



Congressional Briefing – Southern California Air Cargo Traffic and its Impact on the Region's Economy

**World Trade Week Briefing Series
Los Angeles Chamber of Commerce**

Thursday, March 17, 2011

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.”

How Does Air Cargo Activity Contribute to the Southern California Economy

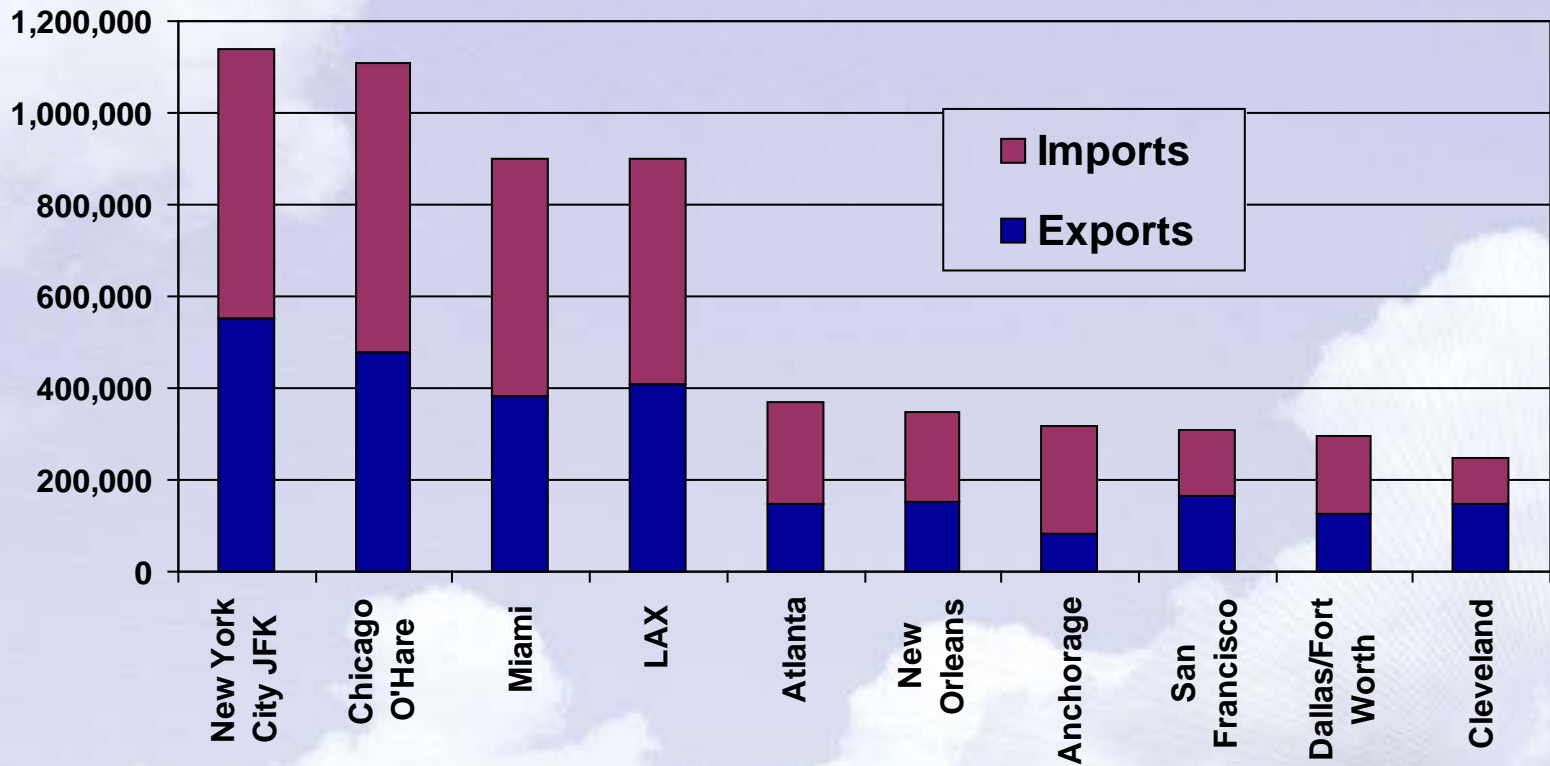
- **In Southern California, international air cargo traffic generates more jobs, by a wide margin, than does international passenger traffic**
 - A typical trans-oceanic wide body flight has historically generated approximately \$620 million in annual economic impact, and generated more than 3,000 jobs – 80% of which are related to air cargo.

- **Growth or decline in air cargo traffic at LAX and/or LA/Ontario is typically an indicator of the health of international trade within Southern California**
 - Strong growth in air cargo exports and imports contribute greatly to the health of many sectors of the Southern California (and U.S.) economy, including, among others:
 - *Logistics/Transportation*
 - *Finance/Banking*
 - *Consumption*
 - *Manufacturing*
 - *Health Care*

The Impact of Air Cargo Within the Southern California Economy

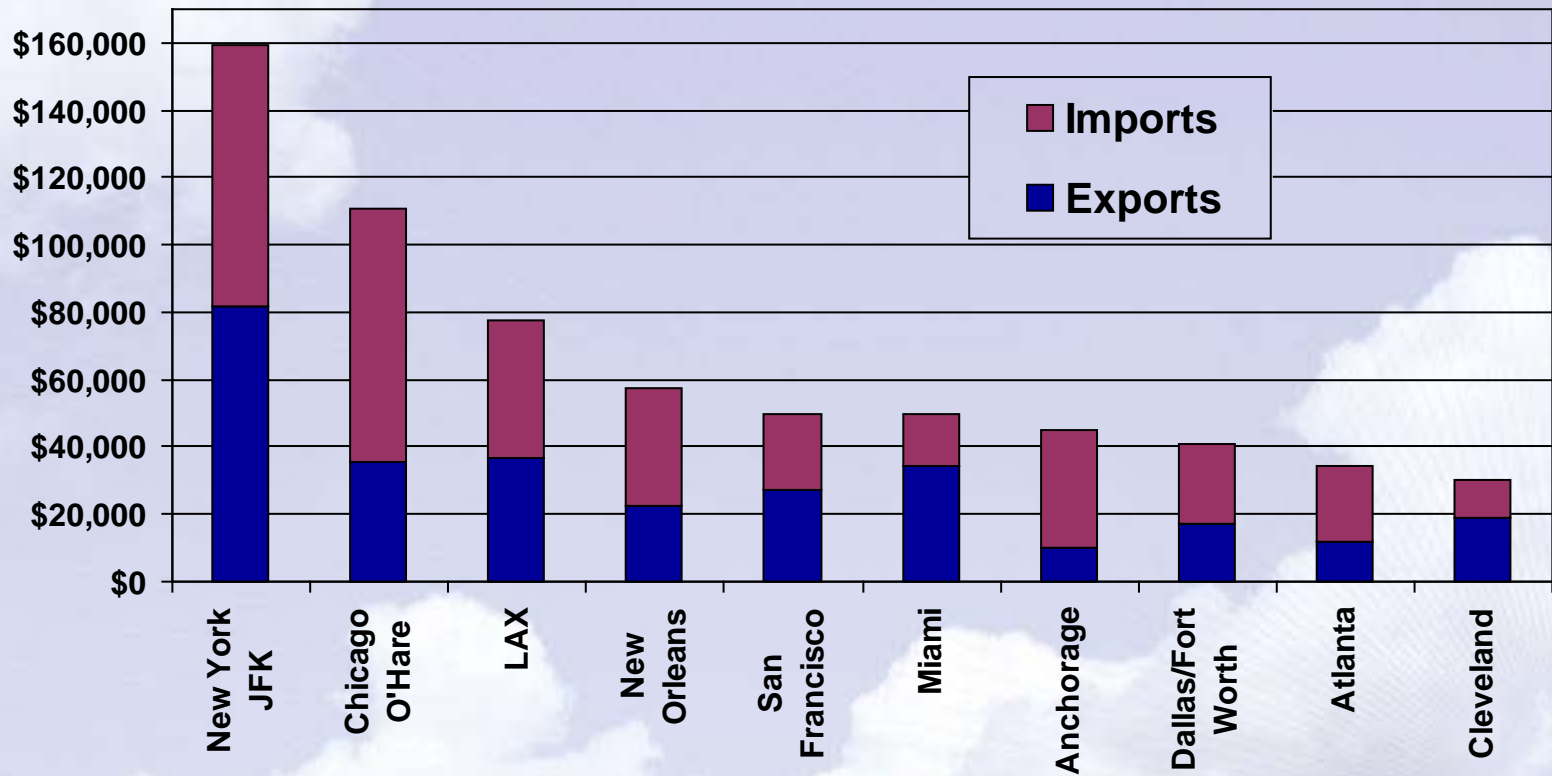
LAX is the #4 U.S. Air Cargo Gateway, in Terms of *Weight*... (#3 for Exports; #4 for Imports)

Top 10 U.S. Air Cargo Gateway Airports, by *Weight* (Metric Tonnes)
C Y 2010



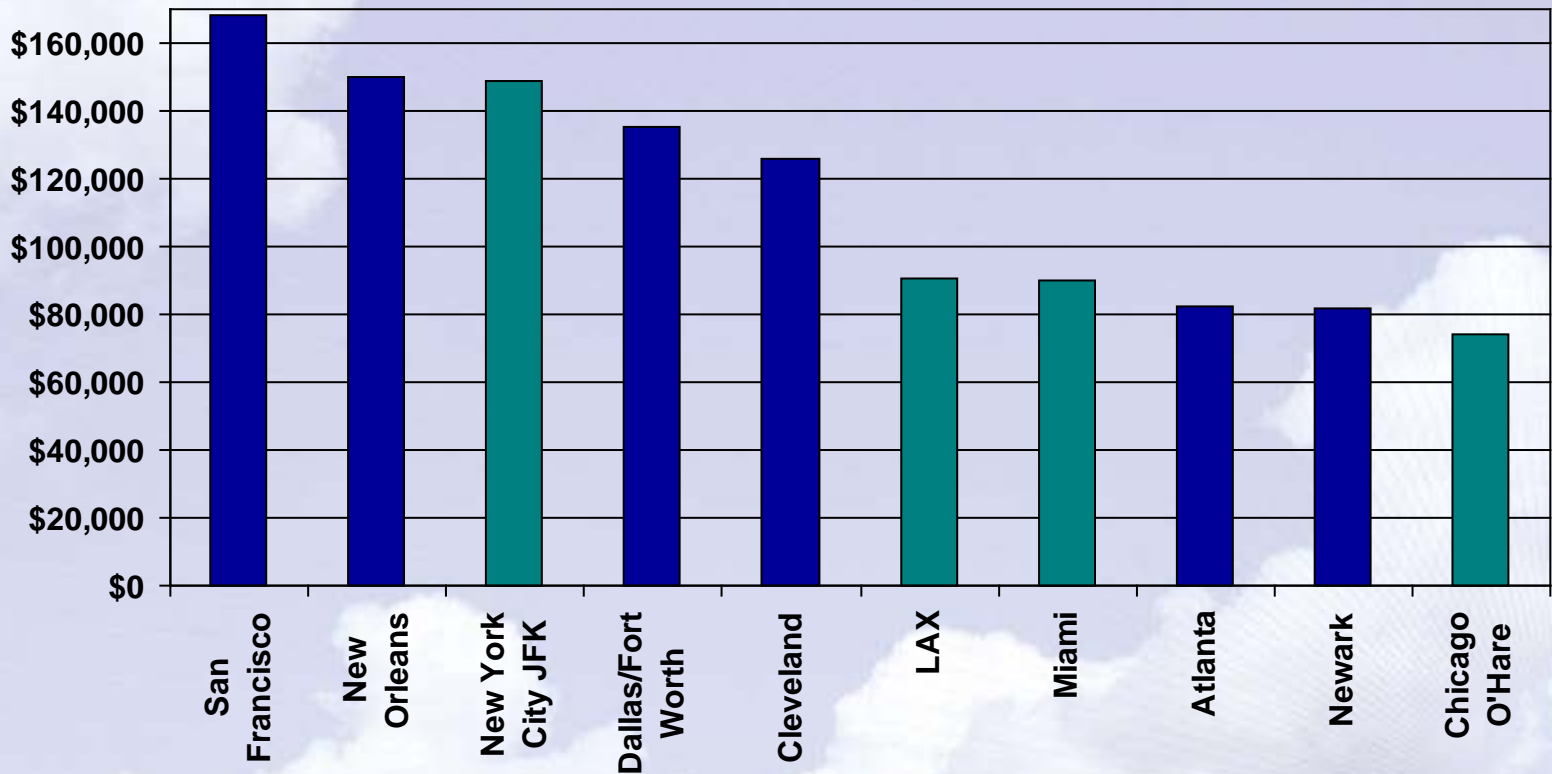
... but the #3 U.S. Air Cargo Gateway by *Value*
(#2 for Exports; #3 for Imports)

