



**Expanded cargo and passenger  
flexibility at Puerto Rico  
International Airports**



UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.

Order 2020-4-10

Issued by the Department of Transportation  
on the 29<sup>th</sup> day of April 2020

Served: April 29, 2020

In the matter of

**Expanded Cargo and Passenger Flexibility at Puerto Rican International Airports**

Docket DOT-OST-2019-0085

**FINAL ORDER**

**Summary**

By this Order, the U.S. Department of Transportation is finalizing our tentative findings and conclusions in Order 2020-2-12 and granting certain blanket authority to foreign air carriers under 49 U.S.C. § 40109 to enable them to provide certain expanded cargo and passenger transfer services at international airports in the Commonwealth of Puerto Rico (Puerto Rico).

**Background**

By Order 2020-2-12, issued February 19, 2020, in response to an application filed in this Docket by Puerto Rico, we directed interested persons to show cause why we should not grant exemption authority for a two-year term to all foreign air carriers (except as specified below and in ordering paragraph six) that currently hold, or that may subsequently receive, effective Department authority to engage in scheduled foreign air transportation of cargo (whether under authorizations permitting combination or all-cargo services), an exemption from 49 U.S.C. § 41301 to engage in the following cargo transfer activities at Puerto Rico international airports, and to all foreign air carriers (except as specified below and in ordering paragraph six) that currently hold, or that may subsequently receive, effective Department authority to engage in the foreign air transportation of passengers, an exemption from 49 U.S.C. § 41301 to engage in the following transfer activities at Puerto Rican international airports:

- (1) to transfer cargo and passengers from any of their aircraft to any of their other aircraft, provided that both aircraft are operating to/from a point in the carrier's homeland;
- (2) to make changes, at Puerto Rico international airports, in the type or number of aircraft used to transport cargo and passengers, provided that in the outbound direction, the

On April 29, 2020, the Department of Transportation (DOT) granted a request by the Commonwealth of Puerto Rico to authorize various cargo and passenger-transfer activities by foreign air carriers at its international airports. These air-cargo provisions allow great flexibility for operators, regardless of whether these types of transfers are specifically provided in a bilateral aviation agreement with a foreign carrier's home country.

# What are the flexible transfer options

1. Transfer on-line between flights
2. Change of gauge/"starburst" service
3. Commingling of US and non-US traffic on the same flight
4. Interline to/from US carriers
5. Interline to/from non-US carriers
6. Coterminalize points in Puerto Rico with other US points



