



A SECRET AIR CARGO OPERATION CALLED "AEROSMITH" COULD GIVE AMAZON A MAJOR ADVANTAGE OVER ITS RIVALS

News / Airlines



Amazon may be involved in a secretive air cargo operation based in Ohio, furthering the e-commerce company's ambitions to enter the shipping industry, according to an in-depth report by Motherboard.

The operation, referred to as "Aerosmith," launched in September by an unknown corporation and is run by the Ohio-based aviation holding company Air Transport Services Group (ATSG), which operates the location on behalf of the nameless company. (When airlines rent out the services required to run this type of facility -- i.e. planes, crews, and maintenance or training teams -- the contract is referred to as a wet lease.)

So far, the mystery company has leased four Boeing 767s from airlines, two from ABX and two from Air Transport International, Motherboard was able to confirm with ATSG spokesperson Paul Cunningham.

The "state-of-the art facility" -- which features two large runways and eight industrial sites -- where the secretive operation is playing out was abandoned by German shipping company DHL in 2008 when it found it couldn't compete locally with giants FedEx or UPS. According to a representative that spoke with Motherboard, the Wilmington Air Park was capable of moving about one million packages a day.

Denials and Non-denials

FedEx, UPS, and DHL all denied they were behind the Aerosmith project and Amazon gave the following statement to Motherboard without denying its own involvement: "We've long utilized air capacity through a variety of great partners to transport packages and we expect that to continue."

(Business Insider has reached out to Amazon and will update if we hear back.)

This report adds to the pile of rumors that Amazons is moving into the shipping industry.

In March of 2014, the logistics trade publication DC Velocity reported Amazon was looking to gain more control over its fulfillment infrastructure by revamping its delivery network and to better control its increasing transportation costs.

Then in October, an anonymous source told DC Velocity that Amazon was recruiting "a high-level executive team" to create its own transportation network in 2016, though no firm date was confirmed. The end goal was to get the Seattle-based company's packages to a customer's door within 90 minutes to two-hours.

That same month, someone who claimed to work for Amazon hit up the Airline Pilot Forums claiming that it was a "fact" that Amazon was planning to take on FedEx and UPS.

"Well everyone probably knows that Amazon was the first company to be authorized to fly commercial drones, but what you don't know is that they are flying two B-767's and within the next two years are planning to be the world's' largest overnight parcel delivery service," the user 727574drvr wrote on the forum.

While Amazon has conducted internal tests for drone delivery since 2013, Amazon and others are limited by U.S. restrictions on flying unmanned aerial vehicle for commercial purposes.

Meanwhile, Amazon's shipping costs continue to grow: Amazon's net shipping costs jumped from US\$3.5 billion in 2013 to US\$4.2 billion in 2014, according to its 2014 annual report, noted Motherboard.

But there's another big factor that hints that Amazon could be pushing into the shipping industry. According to Baird Equity Research, "Amazon may be the only company with the fulfillment/distribution sophistication and scale to compete effectively with incumbent service providers (UPS, FedEx)." The global fulfillment market, it says, has the potential to represent "a US\$400-US\$450 billion incremental market opportunity."

While Aerosmith has not been confirmed as an Amazon project, all signs certainly seem to point to the company.

25 NOVEMBER 2015

SOURCE: BUSINESS INSIDER

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