

Feature:
Air Freight Services Promoting Export Growth and Diversification

As secondary manufactured products have become a larger part of British Columbia's export mix, they have brought about a growing use of air freight services for export shipping. Air cargo now moves 4 per cent of the total value of provincial exports, up from 1 to 2 per cent at the beginning of the 1990s.

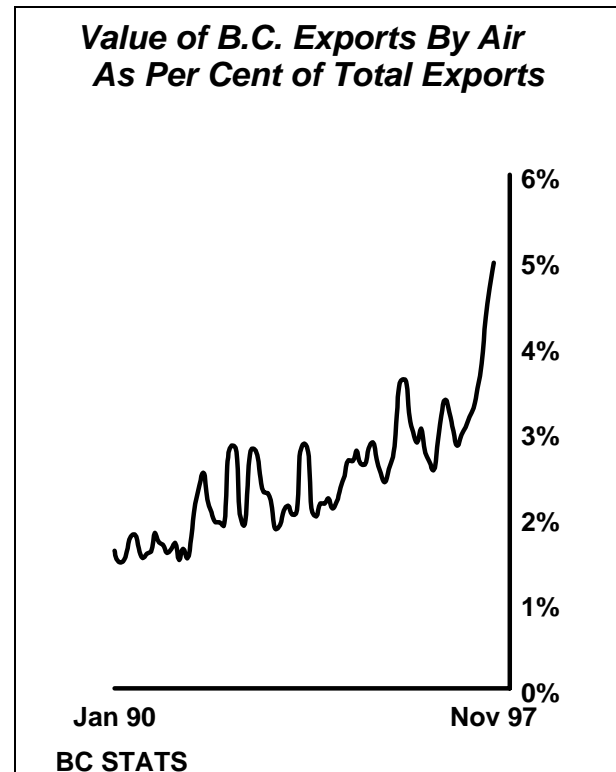
The increased use of air freight for exports from British Columbia has been part of a larger trend across Canada and worldwide. Statistics from Transport Canada record a 35 per cent increase in the volume of Canadian international air cargo traffic from 310 thousand metric tonnes in 1990, to 417 thousand metric tonnes in 1997. It is anticipated that there will be another 11 per cent rise by the year 2000, and a 156 per cent rise by the year 2014.

Boeing, the Seattle based aircraft manufacturer, has projected that the world-wide volume of air cargo shipping will increase by 6.6 per cent annually through 2015.

In British Columbia, the increased use of air freight for export shipping has been largely driven by the province's rapidly expanding electronics industry. Forty per cent of all 1996 provincial exports shipped by air were electronics products. Valued at \$310 million in 1996 and \$324 in the first eleven months of 1997, electronic goods shipped by air have jumped an estimated 300 per cent since 1990.

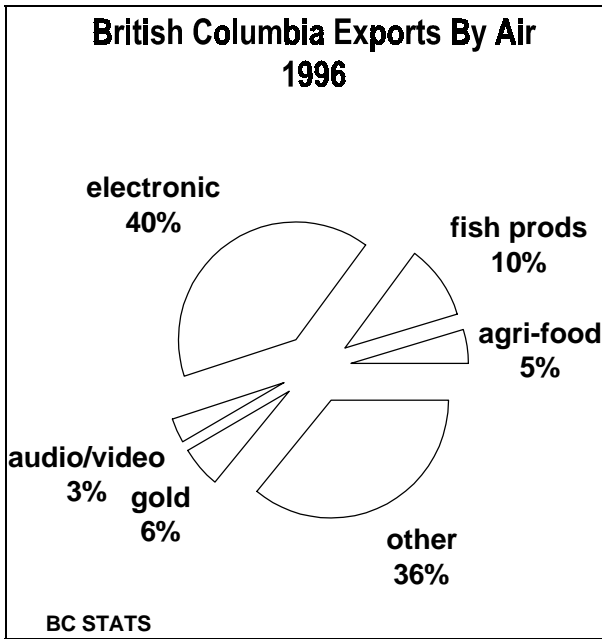
The industrial dependence works both ways. The rapidly growing electronics industry in the province has obvious need of air cargo services, both to obtain components from international sources, and to ship assembled products. Forty-two per cent of electronic components clearing Revenue Canada Customs offices in Brit-

ish Columbia were brought in by air in 1996; and 50 per cent by value of all British Columbia produced electronic exports were shipped out by air freight.



Electronic products are not the only exports that rely heavily on air freight services. Others include high value food items, recorded audio/visual products, and precious metals.

Fish products such as geoducks, oysters and salmon accounted for 10 per cent of the total value of air shipped exports in 1996. Agri-food products including ginseng, mushrooms and fresh cranberries accounted for another 5 per cent. Recorded music and films made up another 3 per cent; and gold metal accounted for 6 per cent.



Among the most important destinations for exports shipped by air were the two key Asian entrepot points – Hong Kong and Singapore. Thirty-one per cent of the total value of British Columbia exports to Hong Kong moved by air, and 29 per cent of exports to Singapore. Air cargo was also used extensively for exports to Singapore’s South East Asian neighbours, including 8 per cent of exports to both Malaysia and Thailand.