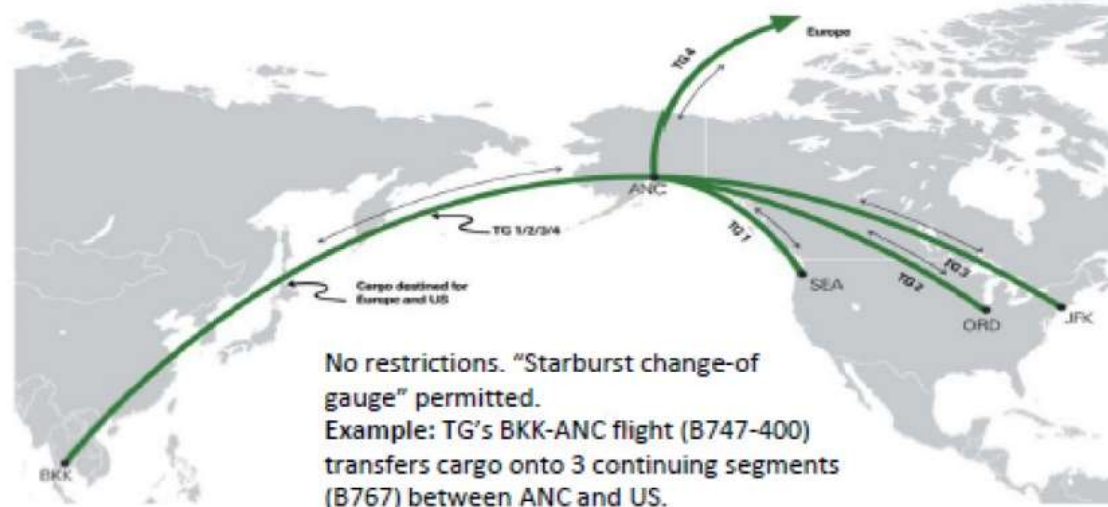


# DOT TRANSFERS OPTIONS

- Foreign carriers may transfer in Puerto Rico cargo from any of their aircraft to any of their other aircraft, provided that both aircraft are operating to/from a point in the carrier's homeland
- 
- KAL: SEL-ANC-ATL
- SEL-ANC-ORD
- KAL can “**online**” transfer cargo between its own aircraft at ANC
- 



### On-line Transfers: Starburst / Change of Gauge



No restrictions. "Starburst change-of gauge" permitted.  
Example: TG's BKK-ANC flight (B747-400) transfers cargo onto 3 continuing segments (B767) between ANC and US.

**(Change of gauge and "starburst")**

## DOT TRANSFERS OPTIONS

- 2. Foreign carriers may make changes, at points in Puerto Rico, in the type or number of aircraft used to transport cargo, provided that in the outbound direction the transportation beyond Puerto Rico is a continuation of the transportation from the carrier's homeland to Puerto Rico, and in the inbound direction, the transportation to the carrier's homeland is a continuation of the transportation from behind Puerto Rico.



# DOT TRANSFERS OPTIONS

3. Foreign carriers may **commingle** on the same aircraft cargo moving in foreign air transportation with cargo traffic not moving in foreign air transportation

**Commingling** of foreign and domestic cargo on same foreign aircraft, with a foreign origination or destination with cargo that has a U.S. origin and destination.



# DOT TRANSFERS OPTIONS

4. Foreign carriers may discharge cargo in Puerto Rico for transfer to a U.S. carrier for onward carriage to a final destination in the United States or in a third country, and uplift from Puerto Rico cargo transferred from a U.S. carrier which was transported by that carrier to Puerto Rico from a point of origin elsewhere in the United States or in a third country



**Interlining** cargo transfers to and from **U.S. carriers**, onward carriage to a destination in the U.S. or in a third country.

# DOT TRANSFERS OPTIONS

5. Foreign carriers may discharge cargo in Puerto Rico for transfer to another foreign carrier for onward carriage to a final destination in a third country, and uplift from Puerto Rico cargo transferred from another foreign carrier which was transported by that carrier to Puerto Rico from a point of origin in a third country

**Interlining** of cargo transfers between **multiple foreign carriers**, as long as the cargo is not destined for a U.S. point. No transfer of traffic to a foreign carrier for an internal U.S. flight



