



↘ Container choices

As lower fuel prices have eased some of the cost pressures on cargo operators, ULD management specialists are highlighting some of the other advantages of outsourcing this part of the business. **Helen Massy-Beresford** finds out more

ULD managers are focusing on showing airlines why outsourcing this area of their business makes sense
(photo: Jettainer)

In the past few years, high fuel prices coupled with airlines' urgent need to find cost savings have driven demand for a variety of outsourcing projects, such as the management of unit load devices (ULDs).

As fuel prices have come off their highs, the lessening of pressure has allowed ULD specialists to get creative, focusing on the potential for better tracking, and the provision of reliable temperature-controlled transportation in order to attract more business from new and existing airline customers.

"I think the industry benefited a lot from high fuel prices," says Benoît Dumont, Chief Executive Officer

of Unilode Aviation Solutions, formerly known as CHEP Aerospace Solutions, which owns and manages more than 120,000 ULDs.

"Telling airlines we could replace their fleet of heavy aluminium containers with lightweight carbon fibre containers, saving costs and cutting the carbon footprint, was a good argument," he adds.

Dumont, who joined Unilode in September, explains his outlook: "My view coming into the business is that these financial considerations are probably not as big as they once were – I think we need to embed ourselves in the customer journey a bit more."

Unilode's pooling concept is a big draw for airlines: Granting airline customers greater flexibility through access to a much larger pool of Unilode-branded containers, the concept allows costs to be cut down, as well as the risk that they will find themselves short of capacity. "It is about the sharing economy and doing more with less – that should be more and more of a differentiator," Dumont says.

"The other important factor is using digitisation to have more visibility on where the assets are. It's more and more evolving into a big data story, providing information 24/7 to airlines about containers' locations and other add-on data points (e.g. temperature, humidity), thus offering the industry more opportunity to drive efficient trade lane management."

Here, it is clear that demand is coming from airline customers, he says. "Across the industry, 15% of assets probably still get lost. This is expensive, so there is a lot of demand for better tracking."

While start-ups and technology specialists often come up with new ideas to solve this problem, Dumont says they do not seem to tick all the boxes: cost-effectiveness; easy integration; sufficient coverage; compliance to airline standards; and interoperability. "I don't think any technology provider offers all this at the moment – our intention is to team up with the best player. We're looking at what we want to achieve and what the hurdles are, and trying to bring together all the different actors and work with them on establishing the standard that would benefit all parties. There are a lot of good ideas out there, but I think our role is to shape the industry a bit more."

Jettainer, the ULD management spin-off from Lufthansa Cargo which is still 100% owned by the airline, also sees sophisticated tracking as a key motivator for airlines to entrust their ULDs to external experts. The company has recently introduced smart ULDs and is working with customer Etihad Airways (which recently renewed its contract with Jettainer up through 2021) to introduce them.

"There are two aspects to this," says Managing Director Carsten Hernig. "One is the location – where is the ULD? And the other is how it has been treated, in terms of shock sensors, temperature and water sensors and so on. We're still investigating which of these technologies work because it's a very complex topic in terms of certification. You're not allowed to put just anything into a container. Then it's a question of who benefits, at what price." Jettainer has paired up with Lufthansa Industry Solutions and the University of Cologne, to work on the future of ULDs, big data and other exciting fields.



"We will continue to be the innovation leader in this field with concrete projects and tangible results."

Hernig also sees the value in teaming up with companies that have complementary strengths and roles to achieve more sophisticated monitoring of ULD shipments. "If the logistical chain – a shipper, a forwarder, an airline, a grant tender and a ULD manager would join forces then technologies are much likelier to be rolled out because it's simply sharing costs and sharing benefits. Of course, there are benefits for a shipper to know exactly where ►

Jettainer is putting a lot of effort into ULD innovation
(photo: Jettainer)



Carsten Hernig
(photo: Jettainer)

“ Outsourcing must be a perfect balance of execution, cost, inventory, and compliance ”

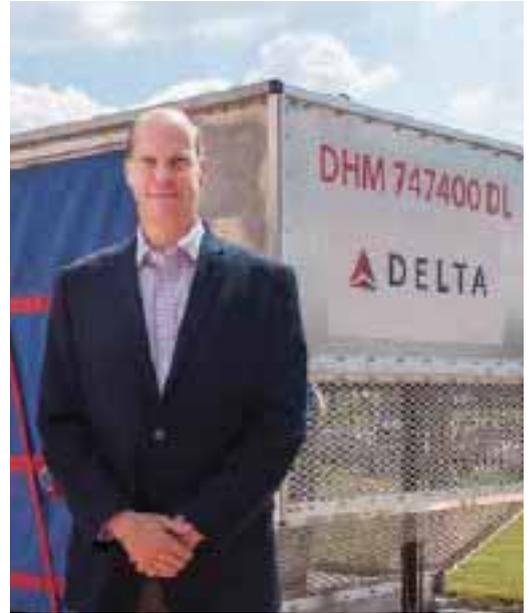
Julian Soell, Delta Cargo

a shipment is, and if a container is equipped with a device that can tell you that, then that's perfect. I think the trend will go into a collaboration within the chain, in order to drive these benefits.”

