



Creating Jobs in the Los Angeles Region Through *Air Cargo Exports*

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The Role of Air Cargo in the International Trade of Goods

- **Generally speaking, *air-eligible cargo* consists of those goods that are shipped via air, rather than via sea or surface, due to a good's:**
 - High value/Rarity (diamonds, organs for transplant, iphones, flat screen televisions)
 - Just-in-time delivery cycle (automobile and/or machine parts, medical equipment)
 - Perishable nature (fruit, flowers, organs for transplant)
- **Exception: if it needs to “get there quickly,” *anything* can become air-eligible cargo**
 - Rahm Menem, Emirates Airlines: “If time is sufficiently of the essence, a bucket of beans can become air cargo.”

So, What do Air Cargo Exports Have to do with the Creation of Jobs in Southern California?

- **In Southern California, international air cargo traffic generates more jobs, by a wide margin, than does international passenger traffic**
 - A typical trans-oceanic wide body flight has historically generated approximately \$620 million in annual economic impact, and generated more than 3,000 jobs – 80% of which are related to air cargo.
- **Growth or decline in air cargo exports from LAX and/or LA/Ontario is typically an indicator of the health of international trade within Southern California**
 - Strong air cargo exports mean that either more goods are being transported into Southern California from the rest of the U.S. for shipment abroad, which is good for the local transportation and logistics industry
 - Given the fact that Southern California is the country's largest manufacturing center, strong air cargo exports *can* indicate growth in the manufacture of high value goods within the region

How Healthy is the Exportation of Air Cargo from Southern California to the Rest of the Americas?

- **LAX is the dominant trade gateway to the Asia/Pacific region, but several obstacles have prevented growth in trade with the Americas**
 - Geography: Most goods traded with Canada are shipped via surface, and South America is more in line with East Coast ports and airports
 - Nature of goods traded: at this point, goods traded between the U.S. and the Americas lean more heavily toward commodities, as opposed to high value goods
 - Executive Branch foot-dragging: Failure to sign already-negotiated free trade treaties with Panamá and Colombia

- **Trade partners in the Americas are currently “smaller players” in international trade to/from Los Angeles**
 - Only México (#20) cracks Los Angeles Top 20 international trade partners (measured in value).
 - Americas trading partners only account for about 5% of Los Angeles’ total international trade (in value)
 - Among the largest U.S. trade partners in the Americas, Los Angeles ranks as one of the top 5 trade gateways with 2 of the Top 10 countries
 - *Chile (#6 in U.S.) – Los Angeles ranks #5 (7.5% of total U.S.-Chile trade)*
 - *Perú (#10 in U.S.) – Los Angeles ranks #4 (6.5% of total U.S.-Perú trade)*

Greater Los Angeles is *and will continue to be*, one of the Largest “City Economies” in the World

GDP Estimates for Major Cities In the World 2005 & 2020

2020 GDP Rank	City	Estimated GDP		Average Real GDP Growth
		2005 (\$bn)	2020 (\$bn)	
1	Tokyo	1,191	1,602	2.0%
2	New York	1,133	1,561	2.2%
3	Los Angeles	639	886	2.2%
4	London	452	708	3.0%
5	Chicago	460	645	2.3%
6	Paris	460	611	1.9%
7	Mexico City	315	608	4.5%
8	Philadelphia	312	440	2.3%
9	Osaka/Kobe	341	430	1.6%
10	Washington DC	299	426	2.4%

Note: GDP is Estimated at 2005 Purchase Price Parity (PPP) Using UN Population Definitions and Projections

Source: PricewaterhouseCoopers Projections

Los Angeles is the Third Largest Airport Gateway to Latin America, Handling Almost 5 Million Passengers in 2008

Ranking of Passengers by Gateway



A Wide Range of Airlines Offer Nonstop Air Service to 24 Destinations in Latin America -- and 6 in Canada

