



IMPACT OF AIR CARGO SERVICES ON ECONOMIC DEVELOPMENT



Air transport plays a pivotal role for Small Island Developing States (SIDS), Landlocked Developing Countries (LLDCs) and Least Developed Countries (LDCs), allowing them to overcome infrequent boat services or poor infrastructure for ground-transportation. Air cargo service routes are regarded as regional lifelines for these areas.

49.3

million tonnes of freight handled by air in 2013

(Source: Annual Report of ICAO Council: 2013)

ECONOMIC BENEFITS OF AIR CARGO

Air cargo transport enables nations, regardless of their geographic location, to efficiently connect to distant markets and global supply chains in a speedy and reliable manner. This is vital for implementing best international business practices, including just-in-time inventory management and build-to-order production.

35%

of world trade by value are transported by air

(Source: ATAG, "Aviation Benefits Beyond Borders", 2014)

Air cargo services are a tremendous enabler for economic progress in developing countries, since they connect markets across continents. High value electrical components and perishable products such as food and flowers are transported all over the world, providing steady employment and sustainable economic growth to regions that benefit from such trade.

Aviation's speed and reliability are also a key factor in the delivery of urgently needed assistance during emergencies caused by natural disasters, famines and wars. Air drops are among the first responses of aid agencies to stem humanitarian crises. Air cargo also plays a vital role in the rapid delivery of medical supplies and organs for transplantations worldwide.

World GDP growth rate can predict the growth-rate of World Air Freight (and vice-versa) with

98% accuracy

(Source: World Bank, "World Development Indicators" 2002)

Business Case: Zhengzhou Airport Economy Zone (ZAEZ)

In November 2011, Chinese city Zhengzhou opened a 5-square-kilometer, customs-free bonded zone on and adjacent to the airport for high-value, time-critical manufacturing and distribution. Foxconn located a manufacturing campus there that employs 240,000 workers assembling Apple's iPhones and other digital devices. Smartphone output from this campus doubled the value of Henan province exports between 2011 and 2012. A number of new projects up to US \$1 billion each are currently under construction in the ZAEZ. These include, among others, Amer International Group, Cainiao Networks, Fair Friend Precision Machinery Park, IBM, and Microsoft. In 2013, there were 48 new major projects signed, worth a total of US \$24.3 billion.

(Source: "Gateway Airports: Commercial Magnets and Critical Business Infrastructure" 2014, By John D. Kasarda, Ph.D.)

According to Air Transport Action Group (ATAG), the largest economic benefit of increased air cargo connectivity lies in its impact on the long-term performance of the wider economy through enhancement of the overall level of productivity. It opens up new markets, boosts exports and at the same time increases competition and choice in the home market from foreign-based producers.

Commodity	Air Traffic 2012* (A330 equivalent)	2002-2012 Compound Annual Growth Rate
Semi-conductors	18	7.5%
Electrical components	15	5.0%
Land vehicles parts	18	5.3%
Aerospace	6	6.1%
Fresh fish, traditional fruits and vegetables	37	2.0%
Exotic fruits, sushi, grand cru	13	6.1%
Pharmaceuticals	12	6.9%
Medical machinery and accessories	5	8.0%

Typical commodities transported by air & their growth rates

*2 trips/day Source: Airbus

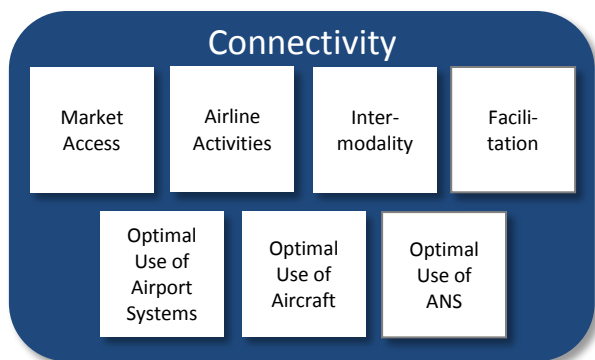
Business Case: Kenya

In Kenya, 90,000 jobs (and 500,000 livelihoods) depend on the cut flower industry, which supports 1.6% of the national economy, generating around \$1 billion in foreign exchange each year. (Source: Kenya Flower Council, 2012) Horticulture has been Kenya's fastest growing sector and is ranked third after tourism and tea as a foreign exchange earner. Over 90% of fresh horticultural products are air freighted. An estimated 70% of the flowers are grown at the rim of Lake Naivasha, northwest of Nairobi. There are good road network connections between the Lake Naivasha growing area and Nairobi's Jomo Kenyatta International Airport, a distance of about 80-100 kilometers. Flowers picked in the morning reach markets in Amsterdam by evening.

(Source: "Air Freight: A Market Study with Implications for Landlocked Countries" The World Bank, 2009)

THE REGULATORY FRAMEWORK

Air transport connectivity is the movement of passengers, mail and cargo involving the minimum of transit points, which makes the trip as short as possible, with optimal user (shipper, consignee or passenger) satisfaction, at the minimum price possible.



In order to optimize connectivity, a strong supporting framework is needed. This includes, among other, market access and liberalization, optimal use of air navigation services, aircraft and airport systems, as well as enhanced facilitation and security procedures. For the full benefits of air connectivity to materialize intermodal connections and efficient airline operations are essential.

ICAO actively contributes to improving connectivity in several areas by fostering various initiatives within that framework. This includes the development by ICAO of international agreements to liberalize air transport, including air cargo services. ICAO also provides support to States to implement multilateral arrangements, such as the Montreal Convention 1999 (MC99)¹, which facilitates the use by airlines of electronic records, including electronic air waybills (e-AWB) and the Cape Town Convention 2001 (CTC 2001)², enabling the acquisition of more modern aircraft.

Improved air connectivity is a key element to economic growth and development through air cargo transport.

¹ Convention for the Unification of Certain Rules for International Carriage by Air, Montreal, 1999.

² Convention on International Interests in Mobile Equipment, Cape Town, 2001.

