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**OPENING THE BORDER TO CROSS-NATIONAL TRUCK TRAFFIC:
THE TEXAS PERSPECTIVE**

by

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Research Report SWUTC/02/473700-00067-1

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ABSTRACT

Few Issues have been as contentious as the opening of the Texas-Mexico border to cross-national truck traffic. This study examines issues surrounding an open border and assesses the possible benefits and costs for the citizens of Texas. The study uses economic data on trade volumes and employment to assess the impacts that an open border will have on Texas. By removing border trucking restrictions, trade and its associated positive economic benefits should increase for Texas and consumer prices should fall.

An open border should lead to reduced congestion, reduced accidents, and less pollution (air and noise) for Texas border communities. To assess the most contentious open border issue, safety, studies used to evaluate Mexican truck safety are scrutinized, the politics of the safety issue are examined, and recommendations are made for properly evaluating Mexican truck safety. After assessing the economic, environmental, social, and safety issues, this study comes to the conclusion that, although an open border produces winners and losers, it will be a net benefit to the state. However, transportation-dependent border economies will suffer in the short-term once open border trucking operations take effect.

EXECUTIVE SUMMARY

Few issues have been as contentious as the opening of the Texas-Mexico border to cross-national truck traffic. This study examines issues surrounding an open border and assesses the possible benefits and costs for the citizens of Texas. Opponents to an open border claim that unsafe Mexican trucks will endanger travel on the highways and cost American jobs. Proponents note the further economic benefits that will accrue with a border open to cross-national truck traffic. Furthermore, an open border will have consequences for the environmental and social impacts of cross-border transportation in the Texas border communities.

Current cross-border trucking operations are a major impediment to realizing gains from U.S.-Mexico free trade. The current transport system constitutes a non-tariff trade barrier. Goods are transported across the border by older drayage trucks and transferred to long-haul carriers for transport to final destinations. This has substantially increased cross-border transportation costs and resulted in “dead-weight” trucks (trailers with no cargo) crossing the border, adding to the border congestion problem. An open border will eliminate these negative impacts of drayage operations.

The study uses economic data on trade volumes and employment to assess the impacts that an open border will have on Texas. Texas trade with Mexico has grown significantly since the passage of the NAFTA accords, and although employment impacts from cross-border trade are difficult to quantify, evidence points to substantial employment increases in Texas due to trade with Mexico. Losses in low paying jobs such as textiles/apparel have been supplanted by more skilled jobs for Texans, and transportation services employment has spawned job growth and decreases in unemployment in the border communities. Also, NAFTA-TAA assistance is available as unemployment compensation, reemployment services, and job training for those losing their jobs or facing reductions in hours and wages resulting from NAFTA trade. By removing border trucking restrictions, trade and its associated positive economic benefits should increase for Texas and consumer prices should fall.

An open border should lead to reduced congestion, reduced accidents, and less pollution (air and noise) for Texas border communities. Long-haul trucks are more efficient and cleaner-running than drayage trucks, and the elimination of border zones will result in decreased border crossings with the absence of “dead-weight” hauls. However, border communities will suffer negative economic impacts once cross-border trucking operations are enacted. Border communities (particularly Laredo) are dependent on the current drayage transportation system for economic growth and employment.

To assess the most contentious open border issue, safety, studies used to evaluate Mexican truck safety are scrutinized, the politics of the safety issue are examined, and recommendations are made for properly evaluating Mexican truck safety. Existing studies of Mexican truck safety compare Mexican drayage trucks to U.S. long-haulers; this is comparing apples to oranges. A closer inspection of data shows that Mexican long-haul trucks are about as safe, or safer, than their U.S. counterparts. Additionally, Mexico has made great strides in harmonizing safety standards with the U.S. The safety

debate and decision to delay the border opening was largely a result of political considerations and pressure from the Teamsters and other interests.

After assessing the economic, environmental, social, and safety issues, this study comes to the conclusion that, although an open border produces winners and losers, it will be a net benefit to the state. However, transportation-dependent border economies will suffer in the short-term once open border trucking operations take effect.

