



JFK International Airport Air Cargo Action Agenda

February 2013

THE PORT AUTHORITY
OF NY & NJ

 **NYCEDC**
New York City Economic Development Corporation

Background and Overview

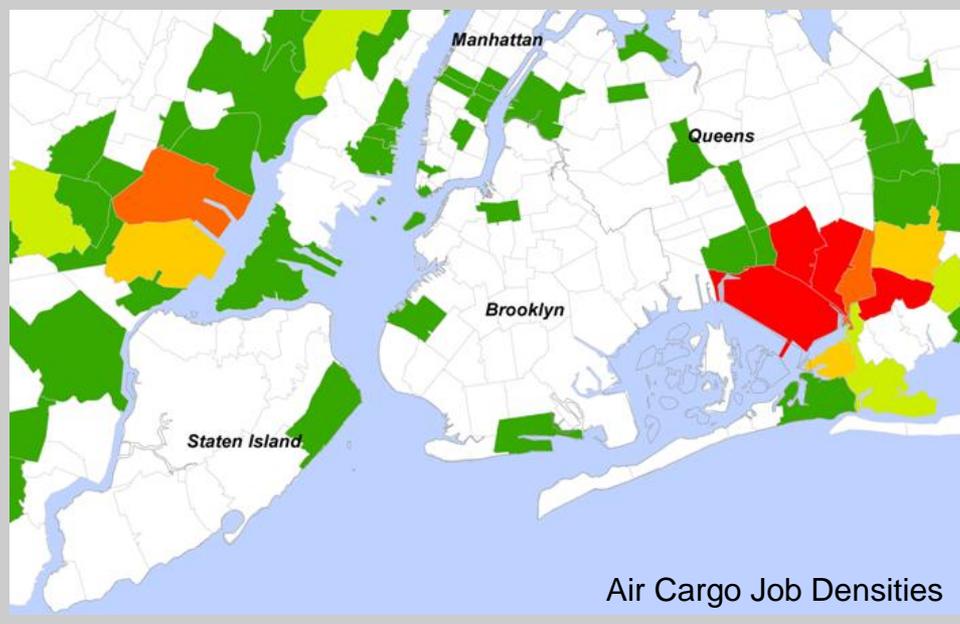
Significance

Regional Air Cargo Impact

- 50,000 jobs
- \$3.0B in wages
- \$8.5B in sales
- Major employer in Queens

Commodities

- Almost 1.4 M tons of freight shipped and received annually
- Largest international cargo gateway by freight value
- 25,000 different commodities handled within the region

