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# Gateway Georgia



**The combination of its geographical location, a growing economy drawing in new talent and businesses, a well-developed logistics infrastructure, the presence of a host of logistics providers of all sizes and a burgeoning culture of innovation, backed by a state government with a coherent strategic plan, makes Georgia a powerful contender to attract flows of cargo well beyond its state borders**

## Inside

### Delta transforms

In August, Georgia governor Nathan Deal and other state officials were present at the opening of the Appalachian Regional Port, an intermodal facility equipped to handle 100,000 containers a year.

It is linked by rail giant CSX to the port of Savannah's Garden City Terminal, 388 miles away and, according to the Georgia Ports Authority (GPA) which built the facility, the link will remove an estimated 50,000 trucks from local highways every year.

It also strengthens the port's reach to customers in northern Georgia as well as Alabama, Tennessee and Kentucky, and it is intended to draw business and industry to the south-east.

"It enables the port to reach further into the heartland," says Craig Camuso, regional vice-president, state government affairs at CSX. "It feeds freight into the port and expands its Mid-America arc," he added, referring to the port's ambition to be a gateway for a radius as far as the Mississippi.

“The port of Savannah is poised to capture new rail cargo across the state, the south-east and well into the American Midwest,” adds GPA executive director Griff Lynch.

Atlanta-based American Global Logistics has pursued a similar trajectory since its inception in 2007, expanding its footprint beyond the state border. “Our business has grown from regional to truly international operations,” says chairman and CEO Jon Slangerup, previously CEO of the port of Long Beach.

#### **State involvement**

The governor’s presence at the opening of the intermodal facility reflects the close involvement of Georgia’s administration with this logistical expansion.

“Logistics is a core competency that the state is promoting,” says Cathy Morrow Roberson, founder and head analyst of Logistics Trends & Insights.

Logistics is also a key focus at the Georgia Department of Economic Development, the state’s sales and marketing arm and the lead agency for attracting new business investment. Matt Markham, director of the department’s Center of Innovation for Logistics, points out that 80% of the US market is within two-days’ trucking or a two-hour flight.

“The administration has done a phenomenal job in creating an environment that is conducive for growth and in establishing the infrastructure for logistics and transportation,” says Albert Saphir, president of logistics consultancy ABS Consulting. One aspect that has helped develop a focused strategy is the absence of competition between ports in the state, he adds.

“You have Brunswick for ro-ro cargo, but for containers there is no alternative to Savannah. Florida is more fragmented. The ports there are highly competitive, so the state can’t focus on one major gateway. And it’s the same with the airports,” he says.

“The port works hand in hand with state officials, because the state understands that the economic engine for the state is that port,” says CSX’s Camuso, adding that its throughput is projected to grow about 60% over the next decade.

The port of Savannah has been pivotal for Georgia’s growth in logistics. Maritime trade contributes \$44bn to the state’s GDP, 8% of its total. Its location gives it an advantage to reach markets as far as the Midwest,

Markham notes.

Since 2011, throughput has grown at a compound annual rate of 4.5%, to establish Savannah as the second-busiest port on the east coast and the fourth-largest in the US. The upward momentum has kept a brisk rate, outpacing all other major US ports.

Savannah has handled over 300,000 teu in each of the last 22 months. In the financial year ended June 30, it recorded 4.2 million teu, an increase of 8% over the previous year’s throughput. Intermodal rail lifts rose 16.1% during the period.

The expansion of the Suez Canal has been a major catalyst for Savannah’s rapid growth. While this has brought a surge in imports from Asia, it has not created an imbalance in traffic flows. Imports account for 48% of the port’s volume, notes Sandy Lake, associate director of the Center of Innovation for Logistics.

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**Craig Camuso, regional VP state government affairs at CSX**

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For American Global Logistics the change has brought a significant transformation, though.

“As Savannah became a more prominent player in goods movement to and from Asia, we have seen a tremendous amount of incremental volume,” reports Slangerup. “It is a very important gateway for us.”

While the Los Angeles/Long Beach complex remains the chief marine import gateway for the company, Savannah is its biggest on the east coast, ahead of New York.

The port authority is determined to ramp up its capacity ahead of the growth curve. It is spending \$2.5bn over 10 years to boost capacity from currently 5.5 million teu to 8 million to be ready in 2028, making the Garden City terminal the largest single container facility in the western hemisphere. The contingent of ship-to-shore cranes is set to rise from currently 30 to 42 units.