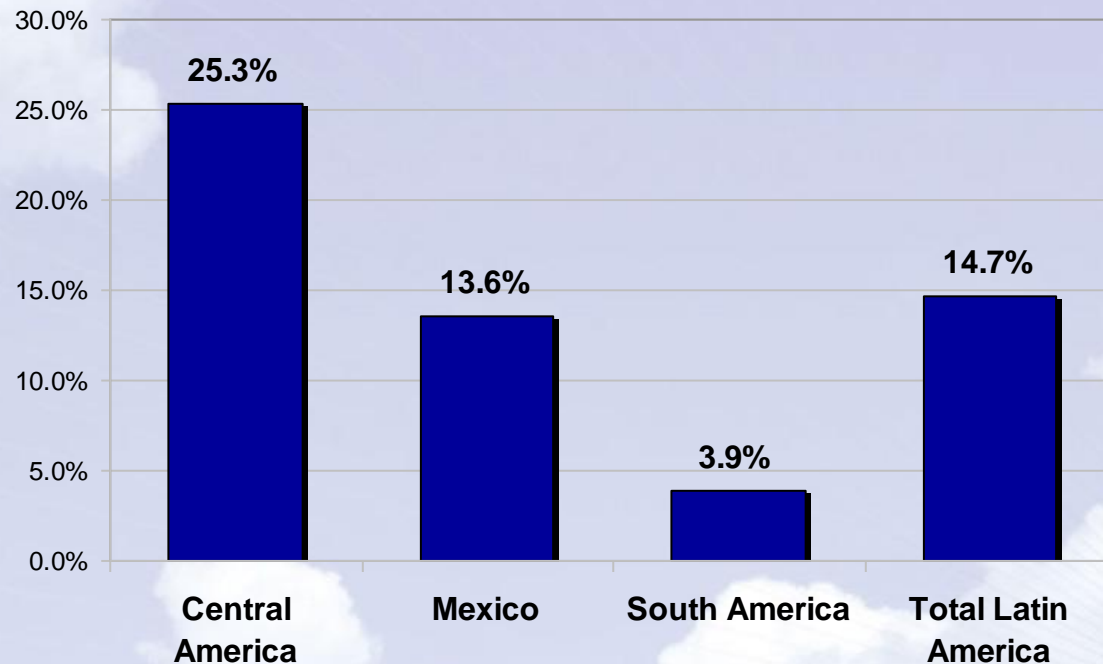


Los Angeles World Airports

Source: OAG Schedules, August 2009

Total Gateway Passenger Traffic Between Los Angeles and Latin America Has Grown by a 15% During the Past Six Years – *More Passenger Flights Will Mean More Belly Capacity for Freight*

Traffic Growth Between Los Angeles and Latin America
2003-2009



Los Angeles is the Third Largest Port, as Measured by Value, for Air Cargo Shipped Between the U.S. and Latin America, and 2nd in Volume

Ranking of Value and Volume of Trade Between U.S. and Latin America
CY 2008

Value Rank	U.S. Port	Air Value (000)	Percent of Total Value	Air Volume (Metric Tons)	Percent of Total Volume
1	Miami	\$29,029,973	55.6%	759,003	73.0%
2	New Orleans	\$4,241,980	8.1%	34,530	3.3%
3	Los Angeles	\$3,530,445	6.8%	52,908	5.1%
4	New York JFK	\$2,536,464	4.9%	44,579	4.3%
5	Cleveland	\$2,213,526	4.2%	38,457	3.7%
6	Atlanta	\$1,602,863	3.1%	18,997	1.8%
7	Chicago	\$1,281,577	2.5%	21,339	2.1%
8	Memphis	\$1,258,793	2.4%	5,993	0.6%
9	Dallas/Fort Worth	\$840,063	1.6%	11,255	1.1%
10	Louisville	\$803,269	1.5%	2,528	0.2%
11	Houston	\$795,084	1.5%	12,194	1.2%
12	San Juan	\$459,312	0.9%	3,576	0.3%
13	San Francisco	\$454,998	0.9%	3,083	0.3%
14	Fort Lauderdale	\$384,246	0.7%	891	0.1%
15	Laredo	\$303,399	0.6%	3,267	0.3%
16	San Antonio	\$257,373	0.5%	2,522	0.2%
17	Boston	\$251,572	0.5%	995	0.1%
18	Salt Lake City	\$202,844	0.4%	190	0.0%
19	Washington	\$198,027	0.4%	5,444	0.5%
20	Newark	\$191,873	0.4%	5,326	0.5%
	Total US	\$52,209,424	100.0%	1,040,034	100.0%

Los Angeles' Largest Trade Partner in Latin America is Mexico (both Value and Volume), Followed by Brazil (Value only)

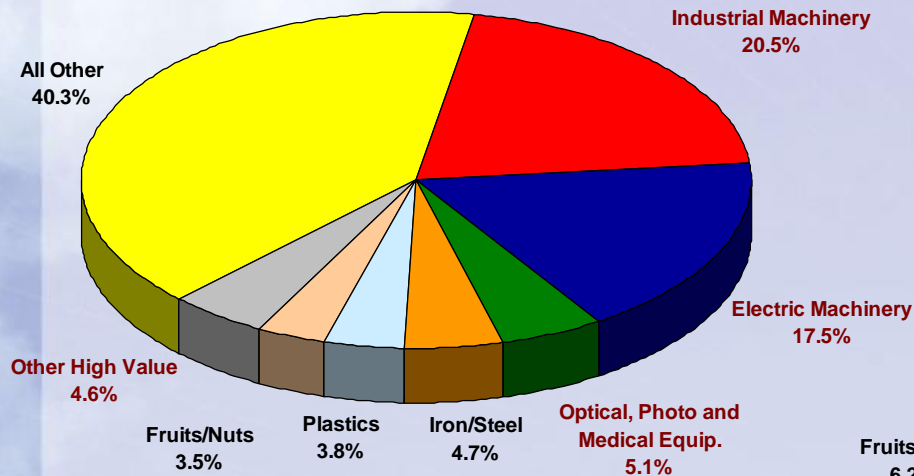
Ranking of Value and Volume of Trade Between Los Angeles and Latin America
CY 2008

