do better and change outdated procedures.

Boeing exercised its rights to terminate after Embraer did not satisfy the necessary conditions. Embraer has disputed Boeing's right to terminate and Boeing has begun arbitration in confidential proceedings with Embraer.

Questions and Actions

Will the industry face a second wave of COVID-19 this fall? When will the industry begin its messaging campaign? Initial messages will include social distancing, wearing masks and following temperature-taking guidelines. Industry actions have begun by sanitizing airplane interiors, airports, airline facilities and OEM simulators for the sake of the public as well as airport employees.

Sola said, "If we continue this trend, and don't let our guard down, we will all get out of this safely. It is refreshing to see people paying attention and respecting each other's space, not just for the airport but for the entire county. Taking personal responsibility is the final word."

Juan Carlos Liscano reiterated that today's layered security concept is more than checkpoints. For air travel it involves working behind the scenes from the moment a reservation is made. Coexisting with COVID-19 means raising confidence to safely resume full service.

Liscano said, "This starts with the individual. Everyday we do employee temperature screenings. I think of a person's quotidian life, seeing businesses opening up, and becoming more comfortable going to restaurants. Soon enough, we will see scalable testing and its role in the future of commercial aviation. I am confident in the resumption of travel in South Florida. I am looking forward to that time."

Peter Cerda added, "There was a time we thought 9/11 was the new norm. As the industry adapted we traveled and went about our daily lives. No one can predict a second wave or a third. As an industry we will be better positioned than ever before. We will continue to adapt a layered approach and modify when necessary. Customers will become more responsible and educated. We all agree that aviation is resilient. Its past reflects a tremendous amount of turmoil in the life of this fragile industry. Impacted by natural disasters, economic crises, health issues and more, the aviation industry always came out stronger, more aligned and with better policies."

Peter Cerda said, "The first six months will be different. Passengers will embrace this new way of safe traveling.

"This crisis permits our industry the opportunity to improve and change outdated procedures. Aviation will remain an essential means of transportation. As long as industry works with the public, government officials and private enterprise, we will be stronger," Cerda concluded.

About the Miami-Dade Beacon Council

The Miami-Dade Beacon Council, a public-private partnership, is the official economic development organization for Miami-Dade County. Led by a professional staff and Board of volunteer community leaders, the organization facilitates business growth and expansion locally, nationally and internationally. The Council was founded in 1985 as an outgrowth of the Greater Miami Chamber of Commerce to focus on business recruitment, expansion and retention.

About the International Air Transport Association (IATA)

The International Air Transport Association is the trade association for the world's airlines, representing some 290 airlines or 82% of total air traffic. IATA supports many areas of aviation activity and helps formulate industry policy on critical aviation issues.

IATA's vision is to work together to shape the future growth of a safe, secure and sustainable air transport industry that connects and enriches our world.

About the Greater Miami Aviation Association (GMAA)

The Greater Miami Aviation Association's mission is to support and increase the pool of qualified South Florida college graduates who are pursuing careers in the aerospace industry and to enhance the overall effectiveness of its members through knowledge, networking and cooperation. The GMAA represents the region's aviation industry. GMAA provides a forum to increase public awareness and promote programs that leverage the positive impact aviation has on economic development in its local communities.

The GMAA-Batchelor Aviation Scholarship Fund awards scholarships to qualified aviation students pursuing a career in aviation. Scholarships are awarded on the basis of academic and aviation achievement, leadership and financial need. 10-12 scholarships in amounts up to $6,000 are awarded each year to qualified college students majoring in aviation and aviation-related programs.

NOTE: For additional information, please visit: https://www.miamiaviation.org/ https://www.iata.org/ –and– https://www.miamiaviation.org/


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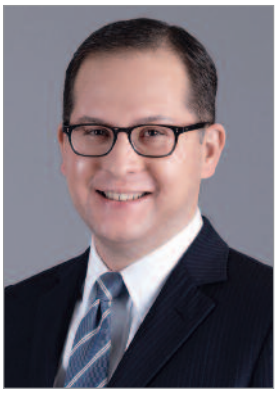
Trade Compliance

Transportation and Logistics Uncertainty and Risks

Jonathan Todd of Benesch, Friedlander, Coplan & Aronoff LLP



Jonathan Todd

The recent developments in export controls and economic sanctions are relevant to transportation and logistics providers. This article calls out best practices and reminders that providers can implement for domestic and foreign operations that may run afoul of the regulations.