Top 10 U.S. Air Cargo Gateway Airports, by *Value* (\$US Millions)
C Y 2010



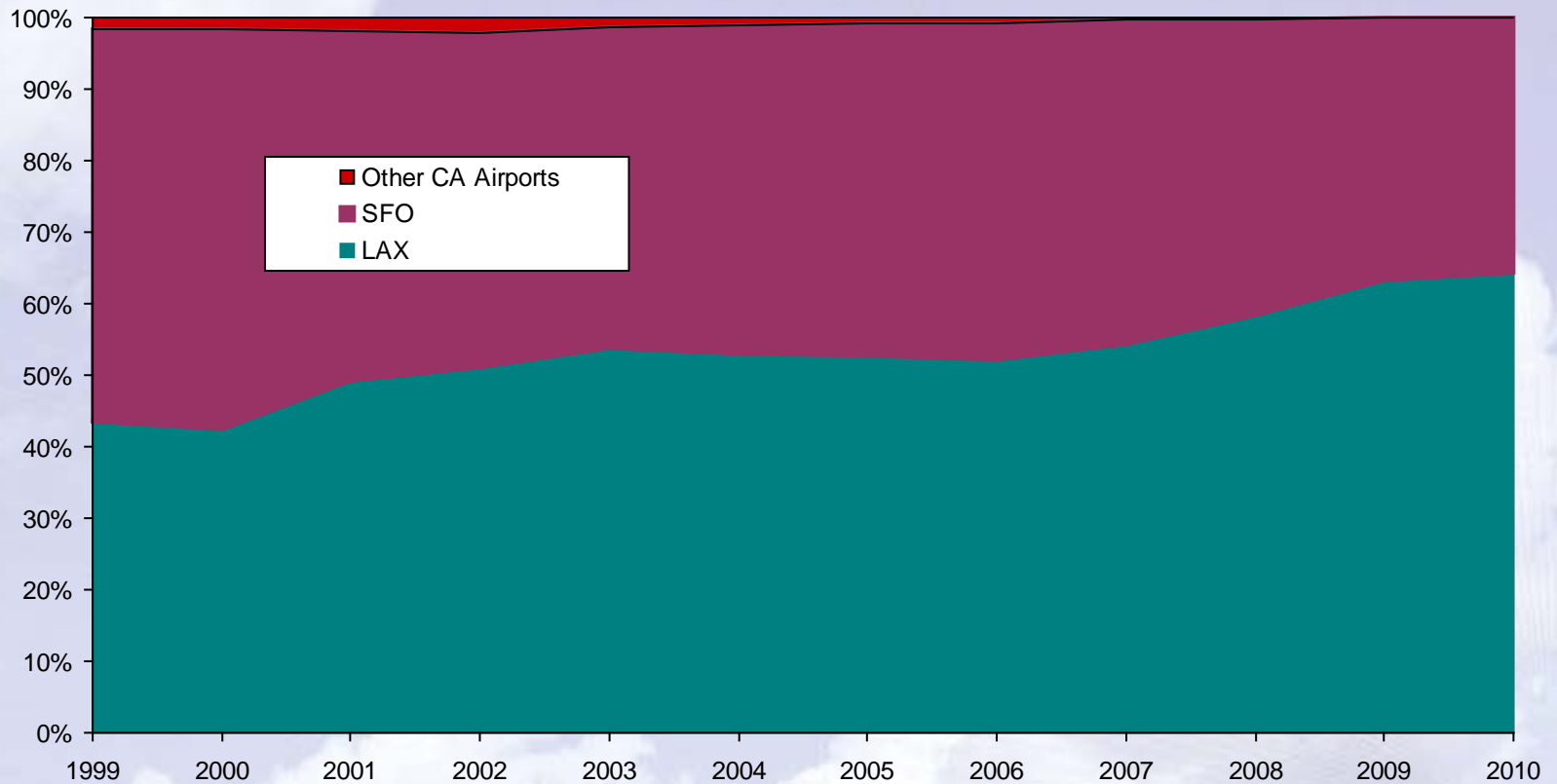
LAX Also Compares Well with its Three Peer Air Cargo Gateways (New York City JFK, Miami, and Chicago O'Hare) in Terms of Value per Tonne

Major U.S. Air Cargo Gateway Airports, by *Value per Metric Tonne* (\$US)
C Y 2010



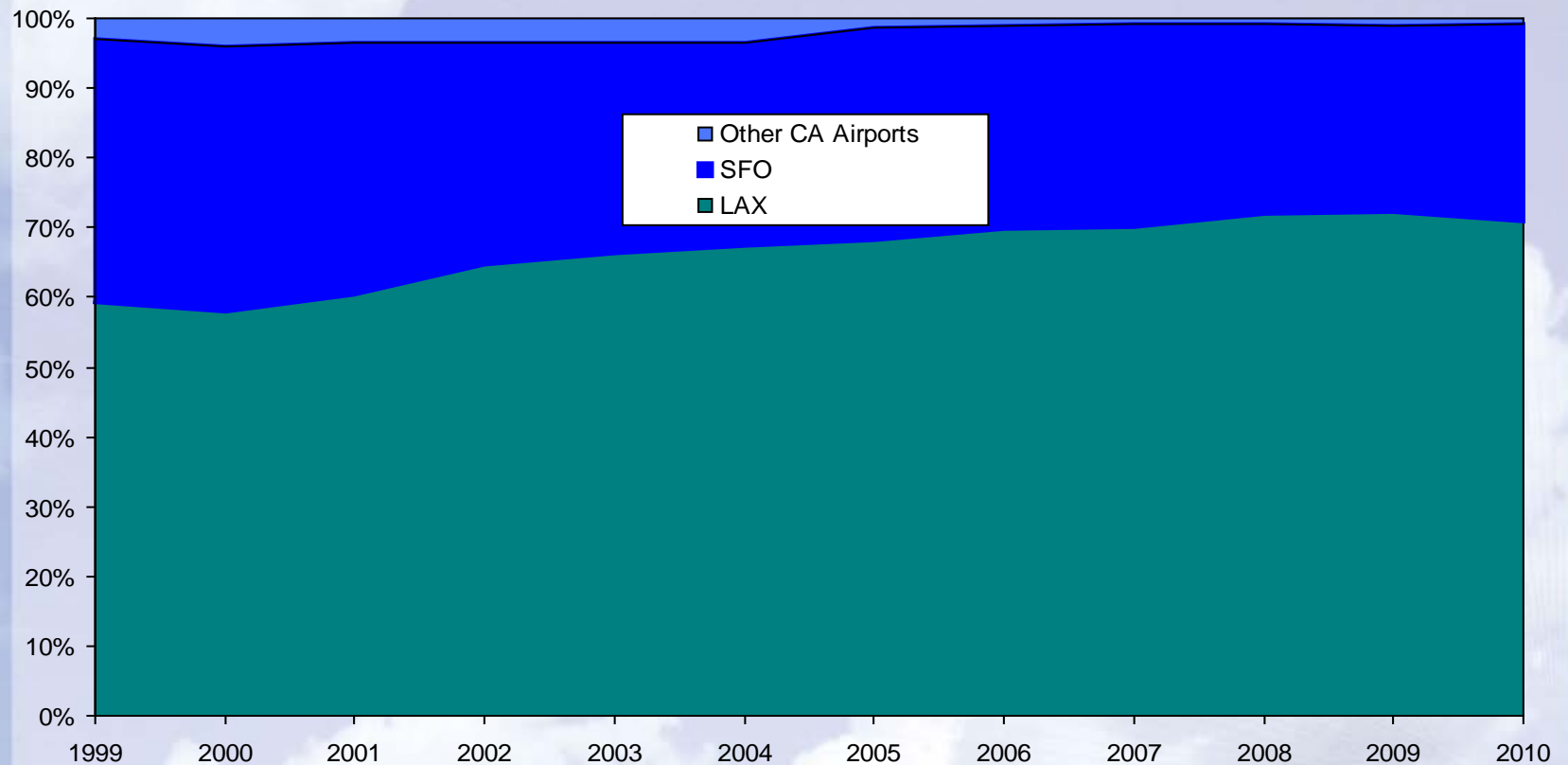
LAX 's Share of California's Air Cargo Imports Value Grew from 43.4% in 1999 to 64.3% in 2010, While SFO's Share has Fallen from 55% to 35.6%

California Air Cargo Imports, by Value (\$US Millions)
1999-2010



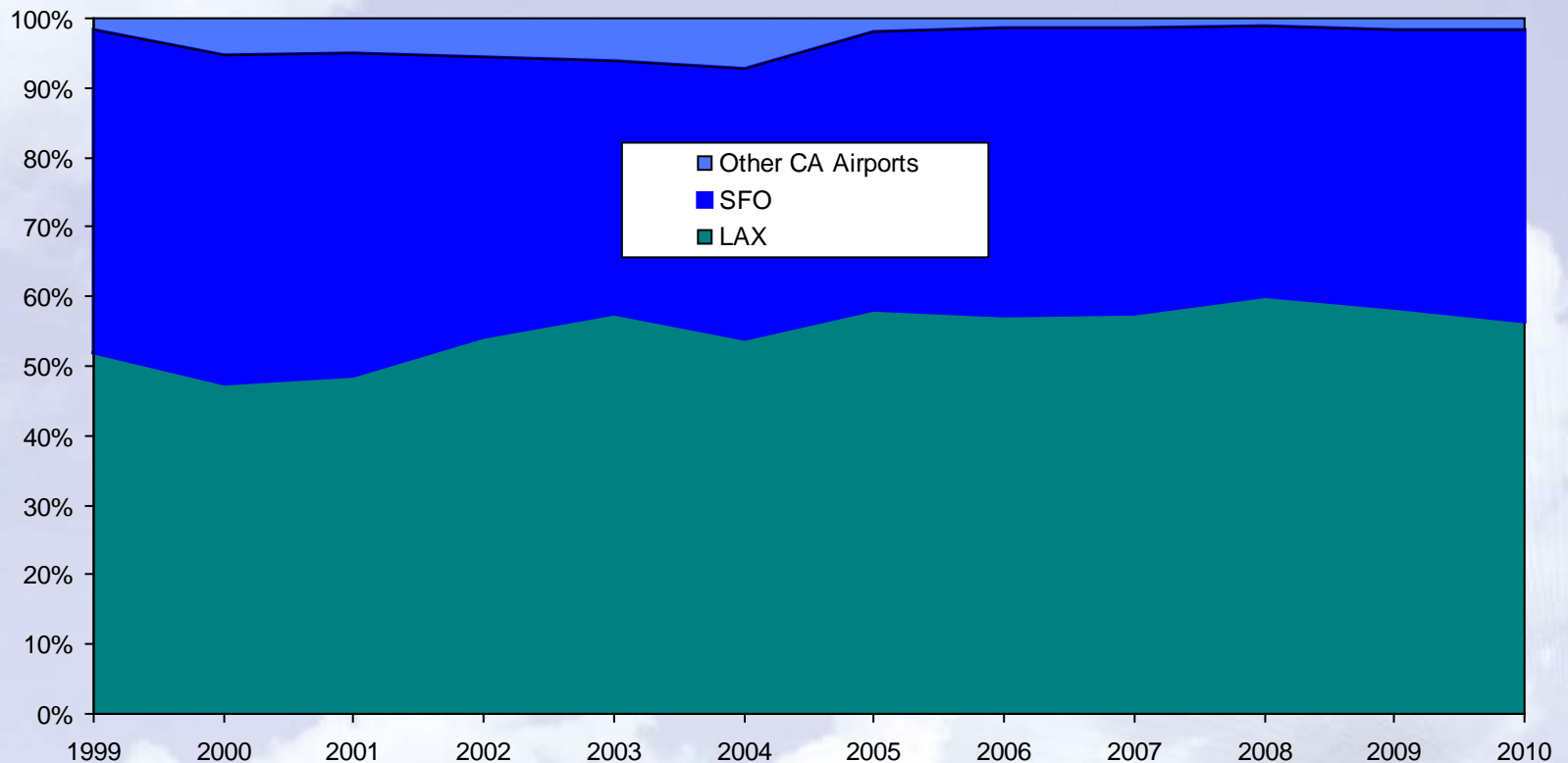
LAX's Share of California's Volume of Exports has Grown from 59.3% to 70.8% Since 1999, While SFO's Share has Fallen From 37.8% to 28.3%

California Air Cargo Exports, by Weight (Millions of Kilograms)
1999-2010



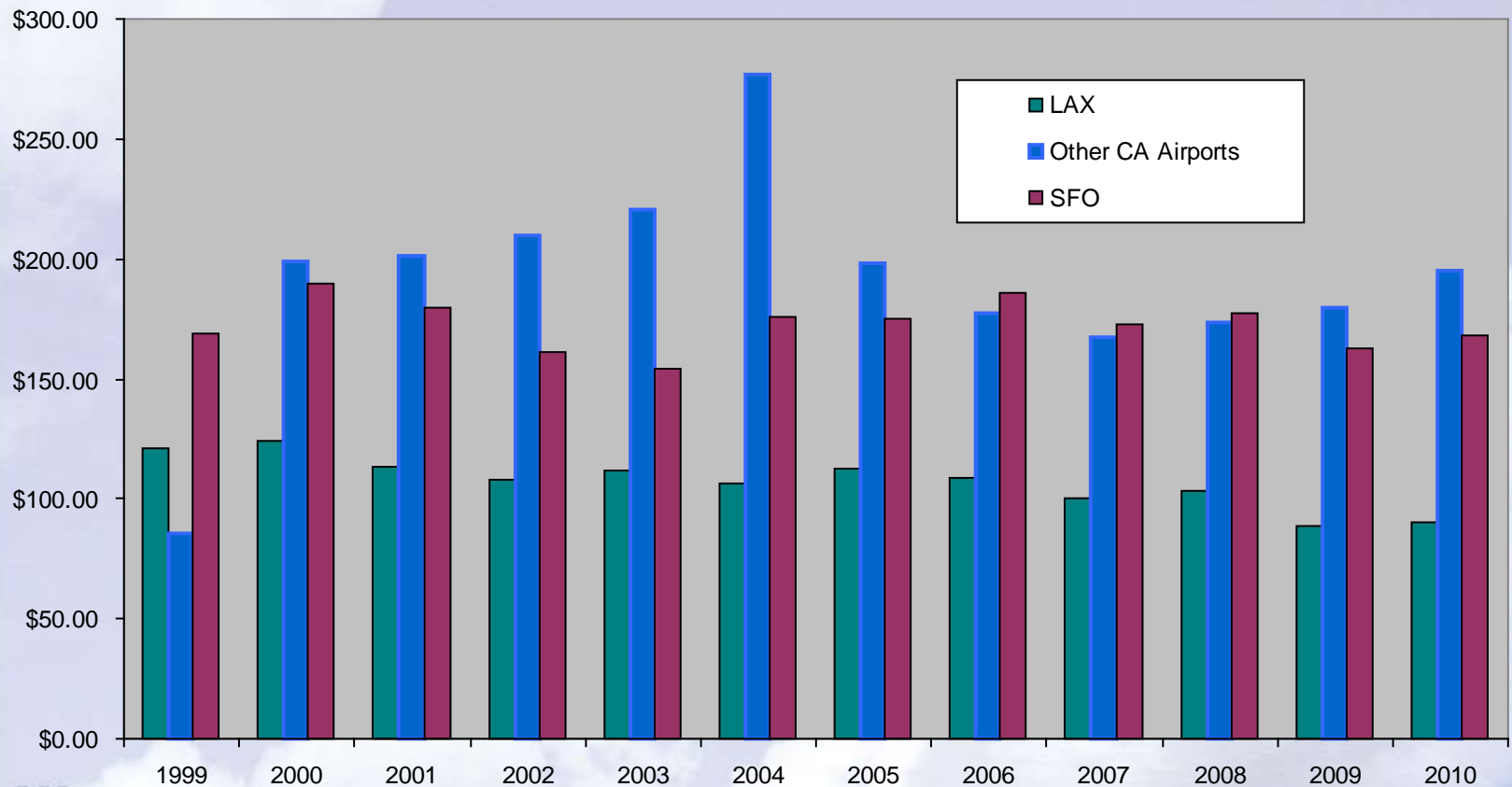
56.4% of the Value of Air Cargo Exported from California Left LAX During 2010, up from 51.9% in 1999

