



10.May.10 \_\_\_\_\_

## Freighter Capacity: Past, Present and Future Trends

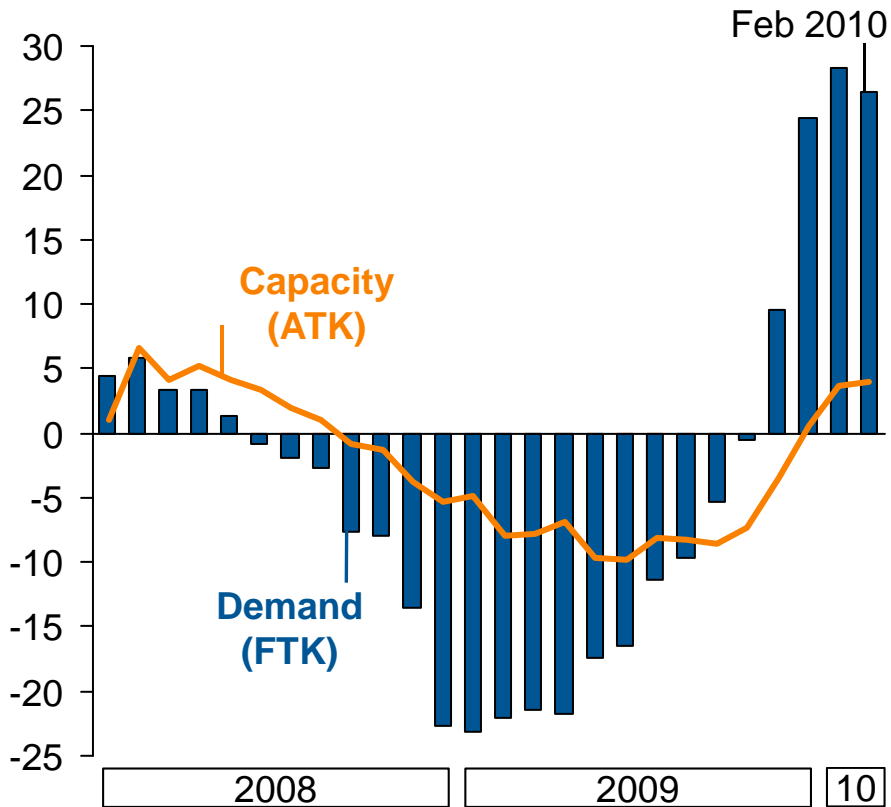
Lancaster Hotel, London  
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# Recent developments global air cargo market

After dramatic declines, air cargo volume, load factor and yield all show strong recovery in the most October 2009 onwards

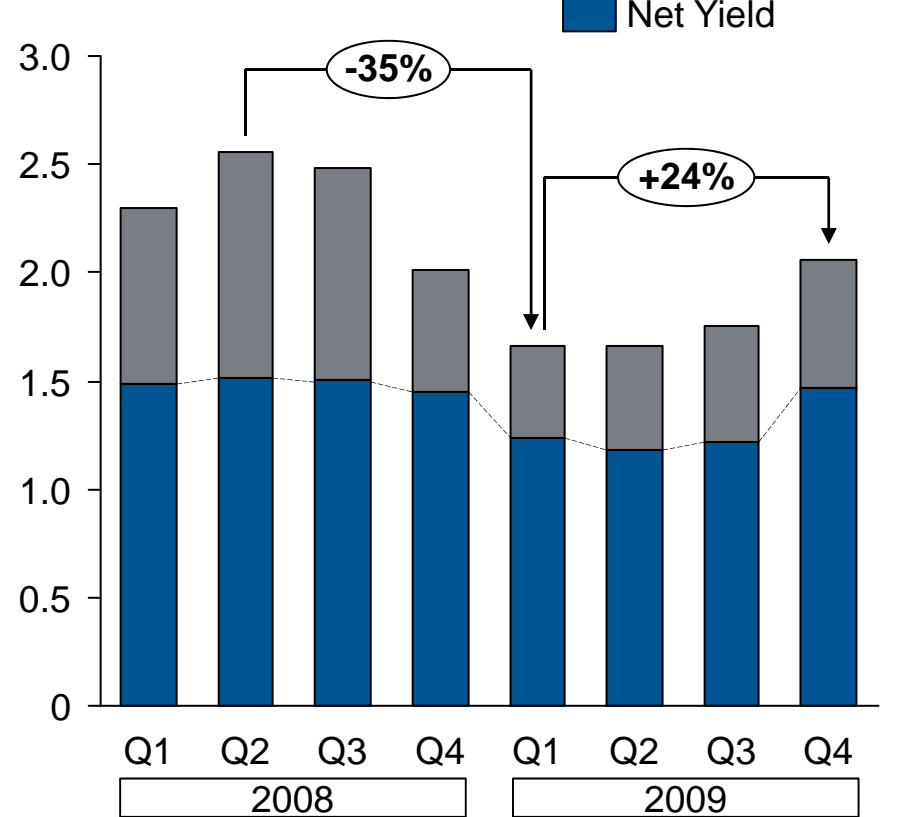
## Demand & Capacity

YoY Growth (%)



