



The Importance of *Air Cargo* Exports Within the Southern California Economy

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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

LAX is One of Two Airports that Rank Among the World's Top 15 in Passenger and Air Cargo Traffic, as Well as Aircraft Operations

Ranking of Top 20 Airports in the World
CY 2008

	Rank			Airport	Total Passengers	Pax Change Since CY07
	Psgrs	Ops	Cargo			
1	1	30	Atlanta	90,039,280	0.7%	
2	2	19	Chicago O'Hare	69,353,876	-9.0%	
3	13	16	London Heathrow	67,056,379	-1.5%	
4	33	23	Tokyo Haneda	66,754,829	-0.1%	
5	8	6	Paris De Gaulle	60,874,681	1.6%	
6	4	13	Los Angeles	59,497,539	-3.9%	
7	3	28	Dallas/Fort Worth	57,093,187	-4.5%	
8	21	18	Beijing/Peking	55,937,289	4.4%	
9	12	7	Frankfurt	53,467,450	-1.3%	
10	5	74	Denver	51,245,334	2.8%	
11	14	54	Madrid	50,824,435	-2.5%	
12	38	2	Hong Kong	47,857,746	1.7%	
13	18	17	New York J F Kennedy	47,807,816	0.2%	
14	17	14	Amsterdam	47,430,019	-0.8%	
15	6	157	Las Vegas	43,208,724	-8.0%	
16	7	47	Houston Intercontinental	41,709,389	-3.0%	
17	10	75	Phoenix	39,891,193	-5.4%	
18	59	20	Bangkok	38,603,490	-6.3%	
19	68	10	Singapore	37,694,824	2.7%	
20	48	11	Dubai	37,441,440	9.0%	

The Role of Air Cargo in the International Trade of Goods

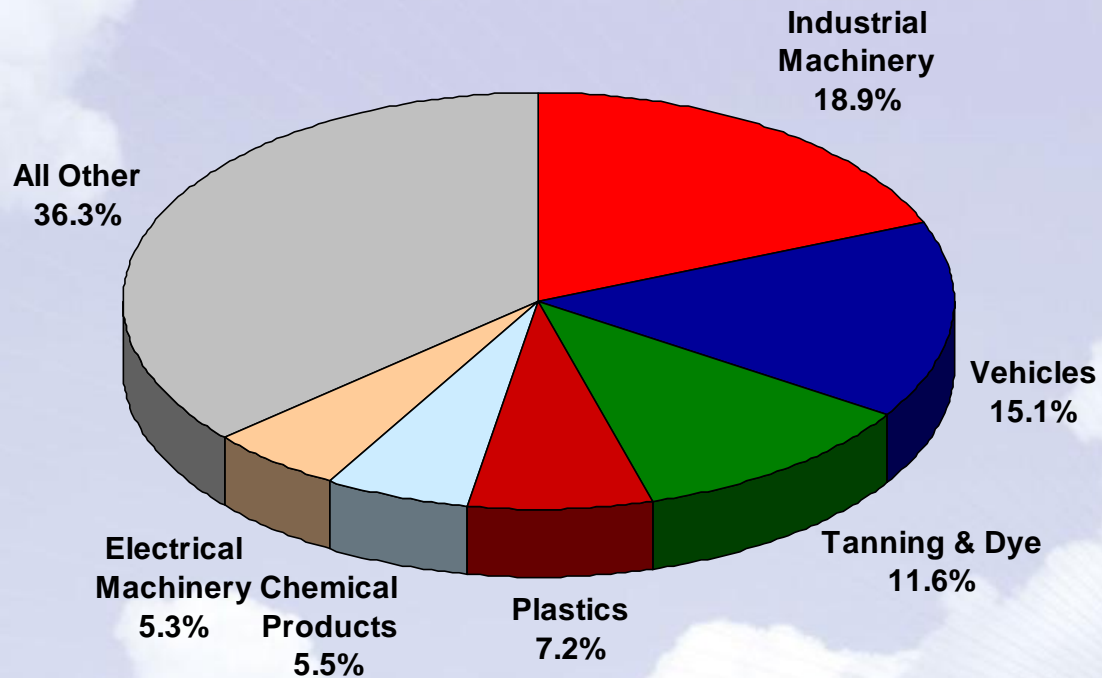
- **Generally speaking, *air-eligible cargo* consists of those goods that are shipped via air, rather than via sea or surface, due to a good's:**
 - High value/Rarity (diamonds, organs for transplant, iphones, flat screen televisions)
 - Just-in-time delivery cycle (automobile and/or machine parts, medical 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.”

