

Respectfully, we ask the Puerto Rico Task Force committee to consider an amendment to Section 808 of Law 108-176 of December 12, 2003, also known as the Stevens Amendment, to include the Puerto Rico name next to Alaska, under 49 U.S.C. section 41703 (e) and reestablish "transit-without-visa" program on the island.

The Stevens amendment granted the state of Alaska limited exceptions to cabotage prohibitions for certain cargo operations. That, along with the Department of Transportation's (DOT) expanded air cargo transfer options, allows a cargo flight from a foreign carrier to stop in Alaska, transfer or consolidate cargo with domestic or other foreign carriers and continue to other United State airports. This brought Alaska more business opportunities in the international air cargo industry, making the Anchorage airport in Alaska a major international cargo transfer hub; number two in the nation and number five worldwide. This contributed to Alaska's economic development and had a high impact on its surrounding communities.

Alaska and Puerto Rico share important similarities regarding the air cargo industry, which justify the application of the Stevens amendment to Puerto Rico. Both are geographically isolated from the mainland, therefore both are heavily dependent on air transportation. Both have an important strategic location that is ideal for an international air cargo hub. But, prior to 2004 Alaska could not fully utilize this geographic location advantage because most cargo flights were overflying the state, the same is happening to Puerto Rico now. Furthermore, planes that make refueling stops in Puerto Rico or pick up cargo cannot take full advantage of cargo transfer options due to limited legal authority and cabotage laws.

The reasons air carriers were overflying Alaska prior to 2004 are the same for Puerto Rico today. Alaska has limited air cargo production by itself, same as Puerto Rico, with the exception of pharmaceutical shipments; the island does not produce significant amount of air cargo. Consequently, it does not attract enough international flights that would help develop the island as an international cargo hub.

Another reason air carriers were overflying Alaska then and Puerto Rico now is that modern planes can fly farther without refueling stops. But cargo planes have to balance between carrying more gasoline to fly farther with less cargo or carrying less gasoline to fly shorter distances with more cargo. Therefore, for an air carrier a strategic geographic position is important to stop for refueling and carry more revenue-producing cargo. Among competing regional close by air cargo hubs, you need more than a good geographical location to stop for refueling. When there are options for air carriers on where to stop, airports need to enhance the fuel pit stop as much as possible by being able to transfer and consolidate cargo as freely as possible among as many air carriers as possible, increasing operational efficiency. This is control in each country by cabotage laws, cargo transfers regulations and international air agreements.

An additional reason air carriers were overflying Alaska was the unfair competition for cargo flights from regional airports in Canada and Russia. Some offered more economical options others a shorter route between Europe and Asia destinations. Puerto Rico confronts similar competition from airports from Colombia and the Dominican Republic that attract by far most international flights in the region.

El Dorado airport (BOG) in Bogota, Colombia, is South America's largest air cargo hub. Its geographic position, open sky treaty with the United States, and free trade agreements with Europe and the United States enhance its position as a major transportation hub; where air carriers can freely consolidate and transfer cargo and passengers. Also, most major Latin American air carriers have Colombian flag subsidiaries, thus allowing them ample cargo transfer options.

El Dorado airport is privately managed. It is undergoing a major renovation that is modernizing and expanding its facilities, with an investment of more than US\$600MM. This will further enhance its position as the leading cargo hub in South America.

The Dominican Republic has air connections with more than 28 countries and 96 cities from around the world. It has free trade agreements with Europe and the United States. Due to the long distance of many of its flights most planes that serve the island are wide-body type that have extra belly cargo space for revenue operations. Logistics companies have established operations in the Dominican Republic largest airport, Punta Cana (PUJ), as their cargo hub for the Caribbean, Latin American and North American markets. Consequently, consolidating and transferring cargo among these tourist flights with no restrictions regarding transfer options. The Dominican Republic government is encouraging foreign and national carriers to make the island nation a regional passenger and cargo hub. The Dominican government has shown a willingness to make the necessary legal changes and adjustments to achieve this goal.

Spain and the Dominican Republic signed an agreement in 2011 to reduce the tax burden of Spanish companies investing in the Dominican Republic and the Dominican investors in Spain avoiding double taxation.

"Dividends paid by a subsidiary to a Spanish Dominican Republic society may become exempt from income tax in the country," said Jose Serrano tax expert from Deloitte DR office.

