

Italy's 'reborn' Cargoitalia takes to the skies

Reborn from the ashes of two of Italy's key air cargo carriers – Cargoitalia and Alitalia Cargo – the essentially all-new Cargoitalia has lofty ambitions of becoming the market leader in Italy and among the best in the world. Wong Joon San and Donald Urquhart report.

With the ongoing severe downturn in the air cargo market punishing carriers with impunity, the obvious starting point for a discussion of the new carrier centres on timing. "We hope it's the right time," says Cargoitalia S.p.A.'s commercial director Roberto Gilardoni with evident optimism.

The original plan was somewhat delayed, he says – a result of hiccups with the acquisition and issues relating to the AOC. "Originally we were supposed to start flying in June. "Now I can tell you, in a way it was a good thing that it was postponed. What we see at the moment on the first route into Hong Kong, are signs that the market is catching up and we've had a good response from the market," he adds.

But Gilardoni admits that as essentially a new player in the market, Cargoitalia will have to 'bite the bullet' in terms of rate structure if they want to gain market share.

Yes we are a startup, but we position ourselves as the only Italian-owned air cargo company. There is Cargolux Italia he notes, but while it operates on an Italian AOC, it is for all intents and purposes, Cargolux.

"Our concept is a bit different. We are Italian – the management and owner and we are based in Italy. I think it's important because we believe the Italian



Roberto Gilardoni

freight forwarding community and manufacturers are in favour of an Italian carrier and will support us and we've seen that so far with the charter flights and now with the Hong Kong service."

"If we are able to demonstrate that we can operate reliably with a quality service than there will be an interest from the Italian community to support us," he adds.

As for the substantial competition that moved into the market when the previous Italian carriers collapsed, Gilardoni says the carrier welcomes competition.

"The Italian market is big. Even when Cargoitalia, Alitalia were in operation, about 40-45 per cent of the airfreight was trucked out and flown from Frankfurt,

Munich, Paris and Amsterdam. So we're optimistic and our objective is to become the market leader in Italy and one of the top carriers in the world."

Preparing for China

With the arrival of its first MD-11 freighter flight in Hong Kong from Milan, Italy on 10 September, Cargoitalia – Italy's new all-cargo carrier – plans to fly to China, likely Shanghai, after the Chinese Lunar New Year in 2010.

According to Gilardoni with the new service to Hong Kong covering the Pearl River Delta in southern China and Fujian province, the airline plans to serve Central China through Shanghai next year, and may have a joint flight through a partner airline to Beijing, but these plans are only preliminary.

"(Mainland) China is an important area and we want to cover it and Hong Kong represents the true gateway to China," says Gilardoni, who was at Hongkong Air Cargo Terminals (Hactl) to welcome the inaugural Cargoitalia flight to Hong Kong International Airport (HKIA).

The new Cargoitalia is the result of amalgamating the original Cargoitalia (which suspended operations in 2008) with some of Alitalia's full cargo business assets in April 2009. In May 2009, the airline took delivery of its first MD11 freighter. Following receipt of its Air Operator's Certificate (AOC) in July, and delivery of a second MD11F in August, the airline commenced ad hoc charter operations. It will receive a third MD-11 either at the end of this year or early next year.

Cargoitalia's new owners are ALIS (Aerolinee Italiane S.p.A. – 66.7 per cent) and Intesa SanPaolo (33.3 per cent). ALIS in turn is owned by the family of chairman and CEO Alcide Leali (62 per cent), other private investors (eight per cent), and Ricerca S.p.A. (Benetton), Selin S.p.A. (van den Heuvel) and Banca Intermobiliare, each having 10 per cent stakes.

Service to Hong Kong

Cargoitalia's first scheduled service follows the airline's two trial charter



Like the proverbial phoenix, Cargoitalia rose from the ashes of Alitalia Cargo and the former Cargoitalia.

flights to Hong Kong in late July this year. The inaugural direct flight, without any technical stop from Milan to Hong Kong, carried a 50 per cent load due mainly to the holiday season. Subsequent flights will make a technical stop at Almaty, Kazakhstan.

Cargoitalia is now operating twice-weekly scheduled MD-11SF freighter services, departing from Milan to Hong Kong. Hactl is providing the new Cargoitalia with physical cargo handling, air cargo documentation, ramp handling and crew transportation services at the HKIA.

Gilardoni explains that as a foreign carrier wishing to enter the China market, Cargoitalia picked Hong Kong with its well developed service infrastructure for its new operation as it was one of three major preferred destinations worldwide from Milan. The other two destinations are New York and Toronto.

Expanding the network

With its first MD-11 in use on the Hong Kong service, Cargoitalia is using its second MD-11SF freighter for a recently launched twice-weekly Milan-New York-Toronto-Milan-Abu Dhabi-Milan service. In the US, Cargoitalia has appointed Heavyweight Air Express

(HAE) as its GSSA while all handling will be performed by WFS.

In Canada, Network Cargo Systems International Inc. (NCS) will market Cargoitalia's capacity. Ramp handling at Toronto will be performed by Handlex, while terminal handling will again be provided by WFS.

In the UAE, the airline's capacity will be marketed by the Dubai arm of Heavyweight Air Express (HAE), assisted by its partner Kargo Sistem of Istanbul. HAE will be responsible for marketing Cargoitalia throughout the Middle East and Turkey using interline agreements, road feeder services from neighbouring countries and interfaces with ocean carriers to extend its catchment area and capture sea-air business. ADAC will provide all handling services.

"In Asia, we will look for an interline agreement partnership to cover Taiwan, Bangkok and other destinations towards the end of this year," Gilardoni says.

Next in line for expansion after the third MD-11 is put on the Shanghai route, will likely be a service into India, but this will come later as the network is still a "work in progress," he adds.

Future network expansion will be accommodated by Cargoitalia's order for five Airbus A330-200F aircraft plus three

options. These are slated for delivery from 2012 onwards, but "we are still discussing the dates."

Logistics in Europe

Cargoitalia has outsourced all logistics services in Europe to a logistics organisation which will transport cargo using road feeder services.

With only early signs of a recovery starting in Asia, Gilardoni points out that there are still no signs of recovery in Europe and in the US. However, Cargoitalia's concern is not the load factor but rather the sudden reduction of capacity in Italy. In 2007, there were 10 airlines operating into and out of Italy, but now there are only three, he says.

"Many carriers have reduced capacity and we want to understand how much of that capacity is going to be put back on the market (once the global economy recovers), as this will put pressure on rates. However, it is going to take sometime before that happens," Gilardoni says.

"Being a startup airline, Cargoitalia has not suffered like other carriers, and if the global economic recession trend continues, our airline will have the competitive advantage over rivals," he says. ✦



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Russia +7 (495) 786-2613

Germany +49 (6963) 809-7100

The Netherlands +31 (20) 654-9030

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