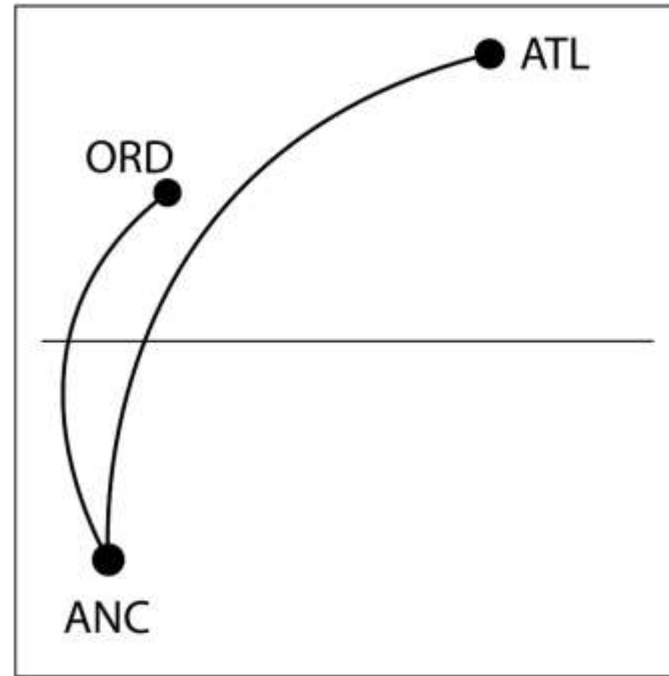


# Additional DOT Exemption Authority <sup>(1)</sup>

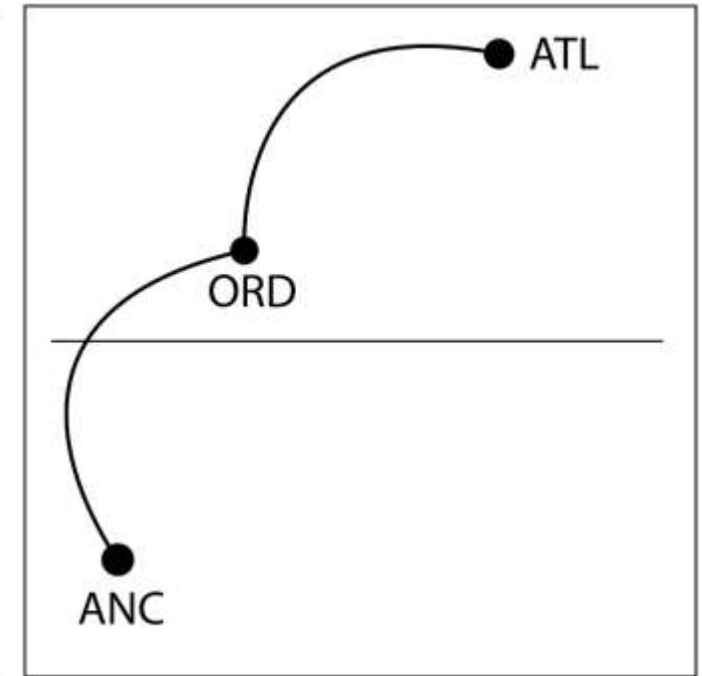
Another exemption, originally granted later than the transfer exemption, (1999) to Alaska. It allows all foreign air carriers that hold DOT authority to serve points in the United States, also to serve any point or points in Puerto Rico, and to **coterminalize** points in Puerto Rico with other U.S. points for which they hold authority –applies to passenger service as well as cargo.

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Hypothetical example: A Chinese airline and an American airline carrying goods from Asia to Chicago and Atlanta. Individually, the two airlines may not service those two cities often enough to satisfy customers. But between the two, they might be able to offer comprehensive service - if they could transfer their cargo to each other's planes at ANC. Basically they are hiring each other aircrafts. It works in reverse, or between 2 foreign carriers



Case A: No Co-Terminalization



Case B: Co-Terminalization

# Additional DOT Exemption Authority <sup>(2)</sup>

Another exemption, originally granted later than the transfer exemption to Alaska, (1999)  
Invited foreign air carriers to apply for exemption authority to serve additional U.S. points on an extra-bilateral basis, where those additional points would be served only on flights also serving Puerto Rico

# History Notes

- DOT exemptions started with **Alaska** in 1996
- Followed by Hawaii, Guam, the CNMI and Puerto Rico in 2020
- All but Hawaii remain current
- Applies to all foreign air carriers (current and future) unless otherwise conditioned.
- It is renewed every two years
- Does not allow air cabotage exemptions



# H. R. 2357

To amend title 49, United States Code, with respect to air cargo in Puerto Rico, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

April 25, 2019

Miss González-Colón of Puerto Rico introduced the following bill; which was referred to the Committee on Transportation and Infrastructure

## A BILL

To amend title 49, United States Code, with respect to air cargo in Puerto Rico, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,  
SECTION 1. SHORT TITLE.

This Act may be cited as the “Puerto Rico Air Cargo Industry Empowerment Act”.

### **SEC. 2. CARGO IN ALASKA OR PUERTO RICO.**

Section 41703(e) of title 49, United States Code, is amended—

(1) in the subsection heading by inserting “Or Puerto Rico” after “Alaska”; and

(2) by inserting “or Puerto Rico” after “Alaska ” each place it appears.

# Expanded Air Cargo Transfer Rights In Puerto Rico Creates New Opportunities

Puerto Rico now has one of the most liberalized air cargo transfer rights in the United States. Air carriers can create new opportunities for global cargo logistics and integrated alliance partner networks by taking advantage of expanded cargo transfer rights at the island three international airports at Luis Muñoz Marín (SJU), Rafael Hernández (BQN) and Mercedita (PSE) airports.