## Gross airline yields

USD/kg



**Higher load factor because increase in demand exceeded capacity expansion**

Note: Exchange rates have high influence on yield performance over time; Capture rate fuel surcharges assumed stable at 70%

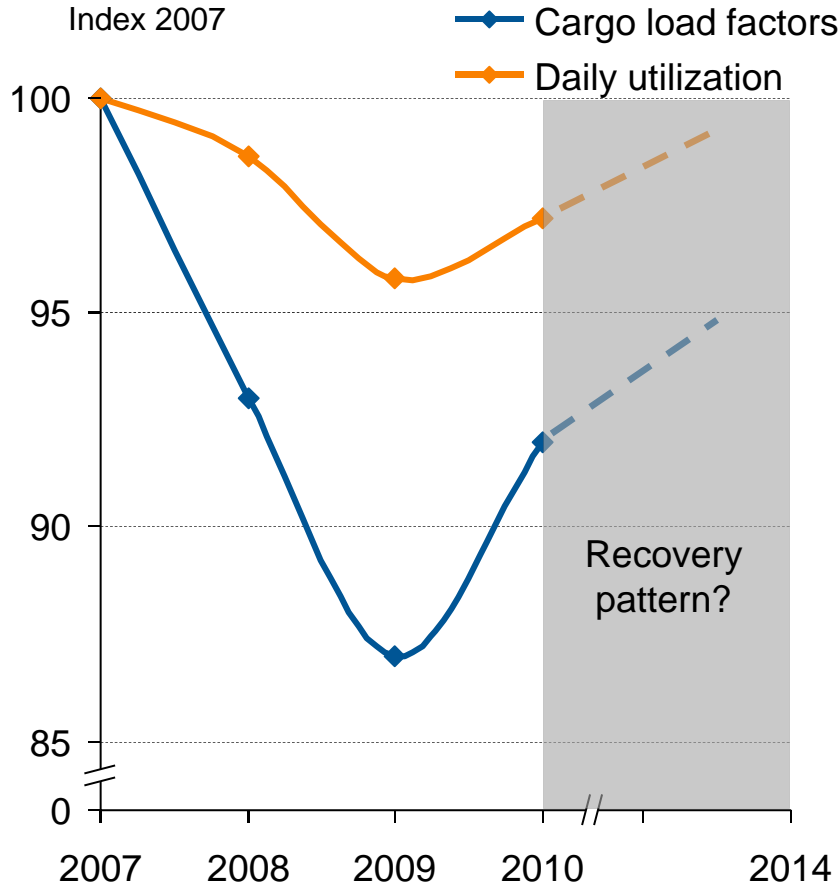
Source: IATA; CargoIS; KLM website; US Energy Information Administration; Seabury Surcharge Model; Seabury analysis

# Belly and Freighter capacity developments

Required trimming of capacity during 2009 was mainly reached through an up to 15% reduction in freighter utilization; last few months show a steep incline, but still well below 2007 average

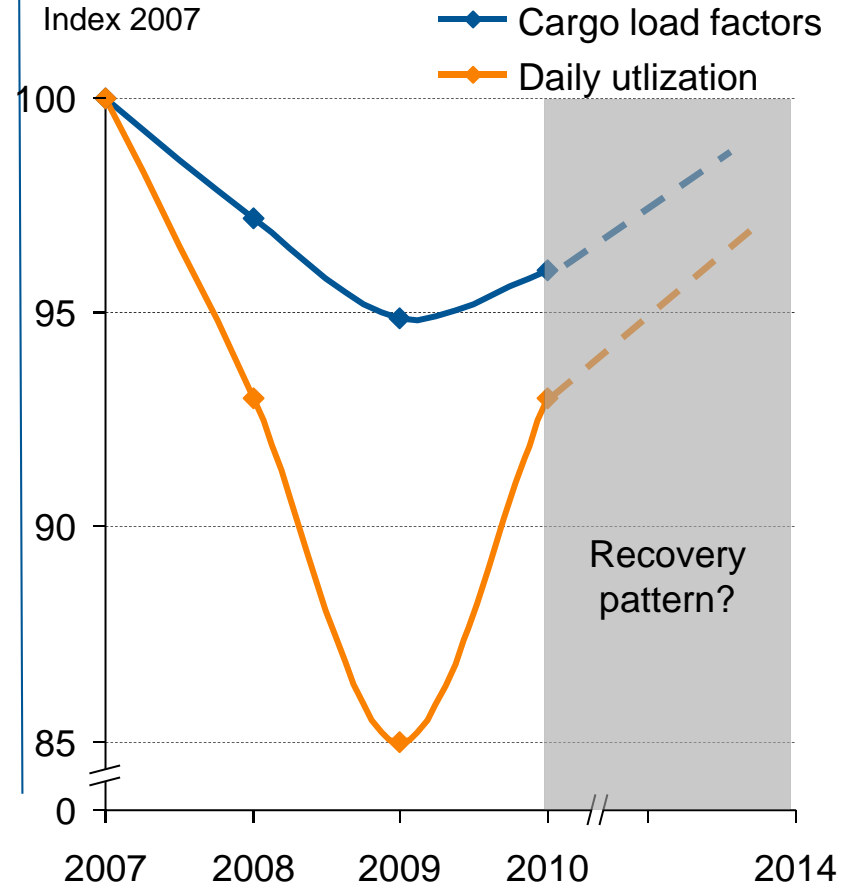
## Passenger aircraft utilization and load factors