California Air Cargo Exports, by Value (\$US Millions)
1999-2010



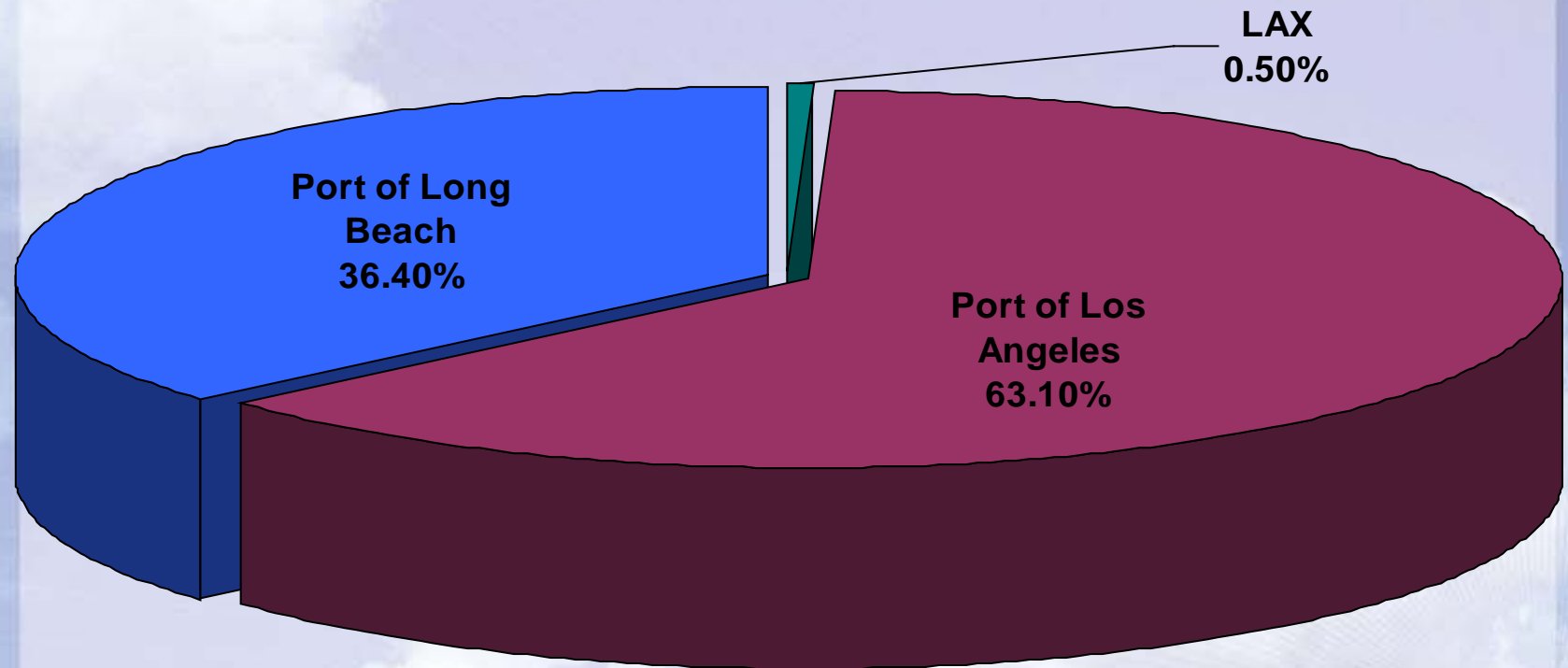
In terms of the Unit Value, of Air Cargo Exports, LAX has Consistently Lagged Behind SFO and Other California Airports Since 1999

Air Cargo Traffic at California Airports, by Value per Kilogram (\$US per KG)
1999-2010



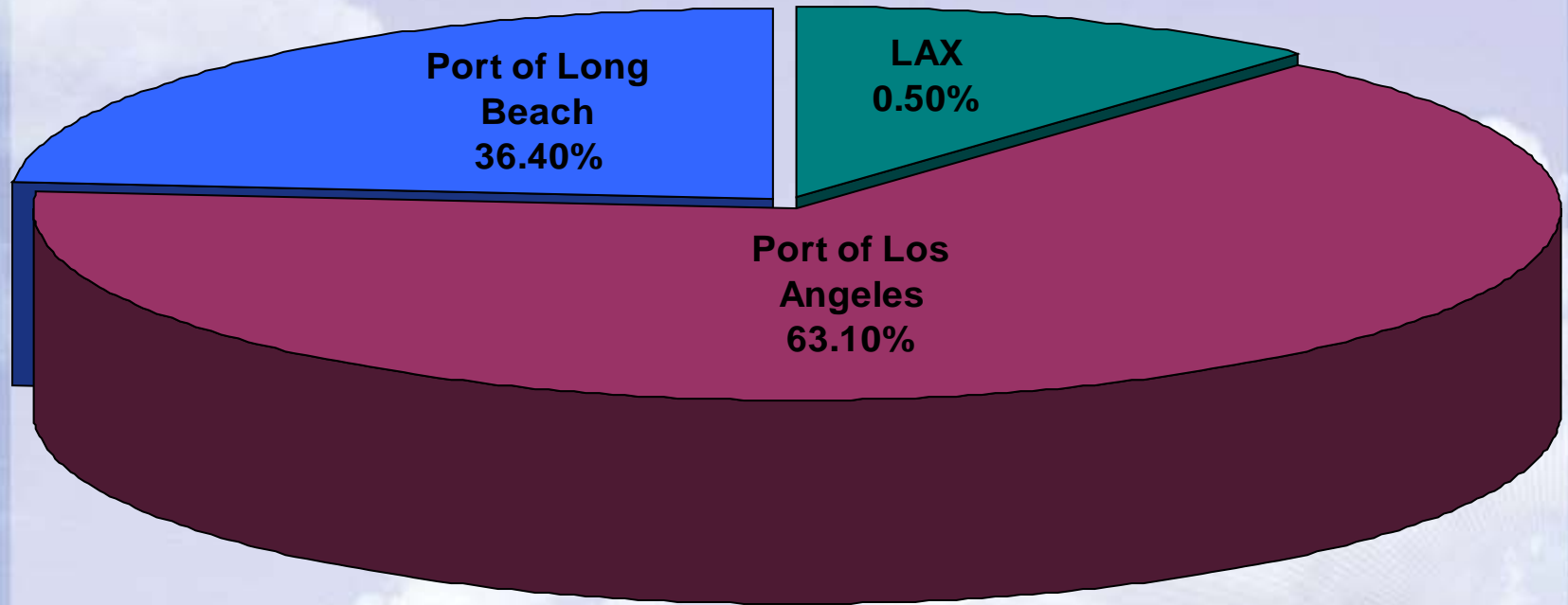
LAX Accounted for Just 0.5% of the *Weight* of Imports and Exports Passing Through Southern California's Ports...

Total International Trade Goods in Southern California, by Weight (Millions of Kilograms)
CY2010



...but 11.4% of the *Value*

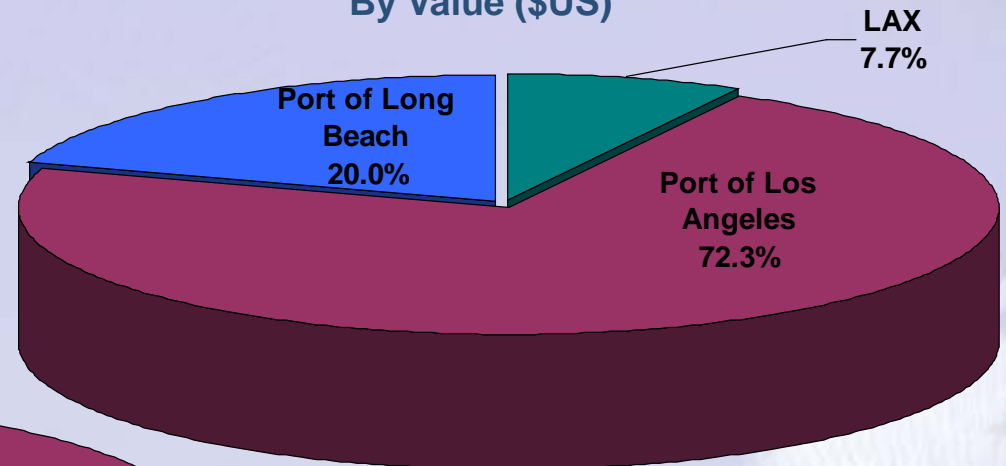
Total International Trade Goods in Southern California, by Value (\$US)
CY2010



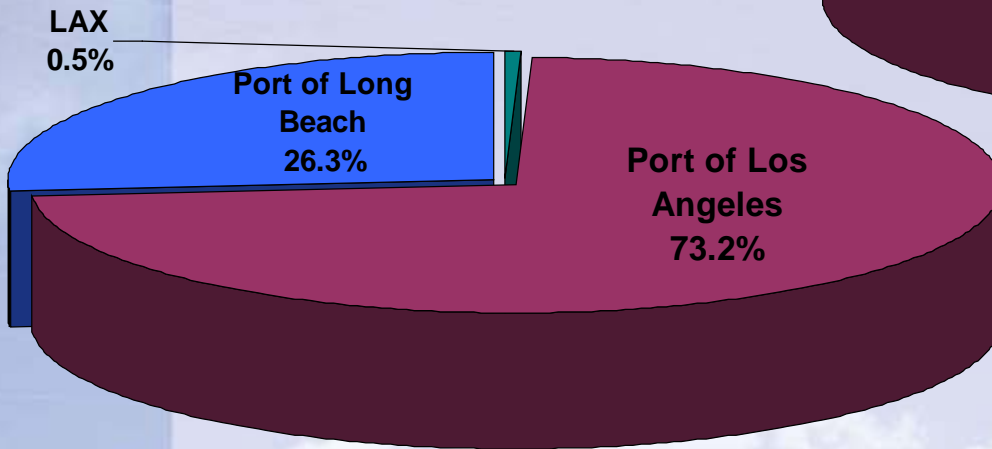
While a Significant Percentage of the Region's Value of Imported Goods Pass Through LAX...

Imported Goods in Southern California CY 2010

By Value (\$US)



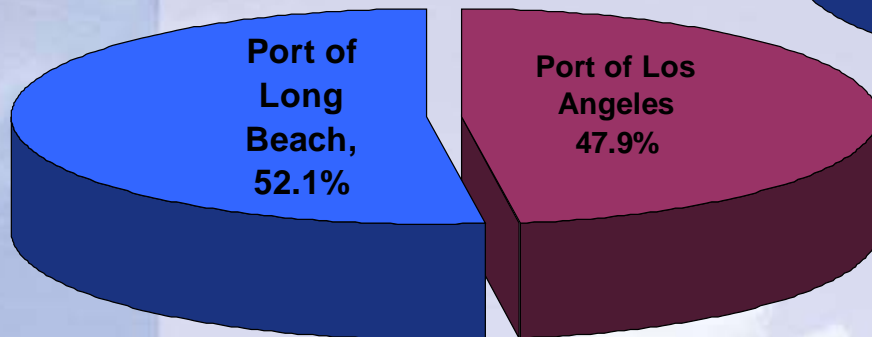
By Weight (Kilograms)



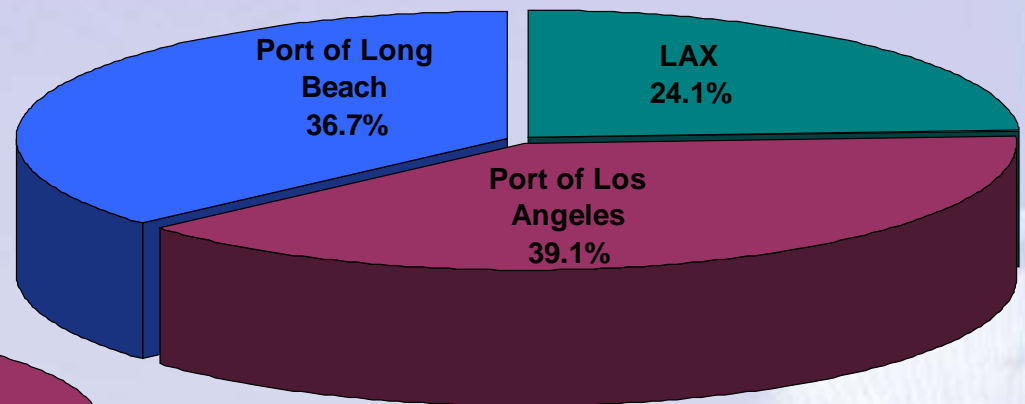
It is in the Area of Exports Where LAX Plays its Most Important Role in International Trade