Trade compliance has long been an area of risk and uncertainty for both the transportation and logistics sectors. It is difficult for many providers to conceptualize, in practical terms, their duties and obligations when asked to perform global services. Service providers hold a vulnerable place in the supply chain by virtue of being other than the sellers and buyers who have direct tangible contact with their cargo, sources and end uses. The risk associated with this role occasionally rears its head in the form of highly publicized prosecutions and industry guidance for which few parties are immune, whether domestic US or foreign, whether air or ocean providers, whether large global conglomerates or niche players.

Very recently the international trade compliance risks for the transportation and logistics business yet again drew attention. The US Department of Treasury (among other agencies) issued a "Sanctions Advisory" as a stark reminder of the economic sanctions risk exposure that exists for the global industry. On May 14, the agencies published "Guidance to Address Illicit Shipping and Sanctions Evasion Practices," with particular focus on illicit shipping in the maritime segment. In short, the US continues in its concerns over global threats to national security and its willingness to extraterritorially enforce restrictions.

The key take-away from this advisory is that transportation and logistics providers should develop risk-based sanctions and other compliance programs emphasizing due diligence and adherence to policy.

Treasury officials recommend that, "Industry must continually adopt business practices to address red flags and other anomalies that may indicate illicit or sanctionable behavior."

Certainly, the stakes could not be higher with criminal and civil penalties looming for domestic and foreign operators, and yet piloting a reasonable path forward is complex and time consuming. In times like these a simple level-set on the fundamental risks for industry and basic best practices can serve well to plot that course.

The following paragraphs outline high-level considerations for three principal compliance regimes, as well as high-impact compliance considerations.

Treasury Enforcement of OFAC Sanctions. The Treasury Department's Office of Foreign Asset Controls (OFAC) administers approximately 30 different sanction programs against countries and persons. These programs generally prohibit the transfer of property or funds, including participating in or facilitating such transfer to restricted parties. All US persons must comply, including any non-US entities owned or controlled by a US person as determined under the country specific sanction (See 31 CFR 535.329).

A service provider's mere participation in a restricted transaction has been an area for exposure in recent years. Traffic involving Cuba and Iran have been a unique area of difficulty for industry due to the swift evolution of US policy over the last decade.

State Enforcement of the ITAR. The Department of State's Defense Directorate of Trade Controls (DDTC) enforces the International Traffic in Arms Regulations (ITAR) found at 22 CFR Parts 120 to 130.

These export controls restrict the import-export, and temporary import or export of defense articles, technical data, and defense services. The ITAR applies to any items designated on the United States Munitions List (USML), found at 22 CFR 121.1, including firearms, ammunition, missiles, explosives, training equipment, military electronics, optics, and spacecraft systems. The DDTC requires registration of certain actors involved in the trade of arms, including from time to time, service providers particularly where their activities may be considered brokering of defense articles and services. Unlawful brokering and participation with knowledge of violations have been areas of exposure for service providers in recent years.

Commerce Enforcement of the EAR. The Department of Commerce's Bureau of Industry and Security (BIS) enforces the Export Administration Regulations (EAR) found at 15 CFR Parts 730 to 780. Those export controls principally restrict the export and reexport of items and technology, including participating in or facilitating such export. Items under control include any non-military goods, software, or technology that are physically located in the US or of US origin, of foreign origin but containing more than de minimis US content, or

of foreign origin but a direct product of US technology or software. The EAR applies to US persons but also foreign subsidiaries that are controlled, directly or indirectly, by a domestic entity (15 CFR 760.1) Importantly for transportation and logistics providers, one of the Ten General Prohibitions found in the EAR makes it unlawful to proceed with transactions with the knowledge that a violation has occurred or is about to occur (General Prohibition Ten, found at 15 CFR 736.2). General Prohibition Ten has appeared as a specific area of enforcement against service providers in recent years.