Index 2007



## Freighter aircraft utilization and load factors

Index 2007



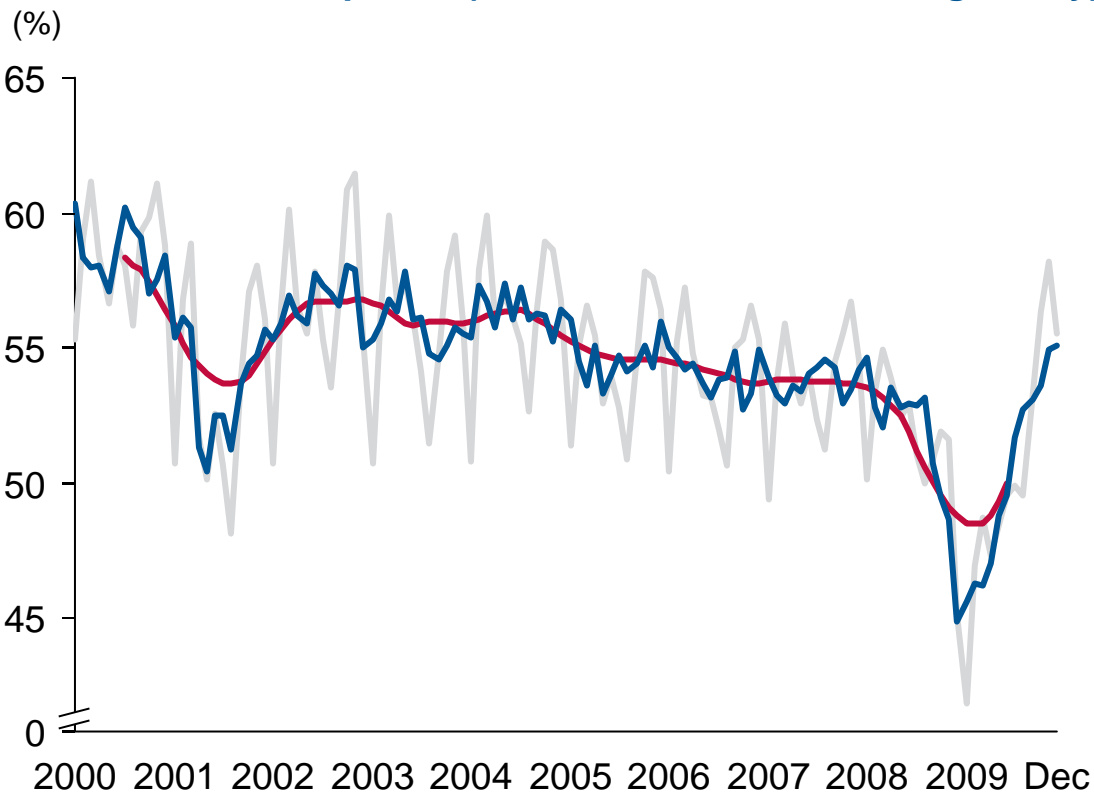
**Freighter capacity forms the 'safety valve' on the supply side**

Note: Passenger aircraft utilization calculated by using Seabury utilization forecast for new and old/medium gen aircraft weighted by forecasted active fleet in each group  
Source: IATA, ACAS, Seabury analysis

# Load-factor as a measure for capacity control

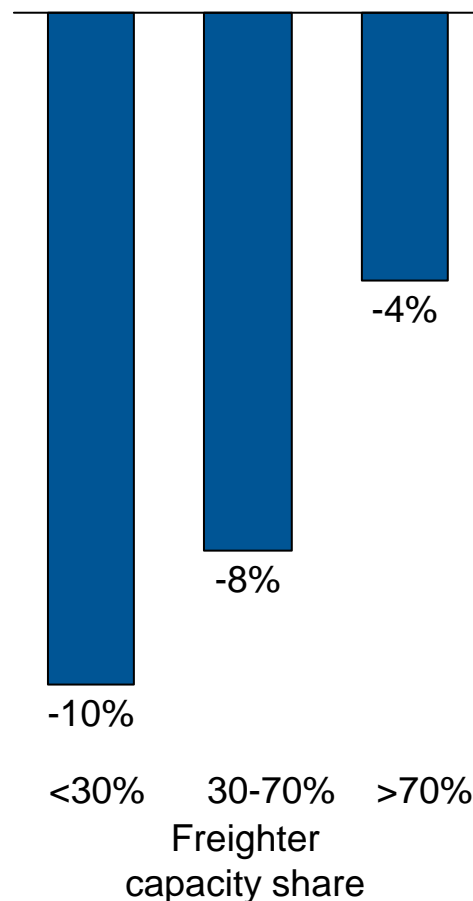
Industry loadfactor has fallen since 2000 with an average of 0.7% points per annum, mainly caused by the inelasticity of the belly capacity

