THELOADSTAR
MAKING SENSE OF THE SUPPLY CHAIN

IATA to review air cargo load factor calculations after Project Selfie revelations

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By Alex Lennane
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A 27% relative discrepancy in the way aircraft load factors are calculated is a “terrible miss” for the industry, it was claimed today.

Last year’s Project Selfie, which re-examined the way load factors are calculated, revealed that, in some cases, recording utilisation by weight alone significantly mis-represents the air cargo industry.

“The gap between the two calculations is very large,” said Niall van de Wouw, architect of Project Selfie.

“Imagine if a factory had such different utilisation rates – it would make or break a company. Or if the passenger business was 27% out on its load factors. It’s a significant order of magnitude.”

The average volume load factor of 66% was 10 percentage points higher than the weight load factor of 56%. Applying the dynamic load factor metric put the utilisation rate even higher, at 71%, giving a relative difference of 27% between weight and dynamic.

In November, when capacity was all but unavailable and rates sky high, the official figures calculated load factors at just 49%.

“It is a miscommunication to the outside world,” said Mr van de Wouw. “And if you publish just one sentence saying 49%, but without context on the dynamics of the industry, why publish it at all?

“Why lead people to believe planes are only half-full when rates are sky-rocketing?”

Mr van de Wouw admitted there were some surprises when he recalculated load factors based on statistics from airlines representing nearly 25% of the global market.

“I was not surprised by the overall magnitude of the numbers, but what did surprise me was the regional differences,” he said.

“There was a big difference between the weight load factor and the dynamic on Asia outbound and the Atlantic, with the two metrics varying between 6% and 20%.

“The theory behind the variety is that there is so much more pressure on capacity for Asia outbound. The high rates out of Asia and the nature of the goods incentivises airlines and allows them to build up pallets to the maximum.

“But across the Atlantic, where there is less pressure and rates are lower, there are fewer incentives to build up pallets so densely.”

Another surprise – along with the fact that as many as 19 major airlines participated in just an eight-week deadline – was that no two airlines calculated load factors internally in the same way.

“There is no standard,” said Mr van de Wouw. “It was pretty amazing to get so many carriers, and although different airlines had different reasons for participating, it is reflective of the fact that they know the weight measurement is not representative.”

IATA, which currently reports cargo load factors based on “long-standing industry measurement tools and submissions made by members airlines”, said it was re-examining the issue.

“As the industry has evolved, and commodities transported have evolved, IATA is keen to look at this area of industry analysis in keeping with our view that all aspects of the industry should be continually reviewed,” said cargo chief Glyn Hughes.

“We therefore will be inviting a number of industry experts who have expressed a view in this area to join us in a think-tank to review and determine if we can collectively identify something more relevant for today.”

Mr van we Wouw welcomed the news.

“I’d be happy to have a conversation with IATA if it is interested, to see if the lessons we learned can be applied to a broader initiative.”

Shippers get behind Project Selfie bid to better reflect air freight load factors

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By Alex Lennane
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Shippers are supporting a new initiative to better reflect air cargo's true worth by changing the metrics used to report freight load factors.

Project Selfie, launched here by our columnist Niall van de Wouw and supported by *The Loadstar*, is asking airlines to submit data on load factors based on volume rather than weight alone.
It aims to create three perspectives of the industry's capacity utilisation: load factors based on weight, volume and a combination of the two.

Rogier Spoel, policy manager air transport at the European Shippers' Council, said: "We had the discussion with big business, which told us that because load factors were apparently low, it was a good thing that freighter slots are disappearing [at Schiphol]."

Load factors at Schiphol are said to be about 60%.

"People are saying if slot numbers go down, then load factors will go up," added Mr Spoel. "But that doesn't make any sense. Some freighter operators wanted extra flights – why would they do that if they were not at capacity?

“Take dangerous goods – it’s a standalone box, but the air around it has been sold. It is difficult information to judge, on the current basis.

“There are always a lot of discussions on load factors and data – but everyone interprets it in a different way. Project Selfie will align that data, and it’s a first step in giving shippers the transparency they need.”

Mr van de Wouw argued in his original blog that “the published cargo load factors are distorted and misleading”.
He added: “It is the volume capacity (in cubic metres) which is the bottleneck, not the weight capacity (in tonnes).

“It is time we measured ourselves against a metric that appreciates our industry’s unique characteristics, and not against a derivative measure from the passenger industry.”

Published load factors can influence a vast range of people with influence over, but little direct experience of, the industry, such as environmentalists, governments, regulators and financiers.

The majority of airlines already internally calculate their load factors based on volumetric measures, but send IATA different data to work out the “official” load factor based on weight calculations.
Mr Spoel urged IATA to support the Project Selfie initiative, which already has airlines signed up to share their data in order to create a better measure of capacity utilisation.

“People can be anxious if a commercial party is involved, so some sort of support from IATA would be great. It doesn’t have to be an IATA project, but it could help to bring this information into the 21st century.”
He added: “Shippers would support this initiative and help bring it forward in any way they can.”

All airlines contacted so far have expressed support for the project. Most expressed similar thoughts to one airline executive who said: ”We already do this internally for the reasons you describe.

“We all sell cargo on a volumetric basis, hence chargeable weight, and for many of our routes volume is more constraining than weight.”

Another said: “Of course I will support this initiative. It makes sense. We use volume for every shipment, but I am shocked at how many major carriers have no capability to do this.”

To join this cost-free initiative (or for more information), please send an email before October 27 to selfie@support.useclive.com, and we will contact you directly to discuss the data requirements and legal conditions.
We are aiming to present the project’s results via *The Loadstar* by the week of December 4.