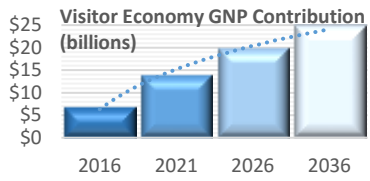
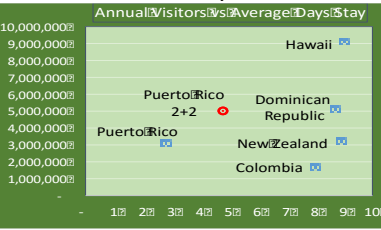


## A Way Forward for Puerto Rico – The Visitor Economy

Focused Strategies	Proposal, Economic & Social Impact	Key Projects Requiring Federal Govt.	Federal Actions	
<p><u>The Visitor Economy</u></p> <ul style="list-style-type: none"> <li>• Puerto Rico, a Premier Destination for the World - to Visit, Vacation, Winter, Retire, Reside, and Export.</li> <li>• The \$7 billion P.R. Visitor Economy currently generates 10% of GNP and approximately 70,000 jobs.</li> <li>• Puerto Rico currently receives 3.5 million overnight visitors or 0.3% of the 1.2 billion annual international trips but only 0.1% of the \$7 trillion Global Visitor Economy because of only a 2.6-day average stay. Comparable destinations have average stays of between 6 and 9 days.</li> </ul>   <p><u>How to grow the Visitor Economy?</u> It's <i>as easy as 2+2!</i> Increase visitors to the island by 2 million and the average stay by 2 days within 5 years. Puerto Rico has underperformed its potential in tourism – one seventh that of Hawaii, one quarter that of New Zealand.</p>	<p><u>Our Proposal</u></p> <ul style="list-style-type: none"> <li>• Double the size of Visitor Economy from \$7b to \$14b by 2021 and triple it to \$20b+ by 2026</li> <li>• Increase Visitor Economy employment opportunities (direct and indirect) from 70,000 to 130,000 in 2021 and 160,000 in 2026.</li> </ul> <p>By 2021, increase Visitor Arrivals</p> <ul style="list-style-type: none"> <li>• Domestic visitors by 1-2 million</li> <li>• International visitors by up to 1 million</li> </ul> <p>• Increase Visitor Stays by 2 nights</p> <p><u>What are the benefits?</u></p> <ul style="list-style-type: none"> <li>• Boost the size of the economy by 10% and reverse the current recessionary spiral.</li> <li>• Stabilize the local service and consumption economy.</li> <li>• Promote job creation and halt emigration.</li> <li>• Ensure essential government services are maintained.</li> <li>• Establish P.R. as an important geopolitical bridge between the US and Latin America.</li> </ul>	<p>These goals will be achieved via the following projects:</p> <ul style="list-style-type: none"> <li>• Make SJU into an International Hub with daily flights from Madrid, London, Paris, Amsterdam, and Frankfurt plus regular flights from Tokyo, Beijing, New Delhi, Mumbai, Hong Kong, Shanghai – 12 new daily flights equate to 1 million visitors with a \$ 4+ billion impact on the PR Visitor Economy.</li> <li>• Increasing global visibility of Puerto Rico as a destination through the creation of a digital content marketing platform, the digitization and uptake of data from thousands of local sites and the facilitation of access of this data to multiple global digital travel platforms.</li> <li>• Improving visitor access to and quality of diverse, geographically distributed experiences and destinations throughout P.R. via the creation of tourism-centered local Transportation Networks, Academic Programs, Centers for Excellence</li> <li>• Establish a Tourism Data Hub that measures all Visitor Economy related activity and accelerate the development of a Tourism Satellite Account to permit comparisons with Global</li> </ul>	<p>Authorize the opening of Luis Munoz Marin International Airport's international passenger <i> Holding Area </i> in conjunction with an adjacent dedicated set of international gates (see the Case for Action below).</p> <ul style="list-style-type: none"> <li>• Support Bilateral International Agreements for Air Routes to San Juan from Beijing, Shanghai, Dubai.</li> <li>• Legislate Puerto-Rico-only Visas for immigrants or Visa Waivers for visitors from <ul style="list-style-type: none"> <li>○ high volume visitor originating points including China, India, Brazil and Mexico</li> <li>○ multiple Caribbean nations including Cuba, Jamaica, the Dominican Republic and other Caricom nations</li> <li>○ Latin American students enrolling in PR university programs</li> </ul> </li> <li>• Support Puerto Rico global visibility project through US assets such as VisitUSA/BrandUSA and through community development funding</li> <li>• Provide Federal skills training funds for tourism workers and for the development of Centers for Excellence</li> <li>• Provide economic and technical assistance to create modern measurement system for visitor economy activity</li> </ul>	<p>DHS</p> <p>DOT, DoS, USTR</p> <p>US Congress, DHS, DoS</p> <p>DOC, EDA, WIA, NTTO</p>