For Unilode, business has been growing in 2017, Dumont says, driven by higher volumes in the broader cargo industry. “That's been good but also a challenge to make sure we can service that increase. It looks as if it will continue for a while, which is good for us and for our customers.”

The company is just completing its carve-out from supply chain logistics company, Brambles, to its new owner, leading investment firm EQT, and is now looking ahead to the areas it needs to focus on for growth as a standalone company, Dumont says. “In term of growth, we are looking at geography, categories and product features, and exploring if we can find missing links that would add to our portfolio. That is in the process of being done, and when we arrive at the conclusion that there are gaps then we can ask ourselves the typical question of make vs. buy, or eventually looking for the right partners.”

Unilode is looking ahead to growth and studying which areas it should focus on (photo: Unilode)



Julian Soell (photo: Delta Cargo)

One area with high potential for growth, possibly through joint ventures, is Asia, Dumont says, while the Middle East is also a key area of focus. Earlier this year Saudia and the company's cargo arm entrusted Unilode with the management of their containers and pallets.



ULD specialists still have their work cut out to convince airlines of the benefits of outsourcing.

Julian Soell, Delta Cargo's Managing Director Cargo Operations and Customer Experience, notes that the majority of carriers still handle their ULDs in-house. "The outsourcing of ULD management and control is a cyclical business. Of the top global passenger carriers the size of Delta, only a few have gone the outsourcing model. Currently, Delta handles 100% of its ULD management in-house as we have developed some proprietary software over the past two years which makes our ULD department very competitive against third party suppliers."

For any airline, the decision to outsource or not is about weighing up the pros and cons, Soell says. "Outsourcing must be a perfect balance of execution, cost, inventory, and compliance. The list of pros and cons of outsourcing is very long and well known; however, in some cases, outsourcing doesn't provide as much value as airlines believe. At Delta Cargo we have found success in our current model as we can quickly address changes in the industry, plus the strong relationships with our operations leaders at the airports mean we can successfully fulfil our plans."

Delta Cargo's large ULD fleet, made up of a mixture of containers and aluminum pallets, is managed by a business unit – the ULD control group – split into three parts: ULD repair in four domestic and four international locations; regulatory compliance via FAA-approved ULD handling manuals; and movement of the units, inventory, supply, and imbalances.

"We have strategic partnerships with industry-leading ULD manufacturers, cargo net/restraint devices suppliers, and ULD leasing companies to meet our demand," Soell says.

The airline recently opened its new Cargo Control Center at its Atlanta hub, which, Soell says "has driven an immediate improvement in ULD service levels right across our global network. We will continue to leverage the CCC to ensure top performance from the ULD ground handlers".

In July, it was awarded IATA's Center of Excellence for Independent Validators (CEIV) pharma logistics certification, an important

milestone for an airline, as demand for transporting temperature-sensitive pharmaceuticals increases.

"The safe and efficient transportation of pharma products for the healthcare and pharmaceutical industry is a key priority for us, as is the health and safety of patients who depend on them. Delta has made significant investments in ensuring that our facilities, equipment, operations and staff comply with all applicable standards, regulations and guidelines expected from pharmaceutical manufacturers," Soell says.

Transporting temperature-sensitive goods means ensuring temperature-controlled ULDs are up to the job. "It is critical for Delta Cargo to have the right temperature-controlled ULDs," Soell says. "Delta has three approved pharma containers approved for transport on our aircraft and recently announced its approval for the carriage of the Envirotainer RAP e2 in Delta's domestic and international widebody aircraft"

This container is ideal for shipments requiring strict temperature control between 0°C and +20°C and enhances ►



Tracking is increasingly important for shippers
(photo: Jettainer)

what Delta can offer its pharma customers: the active container does not require dry ice as a coolant and provides more capacity than previously available containers. Delta Cargo aircraft can also carry CSafe, the entire Envirotainer active container line including the e1 and e2 containers, and five va-Q-tec passive containers.