Exported Goods in Southern California CY 2010

By Weight (Kilograms)

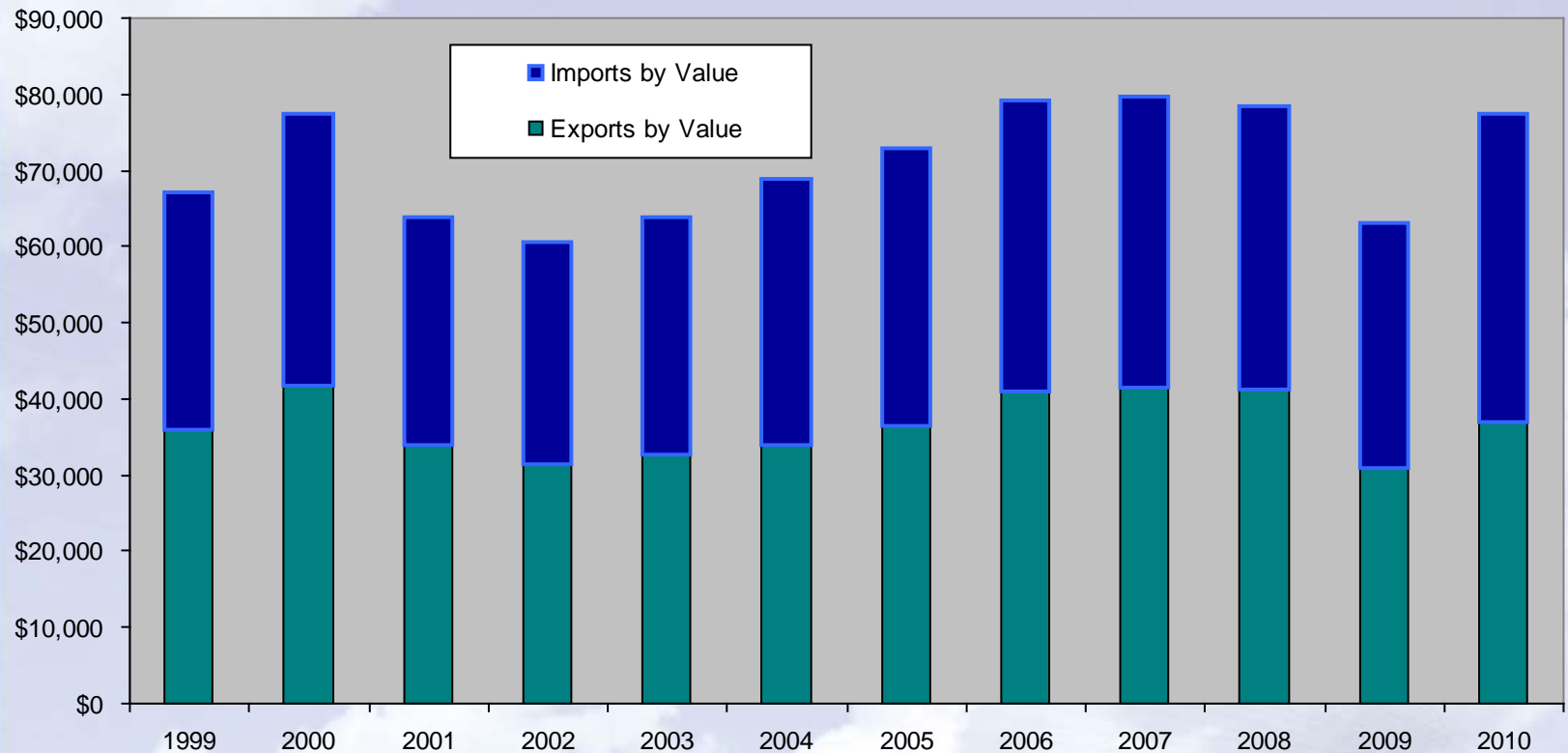


By Value (\$US)



One Area of Concern: While the *Value* of Air Cargo Imports and Exports at LAX has Weathered Recent Economic Crises Well...

Air Cargo Traffic at LAX, by Value (\$US Millions)
1999-2010



... as has the *Weight* of Air Cargo Traffic at the Airport...

Air Cargo Traffic at LAX, by Weight (Millions of Kilograms)
1999-2010



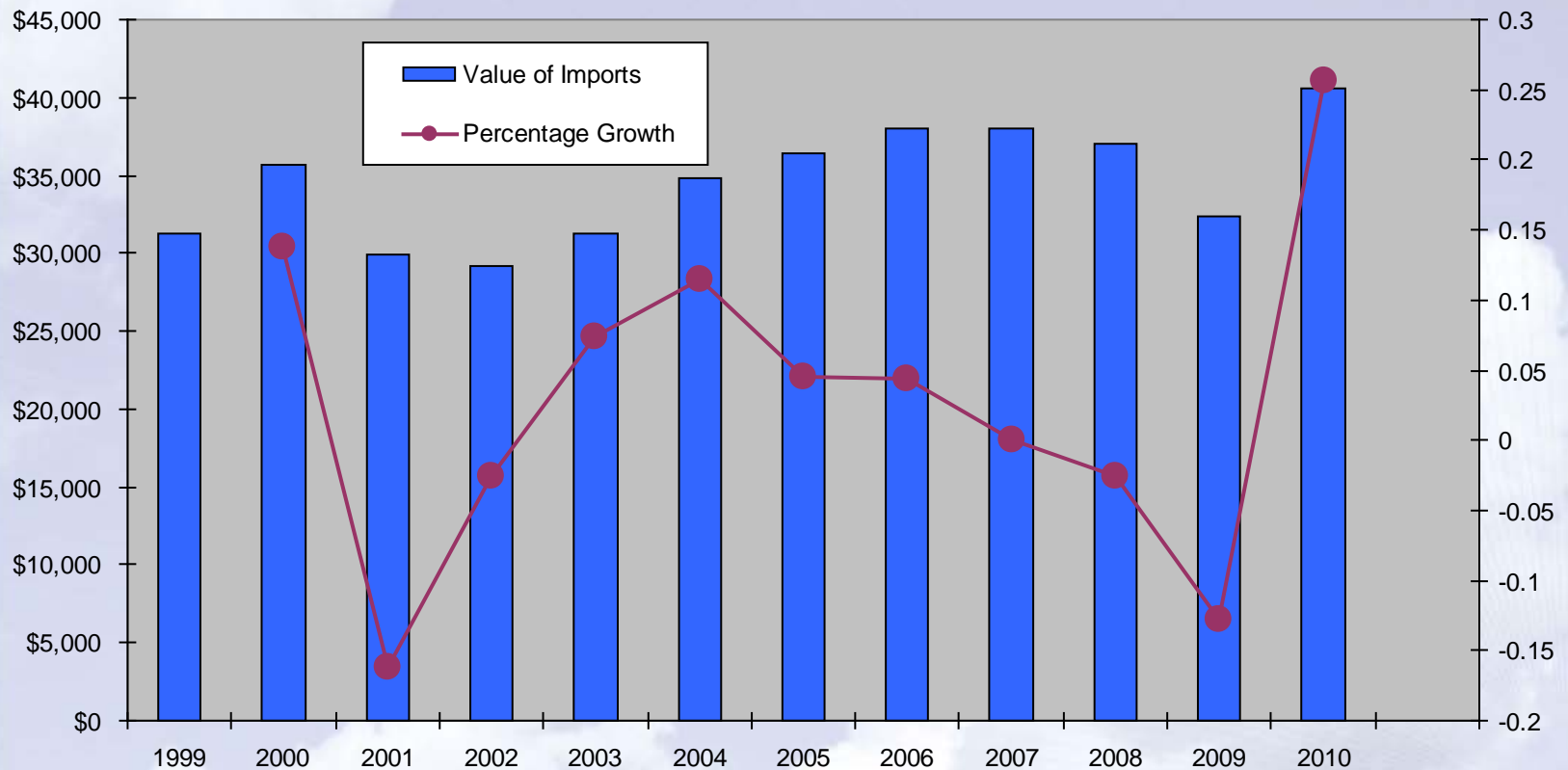
The *Unit Value* (\$/KG) of Air Cargo Exports at the Airport has Consistently Fallen During the Past Decade

Air Cargo Traffic at LAX, by Value per Kilogram (\$US per KG)
1999-2010



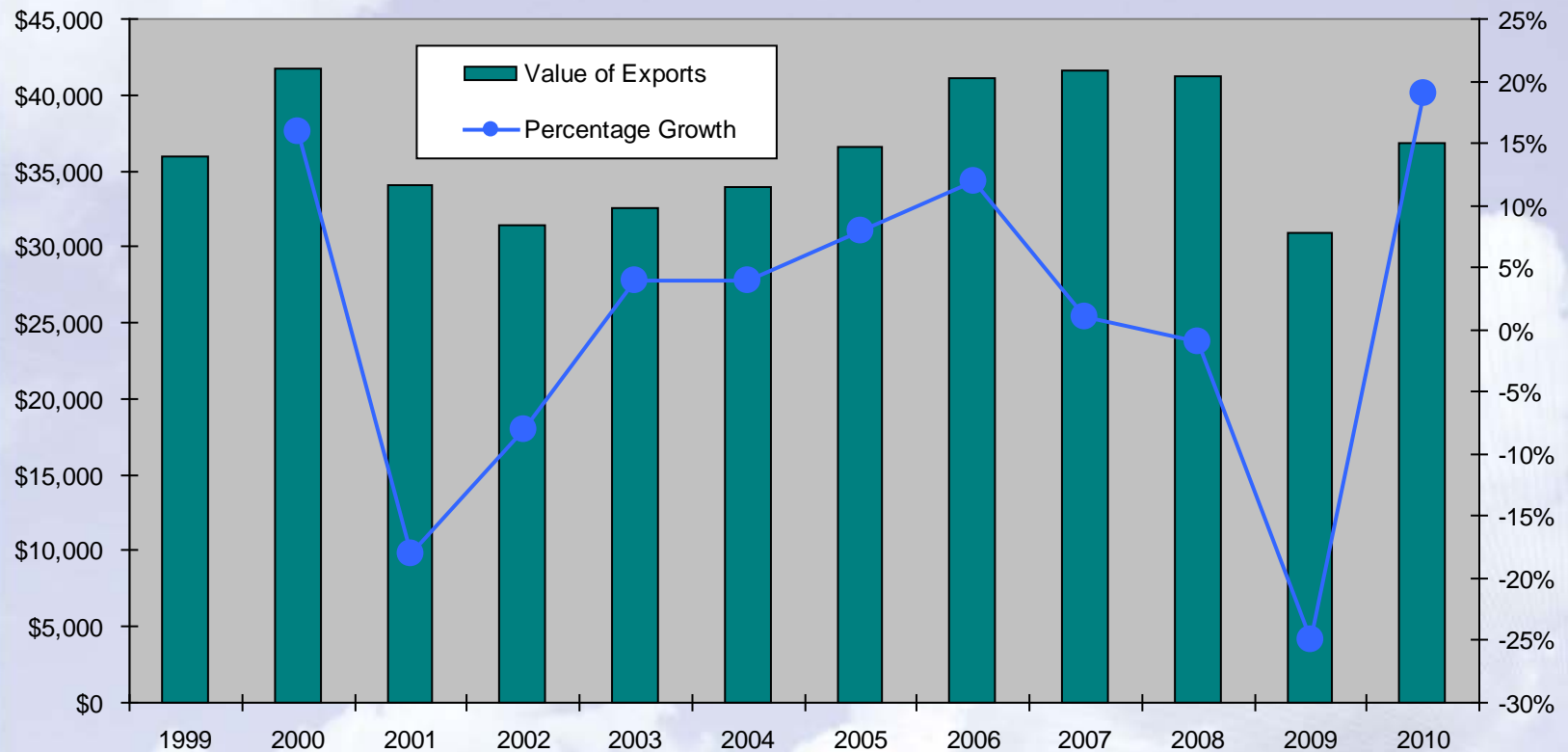
Another way to Look at This: While the *Value* of Air Cargo Imports at LAX has Grown by More Than \$9.2 US Billion Since 1999...