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Chapter 1. OPENING THE BORDER TO CROSS-NATIONAL TRUCK TRAFFIC: THE TEXAS PERSPECTIVE

Few issues have been as contentious as the opening of the Texas-Mexico border to cross-national truck traffic. This study examines issues surrounding an open border and assesses the possible benefits and costs for the citizens of Texas. Opponents to an open border claim that unsafe Mexican trucks will endanger travel on the highways and cost American jobs. Proponents note the further economic benefits that will accrue with a border open to cross-national truck traffic. Furthermore, an open border will have consequences for the environmental and social impacts of cross-border transportation in the Texas border communities. After assessing the economic, environmental, social, and safety issues, this study comes to the conclusion that, although an open border produces winners and losers, it will be a net benefit to the state. However, transportation-dependent border economies will suffer in the short-term once open border trucking operations take effect.

1.1 Study Design

To assess the open border issues, this study examines the magnitude of Texas-Mexico truck traffic and the limitations of the current cross-border transportation system. Macroeconomic data, at the statewide level and for the border region, are used to assess the benefits/costs of Texas-Mexico trade and the impact on these benefits/costs of an open border. The open border consequences for the environment and quality of living are analyzed for Texas border communities. To assess the most contentious open border issue -safety- studies used to evaluate Mexican truck safety are scrutinized, the politics of the safety issue are examined, and recommendations are made for properly evaluating Mexican truck safety. The study ends with a conclusion that an open border is a net benefit to the state and recommends actions that policymakers should consider for realizing open border gains.

1.2 Background

Before exploring the effects of opening the border, a brief bit of background on the reason behind the North American Free Trade Agreement (NAFTA) is in order. NAFTA became effective on January 1, 1994, creating the largest free trade zone of its kind between the United States, Mexico, and Canada. The purpose of the NAFTA agreement is as follows:

- Eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the three parties.
- Promote conditions of fair competition in the free-trade area.
- Increase investment opportunities between the three member countries.
- Provide adequate and effective protections and enforcement of intellectual property rights in each countries territory.

- Create effective procedures for the implementation and application of the agreement, for its joint administration and the resolution of disputes.
- Establish a framework for further trilateral, regional, and multilateral cooperation to expand and enhance the benefits of the agreement.

To accomplish these objectives, NAFTA eliminates tariffs on goods originating and traded between the three countries. For trade between the U.S. and Mexico, many tariffs have already been lifted or are being phased out over a ten-year period from the agreements inception. Tariffs on a few sensitive items are being phased out over fifteen years.¹ In 2000, the average Mexican tariff on U.S. goods was 1.3 percent.²

The original NAFTA agreement was to give Mexican trucks unlimited access to highways in the four border states of Mexico - Texas, New Mexico, Arizona, and California – by 1995 and full access on all U.S. highways by January 2000.³ However, due in large part to a number of political considerations, operating procedures for transborder trucking have not changed since the NAFTA agreement.

Efficient transportation of goods between Texas and Mexico is integral to facilitating the cross-border movement of NAFTA traded goods and necessary for the full implementation of the treaty's main objective – eliminating barriers to trade. The impediments to trade created by restricting cross-border truck movements to commercial zones on each side of the border in effect constitute a non-tariff barrier to trade.

Since NAFTA went into effect, Mexico has replaced Japan as the United States second largest trading partner behind Canada.⁴ Trucks move over 80 percent of goods between the U.S. and Mexico, with nearly 70 percent of U.S-Mexico commercial traffic passing through ports-of-entry on the Texas border.

Accompanying the increased trade with Mexico is an increase in cross-border truck traffic. Exact border crossings are difficult to estimate because data collection at each of the inland ports is not uniform (See Appendix A for a map and list of Texas-Mexico border crossings). Tables 1.1 and 1.2 show northbound and southbound truck crossings at international bridges in Texas border metropolitan areas from 1994 to 2000. Crossings at El Paso international bridges are not reported because truck crossings were not separate from other vehicle crossings. The number of southbound crossings is underestimated because some inland ports report only loaded truck crossings. Also, Laredo crossings reported loaded crossings from 1994 to 1997; after 1997 loaded and empty truck crossings were reported. The number of

¹ Paul Kengor, *The Effect of NAFTA on Texas*, Paper presented by the Texas Public Policy Foundation, 1998.