Air cargo traffic generates much more economic impact than does passenger traffic

- **Each daily trans-oceanic wide body flight to LAX generates:**
 - \$620+ million in annual economic impact
 - 3,000+ jobs
 - 1 of every 18-20 jobs in Southern California are directly attributable to LAX
- **Approximately 80% of this economic impact, including jobs, is attributable to air cargo traffic, as opposed to passenger traffic**
- **Historical rule of thumb: air cargo accounts for less than 0.5% of total *volume/weight* of goods exported, but 45%+ of *value***

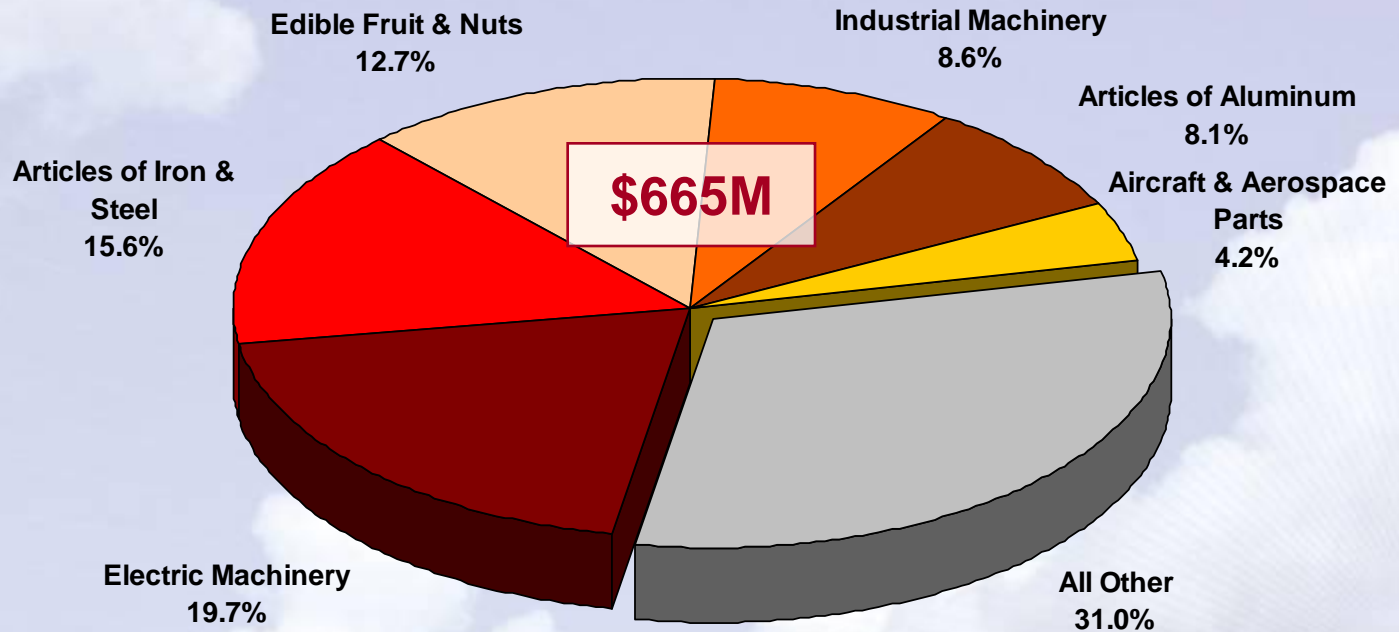
Example #1: \$123.6M USD in air cargo was shipped to Vietnam from LAX during YE3Q2009

Los Angeles Air Exports to Vietnam by Commodity Type
YE 2Q 2009



Example #2: \$665M USD in Commodities Were Exported by Air from LAX to Brazil during YE3Q2009