For European trade as well, air freight has been moving a larger portion of the province’s exports. Six per cent by value of the province’s exports to the European Union were shipped air freight in November year to date last year, up from an average of 4 per cent in both 1996 and 1995. Some European destinations drew much larger percentages of air freighted exports than others. Ten per cent of 1996 British Columbia exports to the Netherlands were shipped by air; 9 per cent of exports to France; 8 per cent of exports to the United Kingdom; and 7 per cent of exports to Germany.

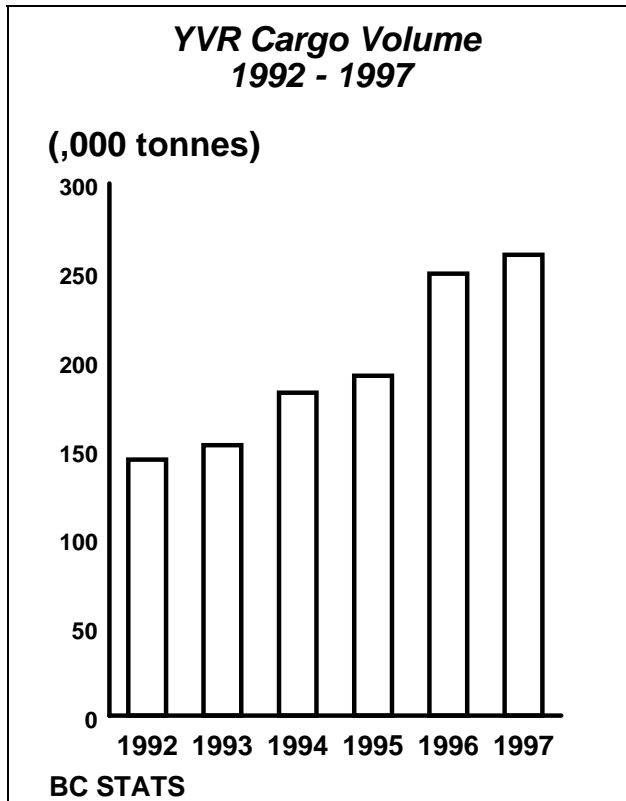
By contrast, only 2 per cent of exports to either the United States or Japan went by air. Although only a small percentage of total exports to these two major trading partners was shipped by air, the volumes were large. Air cargo exports from British Columbia to the United States were worth \$293 million in 1996. Those to Japan were valued at \$114 million.

Despite a 246 per cent increase in the average monthly value of air freighted exports to all destinations between 1990 and November year to date 1997, British Columbia still lags several other provinces in the use of air freight for international trade.

Quebec, for example, shipped 10 per cent of the total value of its exports by air in 1996, compared to 3 per cent for British Columbia. Quebec made proportionately more use of air freight for its exports than any other province, mainly because of its substantial aircraft manufacturing and electronics industries. These same industries are also important in Ontario, where they accounted for much of the 7 per cent of provincial exports shipped by air in 1996.

1996 - Exports By Province					
	Exports By Air		Total Exports		Air Freight As Per Cent of Total Exports
	(\$ millions)	(%)	(\$ millions)	(%)	
BC	775	4.9%	25,682	9.9%	3.0%
Alta	1,032	6.5%	31,580	12.2%	3.3%
Sask	29	0.2%	9,476	3.7%	0.3%
Man	127	0.8%	6,171	2.4%	2.1%
Ont	9,071	57.3%	128,087	49.4%	7.1%
Que	4,552	28.8%	46,959	18.1%	9.7%
NB	26	0.2%	5,383	2.1%	0.5%
NS	176	1.1%	3,115	1.2%	5.7%
PEI	19	0.1%	353	0.1%	5.4%
Nfld	12	0.1%	2,176	0.8%	0.6%
Canada	15,820	100.0%	259,413	100.0%	6.1%

BC STATS



Vancouver International Airport the Key

By far most international air cargo shipments entering or leaving British Columbia pass through Vancouver International Airport, where improvements and expansion of air cargo facilities have made possible the rapid growth of air freighted exports during the 1990s. However, even with these improvements, airport authorities feel that much more could be done.

Dr. Michael Tretheway, Vice President Marketing Services for Vancouver International Strategic Services Ltd., comments that, 'air cargo is still underdeveloped in British Columbia and Canada. While YVR

(the air industry designation for Vancouver International) has roughly a 20 per cent share of the air passenger market for the west coast of North America, we have less than half that for air cargo.'

He cites regulatory problems, taxes and inadequate road transportation routes around Vancouver International Airport as among the principal reasons for this.

To meet their objective of becoming 'the premier intermodal air cargo gateway between Asia and North America, airport management at YVR aims to double air cargo tonnage to 450,000 tonnes by 2010, an annual growth rate of 5.6 per cent. By that year they also hope to 'provide a full intermodal gateway, linked to the North American Highway network, served by major trucking carriers, and linked to Vancouver's ports for sea-air intermodal services.'

Meeting these targets will be important not only for the airport itself, but also for a host of companies that have become established around the airport and which are dependent on it for their business.

The Vancouver International Airport Authority estimates that their air cargo operations generate an estimated 550 direct jobs, and a further 670 in indirect activities such as warehousing, transportation and other services. With their targeted doubling of air cargo volumes by the year 2010, they expect to support a total of over 3,000 jobs 12 years from now.