Value Rank	Partner Country	Air Value (000)	Percent of Total Value	Air Volume (Metric Tons)	Percent of Total Volume
1	Mexico	\$1,565,432	44.3%	12,594	23.8%
2	Brazil	\$848,056	24.0%	5,602	10.6%
3	Costa Rica	\$418,776	11.9%	2,013	3.8%
4	Chile	\$208,320	5.9%	10,670	20.2%
5	Argentina	\$115,983	3.3%	1,802	3.4%
6	Colombia	\$98,304	2.8%	5,152	9.7%
7	Peru	\$93,262	2.6%	4,543	8.6%
8	Guatemala	\$60,894	1.7%	3,798	7.2%
9	Venezuela	\$28,082	0.8%	231	0.4%
10	Ecuador	\$24,965	0.7%	4,423	8.4%
	Subtotal Top 10	\$3,462,072	98.1%	50,827	96.1%
	All Other	\$68,372	1.9%	2,081	3.9%
	Total US	\$3,530,445	100.0%	52,908	100.0%

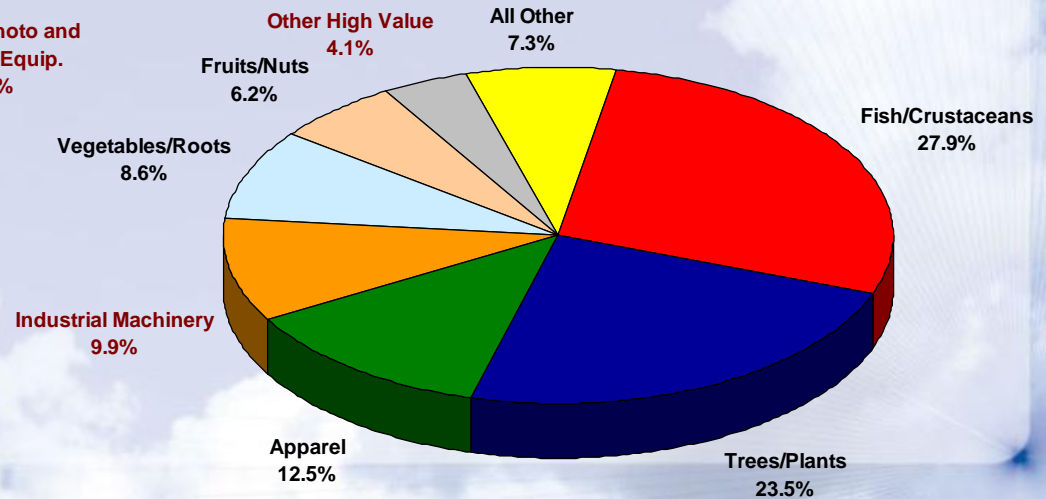
As one Would Expect, High Value Air Cargo Accounts for 48% of Exports, but Just 14% of Imports Between Los Angeles and Latin America

