

Hubbing in Asia with Air Hong Kong

by Luigi Vallero



ROB FINLAYSON

One of AHK's eight Airbus A300F4-605R 'General Freighters' at Tokyo-Narita displays the airlines current white and yellow scheme and 'Air Hongkong' logo.

Air Hong Kong was founded in 1986 when local entrepreneur Dr Stanley Ho of Shun Tak Holdings decided to establish a cargo airline to cater to a burgeoning demand for capacity from the then British colony. Two years later the carrier began flying charter cargo services using two Boeing 707-300 freighters on routes encompassing Sydney, Singapore, Dhaka, and London (Stansted).

In 1989, Air Hong Kong (IATA: LD/ICAO: AHK) received a scheduled cargo license and authority to operate to more than a dozen cities, starting with Manchester (UK) that October.

During the Nineties, AHK's fleet grew apace with its route expansion, and two ex-Federal Express Boeing 747-100Fs were added in 1991, resulting in a tenfold increase in traffic. AHK's development drew attention from Cathay Pacific Airways (CX, *Airways*, Mar/Apr 1997 & October 2005), which in June 1994 bought a 75% share in the company. At first AHK was operated as a subsidiary,

similar to the arrangement with Dragonair (*Airways*, September 2006), then CX acquired the remaining 25% stake in February 2002.

To rationalize AHK's services with Cathay's own cargo network, the network was restructured. Thus, from July 1 that year, AHK ceased operations to Brussels [Bruxelles/Brussel], Manchester, and Dubai [Dubayy] (those destinations being taken over by Cathay).

In October 2002, Cathay Pacific and Germany-based DHL Worldwide Express (DHL) announced a joint venture agreement whereby DHL acquired a 30% stake in AHK.



STEVE KINDER

Air Hong Kong began service with two Boeing 707-300Cs (VR-HKK is pictured at Manchester).

Under the agreement, \$400 million would be invested for AHK to use a new fleet of medium-range, wide-body freighters to operate from Hong Kong on behalf of DHL.

Another 10% stake in AHK was sold to DHL in March 2003. AHK was then confirmed as the launch customer of the Airbus A300F4-600R 'General Freighter' with an order for six. This variant has an integral cargo loading system capable of accommodating almost every type of container and pallet, plus a large side door at the rear of the lower deck for loading large items of general freight as well as small packages. The six A300s were delivered by March 2005, and were followed by two more in 2006.

Before being succeeded by Richard Cater as chief operating officer last September, David Saechiu reflected on his long career with Cathay Pacific and spoke to *Airways* of 'his' Air Hong Kong with pride.

He recalled that the 'old' Air Hong Kong was often competing—sometimes aggressively—with CX Cargo, despite the companies' joint ownership. Each carrier had its own sales team and pricing policies. Nowadays that situation is reversed, and AHK's new rôle under the Cathay Pacific umbrella is well defined. Indeed, the new relationship has been a bonus for the cargo specialist, which is using to good advantage many services provided by its large parent. Costs are therefore kept at manageable levels, with staff numbers held to a minimum, while AHK uses Cathay's line maintenance, training, ground handling, rostering, and operations control, therefore avoiding costly duplication.



GARY JENNINGS

The 707s were replaced in September 1992 by 747-100Fs. These were subsequently supplemented then succeeded by -200Fs (the example illustrated, registered VR-HKO, was leased from Polaris Aircraft Leasing between 1994 and 1996).



IAN BOWLEY

AHK's original 'mystical phoenix' livery was superseded in June 1996 by a two-tone blue scheme, designed by Cathay Pacific's marketing department, and unveiled on the airline's first (of three) ex-Varig 747-200 Special Freighters. The 'flying wheel' logo represented the Chinese saying 'moving cargo like a wheel', or brisk business.

Besides being a 40% shareholder in Air Hong Kong, DHL Worldwide Express is also the Asian carrier's major customer. Although most of the 40t (88,000lb) capacity of each A300 is allocated to express parcels, a small quota on every flight is reserved for general cargo. The relationship originated with DHL and Cathay Pacific, when the German freight forwarder started buying belly capacity from CX, which at the time was operating overnight express flights using its own passenger airplanes to major Asian destinations on behalf of DHL. Later, however, this developed into an idea to transform AHK from a general cargo carrier to a dedicated express freight operation.

The fleet renewal program has enabled AHK to spread its available capacity more effectively within the network. Whereas a fleet of three 747-200Fs often necessitated the operation of joint services on most routes, the A300s enable AHK to operate an almost complete hub-and-spoke system centered on Hong Kong.

Each A300 is assigned to a dedicated route and day-stops at an outstation. Every evening, the fleet leaves for Hong Kong from Penang (with a stop in Bangkok), Osaka (Kansai), Seoul (Incheon), Singapore, Taipei, and Tokyo (Narita). Arriving by 0100, the freight is offloaded and sorted for transport to final destinations, with the freighters returning to their respective stations at 0330. Besides hubbing on AHK's own network, freight is often also fed to CX flights to other destinations. According to Saechiu, the Tokyo and Seoul markets are performing particularly well.

During the day most of AHK's fleet is available for *ad hoc* freight charters, with one aircraft assigned since June 2005 to a daily wet-lease operation from Hong Kong to Shanghai (Pudong) on behalf of Cathay Pacific. Nevertheless, daily fleet utilization is comparatively low, at an average of eight hours per day, but punctuality levels remain at an impressive 95% (within five minutes).

Potential new destinations are constantly under consideration, and with the economic boom in mainland China, new industrial centers like Chongqing are seen as good markets in the medium term.

Fast Facts

Air Hong Kong

IATA: LD **ICAO:** AHK **IATA/ARC:** 288 **Radio:** Air Hong Kong

Cathay Pacific City Tel: +852 2761 8588
 4/F, South Tower Fax: +852 2761 8586
 8 Scenic Road
 Hong Kong International Airport
 Lantau, Hong Kong China

Internet: www.airhongkong.com.hk

Founded: November 1986

Start date: February 4, 1988

Chairman: Tony Tyler

Chief Operating Officer: Richard Cater

Ownership: Cathay Pacific Airways (60%); DHL Worldwide Express (40%)

Fleet Type	No	Engines
Airbus A300F4-605R	8	GE CF6-80C2A5F

For the time being, the capacity offered by the A300s is perfectly suited for AHK's style of operation, although acquisition of larger types such as the McDonnell Douglas MD-11F or Boeing 747-400F has not been ruled out if and when market demand strengthens.

So far, AHK remains the only all-cargo airline based in Hong Kong, and despite considerable competition from other express freight airlines operating in the area—eg FedEx and UPS—given the annual, double-digit market growth, AHK remains positive and confident of its future. ➔

(Airways thanks the following for their help and generosity with the preparation of this article: David Saechiu, former COO, AHK; Alex Lau, GM commercial, AHK; and May Lam-Kobayashi, corporate communications manager, Cathay Pacific Airways (overseas).)