

Cargo in the Middle

All-cargo airports are becoming major players throughout the Mid- and Southwestern states

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The major passenger gateway airports of Middle America have always been the top cargo airports for the region. Massive belly capacity and well-established cargo facilities ensure that airports such as Chicago's O'Hare International and Dallas/Ft. Worth International stay among the top ranked airports.

However, changing domestic and international markets, mergers and consolidations and a growing need for rapid and easy transfer to multi-modal transportation is forcing more operators, shippers and forwarders to look at the specialty cargo feeder airports throughout the Midwest and Southwestern states. These airports include Fort Worth's Alliance Airport, Chicago Rockford International, Detroit's Willow Run Airport and Columbus, Ohio, Rickenbacker International.

The foremost factor in the growth of the cargo feeder airports is economics - it cost less to land a freighter at the smaller airports. There is no maneuvering to obtain a landing slot. Taxi time between the parking spot and runway is minimized and airport operators are providing cost incentives to cargo airlines.

Landing fees at Willow Run are \$1.50 per thousand pounds, while the fees at Alliance are \$1.15 and Rockford has a \$1.64 landing fee, according to each airport. These fees are well below the charges at the major gateway airports, they say.

Parking fees also are minimal, or in some cases completely waived depending on the amount of time the aircraft spends on the ground. Rockford, about 80 miles north of Chicago, has no parking fees compared to a \$150 per hour ramp parking fee, with a four-hour minimum, at Chicago O'Hare International, according to Robert O'Brien, Jr., executive director at Rockford.

It is closer to land a 747 freighter from China at O'Hare than at Willow Run, said Airport Director Sean Brosnan, "but that extra fuel savings will be burned up during the first two laps around Chicago waiting for [a landing slot] to open up."

Cargo operators also do not have to help pay for airport improvement programs, such as new passenger terminals, which are of little value to them.

Tom Harris, senior vice president of operations for Hillwood Properties, the owner and manager of Alliance, said savings could run into the millions of dollars. "We've done an analysis and believe that for a single day's operation, taking into consideration all the standard costs, we can save a 747-400 freighter operator anywhere from \$1.5 million to \$2.2 million per year, depending on what airport Alliance is compared to," Harris said.

Less obvious, perhaps, is the impact consolidation in the freight market, with integrators and major freight forwarders acquiring smaller companies, is having on airport choices.

"One of the big trends is the consolidation and reorganization of the (air cargo) industry," said Ken Bukauskas, associate director of Burlingame, Calif.-based Jacobs Consultancy. "That is a big deal when we talk about all-cargo airports and how they are looked at currently. Major national forwarders are buying the regional and specialty players, such as for perishables. This provides a one-stop shop to all shippers."

The grip of the integrators on the domestic freight market has made them the major targets for any airports looking to attract cargo business.

FedEx opened a sorting hub at Alliance, with a daily flight to and from China, connecting through Anchorage. That flight has been "one of the biggest factors in the growth in cargo here in the past year," according to David Pelletier, Hillwood's director of communications.

Alliance reported a 28.6 percent growth in 2006, moving it from 30th to 23rd for cargo operations at U.S.

airports, according to FAA statistics.

O'Brien said growth at UPS, which has its second largest U.S. sorting hub at Rockford, has expanded the airport's links to international and freight markets. UPS purchased Menlo Worldwide Forwarding in December 2004, improving its reach into air and ocean heavy freight shipping.

Although RFD had a 0.1 percent drop in cargo in 2006, the airport has seen major growth over the past decade, including an 8.9 percent growth in 2007, according to the FAA. And despite the 2006 slip, it went from being the 25th largest U.S. airport for cargo in 2005 to 22nd at the end of 2006.

"So with the (2007) growth, we expect to go to 18th or 19th in the country," O'Brien said.

Market consolidation may boost to airports served by the integrators particularly, but those facilities serving niche markets have both the strengths and the weaknesses of that market.

David Whitaker, vice president for development and communications at Columbus Regional Airport Authority, operator of Rickenbacker, said traffic dropped 12 percent in 2007 from 2006, but that it is "a short term anomaly as opposed to a long term trend."

Rickenbacker reported a 26.6 percent growth in 2005 and a 13.9 percent growth in 2006, and has seen a 50 percent overall growth over the past decade, he said. It ranks 31st among U.S. airports for cargo operations, according to FAA figures.