Air Cargo Imports at LAX, by Value (\$US Millions) 1999-2010



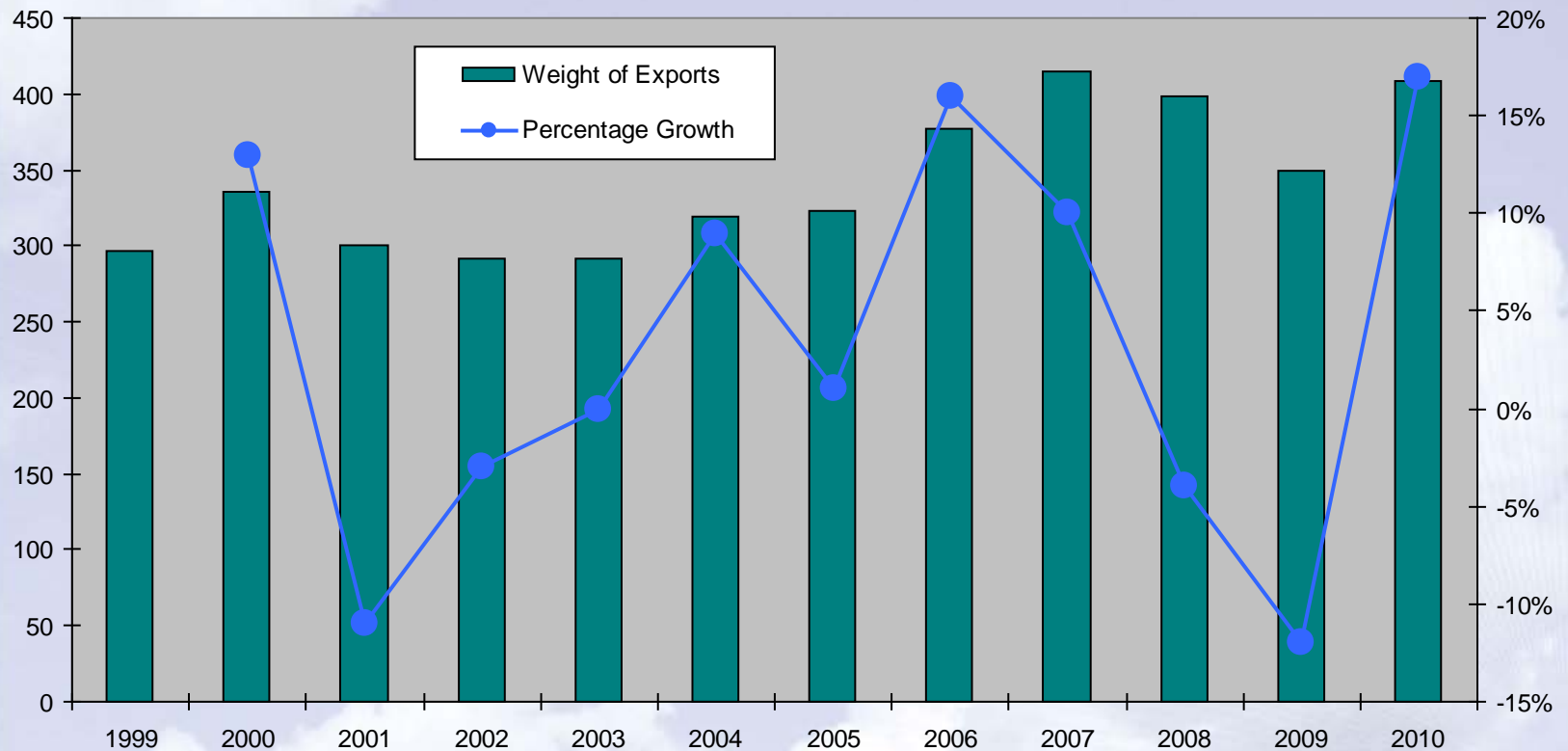
... the *Value* of Exports at the Airport is a Mere \$1 US Billion Above 1999 Levels

Air Cargo Exports at LAX, by Value (\$US Millions)
1999-2010



Despite Volatility, the Volume of Air Cargo Exports at LAX Ended 2010 Just Below 2007's High-Water Mark

Air Cargo Exports at LAX, by Weight (Millions of Kilograms)
1999-2010



What Opportunities Are There on the Horizon?



LAX

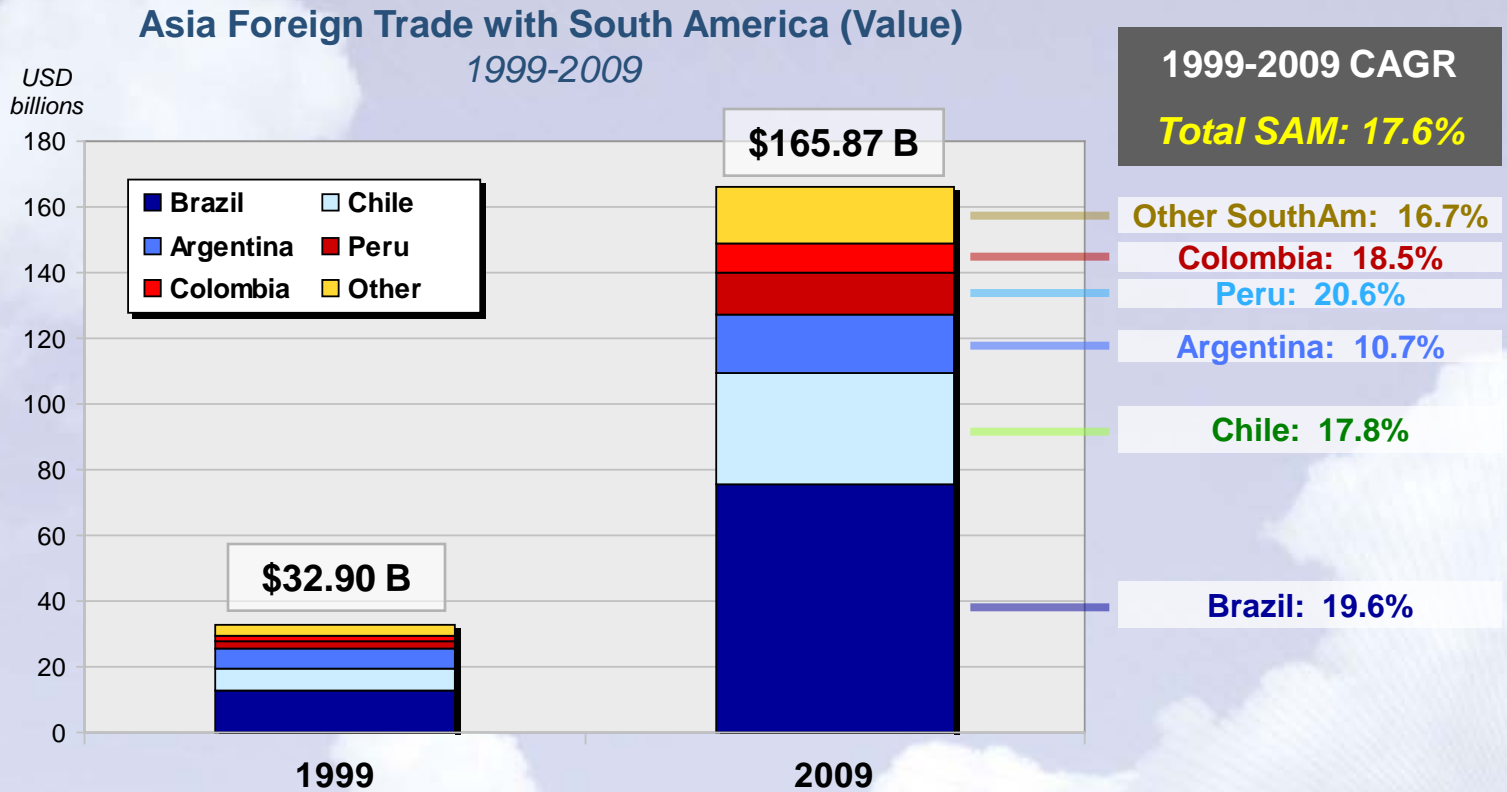
Los Angeles World Airports

Growth Opportunity #1: An Asia-South America Gateway

LAX is the Ideal US Gateway to Connect South America and Asia

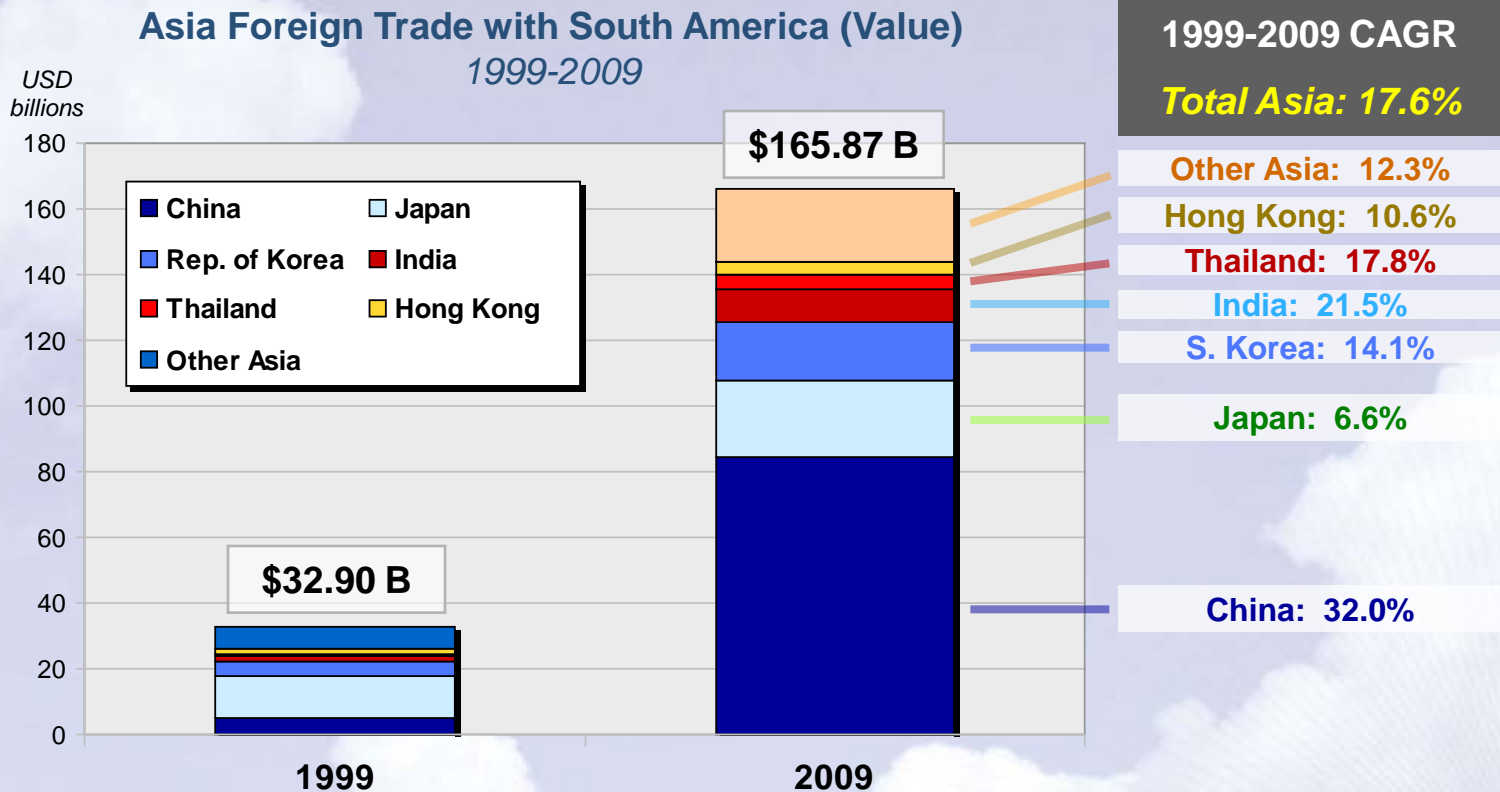
- **A Large and Growing Market Exists**
- **LAX is the #1 U.S. Passenger and Cargo Traffic Gateway to Asia and the #6 Passenger / #3 Cargo Traffic Gateway to South America**
- **At Present Only About 10 Percent of South American – Asia Passengers Travel via LAX, Down from 35 Percent in 2002**
- **Expanded South America – LAX Service Would Increase Market Share and Provide an Efficient Link Between Two Key Regions**

Trade Between Asia and South America has More than Quadrupled Between 1999 and 2009



Note: South America defined as: Brazil, Chile, Argentina, Peru, Colombia, Venezuela, Ecuador, Paraguay, Uruguay, Bolivia, French Guiana, Guyana, Suriname; while Asia is defined as: China, Japan, Rep. of Korea, India, Other Asia, nes, Thailand, China, Hong Kong SAR, Indonesia, Malaysia, Singapore, Viet Nam, Philippines, Bangladesh, Pakistan, Dem. People's Rep. of Korea, Sri Lanka, Cambodia, Myanmar, Afghanistan, China, Macao SAR, Maldives, Mongolia, Nepal, Brunei Darussalam, Lao People's Dem. Rep., Timor-Leste, Bhutan

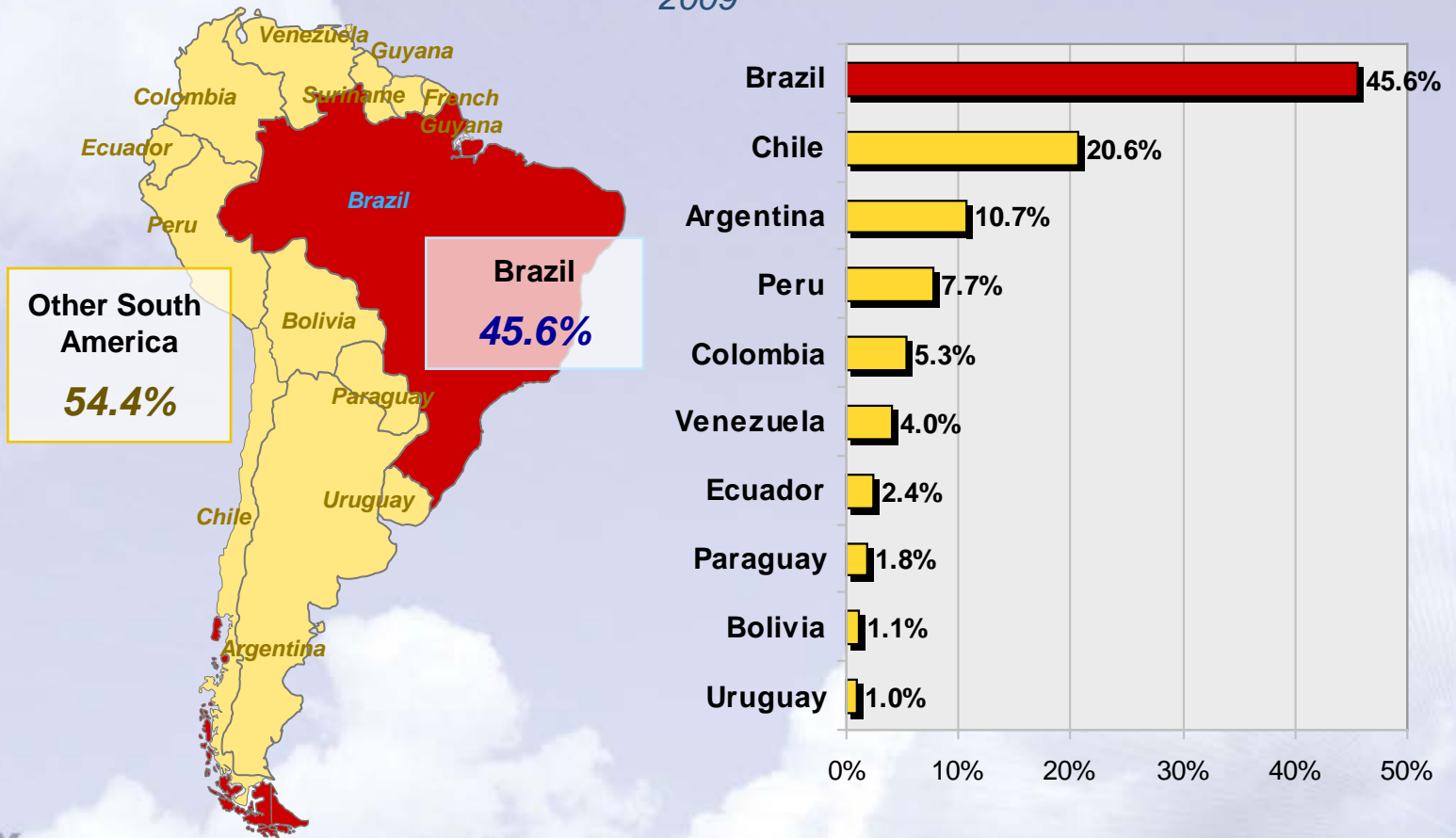
The Growth is Driven in Large Part by China, but Japan, South Korea and India Have Also Experienced Strong Increases



