

Megacargo air hub at former Ramey base appears queued for takeoff

DDEC fast-tracking request to give site federal free trade zone designation key to attracting business interest in Aguadilla transshipment project

BY JAIME SANTIAGO
jaimes@caribbeanbusinesspr.com

The development of the Rafael Hernández Airport at the former Ramey Air Force Base in Aguadilla into a megacargo hub, a project that has been discussed on and off for years and recently proposed again by the Puerto Rico District Export Council (PRDEC), is moving ahead and might become a reality sooner than expected.

"A few months ago, we met with personnel from the government's Economic Development & Commerce Department [DDEC by its Spanish acronym] and they understood the merits of the project and started working with us to make the concept a reality," Edmundo Rodríguez, a member of PRDEC, told CARIBBEAN BUSINESS. "The first step to make this initiative attractive to private business is to get the 'free trade zone' designation for the site from the federal government; this will offer many economic benefits to any company that decides to start operations at the airport."

Members of PRDEC—the local chapter of the National Export District Council (NEDC), a private-sector organization that complements the U.S. Commercial Service's export-promotion program—say the free trade zone (also known as "free zone" and "foreign trade zone") designation could be obtained in just a few months.

"The DDEC has fast-tracked the free zone petition, and it should be a matter of months before it is awarded by the federal government," Rodríguez said.

Free zones are considered outside local and U.S. territory for customs purposes. Goods admitted and services provided in a designated free zone aren't subject to formal local or U.S. Customs entry protocols or payment of duties while in the zone.

Some of the financial advantages provided by use of an FTZ are:

- Improved cash flow: Duty payments can be deferred.
- Reduction of duties: Minor assembly of merchandise is allowable.
- Lower inventory costs: Reduced duty rates on imported goods during the time they are warehoused within the FTZ.



The development of the Rafael Hernández Airport at the former Ramey Air Force Base in Aguadilla into a megacargo transshipment hub is moving ahead and might soon become a reality.

- Improved logistics: Goods may be stored for unlimited periods of time.
- Operations that are well suited to maximizing the benefits of an FTZ are:
- Assembly
 - Warehousing
 - Testing
 - Repair
 - Manufacturing
 - Repackaging
 - Salvage
 - Labeling.
- "The Aguadilla facility could become a

superhub for incoming and outgoing air cargo from and to many destinations, including Europe, the Far East, and North and South America," said Jerónimo Lectora, a member of PRDEC. "Aguadilla is a world-class airport with the necessary space for growth. Not only does the facility have the potential to handle traditional air-freight cargo, it could also become a small-package handling and sorting center for companies such as United Parcel Service Inc. (UPS), FedEx, DHL and others."

Many close to the air-cargo transportation

Continued on next page

Continued from previous page

industry agree on the installation's great potential for development. Industry sources say one of the main attractions of the Aguadilla airfield, which is under the control of the commonwealth Ports Authority, is its geographical location in relation to many other important cargo-handling airports worldwide.

"Most big cargo airplanes have a range of approximately 7,000 to 7,500 miles," Lectora told CARIBBEAN BUSINESS. "That makes non-stop flights possible to and from most European airports to Aguadilla. That is a great advantage for this industry."

According to a recent market study by Boeing, air-cargo traffic has been growing at a faster pace than passenger traffic since the 1970s. The study's least optimistic projection is a 5.3% annual growth, with a more optimistic assessment of 6.9% growth. Another market study by Global Industry Analysis Inc., a globally recognized market-research publisher, shows that approximately 20% of the manufactured goods traded internationally use air-cargo transport, and this percentage is expected to reach 77% by the year 2020. The study notes that the ever-increasing need for just-in-time delivery will fuel this growth.

This expansion pattern in the worldwide air-cargo industry has created the need for additional airport hub facilities. Since 2005, UPS has constructed at least five regional freight hubs at airports across the U.S. and, just last year, FedEx filed a \$28 million building permit to build a two-story sorting facility next to its existing megahub on the north side of Memphis International Airport. The company also recently invested more than \$200 million to expand its Indianapolis hub and has beefed up other facilities around the nation.

Joselin Ramos, PRDEC member & senior vice president of CaribEx, an air-cargo company, said the former U.S. Air Force base's assets go beyond location.

"The Aguadilla airport has one of the best and longest airstrips in the world," Ramos said. "The basics needed to start this important project already exist. There is a fine airport facility, all the needed space for the start-up of satellite and support industries, excellent geographical location and good climate conditions. Airplanes coming from Europe to Central and South America could stop in Aguadilla to refuel. If the airport attains the free-zone designation, fuel would be cheaper than at other locations, allowing the airlines to buy less fuel at origin, thereby increasing their payload capacity [meaning they could carry more cargo with the weight saved from using less fuel] and saving money at the same time. This is just an example of the many benefits Aguadilla could represent."

Lectora noted that aerospace-industry



The Puerto Rico District Export Council is following the model set by former Kelly Air Force base in San Antonio, which was also turned into an air-cargo hub and today boasts 19,000 jobs and an economic impact of \$4.2 billion. PRDEC members (from left): Mariano Parlato, Edmundo Rodríguez, Joselin Ramos and Arturo Gallardo.

companies already established in the area could benefit from having an air hub nearby.

"Other companies in the field could be attracted to establish their operations in the area, thereby creating new jobs," he said. "An aircraft-maintenance industry also would be a possibility. Puerto Rico has the resources and human capital for this kind of business, which has enormous job-generating potential."

"Aguadilla is a world-class airport with the necessary space for growth."

—Jerónimo Lectora, a member of the Puerto Rico District Export Council

PRDEC officials have discussed the project with companies already doing business at the Aguadilla facility, and most have expressed willingness to expand their operations at the site if the initiative materializes.

"We have spoken to companies such as Air France, Lufthansa and Cargo Lux, which already

have operations in Aguadilla, and all have expressed interest in the project," said Mariano Parlato of the PRDEC.

The concept of military airfields turned into commercial logistics hubs is not new, and has proven successful in other jurisdictions. An example would be Kelly U.S.A. in San Antonio, Texas. As an air logistics center known as Kelly Field Annex (formerly Kelly Air Force Base) that was part of Joint Base San Antonio, it provided global air logistics support to the U.S. Air Force and oversaw 6,000 aircraft. In 1995, after being decommissioned, the city of San Antonio created a redevelopment authority to work on the transition and transfer of base facilities to civilian operations, and the airfield became Kelly U.S.A., an aerospace industrial park. The redevelopment strategy was anchored by three business sectors: aircraft engine maintenance, aircraft maintenance and modification, and distribution.

The results of the initiative have been exceptional, with an economic impact for the region of \$4.2 billion that includes some 9,000 aerospace jobs, 17,000 direct and indirect jobs, and \$500 million in payroll.

The former Ramey base could represent a similar economic boon for Puerto Rico.

"The best part of the Aguadilla project is that there is almost no cost to the government," said Arturo Gallardo of PRDEC. "The facilities already exist and some fine-tuning is what is needed to make it happen." ■