APPENDIX I-4: TREND ANALYSIS – CROSS-BORDER ISSUES

Trend Statement

The California-Mexico International Border region is paramount to the State of California. Mexico is California's first export market at $62.3 billion in total trade. Economic trade through California gateways has strained the State Highway System, which carries the majority of freight. Border transportation infrastructure is inadequate for current and projected growth in binational trade. Poor border infrastructure and border crossing delays have generated economic, health, and environmental impacts. The rising economic trade between the United States (U.S.) and Mexico does not show any signs of leveling off.

Background

The U.S. continues to benefit from the 1994 North American Free Trade Agreement (NAFTA.) NAFTA has boosted cross border trade, economic growth, and employment. Nearly one-third of U.S. merchandise exports go to Canada and Mexico. The dynamism of the NAFTA economic trading bloc is reflected in Mexico's growth among all foreign markets for U.S. exports, by growing from 2011 to 2012 by $18 billion[1]. In 2012, California reached an all time high total trade value with Mexico of over $62.3 billion, making Mexico California's largest export market[2]. The upward economic trade between the U.S. and Mexico does not show any signs of leveling off.[3]

Off-shoring's costs are rising; operation, bureaucracy, regulatory environment, and tax administration are driving manufacturing companies to shift their attention to near-shoring's many advantages. Near-shoring is a trend in manufacturing that is becoming more prevalent and stronger. Companies are seeing the multiple benefits of near-shoring: cost savings, improved speed and access to the U.S. market, and better intellectual property protection. Multinational firms also see Mexico as an attractive destination, as demonstrated by the strong push of the aerospace, automobile, consumer products, electronics, and medical device industries into Mexican manufacturing.

Freight System Implications

Freight movement by truck dominates the overall cross border trade through California-Baja California Ports of Entry (POEs). Trucks will continue to handle almost entirely the total volume of goods in the region[4]. Goods movement between California and Mexico is also distinguished by short-cross border drayage, where Mexican trucks are limited to commercial zones around U.S. border towns and cities (the commercial zones range from about 3 to 25 miles inside the U.S.). After U.S.-Mexico negotiations, in April 2011 the Obama Administration announced a new pilot program, the U.S.-Mexico Cross-Border Long-Haul Trucking Pilot Program (Program), to allow long-haul Mexican trucks further into the U.S. The

[1] http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_002065.pdf
[2] http://www.census.gov/foreign-trade/statistics/state/data/index.html
[3] San Diego Association of Governments, *San Diego and Imperial Valley Freight Gateway Study*, March 2010. http://www.sandag.org/uploads/publicationid/publicationid_1479_10924.pdf
[4] Ibid.

purpose of the program was to fulfill NAFTA's requirements and reduce the cost of truck transportation between the two countries, thereby making trade more efficient[5]. Between October 14, 2011, and October 10, 2014, the Federal Motor Carrier Safety Administration (FMCSA) conducted the Program to evaluate the ability of Mexico-domiciled motor carriers to operate safely in the U.S. beyond the municipalities and commercial zones along the US-Mexico border. However, a FMSCA Advisory Committee was concerned that there was insufficient data due to limited participation (only 13 Mexican carriers participated) collected to analyze the safety of Mexican carriers. Upon the Program's end, the Mexican carriers that participated were granted standard operating authority to engage in long-haul operations outside of the border zone

The border region is expected to grow significantly. According to the California-Baja California 2014 Border Master Plan Update, the combined population of San Diego and Imperial Counties and Baja California is forecast to increase by more than four million people to a total of 10.6 million by 2040. The additional residents in the border region, and the foreseeable growth in international trade between California and Mexico, will increase cross border travel demand in the region and continue to add pressure to POEs and connecting roads. Adequate infrastructure capacity will be critical to decrease traffic congestion, facilitate international trade, and improve the quality of life for residents in the border region. It is essential that the State of California plans and prepares for the projected growth in economic trade, population, and cross border movement of people and goods.

Planning Considerations

Binational cross border collaboration has been essential to California. The California Department of Transportation (Caltrans) representing the State of California has partnered with federal, state, regional, and local agencies on both sides of the border to improve mobility at California's international border. An example of this border collaboration is the first U.S.-Mexico Border Master Plan (BMP). The goal of the 2008 California-Baja California BMP[6] is to integrate state, federal, and local input to develop binational criteria for prioritizing POE and transportation projects. Caltrans continues to serve as the co-lead agency along with the Baja California Secretariat of Infrastructure and Urban Development (SIDUE). A soon to be completed 2014 BMP update will include low-cost operational improvements, which provide immediate relief to border delays and develop a framework for a future transportation computer model to conduct POE sensitivity analyses.

Cross border collaboration has not been without challenges. To facilitate collaboration, the State of California is partnering with other agencies that work at the border to create a mechanism and lead entity for strategic planning, project delivery, and funding to address regional mobility needs at California's border communities.

California's border region faces significant challenges and demands. POE facilities and border transportation routes are severely congested, cross border delays at POEs generate significant air quality impacts to the region[7], and NAFTA did not provide funding streams for POE projects or improvements to cross border connecting transportation facilities. Furthermore, the current federal transportation bill,

[5] http://www.fas.org/sgp/crs/misc/R41821.pdf
[6] http://www.dot.ca.gov/dist11/departments/planning/pdfs/systplan/10-California-BajaCaliforniaBorderMasterPlanSeptember2008.pdf
[7] Barzee, Suzanne Louise, *Greenhouse gas emissions due to vehicle delays at the San Diego-Tijuana border crossings*, San Diego State University, Dissertation, 2010.

Moving Ahead for Progress in the 21st Century (MAP-21), folded the border financing program into a larger program, leaving border projects to compete for funding with other projects from other regions. Although, additional federal investment recently benefited cross border transportation, special federal project appropriations are not expected to continue. Two examples are the funding of phase 3 of the San Ysidro POE expansion project and inclusion of phase 1 of the Calexico West POE expansion project in the proposed 2015 federal budget. Due to the current federal fiscal environment, the State of California needs to continue to explore opportunities for cross border collaboration to address these funding challenges.

Some of the areas that will benefit from further collaboration are the funding of transportation and POE related projects. One funding method of collaboration is Public-Private Partnerships (P3s). The advantages of P3s are the potential ability to accelerate development, improve efficiency through incentives and innovation, gain access to private capital, and allow public agencies to focus on their strengths. The key attraction of P3s is to secure private financing or investment to match limited public funds or to provide a funding bridge until public funding is available. Yet, P3s for border projects have challenges. Private investors involved in a P3 require an adequate rate of return and investor certainty.

Another area of collaboration that border stakeholders will be addressing is how POEs cross border flows impact California's border communities. Border communities are not always the direct beneficiaries of the strong relationship between California and Mexico. Moreover, these communities are heavily impacted by traffic congestion, poor air quality, and a disproportionate demand on their public infrastructure.

Technology solutions are also becoming an important tool to expedite and facilitate the safe and secure movement of goods and people through the U.S. and Mexico's POEs, as exemplified by the need to automate, measure, and disseminates U.S. and Mexico's cross border wait time data. Cross border collaboration is paramount in testing and evaluating the best wait time measurement instruments and technologies.

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Resources

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