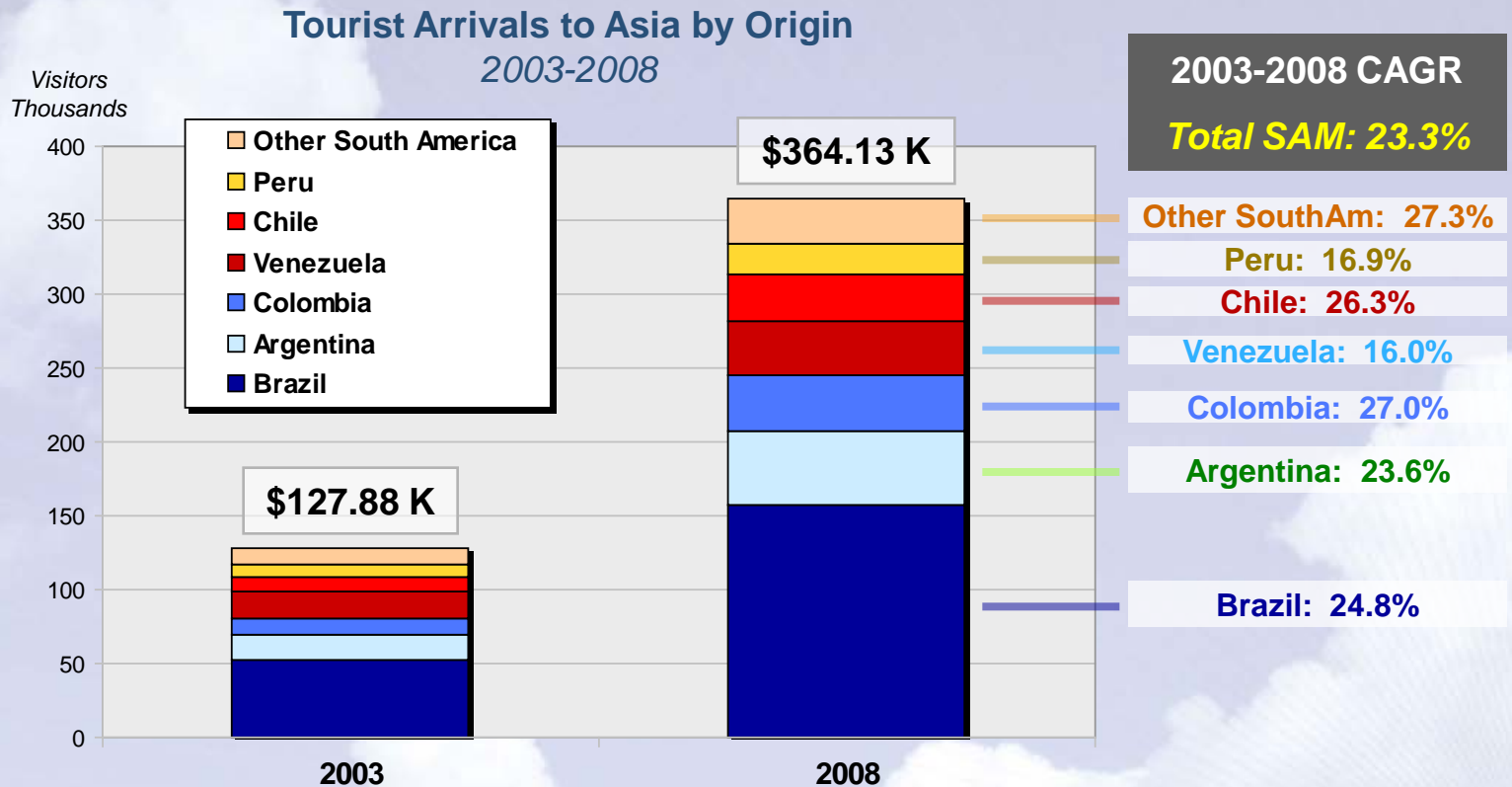
Note: South America defined as: Brazil, Chile, Argentina, Peru, Colombia, Venezuela, Ecuador, Paraguay, Uruguay, Bolivia, French Guiana, Guyana, Suriname; while Asia is defined as: China, Japan, Rep. of Korea, India, Other Asia, nes, Thailand, China, Hong Kong SAR, Indonesia, Malaysia, Singapore, Viet Nam, Philippines, Bangladesh, Pakistan, Dem. People's Rep. of Korea, Sri Lanka, Cambodia, Myanmar, Afghanistan, China, Macao SAR, Maldives, Mongolia, Nepal, Brunei Darussalam, Lao People's Dem. Rep., Timor-Leste, Bhutan

Trade Between Asia and South America is Led by Brazil and Followed by Chile

Share of Asia Foreign Trade with South America by Country 2009

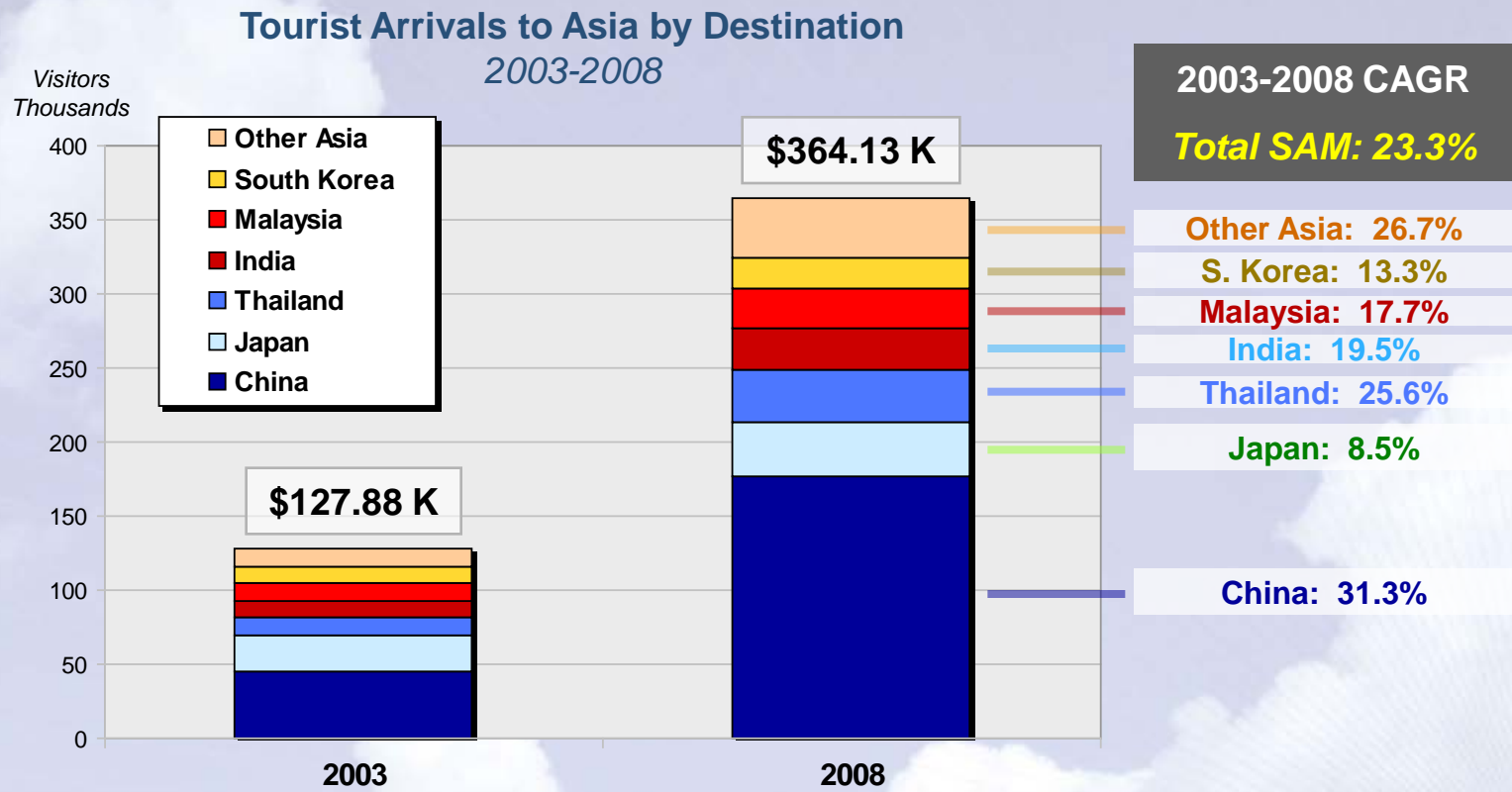


Consistent with Trade, South American Visitors to Asia Have Risen an Impressive 23 Percent Per Year from 2003 to 2008



Note: South America includes: Brazil, Argentina, Colombia, Venezuela, Chile, Peru, Ecuador, Bolivia, Paraguay, Uruguay, Suriname, Guyana, French Guiana; while Asia includes: China, Japan, Thailand, India, Malaysia, South Korea, Singapore, Cambodia, Nepal, Taiwan, Philippines, Maldives, Sri Lanka, Pakistan, Mongolia, Bhutan, Bangladesh

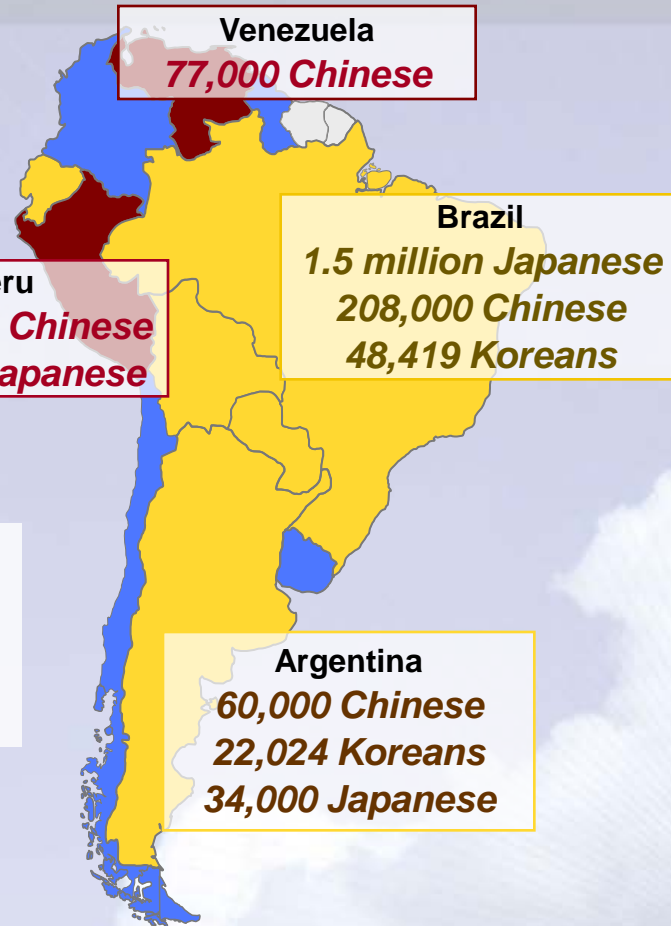
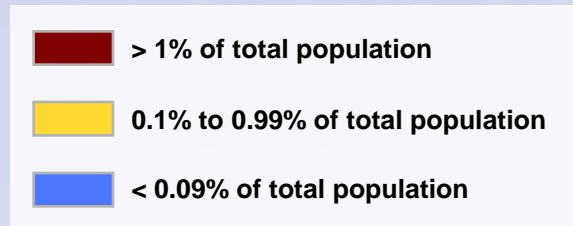
Consistent with Trade, South American Visitors to Asia Have Risen an Impressive 23 Percent Per Year from 2003 to 2008



Note: South America includes: Brazil, Argentina, Colombia, Venezuela, Chile, Peru, Ecuador, Bolivia, Paraguay, Uruguay, Suriname, Guyana, French Guiana; while Asia includes: China, Japan, Thailand, India, Malaysia, South Korea, Singapore, Cambodia, Nepal, Taiwan, Philippines, Maldives, Sri Lanka, Pakistan, Mongolia, Bhutan, Bangladesh

South America Also has a Strong Japanese, Chinese and Korean Population of Over 3 Million

Japan, China and Korean Population as Percent of Total Country Population



Source: Japan Ministry of Foreign Affairs, Taiwan Overseas Compatriot Affairs Commission Republic of China, Korea Ministry of Foreign Affairs and Trade (<http://www.mofat.go.kr>)