² The Trade Partnership, *NAFTA Delivers for Texas: 2000 Report*, Prepared for the Council of the Americas and the U.S. Council of the Mexico-U.S. Business Committee, Washington D.C.: September 2001.

³ “Bush to Open Border to Mexican Trucks,” Newport’s truckinginfo.com, Newport Communications Group, 2001, <wysiwyg://28/http://truckinginfo.com/news/news_print.asp?news_id-35737>.

⁴ “NAFTA Boosts Trade Flow with Mexico,” *The Associated Press*, 2001, www.wfaa.com/printerarticle/1,2359,20153,00.html.

crossings for northbound trucks is only for loaded trucks. Northbound data is not available for El Paso and Harlingen.

Table 1.1: NORTHBOUND TEXAS-MEXICO TRUCK CROSSINGS, 1994-2000

	1994	1995	1996	1997	1998	1999	2000
Brownsville	125,441	115,828	118,171	122,883	121,255	265,462	299,238
Del Rio	25,158	28,926	29,695	33,042	35,456	59,843	61,228
Eagle Pass	24,884	31,747	36,261	40,628	49,072	101,242	106,892
Laredo	366,781	428,774	575,886	576,652	650,907	1,486,511	1,493,073
McAllen-Hidalgo	98,887	114,752	62,334	NA	NA	NA	NA
Pharr	NA	NA	77,394	156,516	167,077	325,352	374,150
Progreso	8,592	9,189	8,111	7,994	3,741	16,588	12,000
Rio Grande City	6,384	6,064	10,635	15,917	12,546	20,946	24,065
Roma	3,822	4,701	5,388	5,747	7,895	15,985	12,824
Total	659,949	739,981	923,875	959,379	1,047,949	2,291,929	2,383,470

Source: U.S. Customs Service, compiled by the Texas Center for Border Economic and Enterprise Development at Texas A&M International University

Table 1.2: SOUTHBOUND TEXAS-MEXICO TRUCK, 1994-2000

	1994	1995	1996	1997	1998	1999	2000
Brownsville*	204,344	184,848	197,617	229,788	290,746	237,189	234,121
Del Rio*	33,622	34,529	36,670	43,579	66,186	67,788	69,468
Eagle Pass**	40,728	34,918	39,747	44,416	50,167	81,868	108,704
Harlingen *	57,085	35,316	44,154	42,207	64,912	74,833	71,714
Laredo***	548,409	422,916	516,790	650,812	1,188,577	1,306,655	1,409,336
McAllen-Hidalgo*	170,704	123,426	124,986	98,640	52,381	51,458	46,933
Pharr*	NA	30,981	56,863	114,008	180,171	206,298	256,899
Progreso*	24,357	21,109	20,000	14,008	16,834	27,627	25,116
Rio Grande City*	15,795	13,513	17,905	21,795	21,561	23,887	21,602
Roma*	7,402	7,710	8,911	8,976	10,556	15,767	13,142
Total	1,102,446	909,266	1,063,643	1,268,229	1,942,091	2,093,370	2,257,035

*Source: U.S. bridge operations, compiled by the Texas Center for Border Economic and Enterprise Development at Texas A&M International University; * loaded and empty trucks, ** loaded trucks, *** 1994-97 loaded trucks, 1998-00 loaded and empty trucks*

The increases in truck crossings have led to extreme congestion and hours long delays at border crossings. Not only do the delays limit transportation efficiency, which is vital for industry just-in-time

delivery practices, they impose environmental and social costs on the border communities. However, an open border should mitigate the effects of these problems.

1.3 Current Cross-border Trucking Operations

Current cross-border trucking operations are a major impediment to realizing gains from U.S. – Mexico free trade. The current system allows Mexican and U.S. trucks to travel across national boundaries into designated commercial zones. Border zone mileage limits in the U.S. are determined by municipality population (see Table 1.3).