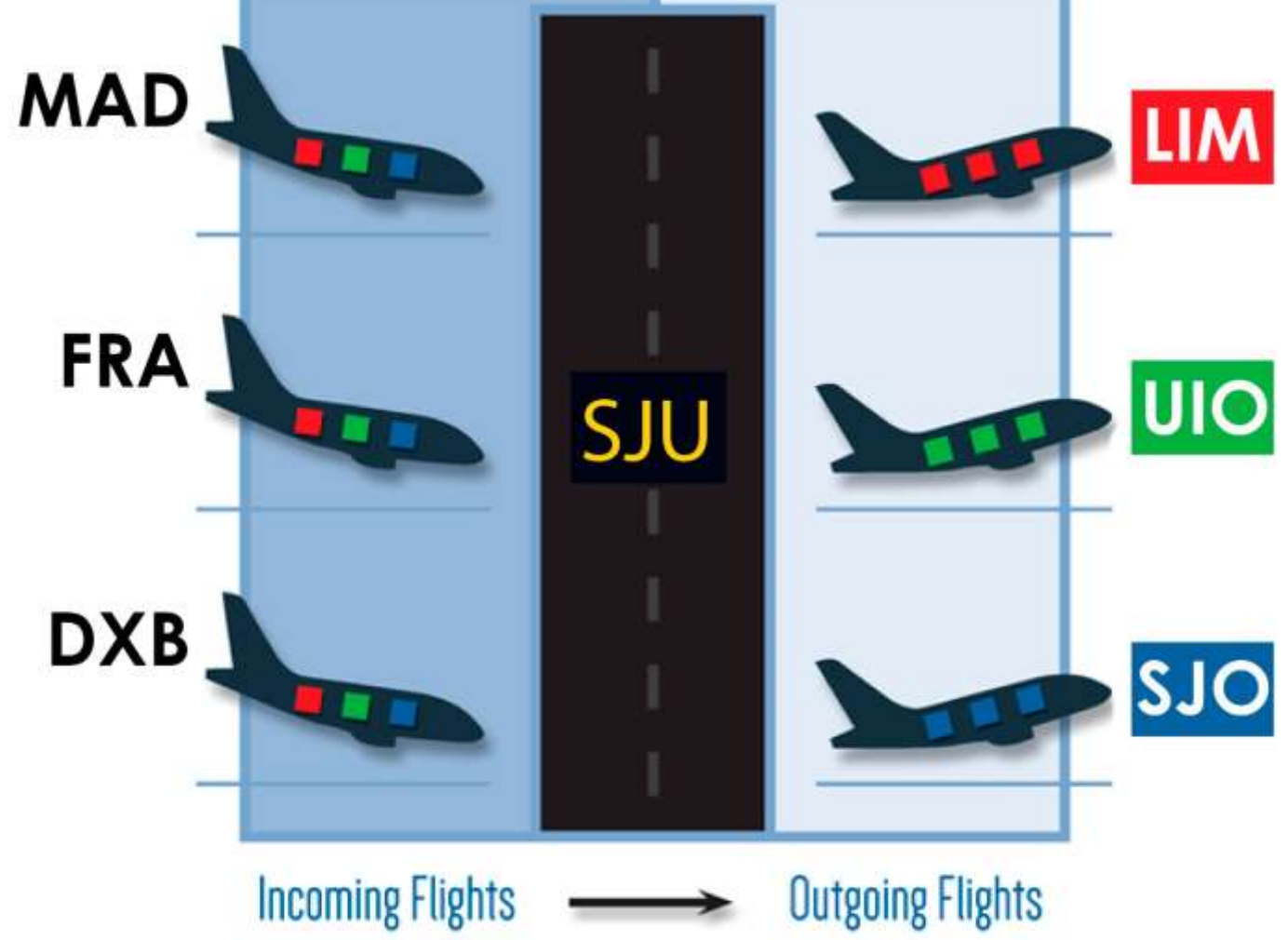


New cargo & passenger transfer flexibilities allows for the neutral and open interaction of all airline's networks without the need of formal agreements. These operational efficiencies facilitates additional connection opportunities, extending each airlines networks and enhancing their profitability with fewer planes. This scalable efficiencies will have a multiplier effect on Puerto Rico economy and will enhance the opportunity of new business models. Puerto Rico will have full participation on the benefits of US free trade and open sky's agreements