Load factor development (FTK/ATK, international freight only)



— Load factor (LF) — Seasonality adjusted  
 — Moving average

LF growth per fleet mix (in % points)

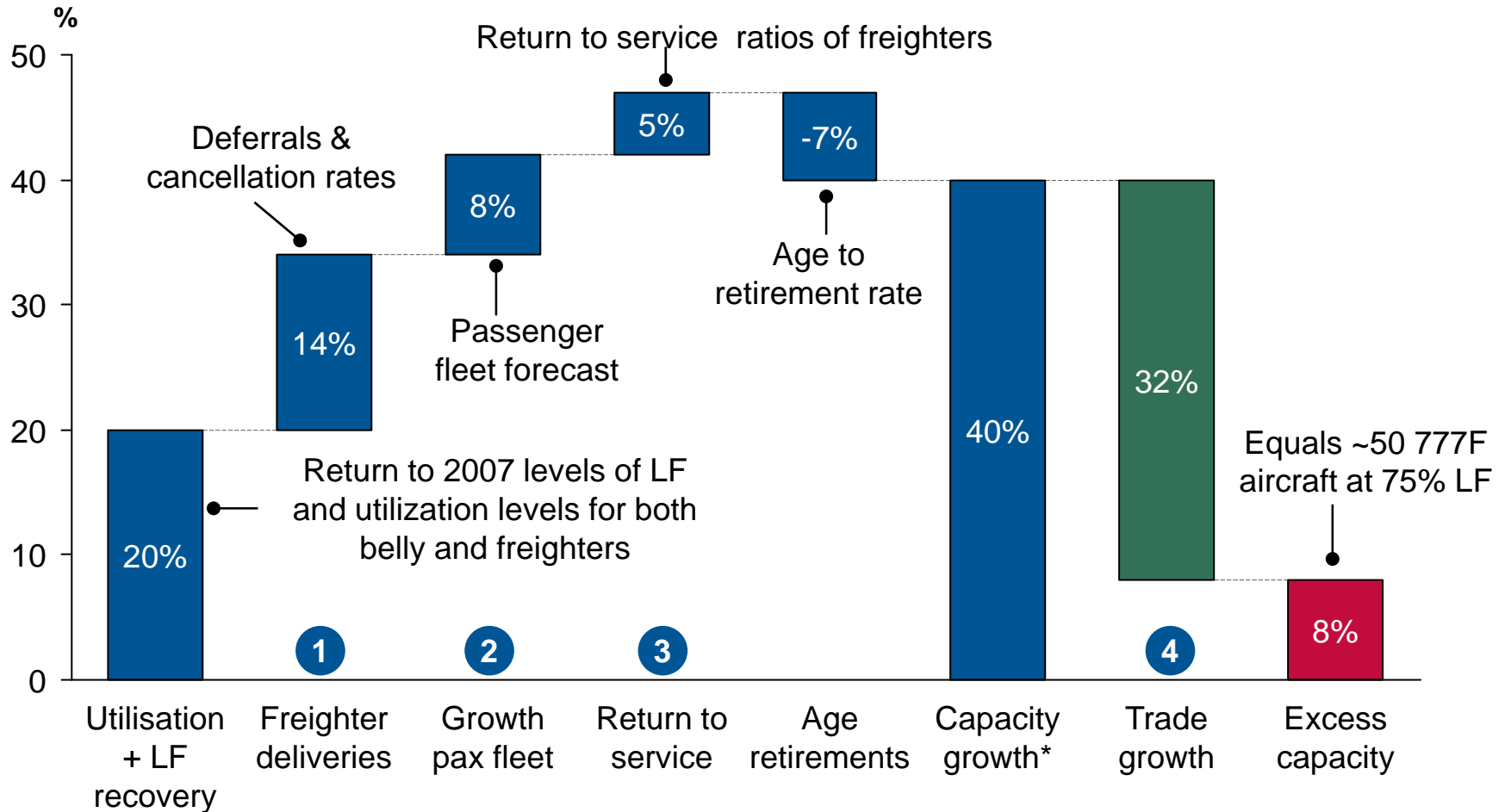


Source: IATA Carrier tracker; Seabury analysis

# Supply and demand projections until 2014

If historical patterns were to hold true for the next five years, even without passenger to freighter conversions, supply would outpace demand by 8% points