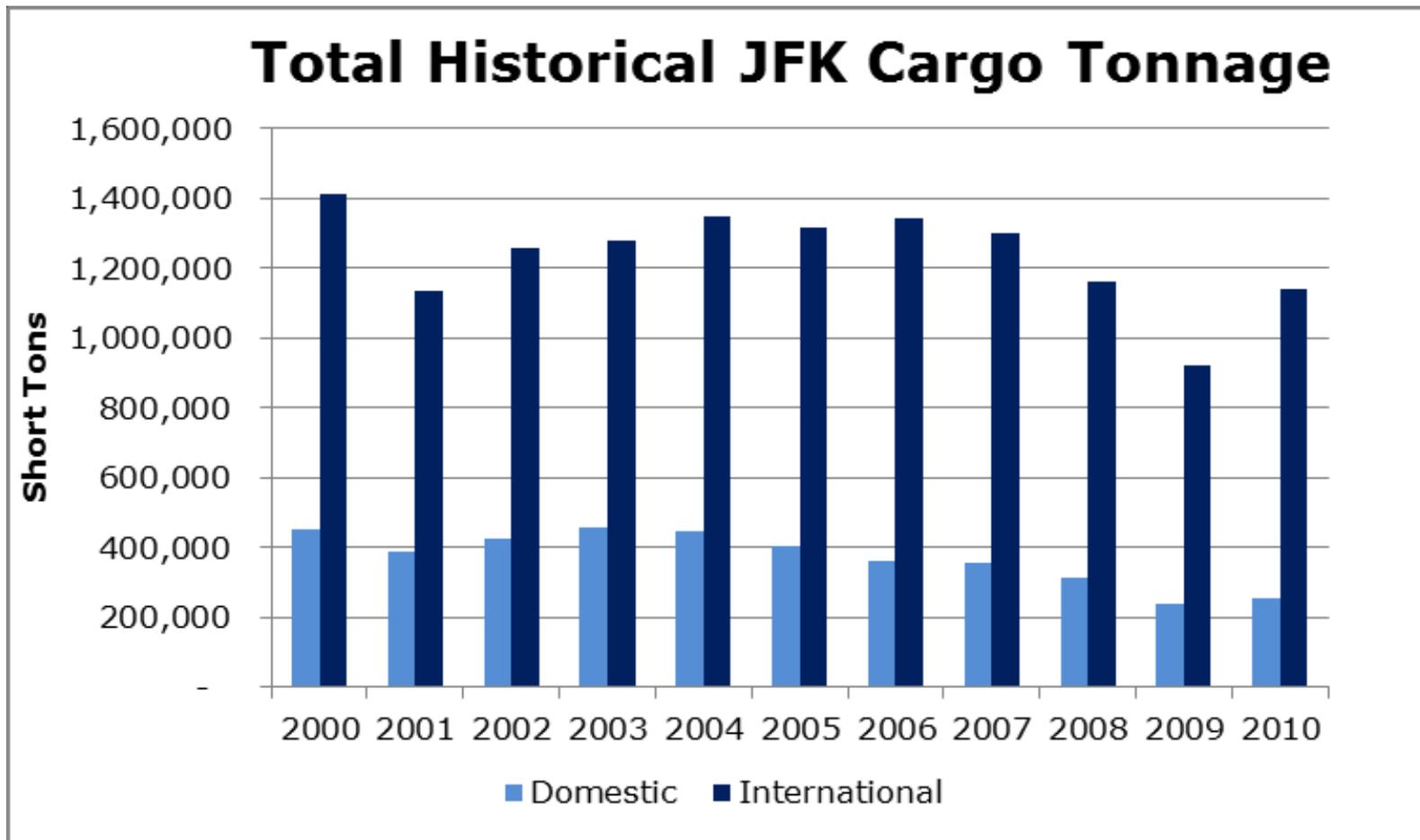


Challenges

- Growth of international traffic to competing airports
- Infrastructure issues and congested roadways
- Competing off-airport land uses
- Limited off-airport growth opportunities
- On-airport barriers to business growth such as obsolete facilities

JFK Cargo Tonnage

The combination of 9/11, the recession, truck substitution, and competition from other gateways has led to a reduction in overall air cargo activity



Comparison to Major Competing Airports

JFK's competitors have increased their market share and moved ahead in industry rankings

1997 (rank)	2000 (rank)	2010 (rank)	Airport	1997 (In tonnage)	2000 (In tonnage)	2010 (In tonnage)	Avg. Annual Growth Rate (1997-2010)
1	1	1	Memphis	2,233,489	2,489,078	3,916,811	5.8%
7	4	2	Anchorage	1,259,827	1,804,221	2,646,695	8.5%
6	6	3	Louisville	1,345,693	1,519,528	2,166,656	4.7%
3	5	4	Miami	1,765,784	1,642,744	1,835,797	0.3%
2	2	5	Los Angeles	1,873,959	2,038,784	1,747,629	-0.5%
5	7	6	Chicago	1,407,307	1,468,553	1,376,552	-0.1%
4	3	7	JFK	1,665,750	1,817,727	1,344,126	-1.5%
14	8	8	Indianapolis	662,923	1,165,430	1,012,589	4.1%
8	9	9	Newark	1,047,413	1,082,406	855,594	-1.4%
9	11	10	Atlanta	864,474	894,471	659,129	-1.8%

JFK's peer airports shown in blue. Others are highly focused on UPS and FedEx operations

Existing Cargo Facility Conditions

JFK's facilities are aging with some vacant or functionally obsolete



New York City has comparative advantages that can be leveraged over other locations...