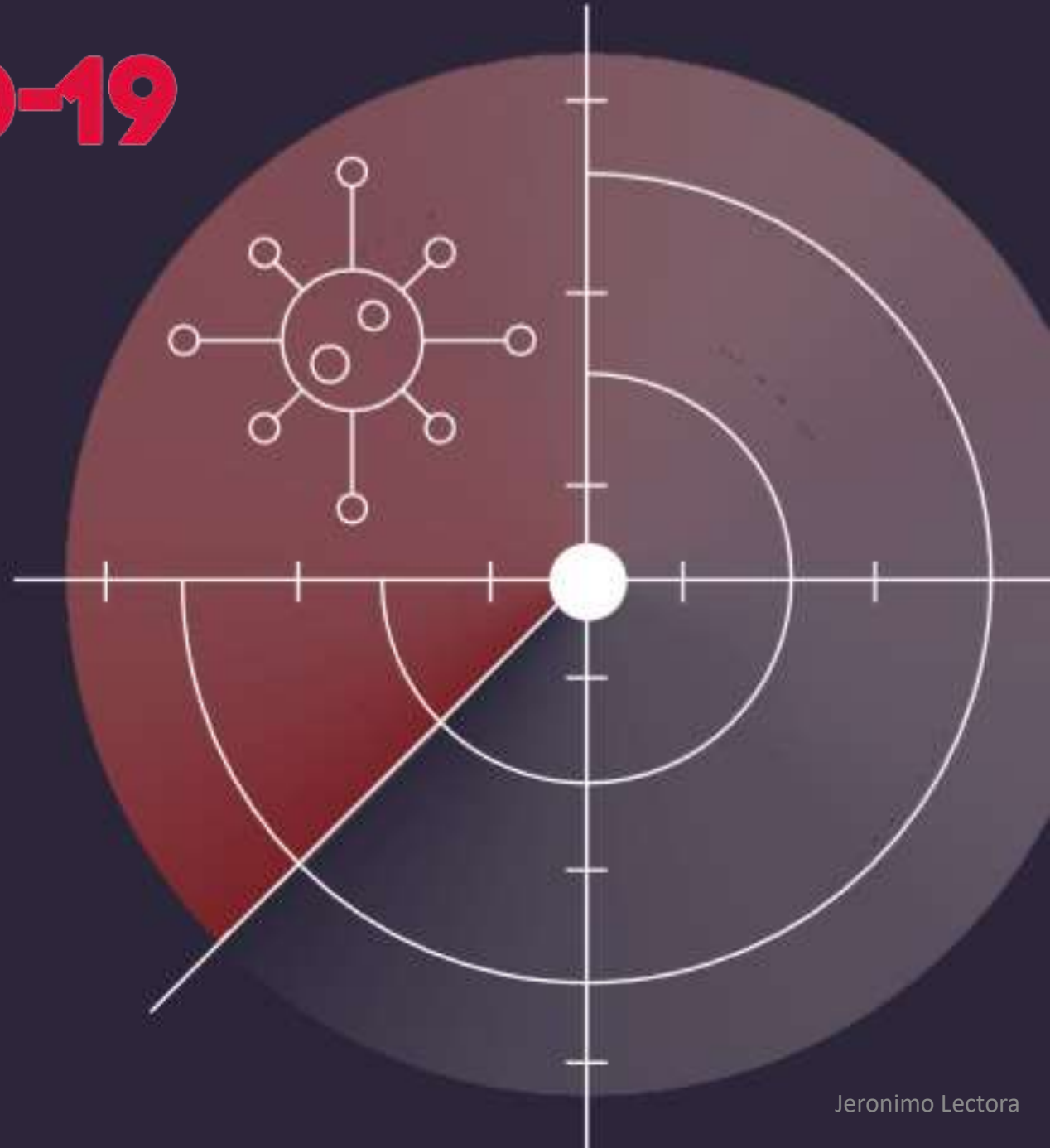


# Cargo Transfer Simplified