**Air cargo supply and demand growth 2009-2014**



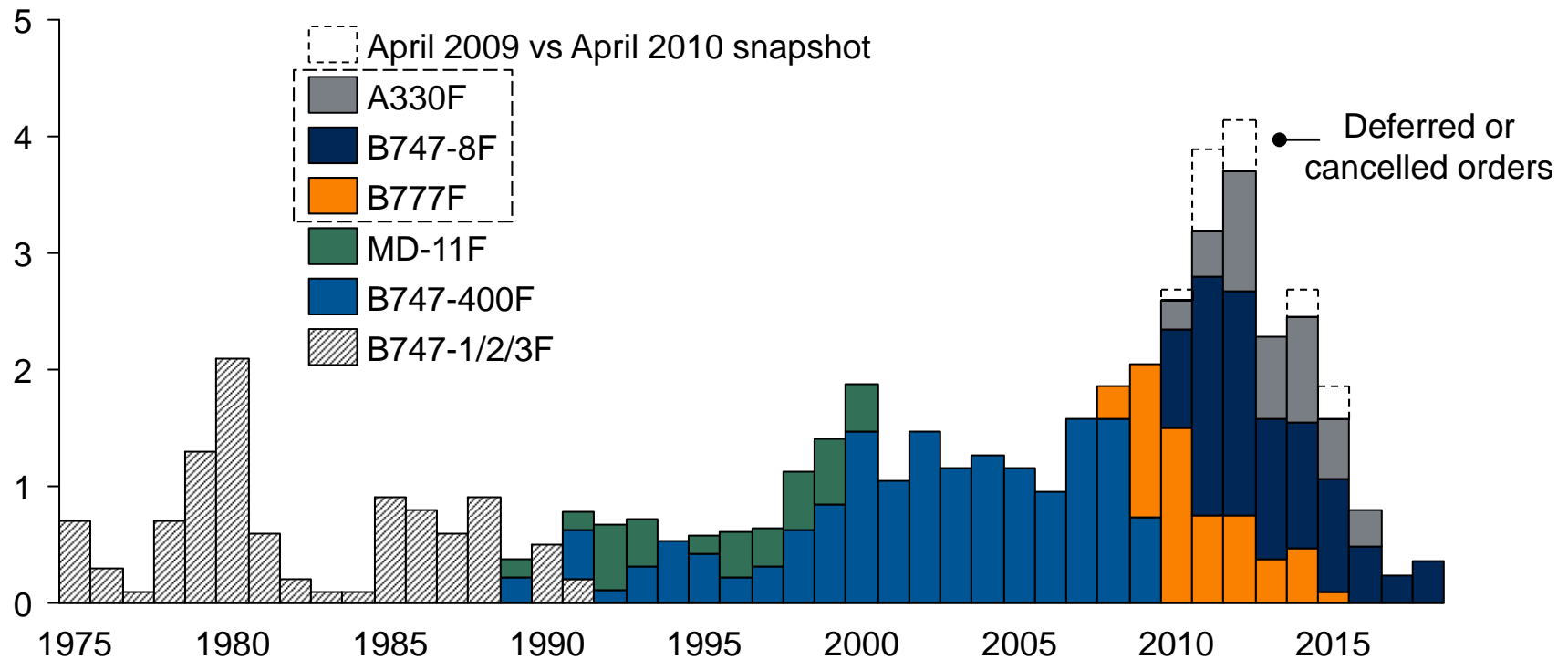
Note: Capacity growth excludes conversions  
Source: Seabury analysis

# 1 Widebody freighter deliveries

Whilst the market was in severe decline, an increase in deliveries of new aircraft in the next few years is expected due to the introduction of three new large freighter types