Note: Data Not Easily Available for Other Asian Countries

The Total Asia – South America Market is Estimated at Almost 920,000 Annual Passengers

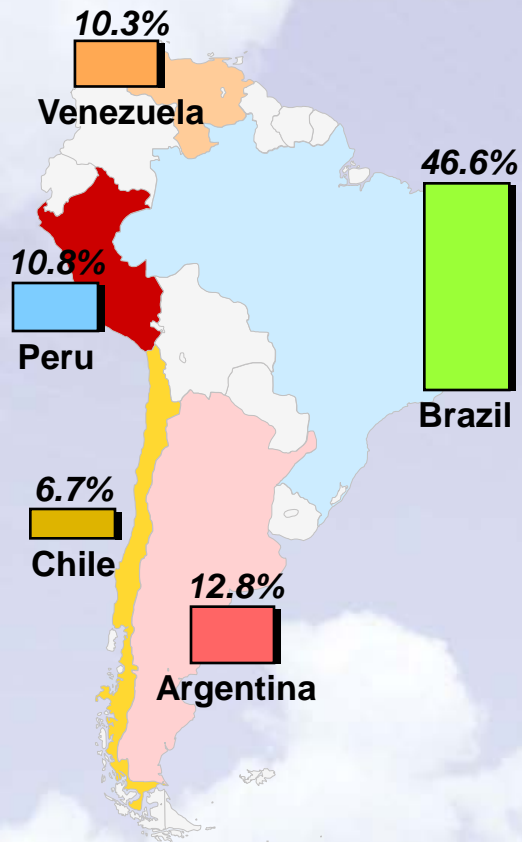
Top South American – Asia Adjusted O&D Markets CY 2002 - YE 2Q 2010

Rank	South Am Cntry	Asian Cntry	YE 2Q 10		AAG from CY 02
			Annual	PDEW	
1	Brazil	Japan	146,296	200	-1.0%
2	Brazil	China	97,657	134	19.0%
3	Peru	Japan	62,010	85	8.1%
4	Venezuela	China	55,621	76	39.0%
5	Brazil	India	39,193	54	20.9%
6	Brazil	South Korea	38,439	53	13.8%
7	Argentina	China	34,750	48	25.9%
8	Brazil	Hong Kong	32,567	45	7.8%
9	Argentina	Japan	21,015	29	10.4%
10	Brazil	Philippines	19,252	26	14.7%
11	Chile	China	17,883	24	18.6%
12	Colombia	China	14,613	20	40.3%
13	Peru	China	14,122	19	25.0%
14	Venezuela	Hong Kong	13,550	19	8.6%
15	Chile	Japan	12,814	18	8.5%
16	Brazil	Singapore	12,181	17	15.0%
17	Ecuador	China	11,463	16	25.0%
18	Argentina	Hong Kong	11,395	16	16.9%
19	Argentina	India	11,264	15	27.7%
20	Brazil	Taiwan	11,120	15	6.8%
	All Other		241,112	330	10.9%
	Total		918,317	1,258	10.1%

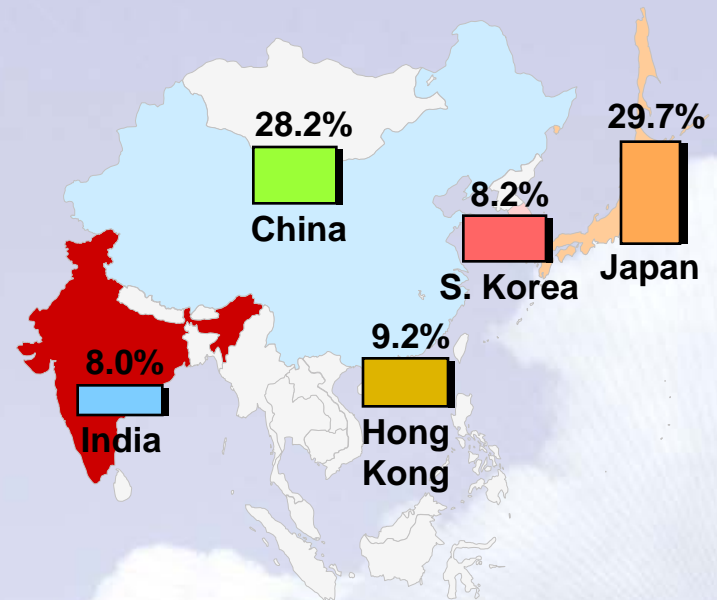
Source: MIDT Booking
Data Adjusted for
Underreported Traffic

Brazil and Japan are the Leading Countries for South America-Asia Traffic

Share of O&D Passengers by South American Country

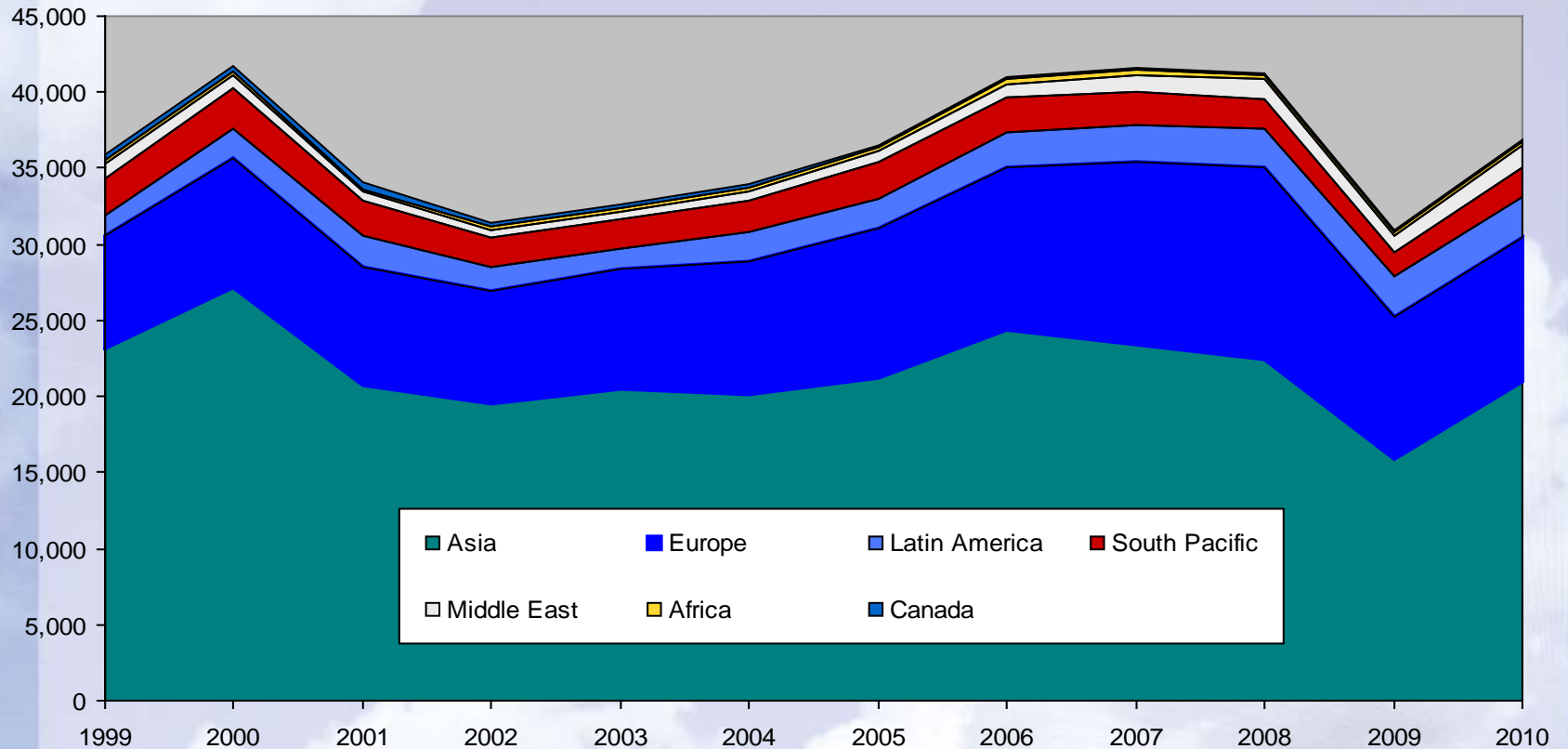


Share of O&D Passengers by Asian Country



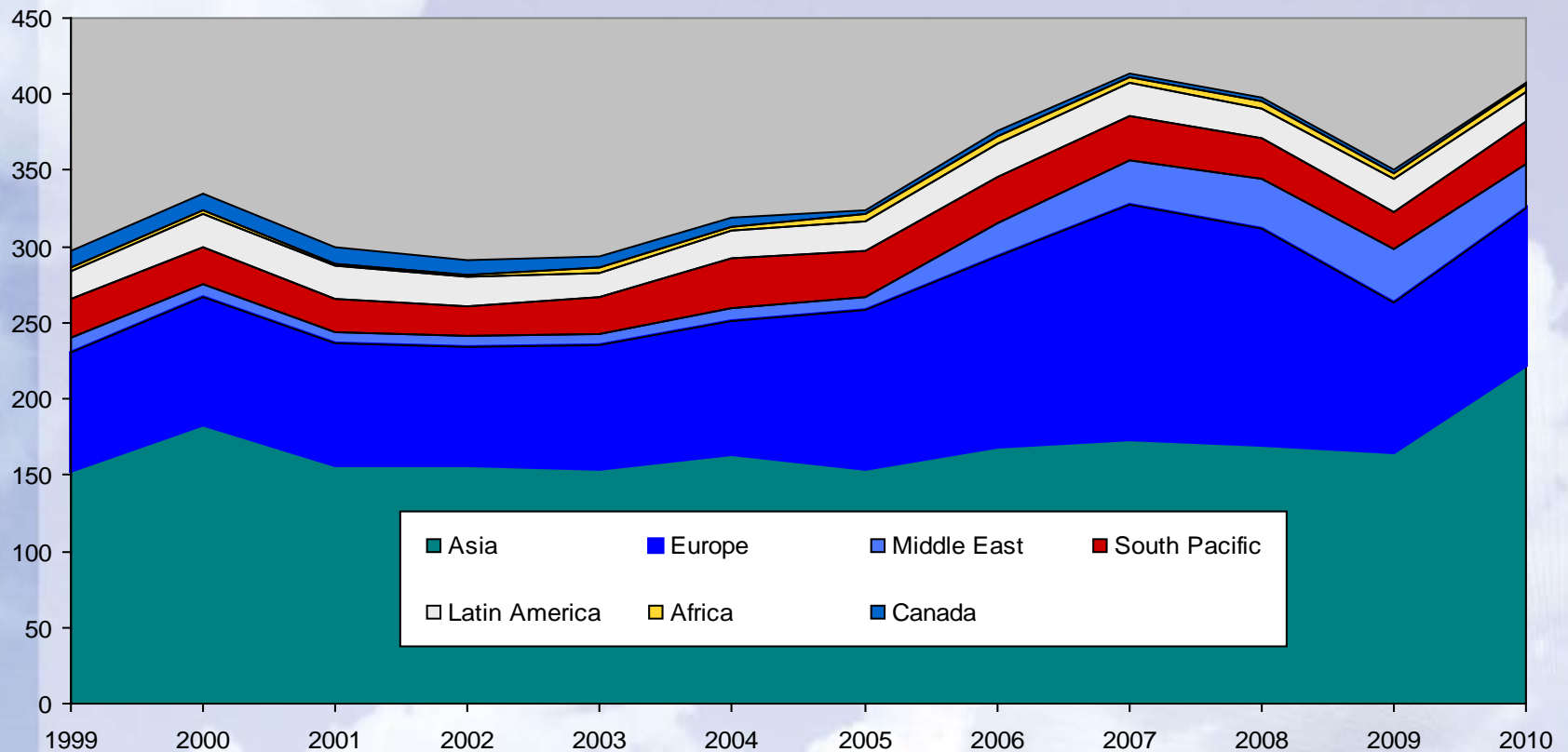
Despite Rapid Growth in Trade Between South America and Asia, the Americas Region Accounted for Just 7.5% of the *Value* of Air Cargo Exports from LAX During 2010, up From 4.9% in 1999

LAX Air Cargo Exports, by World Region Destination, by Value (\$US Millions)
1999-2010



During this Same Period, the Share of the *Volume* of Exports Destined for the Americas has Declined from 9.7% in 1999 to 5.3% in 2010

LAX Air Cargo Exports, by World Region Destination, by Weight (Millions of Kilograms)
1999-2010



