

Oliver Wyman/IATA Air Cargo CEO Survey Predicts Stabilization, Consolidation

VANCOUVER, March, 9, 2010 – International consulting firm Oliver Wyman, with support from the International Air Transport Association (IATA), today announced the findings of its 2010 Global Air Cargo CEO Survey at the IATA World Cargo Symposium in Vancouver. This year's survey of more than 30 CEOs of top global air cargo players found that, while the global economy may be showing signs of stabilization, the recovery in the air cargo market is still fragile. Survey highlights include:

- Air cargo firms are cautious about projected improvements in 2010, but almost all foresee a return to 2007 peak levels within 1-3 years.
- The majority of growth is expected to come from China and North Asia, followed by the rest of Asia-Pacific. Accordingly, air cargo providers plan to focus sales attention in these regions.
- Despite the projected recovery, customer buying preferences and patterns have experienced a permanent shift. Customers will continue to be highly price-sensitive and will keenly evaluate alternative transport modes to meet their shipping needs for segments with slower supply chain requirements.
- Temperature-controlled and pharmaceutical shipping are widely expected to lead the recovery in terms of growth rates; however, yields for this segment will inevitably come down, too, unless carriers can clearly differentiate their offering and forge closely integrated relationships with customers around these products.
- The most immediate CEO investment priority is e-freight; others include security improvements, cold chain capabilities, and lightweight containers.

"As the industry slowly emerges from the worst-ever demand crisis, key lessons learned are that faster response, added financial flexibility, more conservative capacity planning, and diversification of risk across markets and products are key elements to successfully manage in a downturn," says Niko Herrmann, a Partner at Oliver Wyman. "Carriers in the future will require financial and network strength as well as enhanced organizational and management capabilities to get the best out of their cargo capacity."

The survey also found that continued economic and competitive pressures may drive increased consolidation of the sector.

- More than half of the CEOs expect significant M&A activity in the air cargo industry in the near term.
- Many are actively evaluating alliances and joint ventures, i.e., "testing the waters."

Herrmann adds: "The CEOs are signaling that, in the future there will be less room for smaller carriers, especially in the all-freighter segment. Few expect that more belly carriers will enter into the freighter business – and even for dedicated niche players, the scope is believed to be limited as

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cyclical volatility poses a high risk. Comprehensive product and service offerings from large global players will be required to meet customer needs and fend off the continued commoditization."

About Oliver Wyman's Aviation, Aerospace & Defense Practice

Oliver Wyman's global Aviation, Aerospace & Defense practice helps passenger and cargo carriers, OEM and parts manufacturers, aerospace/defense companies, airports, and MRO and other service providers develop value growth strategies, improve operations, and maximize organizational effectiveness. Our deep industry expertise and our specialized capabilities make us a leader in serving the needs of the industry.

About Oliver Wyman

With more than 2,900 professionals in over 40 cities around the globe, Oliver Wyman is an international management consulting firm that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm helps clients optimize their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is part of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit www.oliverwyman.com.

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