## Deliveries factory built widebody freighters over time

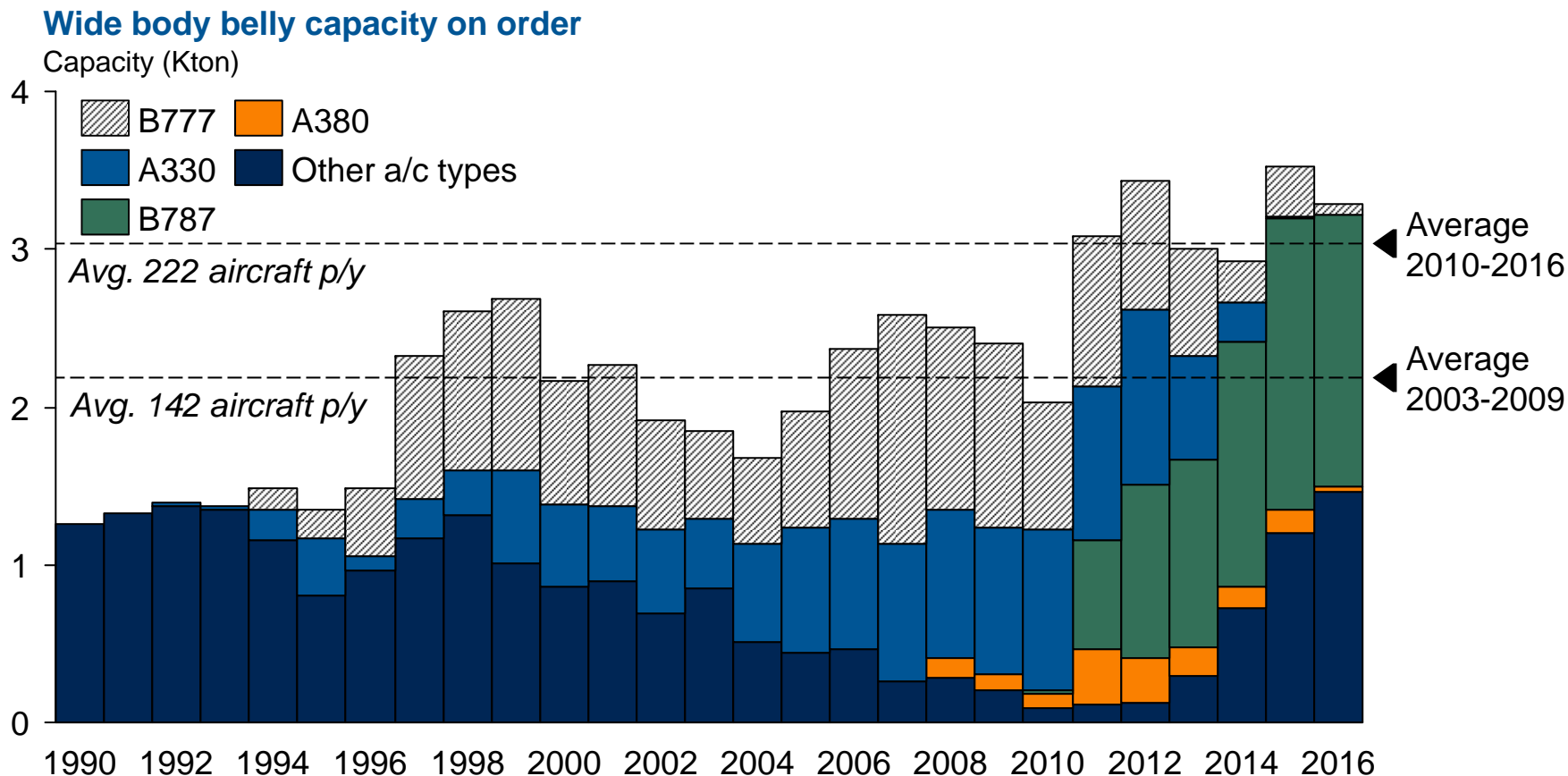
Capacity  
(Tons x 1,000)



Note: Only firm OEM orders considered; Retirements excluded;  
Source: Ascend (Apr, 2010); Seabury analysis

## 2 Passenger aircraft deliveries

Driven by passenger demand, belly freight capacity is expected to increase in the short and medium long term, putting additional pressure on current load factors



**B787 cargo capacity per available seat of is higher than that of B747-400**

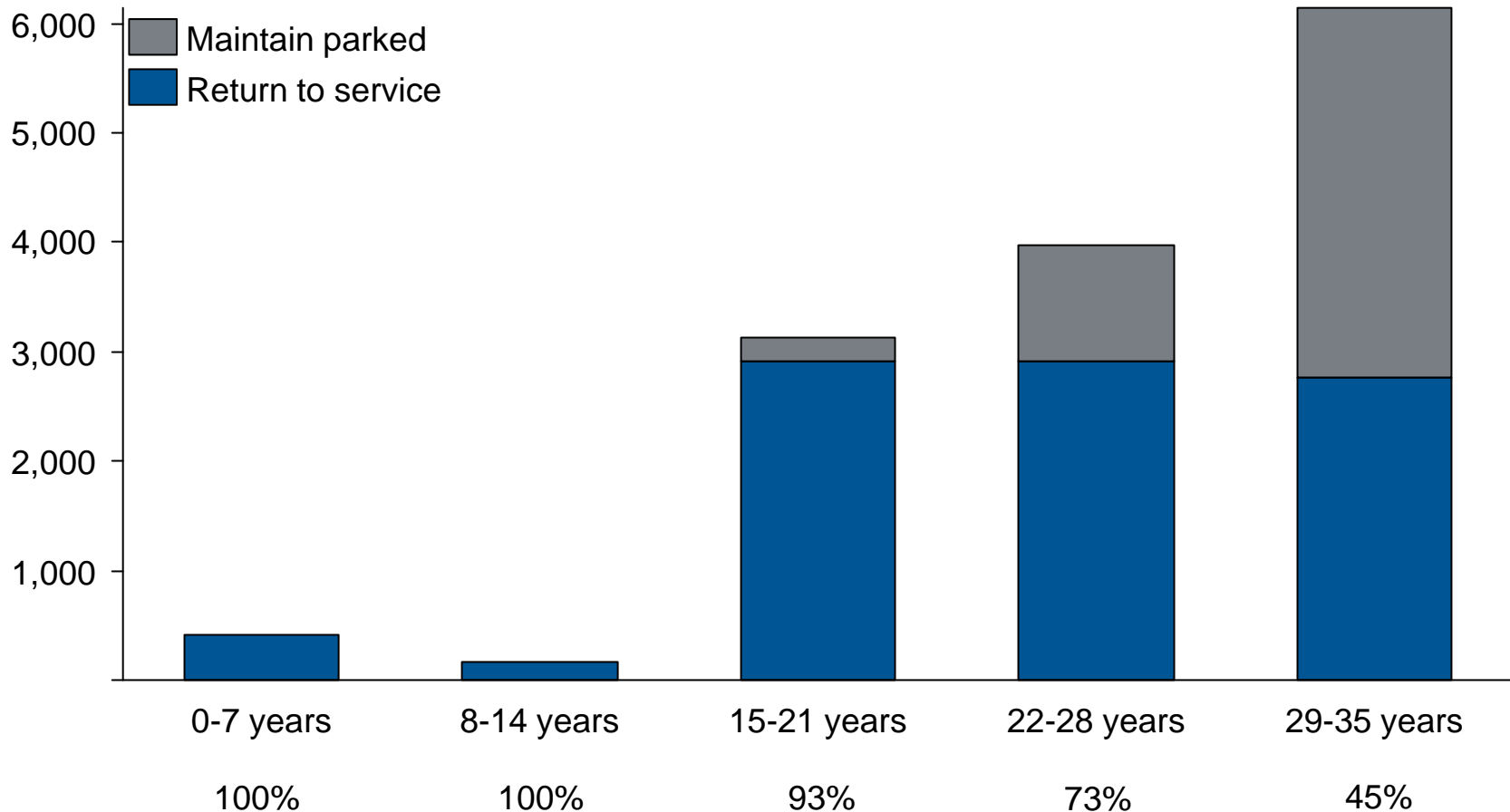
Note: Only firm Ascend orders considered; retirements excluded  
Source: Ascend (Apr, 2010); Seabury analysis