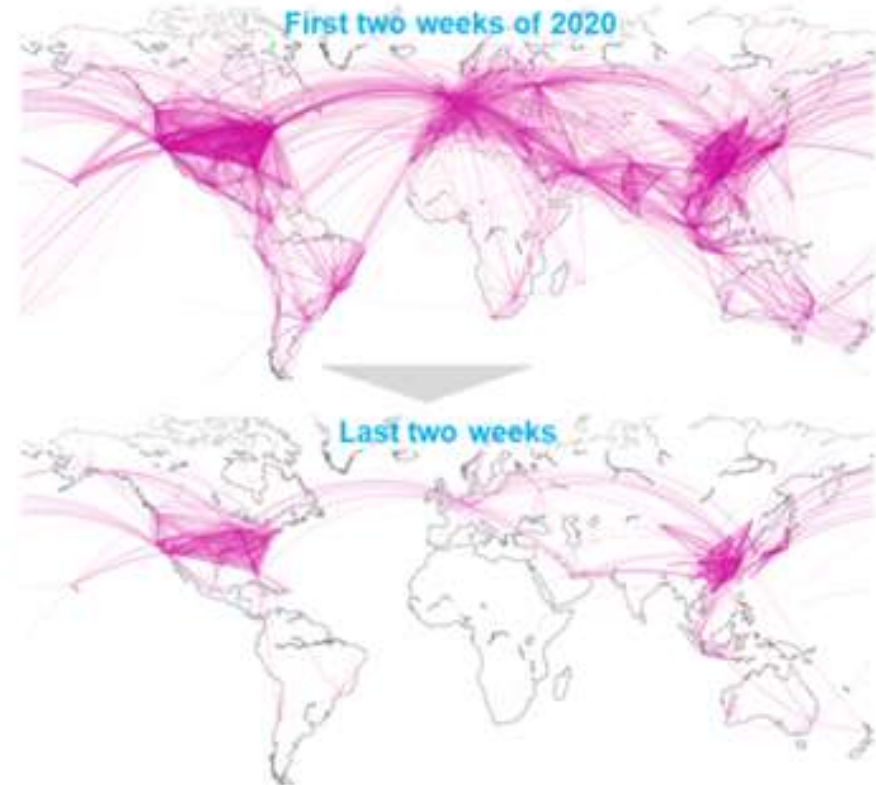
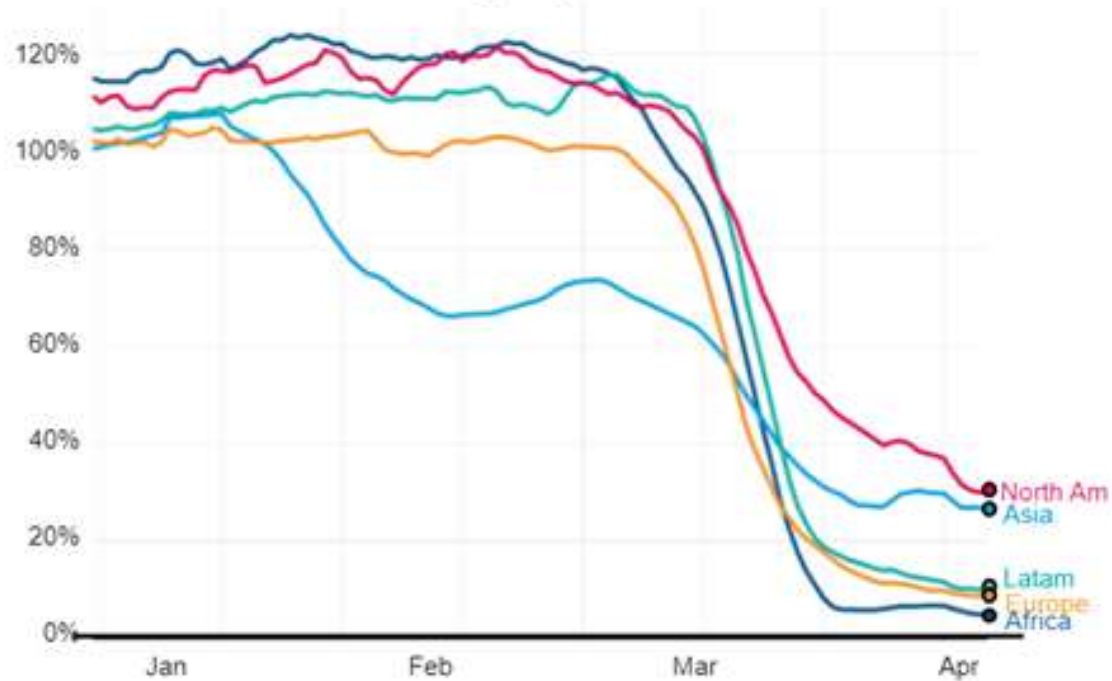
# CORONAVIRUS **COVID-19**