- Enormous local consumer market:
 - New York City has 8.2 million people with a GDP of \$576 billion
 - Tri-state region has 32 million people with GDP of \$1.8 trillion
 - Approximately 50 million tourists per year add to customer base
- The nation's 3rd busiest seaport (import volume)
- More international traffic through NYC airports than any other US metropolitan area
- NYC's locational "prestige"
 - Lifestyle, international reputation
 - Access to a large workforce and skilled labor
 - Exceptional public transportation
- Diversified population base
 - 35.7% of New Yorkers are foreign-born



...And JFK and the Region Can Draw on Significant Strengths as an Air Cargo Hub

- The nation's largest international freight gateway for air cargo
- The nation's largest passenger market with the most belly cargo capacity
- Unmatched reach to international destinations with frequent service to key trading partners
- The nation's largest and most affluent consumer market
- Unparalleled network of freight forwarders and customs brokers and truckers familiar with ever changing security and screening regulations
- Service for almost every specialized cargo type
- Physical space on airport to accommodate growth

Air Cargo Study: Goals and Key Tasks

Goals

- Grow and enhance air cargo movement within the JFK Study Area
- Increase cargo-related employment opportunities available within the City
- Promote a comprehensive regional freight policy and public investment
- Diversify and expand industrial business in the City and the region
- Generate investment in cargo-related facilities and infrastructure to serve the City and JFK
- Maximize real estate usage and operational efficiencies within the JFK Study Area

Key Tasks

Forecast future freight volumes by commodity, type of business, and origin/destination

Assess the real estate requirements (i.e. facility types and sizes, locations) needed to accommodate projected freight volumes, **both on- and off-airport**

Define best practices at competitive and similar airports

Assess impacts of airport access problems on business competitiveness

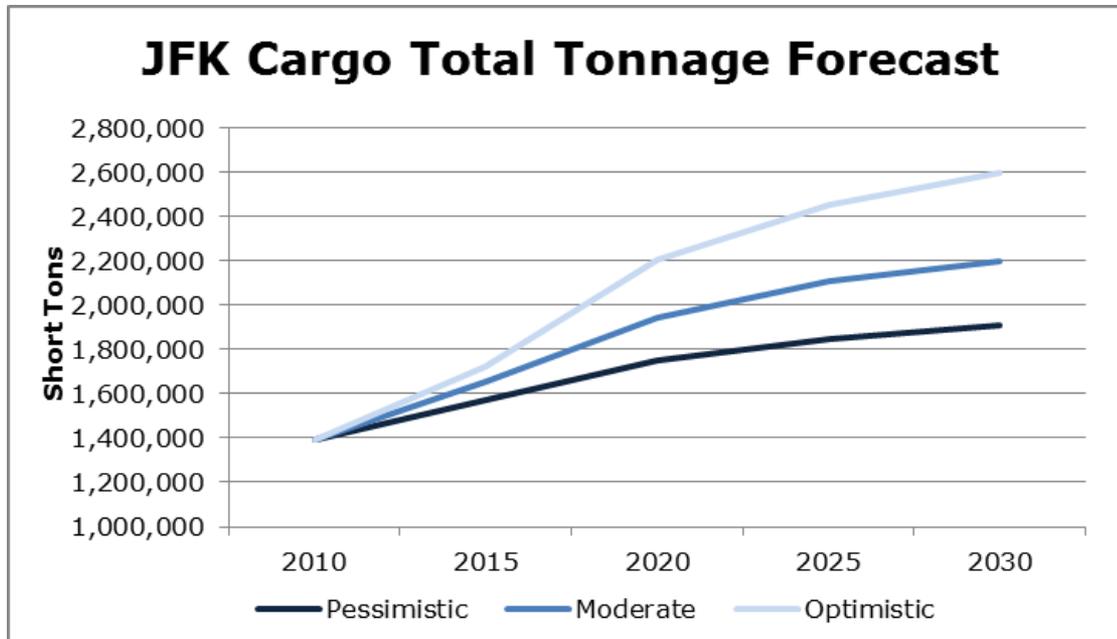
Review and address critical management policies and procedures in accordance with project goals