While for Delta, CEIV certification has provided the opportunity to demonstrate its own in-house pharma capabilities, many other airlines are seeing the rise in demand for transporting pharmaceuticals

and other temperature-sensitive medical supplies, samples and equipment – driven in part by an ageing population and growth in the middle class in countries such as India and China – as a reason to outsource their ULD management.

DoKaSch Temperature Solutions, the manufacturer of the Opticooler temperature-controlled air cargo container, has been enjoying growing demand in recent months, with double-digit gains in exports from Europe, says Managing Director Andreas Seitz. “We expect further growth through our recent expansion to the US and planned expansion to Asia. We are still a very export-driven business from Europe and the US due to the very specific pharmaceuticals that are produced in these regions. But Asia – South Korea in particular – and India are catching up step by step, followed by China.”

Customers choose the Opticooler to ship drugs that need a guaranteed constant temperature throughout the shipping process, whether stored at an airport or inside a warehouse, and regardless of the outside temperature.

“Opticoolers are very flexible against irregularities throughout the shipping process as their power units can easily make an intercontinental flight including the handling before and after and can sustain ambient temperatures from -30°C to +50°C”

Andreas Seitz, DoKaSch Temperature Solutions

“Local weather, logistical processes, warehouse capabilities and aircraft operations can change within short notice,” Seitz says.

“For active containers, just a main power plug is needed and they can be recharged anywhere, up to 100% very quickly, leaving a full energy buffer for the next transport leg. They can even be used for days or weeks as ‘smart warehouses’ when plugged in. Opticoolers are very flexible against irregularities throughout the shipping process as their power units can easily make an intercontinental flight including the handling before and after and can sustain ambient temperatures from -30°C to +50°C,” he explains.

Jettainer recently launched a service to manage temperature-controlled ULDs that will be offered to potential and existing customers, says Hernig, adding that the process of externally managing cool ULDs is slightly different. “In cool ULD management you steer one ULD with a specific ULD number plate that’s specifically ordered for a certain shipment and will be steered until the end of shipment before going back to the actual owner. These cool ULDs are owned by the manufacturers, who rent them out.”

That is different from Jettainer’s usual process, by which it acquires the fleet of ULDs to be managed from the airline.

“Some of our customers asked about managing the cool fleet. Our systems had to be adjusted a little bit and that adjustment has been made this year, so now we can exclusively offer that,” Hernig says.

The company manages about 10-12% of the world’s market share of ULDs, and sees a similar share with competitors, so that leaves about three-quarters of the market left in-house. Even if easing fuel cost concerns have removed some of the urgency from airlines’ point of view, Hernig believes, in a tight-margin business, there is still potential for much more ULD outsourcing.

“The trend towards airlines outsourcing ULD management is still growing and the number one reason is the old one: all the airlines are under cost pressure. The airline business is a small margin business, and therefore airlines are continuously under pressure.”

That’s not to say it is easy to convince airlines to hand over the control of their ULDs, however.

“Our competitor is not the most important issue in competition – the most important competition is convincing the in-house airline managers to trust a third party, to give it out of their own hands. Besides with new customers, we are growing significantly with our existing customers, if they buy new planes or add new routes and need more ULDs,” he says.



And that is all about communication. “During the past years, most of the cost issues have been developed so now there’s hardly any low-hanging fruits left. ULD management is one of the last low-hanging fruits on the trees. The only difficulty is it’s on the back of the tree, so people hardly discover it. We have to guide people around the tree to the one last remaining low-hanging fruit to see if they wish to investigate it and to pick it.”

ULD managers like Jettainer also need to convince their airline counterparts that this usually hidden but vital piece of the business will be well looked after. “It’s a niche business, but it is still something that’s highly important in the logistical value chain. So, if you don’t have a container, 25 passengers arrive without a suitcase. If you don’t have a pallet, an important cargo shipment can’t be loaded, and therefore people are very sensitive about this topic – they won’t give it away easily,” Hernig explains. “We have to convince them by efficiency – we can do it much more efficiently than they can do it themselves. We have state-of-the-art technology, we do our technology ourselves, we do not buy off-the-shelf software, we program everything ourselves. Jettware is the most sophisticated tool for ULD management and therefore this is one of our big USPs.”

With steady growth and regular interest from new customers, it seems as if the company is getting this message across, having recently signed up Brussels Airlines and Oman Air. “I would expect a good and continuous growth in the coming years for Jettainer. Our potential customers strive for ongoing increases in efficiency, continuous innovations in technology and processes and smart solutions. And that’s what we believe we deliver,” Hernig says. ■

Unilode’s business has been growing in 2017 (photo: Unilode)