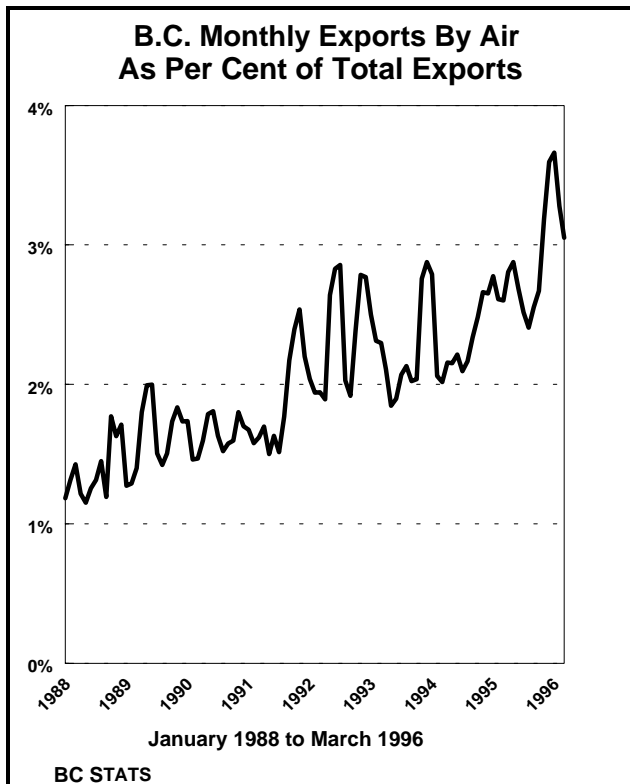


Feature: Air Freight Use Growing With High Value Exports



Air freight is the fastest growing mode of transport for exports from British Columbia, moving a steadily expanding share of the province's export traffic. The trend seems likely to continue as the manufacturing base of the province widens to include more high value products. It is encouraged by the continuing globalization of electronics manufacturing and by the emergence of newly affluent markets in Asia that are better able to afford fresh fish and agricultural products flown in by air freight.

The rate of growth for air cargo exports has been more than twice that for exports shipped by other means. While total exports rose a solid 77% between 1991 and 1995, the value of exports shipped air freight jumped a remarkable 167%. The result has been to increase the portion of total exports moved by air. Over the past eight years, this has expanded from about 1% in 1988, to over 3% in the first quarter of 1996. Growth was particularly strong during 1994, a banner year for air exports.

In that year many Asian economies were growing fast, and North American electronics producers were shifting much of their manufacturing overseas, thereby generating more international traffic in components and sub-assemblies.

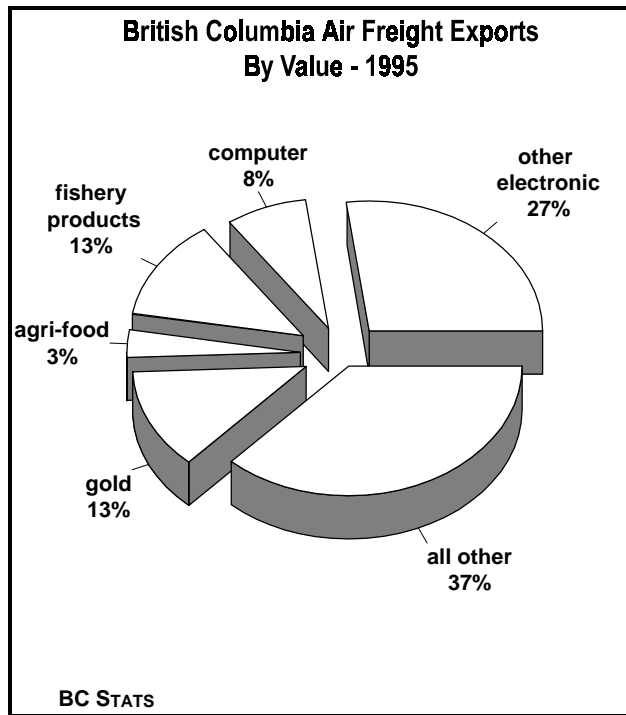
The Products

The expansion of air cargo export traffic has so far come mainly from larger volumes of those same goods traditionally transported by air. As yet, there has been relatively little use of air freight to move goods previously shipped by land or sea. Products traditionally transported air freight from British Columbia have included mainly electronic goods, fresh fish products and gold.

Electrical and electronic goods comprised 35% of total air shipments in 1995. Between 1991 and 1995, this broad class of products grew extremely fast, expanding 282% to \$258 million.

Fresh fish products shipped by air amounted to \$95 million in 1995 - 13% of air freight exports. Most of this was in geoducks and other molluscs. These amounted to \$69 million, 73% of the \$95 million of total fisheries products shipped by air.

Gold exports by air amounted to \$94 million dollars in 1995. Over 60% went to Japan, with most of the remainder shipped to the United States and Britain. Until recently, much of the world's gold supply has been taken up by governments building gold reserves, where a large portion of world stocks are thought still to reside. Recent demand appears to have shifted to other buyers. Lorne Grasley, of the Mining Association of British Columbia reports that demand is now mainly from Asia, where gold is sought for jewellery and for hoarding in countries with cultural traditions that do not include strong trust in banks. He states that jewellery demand in 1995 increased 145% from a year earlier, while hoarding rose by 61%.