Identify and address stakeholder concerns that impact JFK's marketability as freight hub

Consider policies and practices that might affect business growth

JFK Tonnage Forecast

PANYNJ has three Forecast Scenarios. All leading air cargo forecasts point to similar or higher growth rates in the future



Compound Annual Growth Rate 2010-2030
Pessimistic: 1.6% Moderate: 2.3% Optimistic: 3.2%

Forecast Observations

JFK faces a more competitive national market with new gateways competing for market share

JFK can take advantage of its underlying strengths to capture a portion of the forecast worldwide cargo growth

To meet the forecast:

Recruit new companies and carriers that need access to the New York region market

Implement a suite of initiatives focused on air cargo growth

Development Concept



Action Agenda Framework

- Improve facilities and physical infrastructure with a more efficient cargo layout
- Address business practices to improve the ability of air cargo business to compete, both from on and off-airport locations and provide more efficient and cargo friendly access, including from the hinterlands, to the airport
- Create an aggressive and focused marketing effort and allocate funding for it



Three Key Challenges for JFK Air Cargo

Challenges

1

Obsolete and aging physical and facility infrastructure

Concerns: What we heard

- Many on-airport facilities are aging or functionally obsolete
- The warehouse stock off-airport also does not meet current needs
- Specialized facilities are needed to meet demands in today's cargo markets

2

Outdated or untargeted business practices

- The primary vehicle for long-haul cargo movements, the industry standard 53' trailer, is restricted on JFK access routes & is critical to gateway airports
- City service delivery should be a focus off-airport
- More flexible lease and operating terms would attract additional businesses to the airport
- Current incentive programs are not tailored for cargo

3

Little marketing or promotion of air cargo

- The competitive strengths of JFK need to be highlighted within the industry
- More efforts should be made at linking businesses interested in export markets with the cargo community

City/PA suite of initiatives addresses these challenges

Challenge	Solution	Lead	Time	Initiatives
Obsolete and aging physical and facility infrastructure	Increase access to updated, affordable, right-sized industrial spaces and construct specialized facilities	PA PA PA PA Joint PA NYC NYC	Short Short Short Medium Medium Medium Short Short	<ol style="list-style-type: none"> 1. Reach agreement on plans for a large new air cargo handling facility 2. Open a truck service center 3. Develop a new facility for animal handling 4. Develop new facilities on-airport in accord with the development concept 5. Develop a certified screening facility 6. Demolish or mothball functionally obsolete facilities 7. Improve local roadway network and truck routes off-airport 8. Develop City owned sites for air cargo or value added businesses
Outdated or untargeted business practices	Review and improve business practices, increase access to existing programs and assess new ones for cargo businesses	NYC NYC NYC NYC PA PA PA PA NYC	Short Short Short Short Short Short Short Short Short	<ol style="list-style-type: none"> 9. Address 53' trailer restriction, consistent with public safety and infrastructure requirements for large trucks 10. Launch robust FTZ Program 11. Provide coordinated City service delivery 12. Establish an Industrial Business Improvement District 13. Comprehensively review on-airport leasing and business practices 14. Establish a separate business center for air cargo 15. Adopt formal performance measures 16. Introduce a new cargo tonnage reporting system 17. Promote Industrial Development Agency financing
Little marketing or promotion of air cargo	Market JFK's and the region's strengths	Joint PA PA Joint Joint	Short Medium Short Short Short	<ol style="list-style-type: none"> 18. Launch a JFK Air Cargo marketing and promotion campaign 19. Recruit new air cargo carriers 20. Assess emerging markets for potential to serve JFK 21. Launch events promoting air cargo to export -oriented businesses 22. Hold business roundtables and launch air cargo awareness roadshow

