

# Atlanta's Cargo Space Race

Record growth leads to pressed demand for augmented facilities by 2015

**W**ith a proven reputation for superior service and low fees, Hartsfield-Jackson Atlanta International Airport (ATL) posted record gains in international cargo tonnage with 390,816 metric tons of cargo imported and exported out of the facility in 2006.

Key contributors to the record-making year were the airport's competitive rates, such as a \$450 parking fee and a landing fee rate of just \$0.87 per 1,000 pounds for signatory carriers. These rates enticed a number of cargo carriers to initiate service at ATL including Cathay Pacific and Alitalia. Cathay Pacific commenced operations in November 2005 with three flights a week from Atlanta to Hong Kong. The route frequency increased to four flights per week and is expected to increase to five weekly flights this spring. Alitalia began service in May 2006 with two flights from Atlanta to Milan. Now, ATL is in discussion with four other carriers, one of which is expected to start service early next year to additional points in Asia.

Currently the nation's 10th-busiest cargo airport, ATL is excited about the increase in this segment of highly desired international traffic. Yet the southeastern hub is feeling a capacity pinch not unfamiliar to other North American airports experiencing similar successes.



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"Along with the increase in cargo traffic comes the burden of needing more warehouse space," said City of Atlanta Aviation Development Manager Warren Jones.

ATL's cargo master plan calls for an additional 300,000 square feet of warehouse space by 2015, and Jones said ATL has weighed out a variety of options to plan for present and future needs. The airport's biggest debacle, however, has been the decision between building an airport-funded facility or using a third-party developer for its new cargo infrastructure.

Several airports have had great success with third-party operators including New York's John F. Kennedy International Airport (JFK) and Dallas-Fort Worth International Airport (DFW). While both of these large airports have found success engaging third-party cargo operators (JFK and DFW are ranked fourth and ninth in the nation for cargo traffic, respectively), small- to medium-sized airports that do not have the initial funding to construct their own facilities may also find a third-party contractor to be a great way to go. But for an airport the size of Hartsfield-Jackson – with record cargo volume – Jones said it made sense for ATL to pass on the third-party offer.

"We have been approached by third-party contractors wanting to build new facilities for us," Jones said, noting that the airport received interest from a number of reputable developers including AMB Properties Canada Ltd. "We took a



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look at it, but when you look at the bottom line, we can build facilities and lease them out ourselves and provide the same customer service to the client, the airlines and the warehouse handlers.

"If we do have a third-party provider come in and develop our facilities, the airport does not fully control that land or that property. And things change. So we like to have that control if something does change to work with the airlines. We like to control our own destiny."

## Airport-airline partnership

While the airport opted out of the third-party developer alternative, ATL is not solely funding and developing construction of its new cargo facility, which will house 104,000 square feet of cargo warehouse space when completed.

"What we are going to do that is a little bit different is have an airline build it for us," Jones said of the project the City's Department of Aviation is preparing to formally announce with a yet-to-be-disclosed Asian carrier. "The building will still be under our control but they will build it for us. Once construction is done, they will give us the keys and, in turn, we will give them a long-term lease."

Jones said the catalyst to this method is the speed of the process that will add an additional 25 percent increase in capacity to ATL's warehouse and ramp capabilities.

"Being a city-operated airport, there are a lot of rules and regulations that need to be followed when we finance and build new facilities," he said. "By allowing the airline to do the physical development on our property, the airline can work within its own set of rules and processes, which will speed the process up by about a year."

A site has been prepped and is ready for construction to begin in the next few months. The new facilities are set to be designed and blend into ATL's South Cargo Complex.

"There are several airlines and international cargo carriers that want to be in Atlanta in the near future based upon when they receive new 747-8 aircraft," Jones said. "These carriers have already included us in their expansion plans, so we need to be ready for them. We are working closely with our planning and design team on getting the ramp space and the warehouse space ready."

## Airport Versus Third-Party

Third-party developers have a great sales pitch that was considered at one time by Hartsfield-Jackson Atlanta International Airport (ATL).

Jeff Pearse, ATL's Director of Marketing and Business Development, said determining whether or not to engage a third-party developer boiled down to money, politics and control.

### Money

"Our new development is a \$12 to \$15 million project excluding the ramp," Pearse said, noting that the ramp costs drive the total project costs upwards of \$20 million. "It is difficult for smaller airports to come up with large amounts of money. Yet, a third party can build at no cost to the airport. In the end, the airport still benefits from increased revenue for parking and landing fees—not to mention the new jobs that are created."

### Politics

"Dallas-Ft. Worth International Airport had 14,000 acres of land to develop when the third-party developers came in," he said of the ninth ranked cargo airport that nearly matches ATL's cargo numbers. "We are only 4,800 acres here, so we are very small in comparison. Given the shortage of available acreage, we have to be very careful of what we build and where we build it. It depends on the business plan and goals of each airport."

"There is a limit as to how much capital an airport can raise. Most large airports have been compelled to invest in the development of passenger facilities. This has created a tremendous opportunity for public-private partnerships in the development of air cargo facilities."

ATL will need an additional 200,000 square feet of warehouse space in addition to the capacity that will be gained in the new, 104,000-square-foot building. Land has already been set aside to accommodate additional, future expansion.

## Management

In addition to maintaining airport-funded and -developed cargo facilities, ATL has also opted to retain management of its ramp operations and cargo areas since June 2005.

"We don't do the actual ramp loading and unloading of aircraft, but we have our own personnel that actually do the scheduling of the ramp parking positions," Jones explained. "All of our ramps are common use, so not one air carrier has a monopoly on the space. But we do run the ramps ourselves, we do our own billing for the cargo carriers and the GNC equipment and the ramp equipment."

In addition to providing a better financial return for the airport, Jones said this oversight has increased safety and security.

"We know what is occurring on a daily basis," he said. "A lot of airports have carriers that come in and the administrative people really don't know what is happening on those ramps. We know on a daily basis because every time a cargo plane lands, there are Department of Aviation personnel waiting for the aircraft. The carriers like it as they are in touch with us one on one. We're accessible 24/7 and it has made a big improvement here." ■