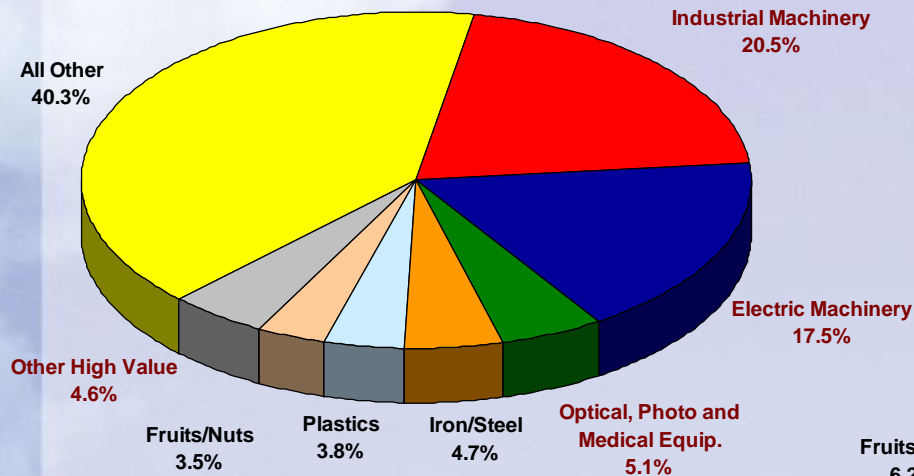
LAX Air Exports to Brazil by Commodity Type
YE September 2009



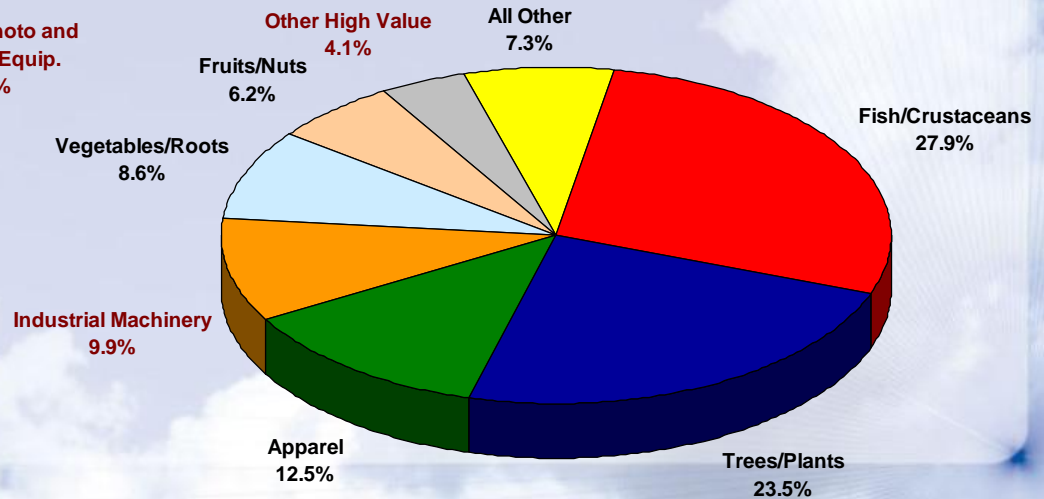
Example #3: Air cargo accounts for 48% of exports, but just 14% of imports between Los Angeles and Latin America during YE3Q2009