Table 1.3: COMMERCIAL BORDER ZONE LIMITS

<u>Municipality Population</u>	<u>Commercial Border Zone Limits (miles)</u>
Less than 2,500	3
2,500 - 24,999	4
25,000 - 99,999	6
100,000 - 199,999	8
200,000 - 499,999	10
500,000 - 999,999	15
1,000,000 or larger	20

Source: SWUTC Report, Truck Trade Corridors Between the U.S. and Mexico⁵

To operate in the United States commercial zones, motor carriers are required to obtain a certificate from the U.S. Department of Transportation Office of Motor Carriers and comply with U.S. safety standards and U.S. tax regulations, as well as acquire adequate insurance.⁶

The current system of border zone restrictions means Mexican trucks cannot operate in the interior of Texas and the U.S. This has led to a transport system reliant on drayage. Typically, to move goods from Mexico into Texas, a Mexican long-haul truck delivers goods to a staging yard near the border. A short-haul drayage firm shuttles the goods to the border, where the company pays necessary duties and Mexican customs brokers prepare documents. The truck and trailer then pass through Mexican customs inspections and cross the border. Once in the U.S., customs brokers prepare additional documentation and the drayage truck moves to an inspection station, where documentation is checked. Next, the drayage truck travels to a drayage yard and drops off its contents. Finally, a U.S. long-haul carrier picks up the goods and transports them to locations in the interior of the U.S. The current drayage system is cumbersome, with difficulties during any of the steps in the transport process

⁵ Miguel Andres Figliozzi and Robert Harrison, *Truck Trade Corridors Between the U.S. and Mexico*, Research Report for the Southwest Region University Transportation Center, August 2001.

⁶ Figliozzi and Harrison.

creating a possible backlog of trucks and extended delays.⁷ In fact, a 1996 estimate puts the cost U.S. companies pay to transfer their cargo at the border at approximately \$150 per load. This amounts to more than \$1 million a day in additional costs for the U.S. trucking industry. The implementation of the open border trucking provisions may lower trucking rates by as much as 20 percent.⁸ Dr. James Giermanski, noted expert on border transportation issues, predicts the average drayage cost ranges between \$75 and \$125 per crossing. Using the mean drayage cost and assuming that 60 percent of trucks crossing Laredo had cargo, he puts the total drayage cost of Laredo crossings in 1999 at \$167,589,960; a cost avoidable with an open border.⁹

It should be clear that the current trans-border trucking system is inefficient. Especially troublesome is the number of “dead weight” trucks crossing the border with empty cargo. Dead-weight trucks perform no beneficial economic purpose and are a waste of resources. Data compiled by the Government Accounting Office (GAO) for fiscal year 1998 shows the number of empty containers crossing the Texas – Mexico border.

Table 1.4: NORTHBOUND TRAFFIC AT THE TEXAS-MEXICO BORDER, FY 1998

Cities (Texas-Mexico)	Total	Full Containers	Empty Containers	% Containers
	Crossings			Examined
Brownsville-Matamoros and Los Indios-Lucio Blanco	273,087	123,188	154,495	47
Progreso-Nuevo Progreso	17,298	4,197	12,909	57
Hidalgo/Pharr-Reynosa	261,322	165,985	92,027	18
Rio Grande City-Camargo	18,658	11,184	4,150	57
Roma-Miguel Aleman	13,140	7,457	5,672	83
Laredo-Nuevo Laredo	1,340,653	610,217	667,086	28
Eagle Pass-Piedras Negras	85,974	51,087	44,074	23
Del Rio-Acuna	50,949	32,870	14,993	30
Presidio-Ojinaga	6,883	4,098	2,855	38
El Paso-Ciudad Juarez	591,258	255,684	187,491	35

Source: GAO analysis of Customs data

Based on 1998 calculations, almost 5,000 trucks crossed the two commercial bridges in the Laredo area daily. If the empty trucks were eliminated, it was projected that the same amount of goods could be transported by only 2,750 trucks.¹⁰

⁷ Julie Schneider, “NAFTA & Transportation: Impacts on the U.S. – Mexico Border,” *Borderlines* 67 (June 2000).