CRISIS &  
OPPORTUNITIES



# Global aviation has virtually shut down, with no resumption date in sight

Commercial Flights, 2020 vs. 2019



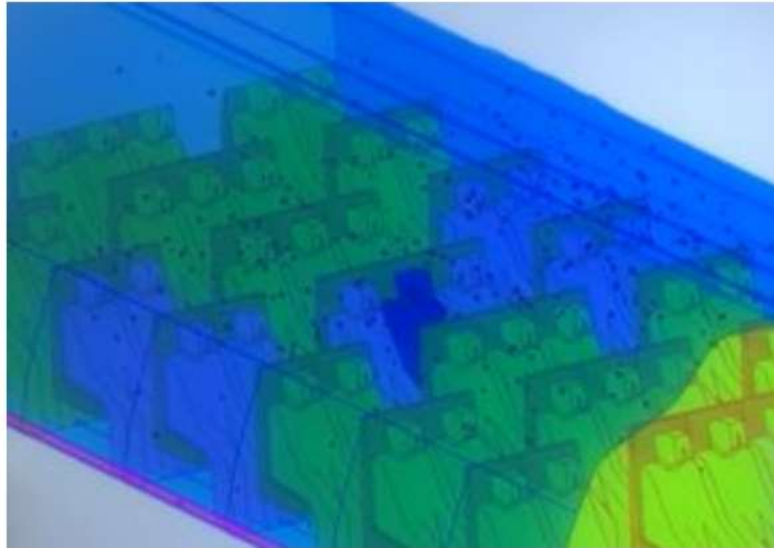
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Source: ICF analysis of Flightradar24 data

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# Commercial Aviation is not likely to reach pre-COVID traffic until late 2023



*Social distancing nearly impossible in an aircraft*

*Interim measures (cleaning, testing) will help*

*Only a vaccine will restore customer confidence*

*A segment of the market – perhaps 10-20%, won't travel for a year or more after the vaccine is widely distributed*

## Implications

- › **Mass airline failures across the globe**
- › **Airline nationalization in many countries**
- › **Dramatically reduced capital expenditures – and aircraft orders**
- › **The entire ecosystem suffers – airports, airlines, aircraft servicing/maintenance, manufacturing....and tourism**

## COVID Scenarios

Scenarios	Optimistic	Nominal	Pessimistic
Air travel(RPK) returns to pre-COVID levels	Early 2023	Late 2023	2025 +