### 3 Return-to-service profiles freighter aircraft

Historical return-to-service percentages suggest that a significant amount of capacity would re-enter the market

#### Return to service aircraft based on historical data

Tons

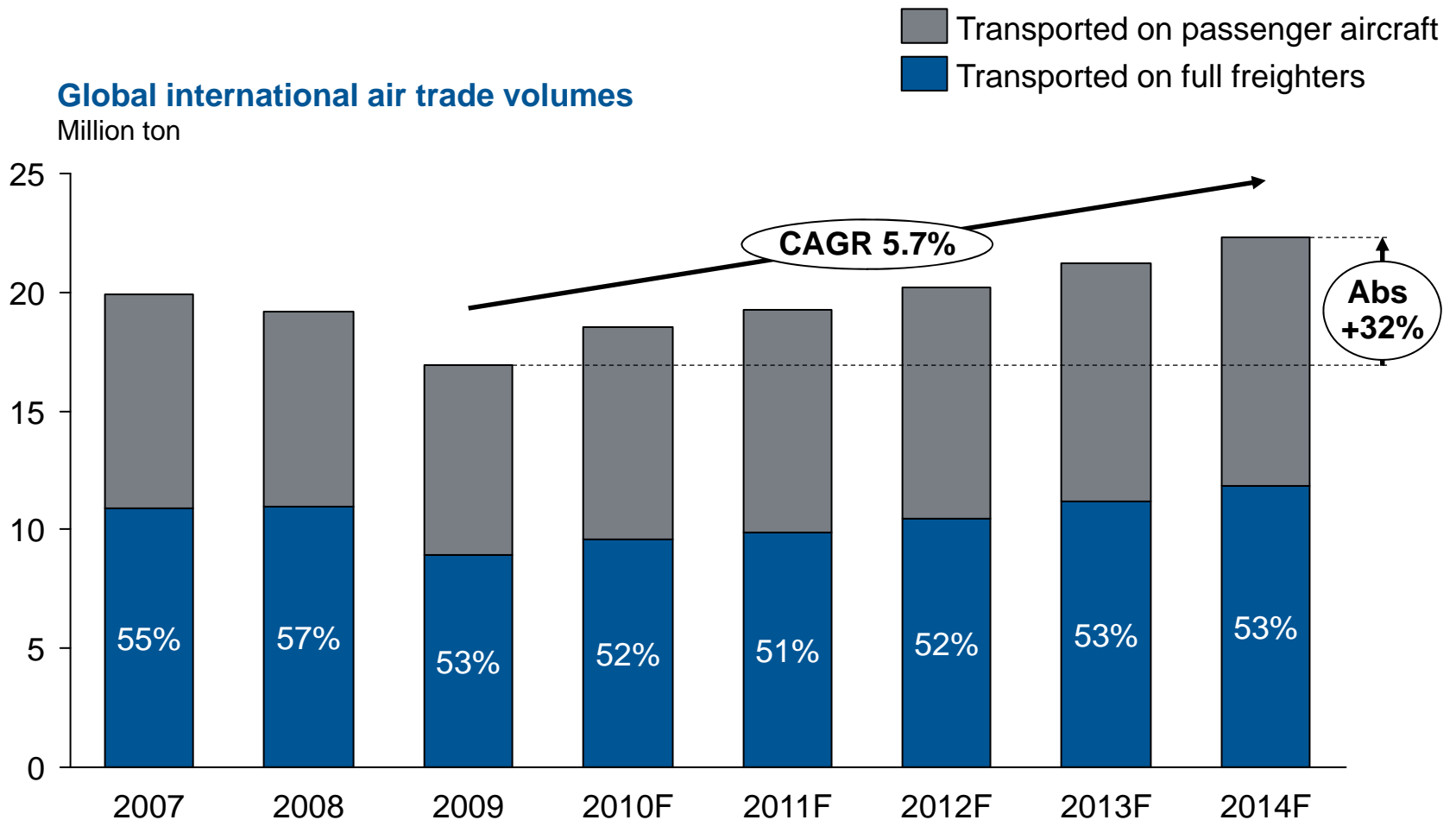


Note: \*Historical analysis based on full freighter aircraft being parked for longer than 3 months between 2001-2006 and have been put back into service since