Gold is also in demand for a number of fabrication purposes. Much of this market is in Japan. The *Canadian Minerals Yearbook* published by Natural Resources Canada reports that, in 1995, Japan absorbed 40% of gold consumed in electronics products and 28% of that used for dentistry.

Diversification of the British Columbia economy has produced a growing variety of new export goods, some of which are beginning to be exported in significant volumes by air freight.

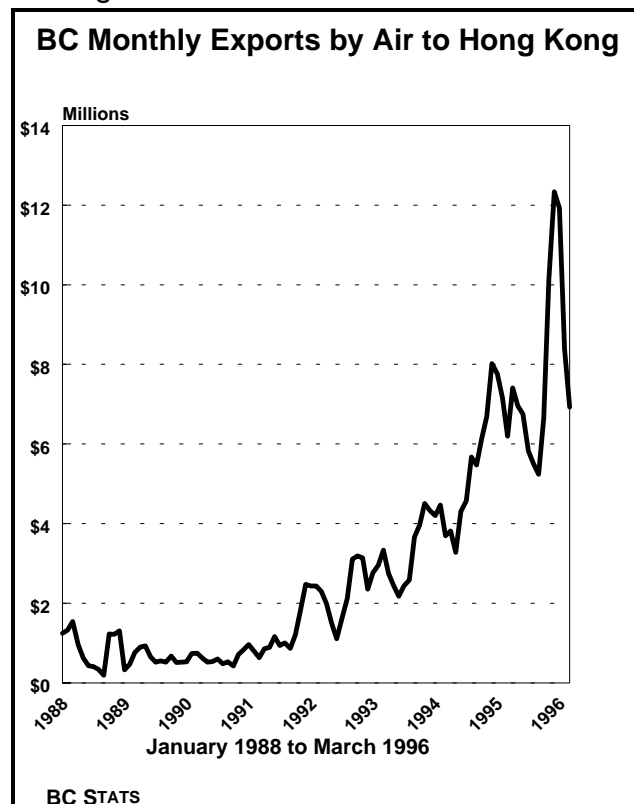
Among these are agricultural crops, new to British Columbia on a large scale, and cultivated specifically for export. Ginseng has been among the most successful of these. Ginseng exports shipped by air amounted to \$9 million in 1995, up from \$2 million in 1991. Cultivation of this root has increased very rapidly. Ministry of Agriculture figures indicate a 194% increase in British Columbia production from 240,000 pounds in 1992, to 705,000 pounds in 1994 - almost all of it for export to Hong Kong.

There is also an expanding range of manufactured products produced in British Columbia and destined for specialised export niche markets. These include, for example, high quality devices for use in medicine, dentistry or veterinary practice. Air exports of these products rose to \$17 million in 1995 from less than \$1 million in 1991.

The Destinations

As might be expected, the principal destinations for air freight exports are the same as those for exports by all modes of transport taken together. The three most important are the United States, Japan and the European Union. Together, these markets accounted for 74% of the total value of air exports in 1995.

Air freight traffic that was not shipped to these main trading partners was mostly destined for the Asia Pacific. A surprising \$89 million (12%) of the province's air freight exports in 1995 went to Hong Kong. These featured \$41 million in fresh molluscs (geoducks, oysters, etc.), \$9 million in ginseng, and the rest mostly in salmon, crabs and miscellaneous electronic equipment. It is likely that a large part was trans-shipped to China - although the exact amount is unknown.



In terms of the percentage of total exports, air freight is more important for trade with some countries than for others. Differences depend mainly on the commodities traded.

The large proportion of exports shipped by air to Hong Kong rank that destination as the one most dependant on air freight. An exceptionally high 33% by value of British Columbia exports shipped to or

through, Hong Kong in 1995, was moved by air. Trade with Singapore included the next highest proportion, at 16%. Air freight also figured largely in exports to the United Kingdom and France, with percentages of 9% and 6%, respectively. The average for all countries was 3%.

**Use of Air Freight in Export Shipping
1995 - By Destination**

Destination:	Exports By Air		Total Exports		Air Freight As Per Cent of Total Exports
	Value (\$,000)	Per Cent			
United States	301,580	40.5%	13,293,259	49.4%	2.3%
Japan	137,636	18.5%	6,767,508	25.1%	2.0%
Hong Kong	89,264	12.0%	270,562	1.0%	33.0%
United Kingdom	35,656	4.8%	385,802	1.4%	9.2%
France	19,886	2.7%	318,079	1.2%	6.3%
Germany	18,052	2.4%	694,248	2.6%	2.6%
South Korea	14,383	1.9%	981,985	3.6%	1.5%
Taiwan	12,396	1.7%	482,185	1.8%	2.6%
Netherlands	11,021	1.5%	184,693	0.7%	6.0%
Belgium	10,133	1.4%	417,484	1.6%	2.4%
Singapore	8,125	1.1%	51,192	0.2%	15.9%
China	8,116	1.1%	499,482	1.9%	1.6%
Australia	7,630	1.0%	298,440	1.1%	2.6%
Thailand	5,526	0.7%	126,325	0.5%	4.4%
other	64,574	8.7%	2,140,189	8.0%	3.0%
All Countries	743,978	100.0%	26,911,433	100.0%	2.8%

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