This agreement facilitated economic exchange, trade flows of goods and capital between both countries. That, combined with significant lower wages and other tax incentives, has helped the development of the tourism industry in the Dominican Republic to become the largest tourist destination in the Caribbean area. Spanish investment accounts for more than 70% of Dominican Republic hotels. The Dominican Republic has well over 68,000 hotel rooms, a number that keeps growing at a very fast pace every year with new hotels, compared to almost 15,000 in Puerto Rico. It is not even a contest, that Puerto Rico is losing to Dominican Republic ability to attract hotel builders and tourist visitors.

The Dominican Republic government is also making great efforts in attracting cruise ship business. Cruise passenger visits have been growing steadily. Last year they opened a third cruise ship terminal in the Dominican Republic north coast, in Puerto Plata. This new port is expected to receive up to 500M tourists this year. There is a big downtown development in Santo Domingo that include a major cruise ship port.

Dubai Ports Company opened a regional maritime cargo hub near Santo Domingo, called Puerto Caucedo. Recently Dubai investors started a \$100MM warehouse and distribution complex to make the Dominican Republic the main maritime cargo hub of

the Caribbean region. These operations are very close to Las Americas International airport. Enhancing the synergies between both facilities.

Thus, the Dominican Republic air transportation business has greatly benefited from its successful tourism development. That, along with tax incentives and government efforts has made the island nation a powerful regional hub, with great potential of additional expansions. The government's goal is to double tourist visits in the next 5 years to reach 10MM. the Dominican Republic has become a formidable competitor against Puerto Rico tourism industry, which is unable to compete with much higher salaries and operational costs, in addition to having to comply with Puerto Rican and Federal requirements.

Colombia and the Dominican Republic are the transportation hubs that Puerto Rico should be. Both countries represent an unfair competition to the island. The same situation Alaska had prior to 2004 with unfair competition from Canada and Russia.

The Stevens Amendment leveled the playing field for Alaska against competing airports. Making Alaska more attractive to domestic and foreign air carriers for cargo flights refueling and transfers. Alaska is now a major international air cargo hub. The same should be done for Puerto Rico. Implementing the Stevens amendment will attract domestic and foreign air carriers that could combine their networks on the island by transferring and consolidating their cargos between airplanes and between airlines. Thus, helping create a major air cargo hub to serve air trade routes between North America/South America, Europe/South America and Middle East/South America. This will not only be an important tool that will help restart Puerto Rico's economic growth, but also will be beneficial to American air carriers and transportation business interests, that are being left out of participating in these routes.

Boeing's report on World Air Cargo Forecast 2014-2015 predicts that "the number of airplanes in the worldwide freighter fleet will increase by more than half during the next 20 years as demand for air cargo service more than doubles". Other reports predict even higher air cargo growths. This will place a new burden in an already congested American airport system. Forcing major investments to expand airport facilities. A more rationale and efficient system should also be considered by receiving fewer planes with larger cargo yields per flight. A cargo hub in Puerto Rico will help achieve this goal, by doing primary sorting on the island by transferring and consolidating cargo from different air carriers, domestics and foreign. Thus, bringing more cargo closer to final destination airports in the mainland with fewer planes with higher cargo capacity utilization. This will liberate airport space and save gasoline. Making the air cargo supply chain more efficient, timely, and reliable.

Although most world air cargo is moved by freighters, most air cargo capacity is in passenger wide body aircraft on its belly cargo space, which have extra capacity for cargo revenue operations. For this reason, Congress should consider granting Puerto Rico partial cabotage exception for air cargo flights (Stevens Amendment) and also consider partial cabotage exceptions for passenger planes. This will support the cargo hub by using the belly space on modern passenger planes and promote the tourism industry on the island, especially from Europe and Middle East.

Congress protected Alaska as its most northern air trade route frontier by implementing the Stevens Amendment. Thus, enabling the state to take advantage and commercially develop its ideal geographic position leveling the playing field with competing airports. But, Congress has forgotten its most southern air corridor trade route frontier, Puerto Rico. This void has allowed to bring more business opportunities to foreign competing airports, boosted investments in these competing foreign airports, brought more international flights to them, and further enhanced their position as a major cargo and passenger's hubs in the region. As a result, these business opportunities are kept away from Puerto Rico and American air carriers. Further encouraging overflights of the island, making Puerto Rico more economically dependent and keeping the island almost invisible to the international air cargo business community. Furthermore, contributing to keep Puerto Rico in a recession.

Not granting these privileges to Puerto Rico is ignoring an opportunity to insert Puerto Rico as a hub and United State air carriers to participate in the growing air cargo routes between Europe/South America and Middle East/South America strengthening foreign air carrier's domination on these air routes, further enhancing the position of foreign regional airports.