Source: Ascend; Seabury analysis

## 4 Global demand growth

Seabury's Base Case air trade forecast predicts an annual 5.7% growth in volumes between 2009-2014;



**International air trade volumes will reach 2007 levels by 2012**

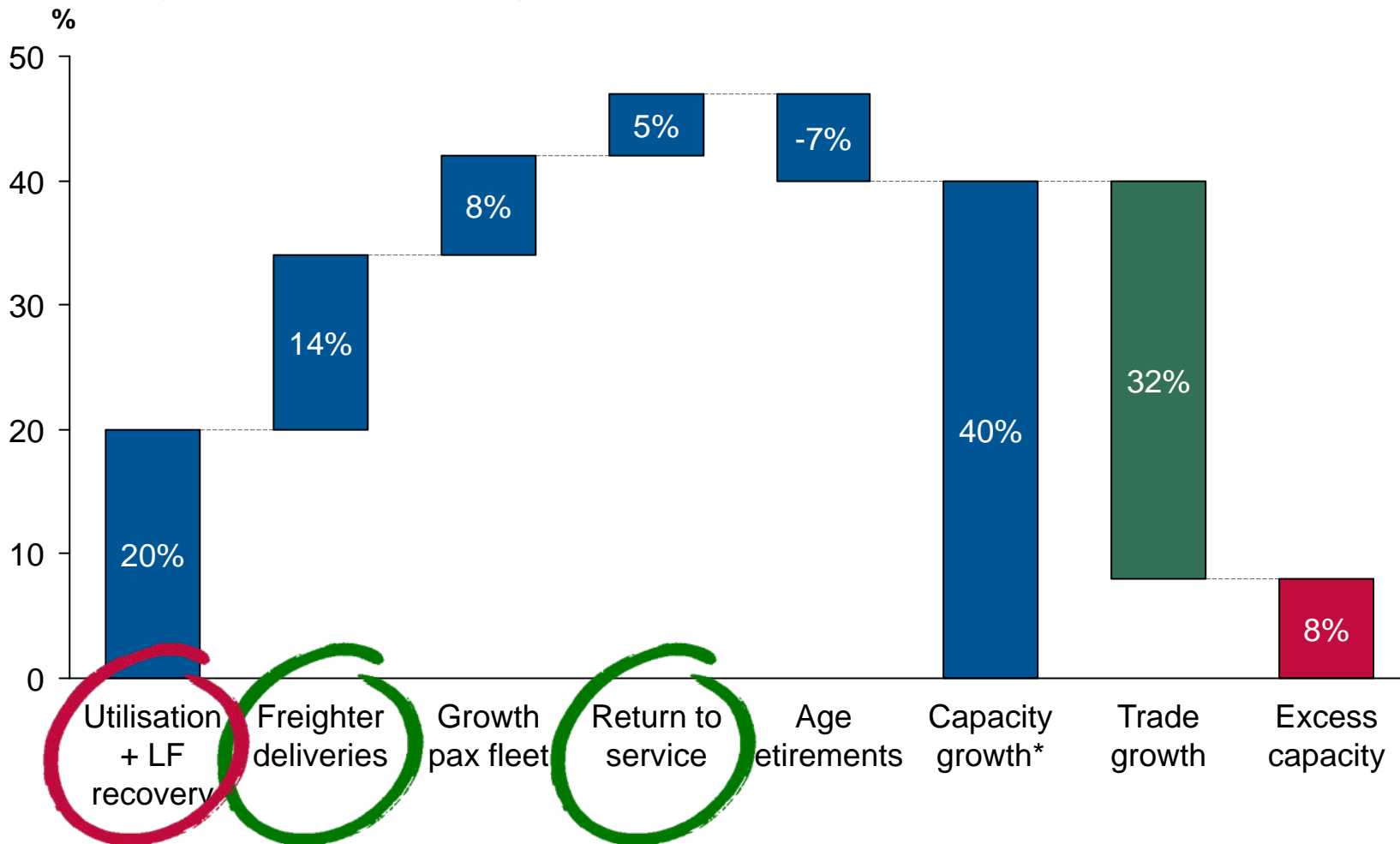
Note: 2007 is used as base year for this forecast as Seabury assumes 2007 to be a healthy and sustainable year for the global airfreight industry

Source: Seabury Forecast Database April 2010

# Projections for 2014 – Corrective measures

Main candidates for reducing capacity are more freighter cancellations and deferrals and lower return to service ratios; if not sufficiently trimmed, then utilization and loadfactor will come down

### Air cargo supply and demand growth 2009-2014



Note: Capacity growth excludes conversions  
Source: Seabury analysis

# Thank you!

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