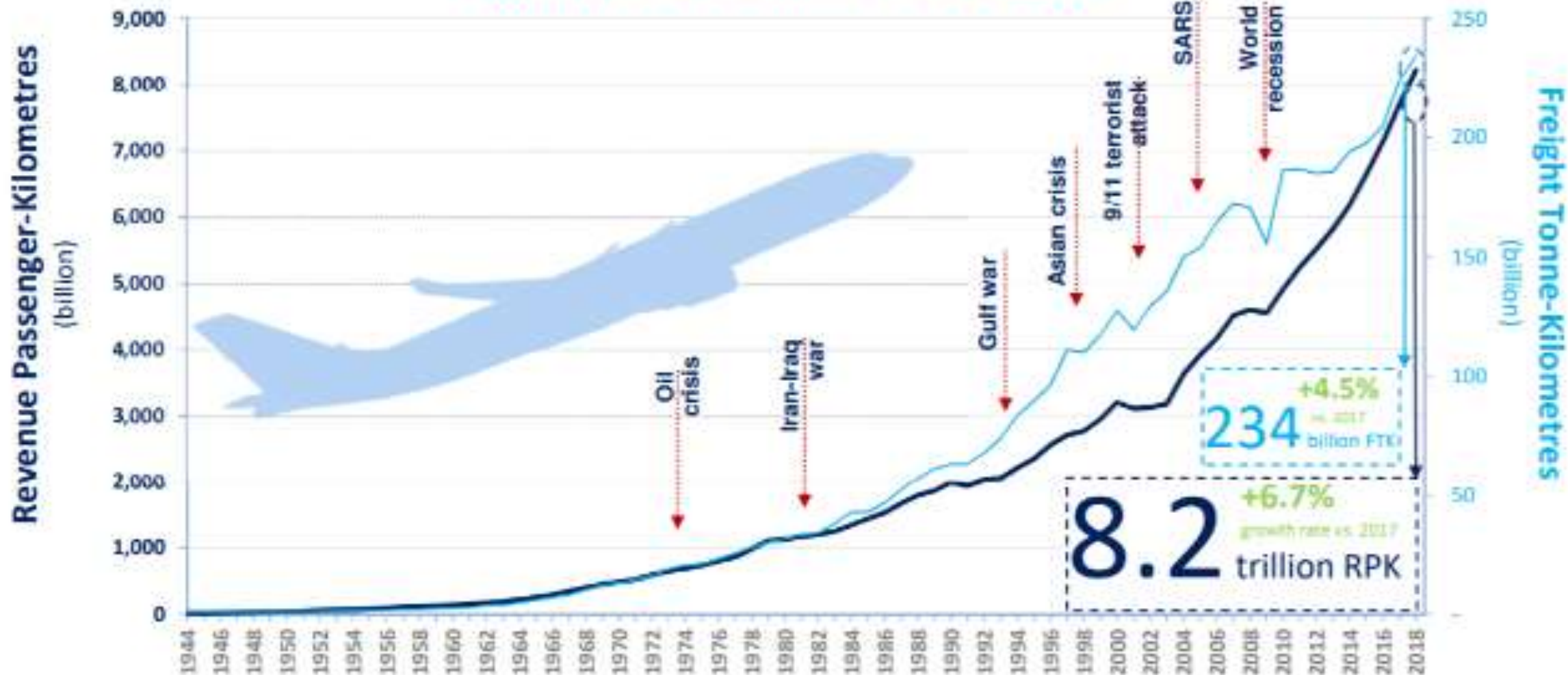
ICAO

ECONOMIC DEVELOPMENT

NO COUNTRY LEFT BEHIND



## Growth of Air Transport in 2018





The goods shipped by air are high value, time sensitive and perishable, and requires speed and reliability when transported.



# Business Models & Opportunities

- Location for cargo sorting and transfer operations.
- Free Zones operations for customer service centers, repair hubs; product assemblies, packaging, re-packaging, and distribution operations.
- International warehousing and distribution of high-value, time-sensitive products. Pharmaceuticals and perishables like flowers, fish and vegetables
- e-commerce and express delivery
- More sales of airplane gasoline
- Product labeling and personification (Regionalization of products)
- MRO and related industries
- International customs clearance center (preclearance)
- Order fulfillment centers
- Larger & multi destiny payloads, due refueling stop in Puerto Rico. Fuel vs. Cargo

# COVID-19 INDUCED CHANGES

- Supply chains need to be more resilience, diversified and redundant
- From just in time to just in case
- Larger warehousing of raw material for supply chain interruptions
- Globalization redefined with strategic supply chains closer to home base
- More state planning of industrial production policy rather than been driven by market forces.

# Implementación

El éxito de la creación de un hub en Puerto Rico es una construcción que depende de nosotros mismos. De la perseverancia y coordinación entre el gobierno, el sector privado y la academia. Nadie va a venir y hacerlo por nosotros.





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