## The Case for Action on an International Hub at the San Juan LMM International Airport

Puerto Rico's San Juan International Airport (SJU), as currently configured, can readily handle 5 million additional arrivals and further terminal expansion is feasible. The modest goal of achieving 12 daily long range flights from Europe and Asia within 5 years translates to well over 1 million annual arriving passengers and would have a very significant \$3-4 billion impact on Puerto Rico's visitor economy. If international passengers were allowed to move through through SJU without entering USA territory by remaining in a sterile holding area, this would permit airlines to efficiently schedule frequent long range wide body flights to San Juan from important markets without having to fill the aircraft solely with visitors to Puerto Rico. This would both permit airlines to schedule more frequent flights from existing cities and make more feasible the opening up of new routes.

Currently, the Federal Government requires all passengers arriving on international flights and transiting to another international departure to pass through immigration, retrieve their luggage, clear customs with their luggage, exit the secure customs area to the public arrivals area and then re-enter the airport system via the departures area, present their international travel documents to the airline agent, recheck their luggage, clear TSA security with their hand luggage and proceed to their boarding gate. This exhausting and time consuming procedure makes it very difficult for any US airport to serve as a hub for international traffic.

Puerto Rico has an operable international passenger holding area at SJU that has not been authorized for use. Here are the factual arguments to support both the priority and strategic advantage of authorizing its use.

It is important to note that the geographical location of the US – a large land mass located between two oceans high in the northern hemisphere - does not lend itself to being an efficient connection point between major international cities. The major international airports in the continental US utilize all their available capacity

- to serve as gateways for inbound international passengers visiting the United States mainland
- as hubs for domestic flights servicing the large passenger volumes of their locales as well as connecting international passengers.

For these continental airports, the creation of international transit areas would challenge Federal statutory precedent and, given the lack of excess capacity, would entail displacing existing passengers and flights and additional operating costs.

Puerto Rico is situated at a point sufficiently far to the south and east in the Atlantic Ocean where, coupled with its growing network of regional flights, it can provide efficient access from European and Asian hubs to Caribbean and Latin American destinations.

- The success of the Panama (PTY) airport as a hub between North and South America is a relevant model for Puerto Rico both because of the geographic and demographic parallels with Panama and because of the dramatic impact on its economy, second only to the Panama Canal. It is worthy of note that Panama is now significantly expanding its departures to Europe and the Middle East and is pursuing new routes in Asia.
- Beyond the obvious large originating cities in Europe and Asia there are any number of potential air routes that are uniquely advantageous for Puerto Rico from a Great Circle efficiency point of view:
  - Auckland, New Zealand is beyond the range of direct flights from Western Europe. Puerto Rico is as efficient a connection point as Dubai.
  - Tahiti is beyond the range of direct flights from Europe, the Middle East, and South Asia. Puerto Rico is as efficient a connection point as LAX.
  - Cape Town, SA is beyond the range of direct flights from the western US.

While security may have been the original motive for the post-911 closing of the transit areas, the experience of the last 15 years has transformed security operations.

- All US (including Puerto Rico) bound flights are subject to special passenger and baggage security controls at the originating airports.
- Technology permits the tracking of all passengers and their baggage from the point of origin. There is even a historical precedent for luggage transfer at SJU.
- Major international airports (e.g. London/Heathrow, Seoul/Incheon and Madrid/Barajas) with the highest security risks have implemented international passenger security control points within their Transit Areas that include travel document and hand baggage inspection. DHS may establish security controls for transiting passengers within the International Transit Area.
- Unlike airports in the continental US, Puerto Rico offers no overland access to the U.S mainland providing a further cushion of security.

