

Air freight in flux

Donna Hogan, Tribune

Air freight isn't big business in Arizona. Not, that is, compared with California, Florida or Texas, which each ship as much as 1 million or more tons of cargo by plane a year. But it is important.

A vibrant air shipping industry is key to keeping any commercial core's economy humming, said Brandon Fried, executive director of the Airforwarders Association.

Today, the air cargo industry in the Valley and around the country is in flux, experts say.

High jet fuel costs, regional consolidation, changing trends, existing and proposed government regulations all have had big impacts on the business in recent years and are likely to be even more important to its future.

In 2006, more than 316,000 tons of mail and freight arrived or departed from Phoenix Sky Harbor International Airport, which moves most of the state's air freight. That's down from 375,000-plus tons in 2000, according to statistics compiled by the airport.

A chunk of the decrease is in mail, according to Sky Harbor stats. But some of that may be boosting the overall air freight numbers.

In 2001, the U.S. Post Office contracted with air shipping giant FedEx to handle its quick-delivery services — the items most likely to go by air.

Other changing trends, including trucking goods to a hub where they can be consolidated into bigger cargo containers before sending them airborne also can distort the figures that indicate how much volume is being air freighted to or from a metro area, said Mark Guiffre, spokesman for UPS.

For example, UPS has a regional hub in Ontario, Calif., just a few highway hours from Phoenix.

Guiffre said while he can't say how much Phoenix-generated or Phoenix-bound air freight is transported first to Ontario, he said it's likely there's a significant segment.

CONSOLIDATION

As shippers look to improve bottom lines by introducing cost efficiencies, the hubs play an increasingly important part in the equation, he said.

Besides the UPS hub in Ontario, DHL Express has one in Riverside, Calif., said Joe Collopy, DHL North America director.

The company moves 45,000 pounds of freight a night to Riverside, Collopy said.

But Guiffre said Phoenix continues to serve as an important — if not especially large — air freight operation for his company.

In fact, UPS and FedEx are Sky Harbor's biggest air cargo customers, said airport spokeswoman Lexie Van Haren.

On a typical day the airport handles 913 tons of air cargo. On the other hand, as many as 100,000 passengers pour through the terminals in a day, and Van Haren said that is the main focus.

By default, freight shippers are guided by the vagaries and changing trends of passenger traffic, except for huge companies such as FedEx and UPS that fly their own planes full of cargo, Fried said.

That became painfully obvious after Sept. 11, 2001.

There is no question that the terrorist attacks impacted the air cargo industry in several ways.

Security regulations have added significantly to the cost and difficulty of handling air shipments, said Vicki Boisjolie, owner of Tempe-based BTX Air Express, an air forwarding operation. Air forwarders pick up goods to be shipped from manufacturers or distributors and get the cargo to the carriers.

"It's a completely different world of ever-changing and ever-evolving rules," Boisjolie said of the air shipping business, which is regulated by the Transportation Security Administration, the Homeland Security agency formed to keep U.S. skies safe after the terrorist attack.

Boisjolie said about 5 percent to 10 percent of her revenue is now spent on adhering to the TSA rules. She does background checks on all her employees, has all her drivers TSA trained and certified and only works with known customers. That means she can no longer ship her kids' Scout troop's trunks to camp, as she used to do.

Boisjolie hired a full-time employee just to deal with TSA regulations, she said.

Even more worrisome, industrywide, are the rules that could be coming.

Proposed legislation that has passed the U.S. House would require that every package or container loaded onto an airplane be opened for inspection. A Senate bill requires that every container be screened — more ambiguous terminology and subject to interpretation, Fried said.

REGULATIONS RULE

Either bill, especially the House version, could grind the air freight industry to a

screaming halt, industry leaders said.

“It’s just not feasible,” said Randy Richards, US Airways vice president of cargo sales and services. “It would severely hamper all freight operations for the entire industry.”

Richards said US Airways, which moves \$175 million in air cargo annually, uses other effective, but not paralyzing, security measures such as thoroughly checking out big customers, including on-site inspections of their operations. The Tempe-based carrier only has to open containers with labeling discrepancies or those from “unknown shippers,” he said.

That keeps goods moving, but still protects the planes and passengers, he said.

“We are in favor of keeping airlines safe, but we want a risk-based system,” Richards said. “I fly our planes every day, and I feel safe.”

Fried said vetting customers, using substance-sniffing dogs and electronic trace detectors and doing random inspections is effective in ferreting out any dangerous cargo without killing the business.

He, too, is worried about the consequences of requiring 100 percent inspections.

“If you opened every shipping container, freight would never move, it would void warranties, damage packaging. Insurance companies would be in an uproar,” he said.

But more than just new security measures — those in force and those feared — have provided challenges and changes in the air cargo industry since the turn of the millennium.

The 2001 terrorist attacks impacted the whole travel industry, and since much of the air cargo is moved in the belly of the passenger planes, when that business started shrinking, so did the space for freight, Fried said.

Major carriers cut back on capacity, flying fewer flights and replacing big planes with regional jets, which have virtually no room for freight, Fried said.

Even the dedicated carriers such as FedEx and UPS looked for ways to combine ground and air services to attain the most economical way of getting goods from one point to another.

“The cost of fuel changes the way we move freight,” Guiffre said.

If the receiver is only a few hundred miles from the shipper, trucks can be just as fast and much more economical, he said. But as gas prices rise and fall, the most economical mode can vary.

So today's shippers like options.

Even before Sept. 11, 2001, FedEx, which was born and bred as an air shipping service, went into the ground transport business, said spokeswoman Sally Davenport.

The company bought Rodeway Express, rebranded it, launched its ground operation in 2000, and has aggressively expanded it in the years since, she said.

Both air and ground freight volume grew about 8 percent last year, Davenport said. But she said the growth in the air cargo business could be mostly due to international shipments, while the ground business is the big volume winner domestically.

The Valley's proximity to Los Angeles, which is a huge global cargo gateway, could hamper any hope of Sky Harbor becoming a major air freight hub, several industry experts said. Especially with the growing reliance on regional hubs to consolidate shipments.

THINK SMALLER

But Sky Harbor's lack of interest in growing the local air cargo industry may offer opportunities for other, smaller airports to go after it.

Williams Gateway Airport in Mesa is actively seeking more air freight business, said John Barry, marketing and development manager for the airport.

So far, it has only attracted disabled Apache helicopters in need of repairs, Barry said.

It's a matter of having business to get business, he said.

"A lot of folks don't realize you have to have the freight before you can get the aircraft (to ship the freight)," Barry said. "We have enough volume around here to support the industry, but we have to change the community's habits."