Los Angeles – Latin American Trade by Commodity Type
CY 2008

Exports from LAX

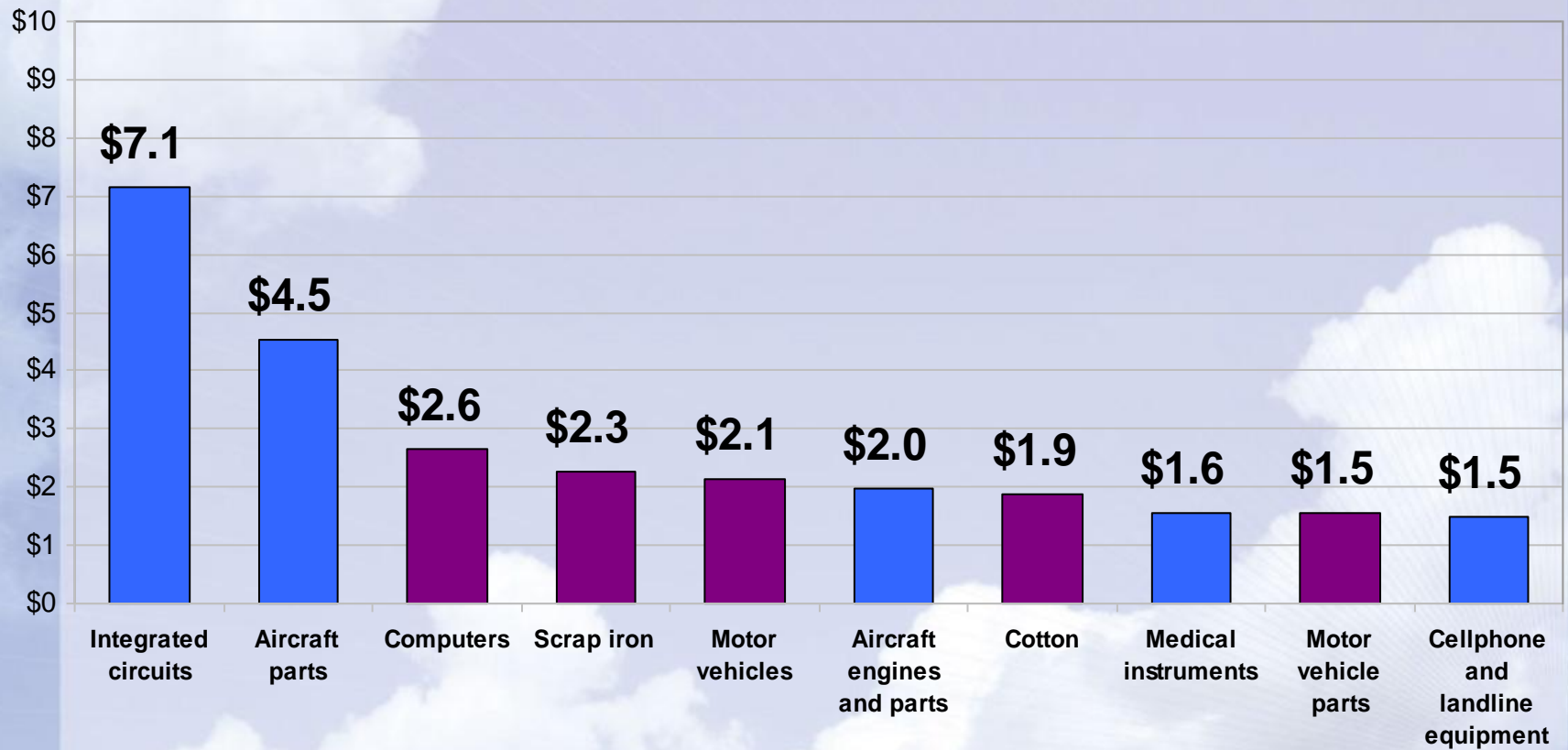


Imports to LAX



Half of the Los Angeles Customs Port's Top 10 Exports are Typically Shipped by Air – Unsurprisingly, Most are Destined for Asia

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



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, which is critical in Southern California during the present weak-dollar environment (in which imports are down)
 - 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... and the manufacture of higher-value goods generally generates higher-wage jobs.

- **The silver lining of a weak U.S. dollar is increased demand for U.S. goods – it is important that Southern California spur its dominant manufacturing sector *and* protect its dominant trade and logistics gateway**

Are There Opportunities for Growth in Air Cargo Exports to Regions Other Than Asia?

- **Several obstacles have prevented growth in trade with the Americas – the region with the most potential for growth**
 - 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
 - *Advantage*: Latin American airlines, particularly LAN Chile, are more oriented toward air cargo than those from any region, other than Asia

- **Europe is a mature market for air cargo exports, but new air service will provide lift to new destinations**
 - Re-initiation of Alitalia nonstop service from LAX to Rome Fiumicino
 - Turkish Airlines (LAX-Istanbul) and Iberia (LAX-Madrid) are like to launch new nonstop service during 2010-2011.

- **Demand to/from Middle East region is low, but Emirates provides air cargo capacity to the Gulf Region, Africa, and India**

Example of a near-term growth opportunity: Latin America

- **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**