Compliance Best Practices and Red Flags. The penalties for violation of these and other US regulatory regimes, including the Foreign Corrupt Practices Act (FCPA), anti-boycott restrictions, and even US customs compliance which has become an area of exposure for operators, extend well beyond negative headlines that yield harm to commercial reputations. Significant civil penalties, criminal fines, and even jail time can follow misconduct and careless acts. There is neither a one-size-fits-all approach to international trade compliance nor any real benefit in adopting compliance programs and practices that will not be followed. The task for each transportation and logistics operator is to assess risk for the operation and tailor an appropriate program together with training and process controls. The tactical elements of a strong compliance program include developing internal leadership and subject matter expertise on trade controls, sticking to process fundamentals such as denied parties screening, and watching for the gamesmanship among shippers that can cause liability for even the most well-meaning of operators.

Watching for gamesmanship is the front line of trade compliance risk mitigation for transportation and logistics providers. An awareness of weaknesses and "red flags" help personnel to remain vigilant and to escalate issues where they arise. Perhaps the best example of this tactic is found in the "Know Your Customer Guidance" published by the Department of Commerce in Supplement No. 1, Part 732 of the EAR. That guidance amounts to deciding whether "red flags" exist, inquiring further if necessary, avoiding self-blinding against bad facts, training sales and operations staff, re-evaluating situations as new facts are learned, and consulting with the respective agencies or counsel before proceeding if "red flags" or other risks cannot be resolved.

A few important "red flags" for transportation and logistics providers to guard against as part of trade compliance programs may include: (1) The customer is reluctant to offer information about the end-use of a product. (2) The product's capabilities do not fit the buyer's line of business. (3) The product ordered is incompatible with the technical level of the country to which the product is being shipped. (4) The customer has little or no business background. (5) Deliveries are planned for out-of-the-way destinations. (6) A freight forwarding is listed as the product's final destination. (7) The shipping route is abnormal for the product and destination. (8) Packaging is inconsistent with the method of shipment or destination.

Service providers hold a vulnerable place in the supply chain, by virtue of being other than the sellers and buyers who have direct tangible contact with their cargo, sources and end uses.

Remember Voluntary Disclosures are Available. The reality of international transportation and logistics is that it is a hard, fast-paced, fact-specific multi-faceted business. Real or potential violations can arise for even the most diligent of operators. Exposure for these and similar regimes can often extend five years in the past, which is a relatively long tail to consider when a history of violations is found. Those instances present opportunities to develop or update compliance programs, retrain personnel, and implement meaningful corrective actions to mitigate present and forward-looking risk. They also offer a chance to consider voluntary self-disclosures to the agencies having jurisdiction, which are available for the regulatory regimes described here and others that may be implicated.

Giving notice to an agency should not be taken lightly, but it can serve as a pathway for closing out a file with mitigated financial exposure and often little or no exposure. Self-disclosures are discretionary for most regulatory regimes although ITAR compliance is one important exception where the remedial action is considered obligatory.

About the Author

Jonathan Todd is a Partner with the Transportation & Logistics Practice at the law firm Benesch, Friedlander, Coplan & Aronoff LLP. The Benesch Transportation & Logistics Practice stands ready to counsel and represent clients throughout the resolution of the pandemic and the rebuilding that will follow.

NOTE: For additional information, please visit: https://www.beneschlaw.com

Expanding COVID-19 Relief

Urging Congress to Expand Repair Station PPP Access

The Aeronautical Repair Station Association (ARSA)

As the Congress gears up for the next round of coronavirus relief legislation, ARSA has weighed in with lawmakers on the maintenance industry's priorities.

In a statement submitted to leaders of the Senate Commerce, Science and Transportation Committee in conjunction with a May 6 hearing on COVID-19's impact on the aviation industry, ARSA representatives indicated that despite assistance for the maintenance industry provided by the CARES Act, business conditions for repair stations remain dire and thousands of jobs are at risk.

In making the case for additional relief for the maintenance industry, ARSA cited Oliver Wyman's CAVOK projections that a dramatic drop in aircraft utilization will result in global maintenance, repair and overhaul (MRO) spending dropping by more than 50% in 2020, from the pre-pandemic forecasted level of $91.2 billion to $42.3 billion in the post-pandemic world. In the US, demand is expected to fall 43%.

Repair station workers are highly trained, and it takes years to gain the necessary expertise to be an effective technician. ARSA and its members are concerned that if the industry loses a substantial portion of its workforce, repair stations will lack the capacity to support the nation's civil and military fleets as aviation activity returns to normal levels. This, in turn, will pose long-term risks to both the efficiency of the aviation system and to national security.