Solution #1: Increase access to updated, affordable, right-sized industrial spaces and construct specialized facilities

Reach development agreement for a large new air cargo handling facility

The Port Authority is developing plans for a new state of the art cargo building in Area D

- This new facility will provide state of the art handling for cargo users
- The facility will be the first element of the long range master plan for reconfiguring cargo uses
- Development authorization is expected within the coming year

Open a truck service center

A groundbreaking was held for construction of a truck center on airport property to meet the needs of truckers serving JFK

- Truck center will include a rest area, concessions and restaurants, a fueling facility and layover space for approximately 50 tractor trailers.

Develop a new facility for animal handling

The Port Authority Board has approved the development of a new animal handling facility on airport

- The new \$32 million facility will be able to handle over 70,000 animals per year
- The state of the art facility will be unmatched by any other in the U.S.
- Over 190 jobs will be created

Develop new facilities on-airport generally in accord with the development concept

The Consultant study examined the demand for new on-airport cargo space and laid out vision for new development

- Area D: Focus for air cargo operations, including ramp access
- Area C: Develop for integrator operations, including ramp access
- Area B: Attract freight forwarders and customs broker operations
- Area A: Consider development for non-cargo related uses

Solution #1: Increase access to updated, affordable, right-sized industrial spaces and construct specialized facilities

Develop a certified screening facility

New stricter standards for 100% screening of cargo on passenger planes makes it more costly for smaller freight forwarders to meet the security requirements

- Explore options with local businesses for locating, financing and constructing a centralized facility.

Demolish or mothball functionally obsolete facilities

The Port Authority has begun a program to tear down or mothball vacant functionally obsolete facilities on airport

- Continue this program as needed and work within the development concept plan

Improve local roadway network and truck routes off-airport

Good access to cargo facilities both on and off airport is critical to success of the cargo market

- Improve intersections, optimize signal timing, install new signage and expand on street parking opportunities at key locations and roadways in off-airport cargo areas
- Prioritize improvements with City DOT with stakeholder input *2nd Quarter 2013*

Develop City owned sites for air cargo or value added businesses

NYCEDC is prioritizing Air Cargo uses for City controlled sites near JFK

- Issue a request for proposals (RFP) for a 4+ acre site adjacent to JFK Airport on Rockaway Blvd. *2nd Quarter 2013*
- Where vacant land or facilities exist and no direct air cargo usage is contemplated, look to value added businesses and uses, including packaging and assembly operations that need quick access to air cargo

Solution #2: Review and improve business practices, increase access to existing programs and assess new ones for cargo businesses

Address 53' trailer restriction consistent with public safety and infrastructure requirements for large trucks

Determine appropriate actions to improve truck access to JFK Airport and its cargo facilities, support freight mobility and mitigate potential impacts

- Continue work of NYCEDC, CDOT, PANYNJ & NYSDOT to address industry, employment, community, infrastructure and safety issues and implement improvements regarding restriction on 53' trailers *1st Quarter 2013*

Launch a robust Foreign Trade Zone program

Foreign Trade Zones can provide significant benefits to businesses engaged in import/export. Duties can be deferred while goods are being stored or processed in the zone. NYC has not taken full advantage of the opportunities offered by having two FTZ's in the City, one at JFK

- Work with the FTZ Board to convert the existing FTZ's to the alternative site framework which provides faster review and approval times *3rd Quarter 2013*
- Attract new users to City's FTZ's by marketing foreign trade zone benefits

Provide coordinated City service delivery

Tenants in the off-airport industrial district adjacent to JFK desire improved communication with City agencies in the delivery of city services