When he presented the project, Lynch linked it to the port authority’s ambitions beyond its home state. “We’re preparing to redefine the port of

Savannah as not simply the load centre for the south-eastern US, but as the port of choice for major inland markets east of the Mississippi river,” he declares.

#### **Expanding connectivity**

The strategic emphasis on markets beyond Georgia entails a corresponding expansion of rail capacity at the port. Currently Garden City handles 38 trains of export and import cargo in a week.

In September the port authority approved \$92m for the Mega Mason Rail Terminal project, which is designed to double the port’s rail capacity when it is completed in 2020. The project will combine the existing intermodal terminals of CSX and Norfolk Southern into the largest on-dock intermodal rail facility for a port authority in North America.

It will add 97,000 feet of rail track for a total of 179,000 feet and increase the number of working tracks from eight to 18.

“This will allow us to move our trains quicker,” says Camuso.

CSX has put much emphasis in recent months on the development of precision railroading, which has also helped speed up train movements in Georgia. A hump yard in Atlanta was taken down, replaced with a flat switching yard for that purpose.

The rail company runs two intermodal facilities in the Atlanta area. Both are showing the impact of sustained growth. Camuso says that expansion work on one of these to double lift capacity is close to completion. The other, located in the city, has little room for expansion.

CSX has also strengthened the rail link between Savannah and the new Appalachian Regional Port. Camuso is bullish on this, saying that it offers growth opportunities in both directions.

#### **Airfreight taking off**

Slangerup is looking increasingly to Hartsfield Jackson Atlanta International Airport (ATL) for his company’s growth. Refining the JIT model, the predominant trend of the past two decades, has been superseded by an ‘anytime-anywhere’ model, ushered in by the proliferation of e-commerce, he says.

This has caused a modal shift. Customers who used to rely on ocean transport are increasingly shifting to airfreight, he adds.

As much as 95% of American Global



*After 6.65% growth in tonnage last year, throughput at ATL has continued to climb, albeit at a more moderate pace*

Logistics' business used to be moved by ocean carrier, but now there is a heavy focus on airfreight, the company's fastest-growing segment.

E-commerce has been a driver of growth for ATL, confirms Elliott Paige, the airport's director of air service development.

"Growth has been pretty good. We've grown about 4-4.5% over the last years since we came out of the recession," he says.

After 6.65% growth in tonnage last year, the airport's throughput has continued to climb, albeit at a more moderate pace. In the first eight months of the year 460,690 tonnes passed through ATL, an increase of almost 2.9%.

The slower momentum gives the airport authority some breathing space, as warehouse capacity on the airport has been strained.

"We can't build fast enough to keep up with growth," Paige says.

He is looking to a 100,000 sq ft cargo building that is expected to come onstream in 2019. Down the road, another cargo building will be added. The airport authority has put out an RFP for a state-of-the-art facility, Paige says.

Until new capacity becomes available, he hopes that improved productivity will help manage the growth in traffic.

"Technically, we're approaching full capacity. We try to move cargo faster. Some handlers are in the process of automating," he says.

To raise quality standards in the warehouses and on the ramp, ATL is working with partners in the industry;

some on its doorstep, others further afield. It has developed a collaboration with Amsterdam Airport Schiphol, which focuses primarily on cargo development. The aim is to develop higher standards and create trade corridors.

Paige is also intent on improving the information flow between stakeholders around the airport. Work has started on the establishment of an IT platform that can serve as a kind of cargo community system. One element in this will be improved track and trace capability.

"We need that if we want to move cargo at the speed of baggage," he says.

#### **Eyeing premium traffic**

As the push for improved communication indicates, elevating performance levels is not only for the purpose of ramping up handling capacity. The airport authority has its sights on premium traffic that generates higher yields, such as pharmaceuticals. Paige hopes to establish ATL as a hub for pharmaceutical traffic, both to serve the growing industry in the region and to build up traffic to and from Latin America.

"We're looking at flows between Europe and Latin America. That's where pharmaceuticals come in," he says.

The southern hemisphere is a weak spot in the network at the moment, compared with ample routes across the Atlantic and to Asia, including freighter service.

"We're pretty well connected to Asia. We have 18-20 freighters a week there. We're not well connected to Latin America," he says.

The network keeps growing, not least thanks to home carrier Delta Air Lines,

which launched a new non-stop route between Atlanta and Shanghai in July, the airline's third such connection from Atlanta to Asia (besides Tokyo and Seoul). Across the Atlantic, Delta added Lisbon to the list of European links from its home base.

One objective on Paige's agenda is to get ATL nominated as an international hub for the US Postal Service.

"That would be a tremendous help with our e-commerce development," he says.