"Our primary commodities for air cargo charters are in-bound textiles from Asia with consolidation at Hong Kong," Whitaker said. "Everyone is aware that the retail world did not have a good 2007, which impacted the supply chain as well as the retail outlets."

He also noted one of the problems is outbound freight. There isn't any. "Only integrated cargo is leaving Rickenbacker," Whitaker said. "The charters are averaging about four to five a week, but only with inbound (cargo) and zero outbound. However, our integrators are carrying their normal integrator products on a regular basis and doing quite well. FedEx has a fairly large operation, with about a dozen or so flights a day, and UPS has a couple of flights a day."

Those flights have Rickenbacker tapping into an important source of freight that many airports in the region see as the future of their business - Asia.

Airports as far south as Dallas-Fort Worth and Houston and as far north as Calgary, Alberta, have added freighter connections to Asia in recent years and experts say the flights are a sign of the growing push by shippers and their forwarders to get goods closer to large markets in the Midwest.

"Because of transportation congestion issues, the coastal gateways are increasingly unlikely for Asian exporters," said Tim Cantwell, airport director at the MidAmerica St. Louis Airport. "Based on many visits to Asian and South America countries and talks with freight forwarders and exporters to the United States, more of them are looking for gateways in the Midwest."

Willow Run is also a niche airport, primarily serving the automobile industry out of Detroit. Brosnan said the airport is working on becoming more diversified, "such as with the medical supply industry."

One of the problems with serving the auto industry is that it's seasonal. "June and July are build out months for the automobile industry," Brosnan said.

The auto plants are closed down for about a week to prepare for the new models, and then from July 4 until September, when the next year's models come out, freight traffic is greatly reduced. Then in September the tonnage goes up again to support the inventory requirements of the new models.

To improve its international marketing, Willow Run has gotten permission from the U.S. government for a free trade zone for outbound fuel for international flights, Brosnan said.

Aircraft flying out of the Michigan airport on an international route do not pay state or national taxes at the airport. The aircraft may make an intermediate stop within the United States to refuel before continuing on, but it may not take on more cargo. "This will allow us to go after the international markets," he said.

For the mixed passenger/cargo airports in Middle America, there was very little cargo growth during 2006 except for Louisville, Ky., International, with 9.3 percent, and San Antonio, Texas, with 8.4 percent,

according to Airports Council International. Among the top 10 airports in the United States, which included Louisville, the main hub for UPS, growth figures were minimal. Memphis, the perennial No. 1, reported only 2.6 percent growth, while O'Hare had 0.8 percent, Indianapolis had 0.2 percent and Dallas/Fort Worth International had 2.1 percent growth.

One critical factor affecting airlines and the airports that serve them is the rising cost of fuel, a trend that is triggering a shift in modes even at international levels once considered impervious to competition between air and ocean.

In the 1990s, personal computers cost between \$2,000 and \$3,000 and were filling 747 freighters. Today computers with the same weight and bulk cost less than \$1,000. And while the selling price has dropped, transportation prices have gone up considerably, particularly air freight transportation relative to sea freight transportation, said Brian Clancy with MergeGlobal.

That is prompting air cargo operators serving the Midwest to seek more multi-modal operations on or near airports. Cargo can be flown from international destinations, or from the east or west coasts, to the Middle America airports, then put on trucks for final delivery.

Whitaker said Rickenbacker is within a day's truck drive "to well over half of the U.S. consumer base and half of the Canadian population base, and over 60 percent of the U.S. manufacturing capacity."

O'Brien noted Rockford is "geographically and strategically centered for the 13.1 million people who live within the Northern Illinois, Southern Wisconsin and Eastern Iowa market area," only a two-hour drive from the airport.

The growing weight of ocean transport is also proving to be advantageous for airports that have direct access to the major seaport gateways.

Rickenbacker is now the beneficiary of a new intermodal facility adjacent to the airport opened by Norfolk Southern Railroad in March. "There are numerous other intermodal facilities in Columbus as well," Whitaker said, "but this literally touches the airport on one corner."

The new facility will be connected to the Norfolk, Va. seaport by direct rail service through the Heartland Corridor served by Norfolk Southern.

Whitaker noted there are some 20 projects taking place to enlarge tunnels and bridge clearances to allow double stacking on trains, thus doubling the capacity of the line. These are expected to be completed by 2010, he said.

[back to the top](#)