ARSA Urges Congress to Address SBA and Other Issues.

ARSA is asking Congress to: Improve repair station access to federal relief by directing the Small Business Administration (SBA) to immediately increase the small business size standard for all North American Industry Classification System (NAICS) codes applicable to aviation maintenance industry companies to at least 1,500 employees. The industry's main small business size standard is currently $35 million in annual revenues. PPP access is limited to companies that have 500 or fewer employees. Increasing the size standard would give more maintenance companies access to the PPP.

Temporarily exempt companies are covered by those NAICS codes from SBA's affiliation rules for purposes of accessing pandemic relief. The affiliation rules have prevented even small companies with private equity backing from tapping into the PPP.

Give air carrier maintenance contractors and subcontractors not located at airports, access to Air Carrier Worker Support (ACWS) resources. The CARES Act requires contractors and subcontractors to be located at airports to access ACWS assistance.

Provide significant additional resources for the Paycheck Protection Program as well as ACWS programs.

Create temporary tax incentives and grant programs to encourage business investment in worker training, equipment and facilities and air carrier investment in maintenance.

Another issue not raised in ARSA's letter to the Commerce Committee is the problem of airlines taking taxpayer money and not paying bills for past work. A reasonable airline response would be that various programs are very specific and restrictive about how relief money may be used, for example payroll, benefits, etc. ARSA is exploring the possibility of amending the CARES Act to clarify that paying external vendors is an acceptable use of ACWS funds. However, obtaining additional relief is likely to be a challenge in the current political environment. The negative publicity surrounding the PPP (large companies getting access, administrative issues, etc.) has clearly soured members of both parties as they seem disinclined to expand eligibility. Expanding access to the ACWS may get more traction as it does not make sense to discriminate against airline maintenance contractors and subcontractors based on location (on-airport vs. off-airport).

Another complicating factor is that whereas ARSA and other aviation trade associations were at the front of the line requesting assistance at the outset of the CARES Act debate, lawmakers are now receiving pleas for relief from businesses in every sector of the economy, making it less likely there will be a bailout for the maintenance industry.

ARSA welcomes suggestions for other proposals. To share your ideas, please contact ARSA Executive Vice President Christian Klein.

