

A Q&A with AirBridge Cargo

What were the major developments at AirBridgeCargo in 2011?

2011 will go down into the history of our company as the year US flights were introduced. On 30th of April, ABC performed its first flight from Amsterdam to Chicago, our primary on-line station in the US. The choice was conditioned by favorable geographical location of O'Hara airport at the intersection of freight flows.

So from a niche carrier ABC has turned into a global service provider with flights connecting different continents of the world.

It is a big challenge, because the US freight market is one of the most highly developed in the world and we are working hard to strengthen our position there. Our first two months' performance proved that the decision was a correct one. Now we will look at other major freight airports to provide our customers with better service and a greater choice of destinations.

Growth has always been a key element of our strategy, and this year it will be driven by delivery of long-haul B747-8 freighters. This will facilitate not only our fleet modernisation, but provide more capacity on existing routes for our customers.

What factors led to your network and fleet expansion programme?

Seven years ago, when ABC had just established its first service from Moscow to Beijing, it operated only two aircraft between six online stations.

Since then, we have managed to achieve a century in route and fleet count, with more than 20 online freighter destinations and 11 aircraft.

There are a number of factors which led to such an expansion, with a focus on development being the first among them – it was always our plan for ABC to become a global service provider.

ABC is a customer-centric airline and always follows its clients' demands and needs. Our business is built on relations with key accounts we've been working with for a long time – a "win-win" strategy which presupposes joint development of quality, implementation of industry initiatives, provision of additional services and so on.

And finally, being young and dynamically developing airline, ABC is fast to react proactively to market changes and make all necessary amendments.

How will this programme benefit your customers?

Firstly we will be able to offer our customers a greater choice of destinations, which will save them the necessity of trucking their cargo to some point.

And secondly, new aircraft will guarantee reduction of average fleet age, which, in turn, will result in higher reliability, schedule integrity, fleet commonality and cost reduction.

It will also facilitate ABC's ability to offer competitive prices to our customers.

How has your involvement in the Volga-Dnepr group impacted your business?

We should always remember that ABC would not have existed if it were not for Volga-Dnepr Group. Seven years ago AirBridgeCargo was just a project within VDA and its real start was given by our colleagues from our mother company, who prepared the business plan, handled all the contracts and recruited all the personnel.

After two years, in 2006, ABC was granted its own AOC to become the second independent airline under Volga-Dnepr Group.

Being a Russia-based airline, ABC pays particular attention to development of the Russian market, facilitated by two cargo hubs at the Moscow airports of Sheremetyevo and Domodedovo. Having hubs in such geographically favourable locations gives additional benefits to our customers.

At the moment, the synergy of our two businesses (scheduled and charter) brings a positive effect. Our co-operation takes place not only at the level of planning strategy, but also with technical expertise, such as maintenance, engineering, crew, flight staff training and so on.

We are implementing and adhering to a strategy of a "cargo supermarket" where both companies are able to offer a complex service.

This year, however, we will concentrate on feeder delivery, with the introduction of a small aviation project – another important step in this strategy.

What are your future plans?

In 2012 and beyond, we will follow our step-by-step development strategy

which includes:

- Fleet expansion and modernisation with introduction of five new B747-8Fs and bring older aircraft out of the fleet

- Expansion of ABC's global presence, with the entrance to new markets and regions, offering our customers a greater choice of destinations

- Focus on development of the Russian market, our home base, and particular attention on improvement of the infrastructure at our Moscow hubs

- Enhancement of our products and service through the introduction of initiatives, such as E-freight, C2K, etc.

We believe that this strategy will help ABC become one of the leaders in the air cargo industry.

What are the major challenges and opportunities facing the global air cargo industry?

The market is coming out of its record period of 2010 and we will see a significant increase of capacity, with deliveries of new aircraft and the re-introduction of grounded B747-400 freighters. The main threat in all the markets will be to balance this increased capacity with demand.

We expect market volatility, especially in Asia where capacity is predicted to increase from 81 to 135 aircraft.

Among other challenges the industry will face this year are:

- Increased fuel prices – and here we will see the economical benefits of our new Boeing 747-8F

- Globalisation of world economics and, as a consequence, more mergers and alliance activity

- Entry of the Russian Federation into the WTO, and the respective development of the Russian market and growth of business transparency for the world community

- Increased customer demand, not only in terms of delivery speed, but also for special cargo transport, ie, perishables, time- and temperature-sensitive, etc. The main competitive advantage of air freight lies with speed of delivery. Implementation of the latest delivery technologies and ground handling and the provision of security and environmental friendliness will be also a primary concern for our customers.