



# BOEING'S CRABTREE OPTIMISTIC FOR THE REST OF THE YEAR

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**The first half of the year has certainly been a rough ride to date for the air cargo industry, but there is optimism in the air.**

**Boeing's Tom Crabtree, who is the US aircraft manufacturer's air cargo airline market analyst, is sure there are better months on the horizon.**

**He feels the industry is still on track to achieve growth in 2016 compared to 2015, and forecasts a better second half of the year.**

**Crabtree explains: "All is not lost and our estimate is it will close at around two to three per cent growth over 2015. We need to get over the weaker start to this year as quarter one (Q1) was down on last year, but Q1 in 2015 distorts everything – when the US West coast port slowdown boosted business.**

**"It could of course always be better, but the likes of Cargolux Airlines International and AirBridgeCargo Airlines are doing well – largely due to having global coverage."**

The International Air Transport Association (IATA) said for the first five months of 2016, global freight tonne kilometres were down 0.5 per cent, but Crabtree notes April and May were positive while the next month June, in which figures are yet to be released is looking much better and showing growth of five per cent.

He notes figures from Boeing's research show quite a few carriers such as Cathay Pacific Airways and Singapore Airlines Cargo are well up in June, by around 3.5 per cent.

Crabtree explains: "We have seen anemic growth. It is not just for the air cargo industry as the shipping container industry is going down and seeing anemic growth.

"It is the affect of slow industrial production, which drives air cargo. We have been in a stagnant mood ever since."

He says the industry's growth goes hand-in-hand with strong global industrial performances through manufacturing and other industries, but this is likely to pick up pace for the rest of 2016.

Boeing will release its updated 20-year forecast at this year's The International Air Cargo Association's Air Cargo Forum in Paris from 26-28 October, giving a picture of where it sees the market in the years ahead.

There are still some strong growth areas around the globe for air cargo operators and still many regions of opportunity, as economies expand and middle class populations grow.

Crabtree feels the hotspots are already being exploited by the likes of Emirates, Etihad, Qatar Airways, Turkish Cargo and Ethiopian Cargo and it is not a surprise that they are performing so strongly.

He says: "They are all right in the middle of the Eastern Hemisphere within Eurasia and the African continents, where there is 86 per cent of the world's population and 60 per cent of the economic activity, which will rise to 70 per cent and by 2035 Africa's population will grow by a further 50 per cent."

And one of the biggest factors fuelling this growth is the rising middle class populations in many countries in the Eurasian and African continents, especially across Africa and Asia.

The biggest issue facing air cargo carriers is arguably overcapacity, as more bellyhold capacity floods the air cargo market while volumes have stagnated due to weak global trade.

But Crabtree says from Boeing's market research, which he says covers the length and breadth of the marketplace, especially all-cargo carriers, has found load factors are somewhere between 65-70 per cent for freighters, much higher than the overall 41.9 per cent load factor figure in May, published by IATA.

Many industry analysts feel freighters are in decline and cargo carried on them will dwindle, as the likes of IAG Cargo and other legacy airlines have ditched them, and due to rising cargo capacity on passenger aircraft, but Crabtree questions this as many industry reports don't cover every all-cargo carrier.

He notes: "Based on our survey that measures air cargo traffic, freighters carry about 56 per cent and bellyhold is 44 per cent. We think it will remain at about that simply because we are talking about two fundamentally different products.

"We have airlines like Emirates and IAG that need to have cargo and passengers and cargo complement each other, but freighter cargo traffic also brings belly traffic."

Moving on to some other topics, Crabtree feels any impact of the UK leaving the European Union

(Brexit) is still unknown, but it is driving some added uncertainty in the marketplace.

As for whether drones have a future in air cargo he is less convinced: “The freight industry is driven through low unit costs. Big aircraft have low unit costs. Drones do not deliver low unit costs.

“If a drone can replace the unit cost of a truck/lorry that is a significant benefit to humanity and if it brings convenience to our shippers and through safe delivery, then that is great.”

But Crabtree only sees a bright future for air cargo and feels it will always grow despite it being more expensive than other modes, and contrary to what some might say, many shippers use air cargo as it is the most reliable mode of transport – rather than simply because it is the fastest.

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