The Business

In association with www.tradearabia.com TradeArabia

Air cargo carriers are facing major competition

DOHA: As more cargo shifts to passenger planes and back onto the seas, airlines are having to rethink their cargo operations or risk the freighter plane becoming a thing of the past.

While some carriers have already reduced the number of freighter planes they operate, more drastic changes to shorten transport times and regain ground lost to the shipping industry are needed, delegates at an annual airline meeting in Doha said.

Air freight built a reputation for getting bulky, expensive goods from A to B as quickly as possible. Even today, the $6.8 trillion worth of goods transported by air cargo every year represents 35 per cent of international trade by value but only 0.5pc of total volumes.

But as paperwork has increased, the average time it takes to shift a product from the manufacturer to the final importer stands at 6.5 days, compared with Lufthansa Cargo's boast in the 1960s that the process took three days.

High value goods such as electronics have also become smaller, meaning they take up less space and do not need dedicated freighters for transportation.

These trends are pushing companies such as AstraZeneca, Ericsson and Sony to transport more of their pharmaceuticals and electronics via sea at lower cost. In addition, growing demand for plane travel means more and more freight is being transported in the bellies of passenger planes.

The International Air Transport Association, meeting this week in Doha, predicts cargo volumes will total about 52 million tonnes this year, effectively unchanged since 2010.

"The industry needs a structural redesign," Glyn Hughes, director of cargo industry management at IATA, said yesterday.

Airlines have so far reacted to the tough cargo market by cutting capacity and taking freighters out of service.

"Most are losing money and they respond by cutting capacity to try to break even to survive this slump," said Andrew Herdman, director-general of the Association of Asia Pacific Airlines.

Lufthansa Cargo has postponed a decision on whether to take more Boeing 777 freighters. Other carriers such as Air France-KLM, Singapore, Japan Airlines have all reduced the number of freighter planes they operate.

Air France-KLM plans to make a decision in a couple of weeks on whether to reduce its fleet of freighter-only aircraft further, chief executive Alexandre de Juniac said at the meeting. The carrier has already cut its freight-only capacity by 11.5pc to 14 aircraft in 2013.

But to better compete in the long term, airlines need to cut shipping times and position themselves as premium operators specialising in high value or perishable goods, such as flowers, or bulky oversized goods, delegates said.

"Something has to change to deal with overcapacity," Jonathan Kletzel, transportation and logistics leader at PwC, said.

He said the freighter-only carriers should make the most of the fact they can also offer routes outside the designated passenger networks and should look at improving links with other forms of transport.

IATA wants its members to shave 48 hours off shipping times – pointing out that of the 6.5 days on average it takes to get air freight from door to door, only a few hours is actually spent in the air.

It is therefore encouraging airlines to simplify procedures with freight forwarders and ground handlers, and to cut down the amount of paperwork it creates by moving to digital documents.

The association said just 14.3pc of contracts, known as airway bills, were in electronic form in 2013, short of its target of 22pc for 2014.

"As an industry we've been pretty much doing the same things for 50 years, and I think anything like this is a sizeable change," Hughes said when asked to explain why the industry had been so slow to move to electronic documents.

Cluttons to be leasing agent for showrooms

MANAMA: Property consultant Cluttons yesterday announced it has been appointed as the sole leasing agent for four Kavalani & Sons retail showrooms located in the Bahrain Investment Wharf (BIW).

The purpose-built fully fitted showrooms range in size from 186 sqm to 192 sqm and are suitable for office, retail or storage.

They are located in the heart of BIW which provides easy access to Shaikh Isa bin Salman Highway and the Bahrain-Saudi Causeway.

BIW is just 10 minutes from Bahrain International Airport and positioned adjacent to Khalifa Bin Salman Port.

"The Kavalani & Sons retail showrooms' instruction represents a welcome addition to our retail divisions' portfolio, adding to a range of other successful wins in recent months," Cluttons Bahrain director and head of agency Catesby Langer-Paget said.

"Given the high level of occupier interest we have already recorded, we expect the units to be leased rapidly," he added.