E-commerce has been a strong driver behind the rapid growth in distribution facilities in the state, albeit not the only one. Amazon opened its fourth distribution centre in Georgia last year.

In October, UPS opened its second-largest ground package processing facility in the US, in Atlanta. The new hub, which serves the south-east, can process about 100,000 parcels an hour.

"Atlanta is home to the largest of a new class of sortation centres, or super hubs, which enable us to optimise how we move shipments through a precisely managed network of more than 1,000 small package operating facilities in the United States," says George Willis, president of US operations.

Slangerup says the paradigm shift triggered by e-commerce has ushered in profound changes in supply chains. Fulfillment and last-mile capabilities have become crucial elements in the arsenal. Likewise, the need for faster data flow is changing the picture.

Customers demand transparency in the cargo shipment process and issue resolution on the spot, notes Shawn Cole, vice-president – Delta Cargo. The airline has been working on real-time



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tracking capability and was the first in North America to utilise Bluetooth technology for this purpose.

The airline has taken several steps to advance digitisation of its business, from the deployment of self-service iPad kiosks in Atlanta and Boston to a complete revamp of its website to allow booking, management and tracking of shipments online.

According to Lake, there is no shortage of opportunities when it comes to digitisation.

“Only 40% of the industry is data-

driven. A lot are still working with spreadsheets,” she notes.

Large companies headquartered in Georgia – such as Home Depot, UPS and Delta – have played a leading role in the digitisation of logistics, she says.

While the state is showing no sign of easing up on its push for further physical infrastructure development, it is also emphasising the need for technological improvement. This is reflected in the Georgia Department of Economic Development’s Centers of Innovation, five units that focus respectively on aerospace, energy technology, IT,

manufacturing and logistics to facilitate business innovation.

The Center of Innovation for Logistics connects companies to technical industry expertise and collaborative research; it provides education opportunities, hosts workshops on best practices and available technology solutions and assists cargo-owning businesses with the study and deployment of technology solutions.

Georgia’s educational institutions are also supporting innovation in logistics and related technologies. From Georgia Tech to Clayton State University and

## Delta goes hi-tech to transform

**Delta Cargo is blazing a trail with Bluetooth technology. The airline is extending real-time visibility of shipments at the container level beyond its own network to the shipper’s warehouse and the final destination. By installing Bluetooth technology in unit load devices, the cargo division of Delta Air Lines enables its customers to track their cargo all the way. By January the tracking system will be available on nearly all the carrier’s containers.**

The technology also allows for more proactive management of shipments to avoid delays. Delta’s Cargo Control Center (CCC) in Atlanta, which opened in the summer of 2017 to support cargo operations worldwide around the clock, can monitor shipments more accurately and re-route them if problems occur.

The CCC provides comprehensive coverage of all aspects of cargo transportation and management and has been a game changer, says Shawn Cole, vice-president – Delta Cargo.

Combined with the airline’s on-time performance record (an unrivalled 242 days without a mainline cancellation in 2017), the deployment of advanced technology enables the cargo division to offer more sophisticated time-critical services.

Last year Delta Cargo introduced the first fully GPS-enabled, same-day product for the US domestic market, ‘DASH Critical and Medical’, and followed this in 2018 with the launch of ‘Equation Critical’ for highly time-sensitive international shipments. Both products have top loading priority and are backed with GPS technology for tracking.

The development and refinement of premium services has been a priority for Cole and his team. To formulate a new pet transportation strategy, Delta Cargo recently announced a partnership with a pet technology start-up that has developed a new standard of first-class safety and care for pet travel. Last year it became the first US airline to obtain CEIV certification for the transportation of pharmaceuticals.

A recently completed drive to expand the temperature-controlled warehouse space at the Atlanta hub has added 30,000 sq ft of space to hold cargo requiring a 15-25C temperature.

Traffic has shown strong growth this year, producing a 19.1% rise in cargo revenue in the second quarter. Last year Delta’s tonnage passing through the Atlanta hub was up



*The airline’s capacity to carry cargo is also growing. One factor in this is the deployment of A350 aircraft, which started to enter Delta’s fleet in October 2017*

Photo: © Luke Wendling | Dreamstime.com

18% from the 2016 volume.

Reflecting the rise of Georgia as a logistics gateway, the share of Delta’s traffic that originates or terminates in Atlanta is going up. Five years ago the bulk of its shipments touching Atlanta were in transit, but the picture has become more even.

“We have seen a 30% increase in origin freight from 2014 to 2017,” reports Cole.