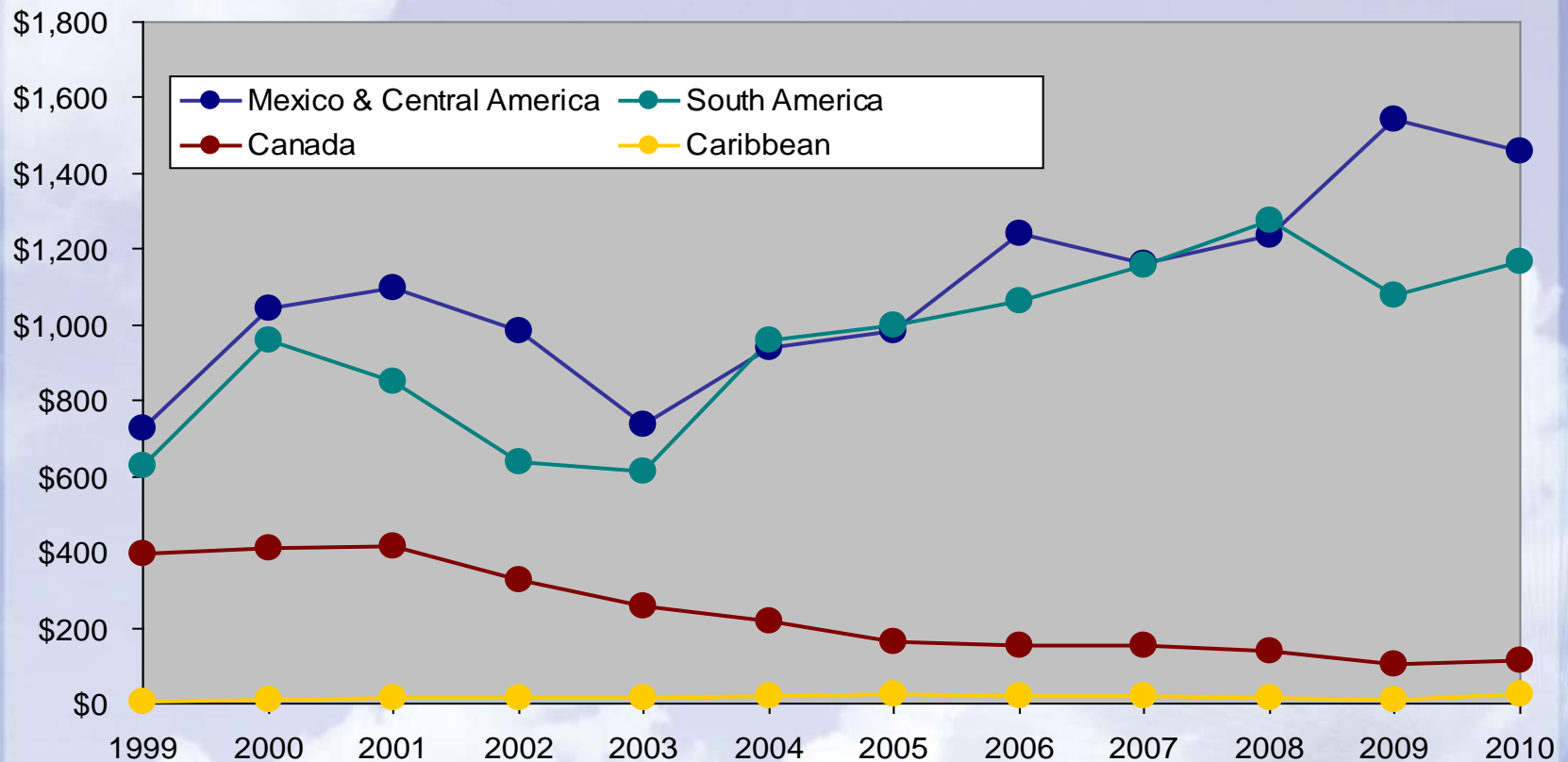
Falling Volumes and Rising Values Lead to Higher *Unit Values* for Exports from LAX to the Americas

LAX Air Cargo Exports, by World Region Destination, by Unit Value (\$US per Kilogram)
1999-2010

	Unit Value (\$US/kg)												AAGR
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	1999-2010
Latin America	\$77	\$92	\$96	\$88	\$85	\$105	\$100	\$106	\$112	\$124	\$128	\$131	4.5%
Asia	\$151	\$148	\$133	\$124	\$134	\$123	\$138	\$144	\$134	\$133	\$96	\$95	-3.8%
Europe	\$96	\$101	\$97	\$96	\$96	\$100	\$95	\$86	\$79	\$89	\$95	\$92	-0.3%
LAX Average	\$121	\$125	\$114	\$108	\$111	\$106	\$113	\$109	\$100	\$104	\$88	\$90	-2.4%
Canada	\$35	\$36	\$36	\$35	\$36	\$38	\$59	\$42	\$45	\$57	\$57	\$76	6.6%
Africa	\$78	\$75	\$72	\$70	\$80	\$64	\$72	\$73	\$75	\$68	\$66	\$75	-0.4%
South Pacific	\$96	\$105	\$105	\$96	\$81	\$66	\$78	\$76	\$74	\$73	\$67	\$65	-3.2%
Middle East	\$102	\$111	\$91	\$70	\$65	\$66	\$78	\$39	\$37	\$38	\$30	\$50	-5.8%

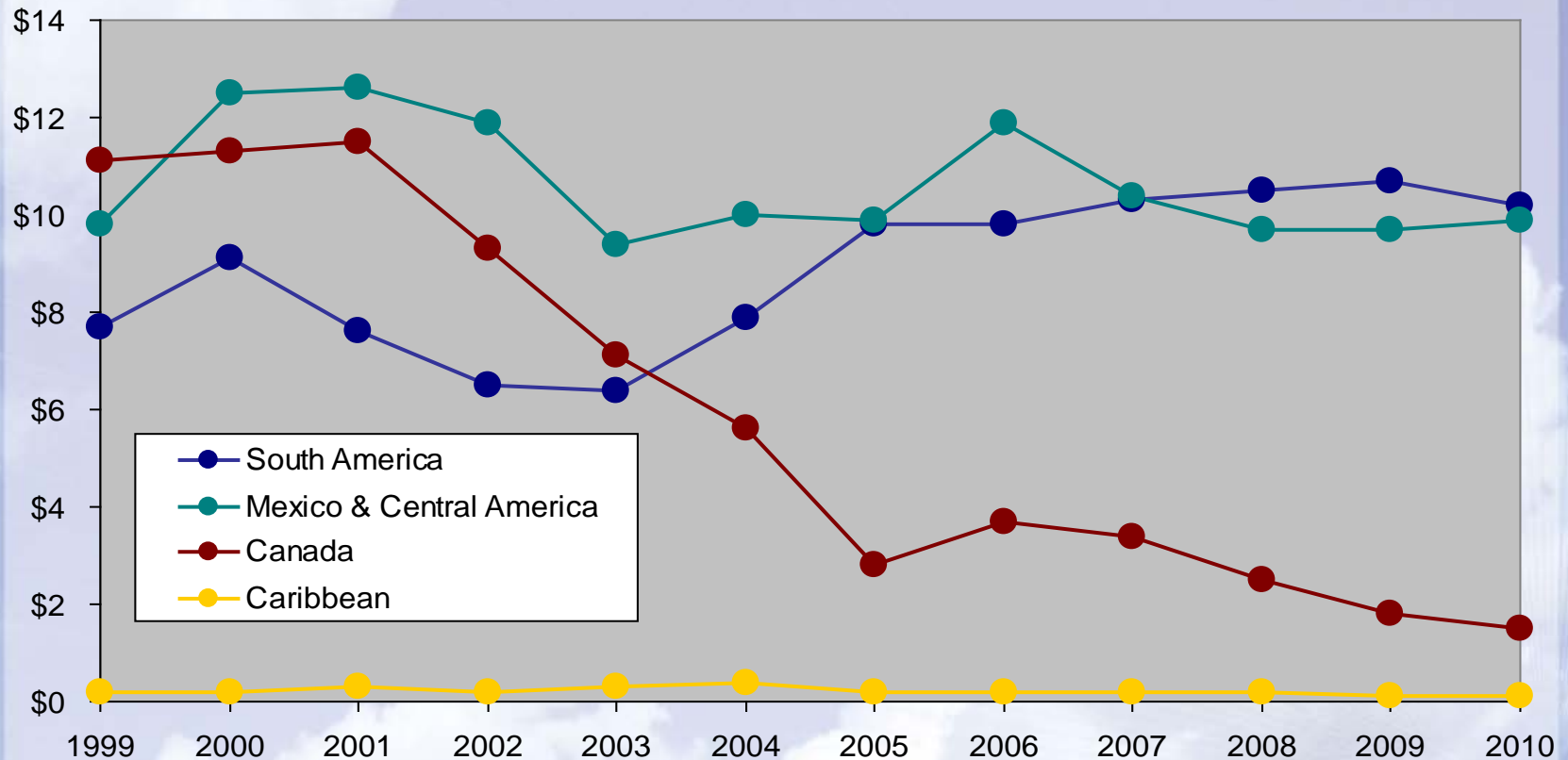
Within the Americas, South America and Mexico/Central America now Account for 95.1% of LAX's Exports, up from 77.3% in 1999

LAX Air Cargo Exports to the Americas Region, by Value (\$US Millions)
1999-2010



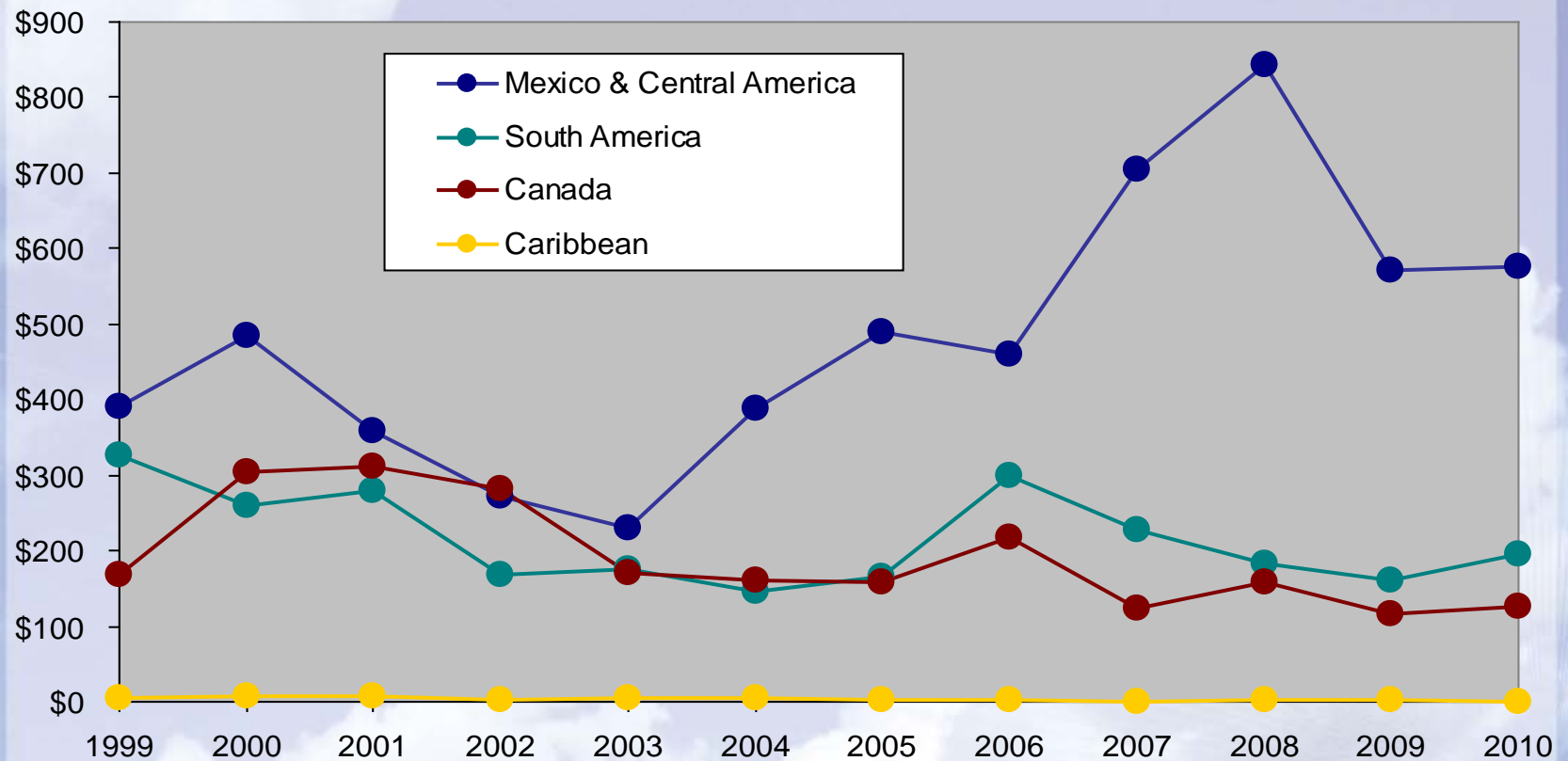
The Same Trend has Occurred in Export Volume, as South America and Mexico/Central America have Seen Their Share Rise from 60.7% to 92.7%

LAX Air Cargo Exports to the Americas Region, by Weight (Millions of Kilograms)
1999-2010



During this Same period, Americas-Region Imports at LAX have Been Marked by Growth from Mexico/Central America and Decline from South America

LAX Air Cargo Exports to the Americas Region, by Weight (Millions of Kilograms)
1999-2010



Opportunity: The *Unit Value* of Goods Exported from LAX Throughout the Americas Region has Continued to Increase – at the Same Time that Unit Values to Other World Regions Have Declined Consistently

LAX Air Cargo Exports, by World Region Destination, by Unit Value (\$US per Kilogram)
1999-2010

	Unit Value (\$US/kg)											AAGR	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	1999-2010
Caribbean	\$28	\$55	\$49	\$103	\$36	\$54	\$99	\$88	\$127	\$87	\$76	\$174	16.3%
Canada	\$35	\$36	\$36	\$35	\$36	\$38	\$59	\$42	\$45	\$57	\$57	\$76	6.6%
Mexico & Central America	\$75	\$83	\$87	\$83	\$78	\$95	\$99	\$104	\$111	\$127	\$159	\$147	5.8%
South America	\$81	\$105	\$112	\$98	\$96	\$122	\$102	\$108	\$113	\$121	\$100	\$114	2.9%
Americas Total	\$61	\$73	\$74	\$71	\$70	\$90	\$95	\$97	\$103	\$117	\$122	\$127	6.3%

Growth Opportunity #2: Preparing now for the Coming Revolution of *Additive Manufacturing*

Many Experts Consider Additive Manufacturing to be the Most Revolutionary Technological Change in the World Economy Since the Personal Computer



- ***“Indeed, in the future, some see consumers downloading products as they do digital music and printing them out at home, or at a local 3D production centre, having tweaked the designs to their own tastes.”***
 - “The Printed World,” *The Economist*, February 12, 2011
- **How will the Southern California economy (and, more specifically, the transportation/logistics industry, prepare for this coming technological revolution?**