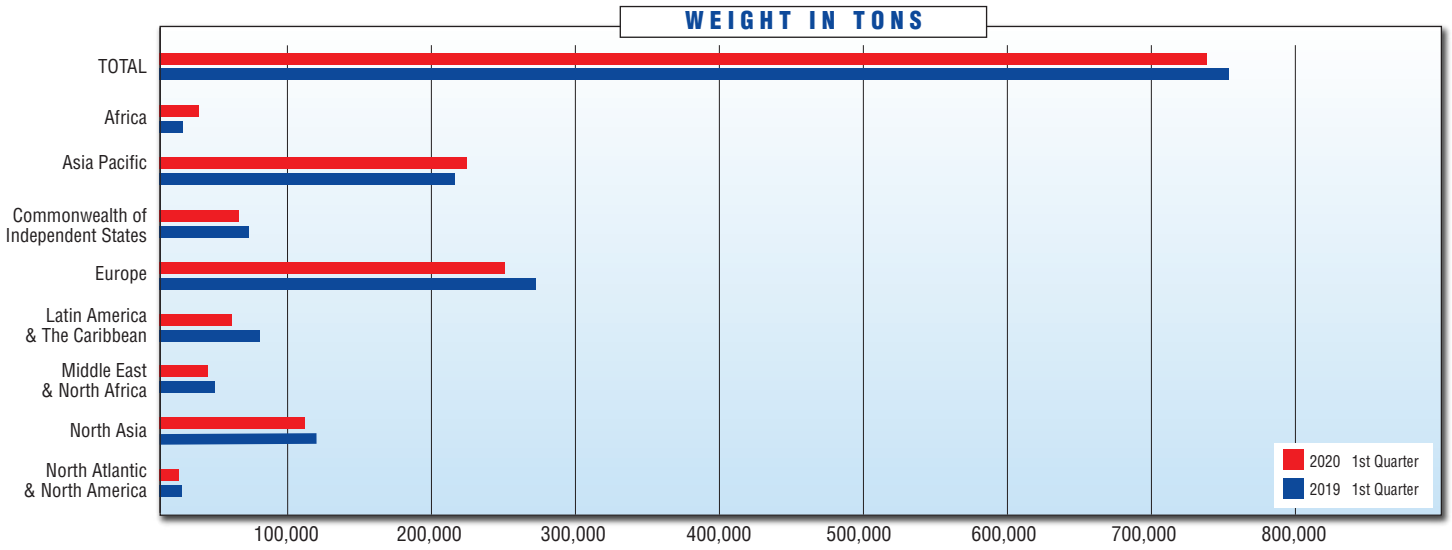
About ARSA

The Aeronautical Repair Station Association (ARSA) is devoted to the worldwide civil and defense aviation maintenance industry, from global corporations to the small, independent businesses. ARSA members are located on five continents and 20 countries. The association's experts create tools for members to navigate the maze of government mandates while enhancing safety, efficiency and productivity. ARSA is managed by the law firm of Obadal, Filler, MacLeod & Klein, PLC, which provides management, government affairs, and legal services to trade associations and transportation-centric companies.

NOTE: For additional information, please visit: http://arsa.org

CNS CASS-USA Market Monitor

CASS-USA Market Monitor appears in every issue of CNS Air Cargo Focus Magazine. The Market Monitor is designed to provide an overview of the most recent quarter metrics. It highlights both the year-to-date activity and monthly air cargo traffic originating from the United States as processed by CNS CASS-USA. Additional detailed reports are available to CASS-USA Participating Carriers and CNS Endorsed Agents.



2020 Weight in Tons		2019 Weight in Tons		2020/2019	
Region	1st Quarter	Region	1st Quarter	Region	1st Quarter
Africa	24,915	Africa	11,770	Africa	111.7%
Asia Pacific	235,317	Asia Pacific	207,234	Asia Pacific	13.6%
Commonwealth of Indep States	6,855	Commonwealth of Indep States	7,693	Commonwealth of Indep States	-10.9%
Europe	257,225	Europe	288,136	Europe	-10.7%
Latin America & The Caribbean	55,340	Latin America & The Caribbean	75,174	Latin America & The Caribbean	-26.4%
Middle East & North Africa	38,925	Middle East & North Africa	43,740	Middle East & North Africa	-11.0%
North Asia	111,962	North Asia	120,518	North Asia	-7.1%
North Atlantic & North America	2,289	North Atlantic & North America	2,289	North Atlantic & North America	0.0%
Total	**732,827**	**Total**	**756,554**	**Total**	**-3.1%**

2020 Shipment Count		2019 Shipment Count		2020/2019	
Region	1st Quarter	Region	1st Quarter	Region	1st Quarter
Africa	36,464	Africa	20,037	Africa	82.0%
Asia Pacific	187,212	Asia Pacific	200,794	Asia Pacific	-6.8%
Commonwealth of Indep States	14,735	Commonwealth of Indep States	15,537	Commonwealth of Indep States	-5.2%
Europe	220,129	Europe	242,603	Europe	-9.3%
Latin America & The Caribbean	54,511	Latin America & The Caribbean	76,809	Latin America & The Caribbean	-29.0%
Middle East & North Africa	42,673	Middle East & North Africa	47,562	Middle East & North Africa	-10.3%
North Asia	94,784	North Asia	122,405	North Asia	-22.6%
North Atlantic & North America	6,490	North Atlantic & North America	7,481	North Atlantic & North America	-13.2%
Total	**656,998**	**Total**	**733,228**	**Total**	**-10.4%**

MARCH 2020

In March, US export revenue decreased to -4.2 % y/y, showing a decreased demand compared 10.1% in February and -7.5% January. Yields were reported to increase 3.2% y/y in March, compared to -1.6% in Febraury and -15.2 % in January .

US Tonnage to Asia Pacific decreased -12.3% y/y versus -5.0% in February and 52.6% in January. Export tonnage to Europe (35.1% of the market) March decreased -26.8% y/y compared to a -0.2% in February and -1.4% for January.

Overall results for First quarter statistics reflected -0.7% decrease in revenue, -3.1% a decrease in tonnage with a -4.6% decrease in yield.

You are why we fly.

Thank you for your partnership and trust. Because of you, we're here to help you move the world and get your cargo where it needs to go. No matter the challenges, we fly for you.

Book online and view our latest schedule at **aacargo.com**.