Los Angeles – Latin American Trade by Commodity Type
CY 2008

Exports from LAX

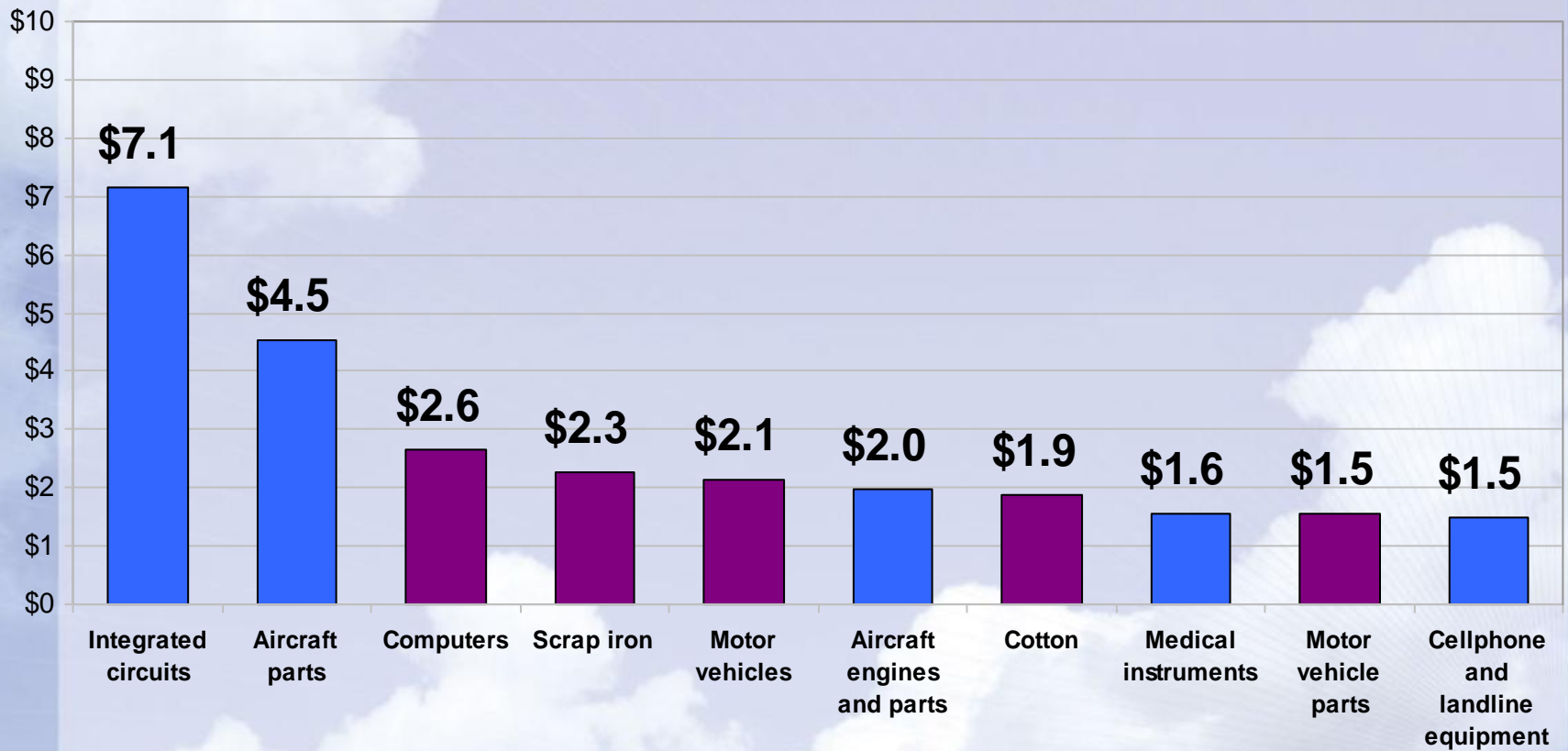


Imports to LAX



Half of the Los Angeles Customs Port's Top 10 Exports are Typically Shipped by Air – but Most are Destined for Asia, *not* the Americas

Los Angeles Customs Port's Top 10 Exports, by Value of Exports, in \$US Billions
CY 2007



Do Any Opportunities Exist to Spur Growth in Air Cargo Exports Within the Americas? Absolutely!

- **Geography might prevent Los Angeles from being a “supplier” gateway for trade within much of the Americas, *but* LAX (and, to a smaller extent, LA/Ontario) will continue to be one of the busiest gateways for air cargo between the U.S. and the Americas**
- **Why? Because of geography. Los Angeles is the most logical point to connect passengers and traffic between Latin America and the Asia/Pacific region**
 - Even the latest long-range aircraft have sufficient range to fly from Latin America to most of Asia without stopping
- **With the completion of a refrigerated air cargo facility, perishable goods that were previously trucked from Miami to LAX (and on to Asia) can now be shipped by air directly to Los Angeles**
 - LAN Chile, South America’s dominant cargo and passenger carrier, plans to shift a significant portion of its cargo traffic from Miami directly to LAX, via its flights to/from Lima and Santiago
- **Although it represents a “backdoor” approach, developing LAX as the best gateway to connect Latin America with Asia will lead to an increase of air cargo exports from LAX throughout the Americas.**
 - Even if the cargo capacity shifts to LAX because of perishables exports that continue on to Asia, “backhaul” capacity will become available for transport of U.S. exports to South America
- **This model is one that can be adopted with several other Latin American airlines**

There are a Number of Professional Organizations in Southern California That Provide Networking Opportunities and Support for Exporters

- **Los Angeles Air Cargo Association**
- **Los Angeles Custom Brokers & Freight Forwarders Association**
- **Los Angeles Airline Managers Association**
- **Los Angeles Mayor's Office of International Trade**
 - Incentives
 - Job training
- **LAWA Business & Job Resources Division**
 - Local employee hiring and training services