Granting the Stevens Amendment to Puerto Rico will help attract cargo and passenger flights to the island that now are overflying it and using Colombia and the Dominican Republic as a cargo hub to North and South America, and Europe and Middle East.

In addition to these similarities between Alaska's and Puerto Rico's situations which justify the application of the Stevens Amendment, Puerto Rico has other compelling reasons that make its case more urgent in the implementation of the Stevens amendment. Puerto Rico has lacked a vision and strategy to stimulate its economic growth which has resulted in an economic recession that has lasted for more than 10 years. This has resulted in budget deficits, a significant emigration of its population because of lack of economic opportunities on the island and poverty rate double that of Mississippi. The island does not have valuable natural resources to exploit commercially. Recently has defaulted on its bond payments obligations. Evidently, Puerto Rico is in great need of new economic growth initiatives like the Stevens Amendment.

Applying the Stevens amendment for cargo and passengers flights to Puerto Rico will not be an economic rescue or bailout to the island by Congress, but it will give the tools and strategies to bring back economic development to Puerto Rico by making it more self-sufficient. By using one of its more important natural resources, its strategic location and air space. A major air cargo and passenger hub in Puerto Rico will bring new business opportunities to the island and protect United States companies' interest in the southern air corridor border. This new source of revenues will help the island to go back to bond markets and start paying back its bond payment obligations, in a way no other business strategy can do in the shortest amount of time.

Given Puerto Rico's location, equidistant from the trade corridors of North and South America, Europe and South America, the island is a prime location in which to develop warehouse facilities for just in time deliveries, repackaging, sorting and light

manufacturing in a free zone environment. Thus, a Puerto Rico hub will encourage other industries, having a multiplying effect on the economy.

Puerto Rico has three airports that can take advantage of the Stevens Amendment. Aguadilla (BQN), Luis Muñoz Marín (SJU) and Roosevelt Roads (NRR); all of them are in coastal areas. The Aguadilla airport has a designated free zone, aircraft maintenance and repair facilities and an aeronautics college.

Puerto Rico as a geographically isolated American territory confronts a foreign scenario different than any mainland airport, creating challenges and opportunities for the island. Puerto Rico's regional foreign competitors have the authority to make the necessary changes to adapt and win by attracting air carriers and related operations. These competing airports have been successful in overshadowing the island in the air transportation routes between South America and major world trading regions. Puerto Rico has been left behind in participating in these opportunities. For all of the above reasons we respectfully ask the Puerto Rico task committee to recommend the necessary legislation to the Congress to implement the Stevens amendment to Puerto Rico for cargo and passenger planes and reestablish the "transit-without-visa" program on the island, with all the necessary security requirements and safeguards. This program will work very well in Puerto Rico since passengers have to go through a security check points before boarding a plane to United States or other destinations; they just cannot walk out onto, mainland USA, like in other United States airports. This will make the island a transfer point for passenger planes, enabling the use of its belly space for cargo to enhance cargo transfer options in the island and further develop its tourism industry.

The implementation of these regulatory changes will make Puerto Rico, America's hub. The island requires all of these regulatory changes because the Latin American air trade route is not as big as Asian and North American air trade routes, which brought success to Alaska. Hence, in order to have the necessary critical mass of cargo and passengers to succeed and have the impact on Puerto Rico's economy in the shortest amount of time, we need Stevens' amendment requests for cargo and passenger planes and transit without visa program in order to make Puerto Rico a destination hub for cargo, passengers and tourism. As we have shown, all three sectors synergistically complement and improve each other. This will work very well in one place, creating a hub. Counterbalancing the fact that the island do not have natural resources to exploit commercially and the lower wages from competing tourism destinations. This will stimulate domestic and foreign carriers to establish operations on the island, creating a major cargo and passenger's hub, that will bring new opportunities for economic growth and high quality paying jobs, expand United States share of international cargo flights linking major trade regions with South America and promote the development of Puerto Rico's tourism industry. This will level the playing field of Puerto Rico with regional competing airports and tourist destinations. It would be a win-win proposal for all parties involved at Federal, National and local level without Congress bailing out Puerto Rico economy.

The implementation of this proposal is urgent to avoid carriers further developing and investing in alternative routings and airports for their intercontinental air cargo services to South America.

Granting the relief requested in this application will be fully consistent with the National Export Strategy.

Respectfully submitted,

Jeronimo Lectora