"The units are fully fitted out and competitively priced offering approximately 190 sqm of space including pantries, partitioned offices and private washrooms.

"They are complemented with private off-road parking and 24-hour security, giving them an edge over some of the older stock in more central areas," Mr Langer-Paget said.

The showrooms are expected to be taken up by occupiers from the manufacturing, retail or logistics sectors.

BIW is fast establishing itself as the premier light industrial location in the country with over 1.5 million sqm of land set aside for warehousing, logistics hubs, office blocks, workers' accommodation and a business hotel.

RBI eases rules to spur lending

MUMBAI: India's central bank governor Raghuram Rajan yesterday eased rules to spur bank lending and toned down his inflation rhetoric in moves set to be welcomed by a new pro-business government determined to revive economic growth.

The Reserve Bank of India (RBI), which kept interest rates on hold at eight per cent as widely expected, also hinted it would not raise rates as long as inflationary pressures continued to ease.

The loosening in credit and the central bank's surprisingly dovish remarks on inflation will put the onus on the new government to stick to conservative fiscal spending and broader reforms to get Asia's third-largest economy back on track.

The decisions from the RBI were widely seen as pragmatic moves. Rajan has placed fighting inflation at the top of his agenda, for which he will need the support of Narendra Modi, India's popular new prime minister.

In turn, investors are hopeful the new government will respond by narrowing the fiscal deficit and tackling the supply-side factors that drive up food inflation in India, thus easing the burden on the poor and restoring investors' confidence.

"If the economy stays on this course, further policy tightening will not be warranted," Rajan said in the RBI statement, referring to the moderating inflation trend.

The central bank governor added that the Modi-led victory in elections last month could help "create a conducive environment for comprehensive policy actions and a revival in aggregate demand as well as a gradual recovery of growth."

The governor's dovish tone on inflation sparked a rally in bonds and raised expectations the central bank could even ease monetary policy as early as this year.

Rajan's increased comfort on consumer price inflation – which cooled in 2014 from the near 10pc level in the two previous years – could allow him to take steps to improve growth after raising interest rates by a total of 75 basis points since September. Its last tightening move was in January.

Moreover, the RBI also enhanced credit available by banks.

The RBI announced a reduction in the mandatory amount of bonds lenders must park at the central bank – called the statutory liquidity ratio – by 50 basis points to 22.5pc of deposits, starting in mid-June.

■ *At the event are, from left, Jindal deputy general manager Ashis Mishra, exports manager Pratik Dash, Steelmark managing director Vinod Das, Jindal vice-president Vikas Jhunthra*

Steelmark in key deal

MANAMA: Steelmark Mideast will represent D P Jindal Group in Bahrain and Qatar for the supply of seamless pipes from their flagship company Maharashtra Seamless Limited.

Jindal, the largest manufacturer of seamless pipes in India, has a current production capacity of 550,000 metric tonnes per year. The plant is situated at Raigad, Maharashtra.

Steelmark, with its regional presence, will play a key role in expanding Jindal Group's presence in the Middle East.

Steelmark Mideast is one of the leading stockists and supplier of steel pipes, fittings, valves and accessories to various industries.

Steelmark, with its expertise also in HVAC and firefighting sector, foresees a major potential for MSL pipes with the numerous building projects coming up in the Middle East.

Wolseley eyes revenue growth

LONDON: **British plumbing supplies group Wolseley said it expected to revenue to grow by about four per cent in the next six months, mainly driven by its biggest market the US, and was on the hunt for bolt-on – or small – acquisitions.**

The company, which operates the Plumb Centre and Ferguson chains in the US and Britain, made the forecast after posting a 5.1pc rise in third-quarter revenue to £3.05bn ($5.11), on a like-for-like basis. The increase was above its expectations.

Chief financial officer John Martin said most of the growth had been down to the US, which accounts for two-thirds of revenue, as well as a pick-up in Nordic region. Trading in Britain and the rest of the Europe, however, had been tough, he added.

"We expect growth over the next six months, so two quarters, to be about 4pc, that is slightly ahead of our long-term rate which is three to four," Martin said.