## A Way Forward for Puerto Rico - The 21st Century Export Economy

Focused Strategies	Proposal, Economic & Social Impact	Key Projects Requiring Federal Govt. Support	Federal Actions
<p>21<sup>st</sup> Century Manufacturing and Innovation and Service Industry Exports– Puerto Rico is an excellent platform from which to develop and export services, technology and innovation, digital content and software. It has any number of important assets to deploy:</p> <ul style="list-style-type: none"> <li>• A historical manufacturing-based ecosystem</li> <li>• sophisticated digital and physical infrastructure as compared to the world.</li> <li>• A trained work force and excellent higher education institutions.</li> <li>• An excellent and expanding network of air connections</li> <li>• Underutilized northbound maritime capacity</li> </ul> <p>There is an important innovation ecosystem under construction:</p> <ul style="list-style-type: none"> <li>• major initiatives in R&amp;D and technology transfer led by a dynamic and active <i>Puerto Rico Science and Technology Trust</i></li> <li>• an effort to revitalize manufacturing with a focus on the development of new clusters of activity supported by the <i>PR Industrial Development Company</i>, the <i>PR Manufacturers' Association</i> and others.</li> <li>• a burgeoning network of organizations engaged in <ul style="list-style-type: none"> <li>○ <u>entrepreneurial development</u> - Grupo Guayacán, Parallel 18, Colmena66, Codetrotters, Centro Para Puerto Rico, Echar Pa'lante, San Juan Tech Meetup, Inversion Cultural, Centro Para Emprendedores, and ConPRmetidos)</li> <li>○ <u>access to capital</u> - San Juan Capital Network, Ausubo Ventures, Startup Popular, Semillero Ventures, Parliament Capital, Bluehaus Capital and Kiva Zip</li> <li>○ <u>university-based support</u> - ACT Global, PRTEC, INTECO, etc.</li> <li>○ <u>physical infrastructure for start-ups</u> - Engine4, Piloto 151, La Oficina , etc.</li> </ul> </li> </ul>	<p>Expand Exports of Technical and Financial Services, Software, Technology, Digital Content and Innovative Products.</p> <p>The development of <i>innovation driven exports and services</i> will produce directly <b>tens of thousands of new high quality jobs over the next decade</b> with an even larger indirect economic and social impact.</p> <p>Transforming Puerto Rico into a regional and global innovation hub will leverage all the assets and sophistication developed during the last half of the 20<sup>th</sup> century. Many of the challenges Puerto Rico has faced historically are related to an inward-looking economic view which is rapidly changing.</p> <p>As Puerto Rico opens up to the world, it will become once again an important asset to the United States, a beacon of democracy and an engine for regional engagement and transformation.</p>	<p>The creation and expansion of hubs for multiple industries:</p> <ul style="list-style-type: none"> <li>• <u>Aerospace and Aviation Services</u> – A very important start has been achieved with <i>Lufthansa Technik</i>, <i>Infotech Aerospace</i> and <i>Honeywell Aerospace</i>. This core must be expanded with additional anchor enterprises. Puerto Rico is an ideal venue for U.S. Flag Industries that touch on National Security such as Aerospace and Aviation</li> <li>• <u>Biopharmaceuticals, Health Sciences and Clinical Research and Services</u> – The <i>PR Science and Technology Trust</i> has been constructing a new core of innovation and technology-driven initiatives</li> <li>• <u>Innovation-driven Enterprise Startups</u> – Puerto Rico is a great venue for startups with an increasingly well developed ecosystem but it requires scale</li> <li>• <u>Innovation-driven Agriculture</u> – This sector can be transformed into a multi-billion-dollar engine.</li> </ul>	<ul style="list-style-type: none"> <li>• Support the ongoing development of the innovation ecosystem with DOC / SBA / NSF / NIH/ CDC/ NSA programs and projects</li> <li>• Limited time Federal incentives to jumpstart Puerto Rico manufacturing and innovation exports via the Section 245 approach</li> <li>• A special allocation of H1B visa applicable for residence in Puerto Rico to bring in crucial specialized talent for export expansion</li> <li>• Implement Startup Visas for Puerto Rico innovation startups – allowing entrepreneurial groups from around the world that are brought in under acceleration programs (e.g. Parallel 18) to reside on the island for up to 24 months</li> <li>• Establish federally supported (WIA) skill training for local university graduates in technical fields including programming and data analytics that prepare them to work in innovation and service industry export ventures.</li> <li>• There are Federal structures that allow investment in agricultural ventures</li> </ul>