⁸ Fred Cady, *Transportation Issues Along the Texas-Mexico Border in the NAFTA Environment*, Technical Report for the Public Policy Research Center at the University of Texas at El Paso: 3-4.

⁹ James R. Giermanski, Testimony submitted to the U.S. Senate Commerce, Science, and Transportation Committee, July 19, 2001.

¹⁰ Keith Phillips and Jay Campbell, “Border Bottlenecks Hamper Trade,” *Southwest Economy*, Publication of the Federal Reserve Bank of Dallas, September/October 1998.

Drayage operations should be eliminated in the future. In December 2001, President Bush signed a transportation appropriations bill that contains provisions for opening the U.S.-Mexico border to cross-border traffic. However, the new law for Mexican trucks is more stringent than for Canadian trucks. Under the new legislation, Mexican trucks cannot travel into the U.S. until the Federal Motor Carrier Safety Administration performs safety inspections showing the trucks meet U.S. safety standards. Commercial Vehicle Safety Alliance (CVSA) inspections are required every 90 days for the first three years the carrier is in operation. The legislation requires that federal and state inspection facilities and methods are in place before opening the border to Mexican truck traffic, and the U.S. Department of Transportation (DOT) Inspector General is to conduct a comprehensive review of border readiness. The DOT Secretary, after reviewing the Inspector General's report, must certify that the border is safe and ready to open. All these conditions present opportunities for stalling the border opening.

Other factors should delay the realization of seamless cross-border truck traffic into the interior of the U.S. Fears of a deluge of Mexican trucks entering the highway system upon opening the border are not supported by evidence. Tom Vinger, spokesman for TxDOT, stated, "There is not going to be an immediate deluge of Mexican trucks flowing across the borders. That's a misconception."¹¹ And according to Bill Webb, president of the Texas Motor Transportation Association, "The issue isn't that there will be more trucks on America's roads a long way from the border, because that won't happen. We'll still see inter-line agreements."¹² High premiums to meet minimal liability requirements¹³ and less access to low-interest loans to update fleets¹⁴ are among the many factors restricting Mexican truck access to the interior of the U.S.

1.4 Texas-Mexico Trade, Employment, and Transportation

The economic benefits of NAFTA have spawned numerous debates. The debates center on whether the benefits of increased trade have engendered economic prosperity or caused a loss of jobs to American workers. An open border will have ramifications for both economic growth and employment. The following analysis addresses these issues for Texas.

1.5 Economic Growth, Exports, and Imports

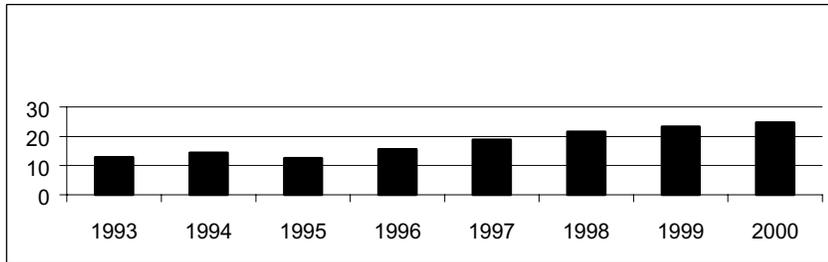
Trade data supports the contention that increases in trade with Mexico have spurred the growth in the Texas export industry. Fueled by increased trade associated with NAFTA liberalization, exports to Mexico have increased approximately 91% from 1993 to 2000. The following chart represents increases in Texas exports to Mexico. A more precise indication of NAFTA's effect on Texas exports is provided. Table 5 compares Texas exports to Mexico and all other countries. Clearly, exports to Mexico are vital to

¹¹ Byron Okada, "Truckers Dispute Border Concerns," *Ft. Worth Star-Telegram*, July 28, 2001.

¹² "Texas Teamsters Plan Fight Against NAFTA Trucking Provision," *Tank Transport*, September 21 2001.

¹³ Giermanski, