

**THE U.S. SENATE COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE, CUSTOMS, AND GLOBAL
COMPETITIVENESS**

**Testimony Presented By
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Mr. Chairman and members, I am Pete Saenz, mayor of Laredo, Texas and Chairman of the Texas Border Coalition (TBC). I am speaking on behalf of more than 2 million Texans in 17 border counties of the 1,250-mile Texas-Mexico border. TBC is comprised of mayors and city council members, county judges and other county executives, and business leaders. Its mission is to provide vision and leadership to develop, encourage, promote and protect the business, tourism, industry, and community interests of the Texas-Mexico border region.

Thank you for the opportunity to speak before you today regarding border ports of entry, the important role they play in our nation's economy and the improvements needed to increase efficiencies in terms of commerce and border security.

Automobiles, cell phones, computers, electronics, and refrigerators, are part of our everyday life. These are just some of the consumer goods that come through Laredo and all of our Texas Ports of Entry. Americans depend on being able to purchase these goods and consumables. Americans depend on those retail, logistics, government, and international trade related jobs that all connect to Ports of Entry. I ask that you keep this in mind as we talk about all the numbers and data today.

Without a strong and growing economy on the border, we cannot have a growing national economy or achieve our security goals. Trade directly generates 30 percent of the U.S. economy, including 41 million American jobs – 3.1 million of them in Texas.¹ Interdependence is the way business gets done in the 21st Century economy, on the border and across the globe. Facilitating legitimate trade of manufactured goods, agriculture products and other goods links the productivity and competitiveness of communities on both sides of the border and beyond. This creates jobs and prosperity that improve the lives of our people.

¹ The Impact of Trade on U.S. and State-Level Employment: 2016 Update, Business Roundtable, 2017.

As the U.S. economy enters the 10th year of expansion, the most important threat to sustained economic growth is the widening U.S. trade war with Mexico, Canada, Europe, China, and India. The U.S. has imposed tariffs on imported steel and aluminum, solar panels, washing machines and newsprint. We have threatened new levies on automobiles, chemicals, equipment, and other products. Our trading partners have reciprocated with tariffs on U.S. exports of bourbon, blue jeans, steel, pork, apples, and other items. Continued economic and job growth depends on Congress and the White House acting to end the uncertainty about tariffs and improving the North American Free Trade Agreement and the World Trade Organization.

Living on the border we have witnessed firsthand the local positive economic impact of the North American Free Trade Agreement. Yet, the impact of NAFTA is far reaching in that it fuels vast trade economic opportunities for U.S. workers, farmers, consumers, and businesses. The protection of NAFTA is imperative. We agree that modernization of the Agreement is needed to address changes in economic climates and technology, but propose that it is done in a manner that “Does No Harm”.

Since the agreement’s inception, U.S. trade with Canada and Mexico has grown to \$1.3 trillion impacting all 50 states. Nationwide, approximately 14 million U.S. jobs depend on trade with Canada and Mexico and 43 of 50 U.S. states list Canada or Mexico as their 1st or 2nd largest export market.²

Texas’ 20 ports of entry account for \$650 billion in international trade and the creation of \$1.6 million Texas jobs. As reported by the Texas State Comptroller’s Office, trade through the Port of Laredo, alone contributed to the creation of 363,000 jobs and the infusion of \$52 billion dollars to the Texas gross domestic product.

The Port of Laredo is recognized as the largest U.S. inland port and the second “overall port” after Long Beach. The number of southbound truck commercial crossings in FY2017 continued on an upward trend, increasing by 4.3% totaling over 2.1 million.³ Also, shipments through rail and air remained strong: reported were 239,138

² U.S. Chamber of Commerce, the Facts on NAFTA: Assessing Two Decades of Gains in Trade, Growth, and Jobs

³ WorldCity, Trade Numbers, 2017.

northbound rail car crossings and air cargo weight landed of over 539 million pounds in 2017.⁴

Moreover, the Laredo Customs District which encompasses the Texas border ports inclusive of Del Rio, Eagle Pass, Laredo, McAllen, Pharr, and Brownsville is recognized as the third largest U.S. Customs District, with a reported trade value of over \$303 Billion in 2017. Notably, trade through Laredo's Custom's District accounted for over 50% of the \$557.5 billion in all U.S. Mexico trade in 2017.⁵ As such, the impact of trade by air, land, and rail, through the Laredo District on the U.S. economy is far reaching and linked to industrial markets in the Midwest, Northeast, Central States and even the Western Seaboard.

An analysis was conducted for the Texas Department of Transportation in 2017 by the American Transportation Research Institute which tracked the movement of trucks from Laredo's port of entry as they continued their journey northward and back again. The study clearly showed that the trucks that crossed through Laredo impact commerce in communities throughout the contiguous United States. (Charts attached.)

On the southwest border, we need to assure that our economic climate provides opportunity to the people in the region, state and nation. The three key elements of Ports of Entry operations revolve around staffing, infrastructure, and technology. To achieve our economic security, we need well-built, equipped and staffed ports of entry that can facilitate legitimate trade and travel and interdict lawbreakers

A series of studies in the last decade estimate that border delays are potentially costing the American economy billions of dollars⁶ - costs that are ultimately passed on to working families and businesses.

The combination of higher volumes of goods crossing our Ports of Entry and enhanced post-September 11, 2001 security procedures have led to longer wait times. Long wait times lead to delays and travel time uncertainty, which can increase supply chain and transportation costs.⁷ A report sponsored by the Department of Commerce detailed the

⁴Laredo Economic Development Corporation, 2005-2018 Data

⁵ U.S. Census. Economic Indicator Database, Foreign Trade: 2017 U.S. Trade in Goods with Mexico.

⁶ U.S. Government Accountability Office. "U.S.-Mexico Border: CBP Action Needed to Improve Wait Time Data and Measure Outcomes of Trade Facilitation Efforts." 2013; see also, U.S. Customs and Border Protection. "FY 2014 Report on Business Transformation Initiatives." 2014; see also, Report commissioned by Department of Commerce International Trade Administration. Conducted by Accenture in association with HDR Decision Economics and Crossborder Group Inc., 2008.

⁷ U.S. Customs and Border Protection. "FY 2015 Report on Business Transformation Initiatives." May 13, 2015.

economic impacts of border delays, finding, “border delays result in losses to output, wages, jobs, and tax revenue due to decreases in spending by companies, suppliers, and consumers.” The study detailed the causes, such as increased transportation costs for businesses and higher inventory costs for businesses to buffer against wait time uncertainty.⁸

These delays create substantial costs to the American economy. The Joint Economic Committee of the U.S. Congress finds that border delays cost the U.S. economy as much as \$5.8 billion each year.⁹ Custom and Border Protection Office of Field Operations, which staffs the ports of entry, needs to hire 2,516 additional CBP Officers and 721 Agriculture Specialists to achieve the staffing target detailed by its own fiscal 2018 Workload Staff Model and Agriculture Resource Allocation Model. As of February, the Office of Field Operation had 23,002 CBP Officers onboard at the ports of entry – 1,145 short of its fiscal 2018 target of 24,147. While we are behind on hiring and falling further backwards, the President’s fiscal 2019 budget provides no new funding to address the current CBP Officer staffing shortage.

As reported by the Government Accountability Office, in Fiscal Year 2015, CBP processed more than \$2.4 trillion in imports in over 300 ports of entry and collected an estimated \$46 billion in revenue, thus making CBP the 2nd highest revenue generating government agency in the United States.¹⁰ Yet, we share in the concern expressed by the National Treasury Employees Union that these revenues are utilized in funding other priority federal programs creating a lack of resources devoted to CBP’s trade functions and ultimately an economic loss for American companies.¹¹

One initiative that has proven to be effective in reducing cross border wait time is the operation of dual U.S. /Mexico federal inspection stations along the U.S. Mexico border. In Laredo, dual inspections stations currently exist at our airport, international commercial bridge crossings, and at the international railway crossing.

⁸ Report commissioned by Department of Commerce International Trade Administration. Conducted by Accenture in association with HDR Decision Economics and Crossborder Group Inc. 2008.

⁹ Economic Impact of Understaffing U.S. Ports of Entry, Joint Economic Committee of the U.S. Congress, 2017.

¹⁰ U.S. Government Accountability Office, Customs and Border Protection: Improved Planning Needed to Strengthen Trade Enforcement, (GA)-17-618, June 12, 2017.

¹¹ The National Treasury Employees Union. Oversight of the U.S. Customs and Border Protection Agency, Testimony presented to the Senate Finance Committee, 5/11/16.

Similarly, we suggest that more economic activity and trade efficiency would result from increased usage of certified trusted carrier programs (C-TPAT), which could also include pre-cleared, certified-mechanical truck/trailer inspections, and utilizing dedicated fast lanes. Furthermore, wait times could also be reduced at Border Patrol highway check points, by increasing the number of inspection lanes and staff, installing state of the art technology and sharing of interagency-data that Customs send “up the road” to Border Patrol to reduce duplication of inspection.

In addition to personnel, technology presents a vast opportunity to improve productivity by moving people and goods across the border more efficiently. I understand that just this past month, CBP replaced the operating system of the computers running the X-Ray machines used to inspect trucks at a South Texas land port – an upgrade from MS-DOS to Windows. Congress needs to invest in land port technology that will at least bring us into this century.

Road and highway improvements leading to and from border points of entry are equally important to the free flow of goods and services. I would also respectfully suggest that key components of continued trade success hinge on financing infrastructure projects. I ask the Senate finance committee to consider and support innovative financing mechanisms that propose public private partnerships that offer opportunities to invest on the infrastructure needed using private funding. The infrastructure would then become an asset of the government. While the Donation Asset Program 559 known as DAP has successfully offered and acquired donated assets at our border crossings, the \$50 million dollar limit set for new federal government – owned land ports of entry is a barrier that does not allow for that return on investment needed when considering higher cost projects.

The City of Laredo actively continues to seek funding to implement necessary infrastructure to meet the current and future demands of commerce. One such project in Laredo is the I35/I69W Corridor leading to and from the World Trade Bridge Port of Entry. The total project cost is estimated to be \$130 million. Of this amount, the City of Laredo seeks \$78 million be federally funded. The City is working further to expand operations at the World Trade Bridge and to construct a Fifth Bridge. These projects are critical to maintaining and expanding Laredo’s role as a predominant international border crossing, but also in fortifying our local economy as well as that of the State of Texas and our nation. (See attached graphic.)

In regard to border security, the Texas Border Coalition proposes that a one-size-fits-all barrier approach to border security is not the solution. CBP data suggests between 80 and 85 percent of smuggled cocaine, heroin, methamphetamine and fentanyl enters the U.S. through the ports of entry. To combat the drug supply, increased personnel, technology and infrastructure are needed at the ports of entry. In addition to utilizing state of the art technology, it is vital to work with the border terrain which would include a virtual barrier instead of a physical barrier. As proposed in the USA Act, TBC supports that a mile-by-mile test be conducted to provide whether a wall or other tactic or tactics would be the most effective security solution.

Additionally, TBC is concerned about proposals to implement mandatory biometric exit systems at the international bridges and other land ports of entry. Currently, U.S. Customs and Border Protection is severely understaffed to handle incoming traffic and has been unable to hire sufficient officers to replace retirees, much less meet current workload requirements. At the international bridges in Texas, the infrastructure was not designed for departure inspections. Port infrastructure is not capable of tracking an outgoing flow of vehicle and pedestrian traffic with biometric systems without causing backups on local and state roadways. Also, none of which has been proposed addresses the need for land acquisition at the many ports, which have little space to expand. We propose that a mandatory biometric exit system not be pursued, until Congress is able to provide the necessary personnel, infrastructure and technology to handle CBP's current workload.

With regard to improving the lives of our people, it is important to add that we support the work of ICE which provides a much needed and valuable service in helping ensure homeland security and public safety. It stands to reason that border communities are the most vulnerable by the nature of our geography. Yet, zero tolerance must be redefined to ensure that the humane treatment of persons and families be protected. In a letter submitted to Congressional leaders by the Libre Initiative and signed onto by the Texas Border Coalition together with other faith, business, civic, immigration advocacy groups, Congress is urged to act immediately and pass a permanent legislative solution protecting against the separation of families at the border and the indefinite detention of families. To do otherwise is contrary to the decency of the American people and the principles on which our country is founded.

On behalf of TBC, thank you for the opportunity to contribute to these important matters.