The airline’s capacity to carry cargo is also growing. One factor in this is the deployment of A350 aircraft, which started to enter Delta’s fleet in October 2017.

According to Cole, the plane will raise Delta’s cargo capacity on some routes by up to 80%. Delta is getting altogether 19 A350-900s and will also take delivery of 25 A330-900s, which will start joining the fleet in 2019.

The A350s are primarily fielded on transpacific routes, most recently on the Shanghai-Detroit sector, following their deployment on routes from Seoul and Tokyo to Detroit and on the Seoul-Atlanta sector. In July Delta launched a Shanghai-Atlanta flight, its third non-stop route from Atlanta to Asian destinations.

In addition to its new routes Delta Cargo is expanding its reach through its alliances with other carriers. In July it launched its new cargo co-operation with Korean Air Cargo. Together they offer one of the most comprehensive route networks in the transpacific market, with over 290 destinations in the Americas and more than 80 points in Asia.

# ATL:

## Focused on Growth Through Route Development



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Atlanta is a proven leader in economic and business development. We are home to a thriving, global business community, and we are the leading global city in the Southeast U.S.

Atlanta's No. 1 economic development tool is Hartsfield-Jackson Atlanta International Airport (ATL). ATL supports more than 400,000 jobs in metro Atlanta and makes a direct regional economic impact of more than \$63 billion.

In 2015, ATL topped 101 million passengers and has been growing since then. ATL accommodates nearly 2,500 flights daily to about 175 domestic and 70 international destinations.

The Airport is preparing for the future with a renewed commitment to growth in passenger air service, cargo development and supportive infrastructure.

A key ingredient in the Airport's passenger and cargo air service development plans is Hartsfield-Jackson's innovative Air Service Incentive Program (ASIP).

ASIP is designed to stimulate international air cargo and passenger growth, particularly along routes that link Atlanta to the world's fastest-growing economies.

The incentive program waives landing fees for up to two years for qualified passenger airlines starting international routes not already served from Atlanta and matches up to one-half of promotional costs, capped at \$50,000. International cargo service carriers benefit from a waiver of both landing and parking fees during the same periods.

The highest tier of benefits is available to carriers starting service to major economies with

the greatest potential for passenger and cargo growth, namely Brazil, Russia, India, China, South Africa, Latin America and the Caribbean.

China is among ATL's top five cargo destinations, and Asia overall contributes nearly half of ATL's total 2017 freighter cargo volume of more than 691,000 metric tons. Continued growth is expected in cargo volume originating from China.

New direct routes to China and other destinations throughout Asia will help encourage direct investment and a steady stream of business opportunities both in the Atlanta region and the targeted destinations in Asia.

In this 21st century, international visitors choose to vacation, and foreign corporations choose U.S. cities in which to invest. Often, those choices hinge on locations where nonstop flights provide fast and convenient air links.

In the area of cargo service development, increasing ATL cargo operations remains a key goal toward making ATL the leading U.S. hub for e-commerce, pharmaceuticals, aerospace, automotive and perishables. ATL connects the Southeast to the world!

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Georgia Southern University, they run strong supply chain and logistics programmes, notes Ben Harris, director, supply chain ecosystem at the Metro Atlanta Chamber of Commerce.

“Georgia is ranked as the number-five state for supply chain talent,” he adds.

Markham says that there are about 35 different innovation centres around Atlanta that are focused around supply chain innovation and improvement.

“Metro Atlanta brands itself as supply chain city, attracting new talent to the area,” he adds.

#### Powerful contender

The combination of its geographical location, a growing economy drawing in new talent and businesses, a well-developed logistics infrastructure, the presence of a host of logistics providers of all sizes and a burgeoning culture of innovation, backed by a state government with a coherent strategic plan, makes Georgia a powerful contender to attract flows of cargo well beyond its state borders.

Saphir finds the state has potent advantages over its neighbours.

“For the south-east, there is no better gateway. Florida can’t compete



*E-commerce has been a strong driver behind the rapid growth in distribution facilities in the state*

with what they’ve done and their location,” he says.

This does not necessarily make Atlanta the default gateway for international airfreight flows to and from the region.

When Senator International launched dedicated freighter flights from Germany to the south-east to move auto parts for BMW, it picked Greenville/Spartanburg as its US destination airport.

Traffic for the auto industry is a big prize in the race for gateway status, Roberson says. “South Carolina is a big competitor. Logistics is also one of their focus areas. BMW is a big driver of that,” she says.

Harris thinks there is ample business to sustain more than one contender.

“There is so much freight to go around, there is no issue with competition from other states,” he says.

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