- Establish communication protocols with City agencies regarding their service delivery in Springfield Gardens
- For example, work with local businesses to install security cameras that can assist in stopping illegal dumping
- Hold roundtables with air cargo businesses and City agencies *1st Quarter 2013*

Establish an Industrial Business Improvement District

By creating an Industrial Business Improvement District, tenants and owners in the Springfield Gardens area can advocate on priority issues and implement area wide improvements

- Issue RFP that provides seed funding to potential service provider *1st Quarter 2013*

Solution #2: Review and improve business practices, increase access to existing programs and assess new ones for cargo businesses

Comprehensively review on-airport leasing and business practices

The consultant study suggests that some freight forwarders and customs brokers might want to relocate back on-airport. New facilities might also be developed by third parties. These actions may require changes to current PANYNJ business practices

- Examine whether to create a two tiered pricing structure for ground leases
- Consider allowing ground leases to exceed 25 years

Establish a separate business center for air cargo

The consultant study suggests establishing air cargo as a separate business center within the PANYNJ Aviation Dept.

- Given the difficulty associated with apportioning costs and revenue from combined passenger/cargo operations, the PA will assess the pros and cons associated with creating a separate business unit

Adopt formal performance measures and introduce a new cargo tonnage reporting system

A number of possible performance measures were suggested in the consultant study as a way to gauge comparative success of air cargo operations

- Determine what metrics will be used by the air cargo staff for reporting and comparison to peer airports
- Since the airport also processes some cargo that is not headed to planes, but instead is transferring between trucks, examine a new reporting structure that would capture those movements

Promote Industrial Development Agency financing

IDA financing can help advance air cargo development when PA financing is not available

- Provide IDA financing on airport as requested by prospective users to broaden the range of available financing options
- Aggressively pursue transactions for off-airport businesses

3rd Quarter 2013

Solution #3: Market the strengths of both JFK and the region

Launch a JFK Air Cargo marketing and promotion campaign

In recent years, as peer airports have gained market share at JFK's expense, resources have not been available for continued, sustained marketing

- Develop and launch a marketing campaign for JFK cargo
- Use the International Air Cargo Association Expo to reintroduce JFK to the air cargo community
- Target other key events throughout the year

1st Quarter 2013

Assess emerging markets for potential to serve JFK. Recruit new air cargo carriers

JFK's easiest markets are the mature economies of Europe. But with increased economic growth in other regions, and increased range of long-haul widebody aircraft, newer markets present opportunities for JFK

- Conduct a cost/benefit weight analysis and fuel burn calculations for key routes in emerging markets. Assess advantages JFK provides in existing more mature markets as well.
- Attract new airline customers to JFK by developing a targeted list for carrier and route outreach

Launch event promoting air cargo to export oriented businesses

The City is home to a host of emerging businesses that could well be successful in the export market, but do not have the tools to access it

- EDC will sponsor business-to-business events to promote air cargo and import/export opportunities for businesses interested in moving into these markets
- Businesses will have the opportunity to collaborate and network with each other and find areas of potential partnership

2nd Quarter 2013

Hold business roundtables and launch air cargo outreach roadshow

Air Cargo is a poorly understood industry and is eclipsed by the passenger transport side of the business. Community leaders, local businesses and residents should know about its contribution to the local economy

- Hold a series of business roundtables and open houses with business and community stakeholders highlighting Air Cargo industry and initiatives

2nd Quarter 2013

The City and Port Authority initiatives will bolster and boost the air cargo industry and associated businesses

Worldwide growth in aviation and in emerging economies leads to a forecast increase in cargo volumes. By building on our strengths and implementing these air cargo initiatives, the City and the region could see:

- New cargo related jobs—Every thousand tons of additional air cargo handled creates about 35 jobs and associated wages in the region.
- Tens of millions of dollars in private investment in new cargo facilities, both on-and off airport
- The opportunity to build even stronger networks of export/import focused business clusters
- An increase in revenue to the region, the City and the Port Authority

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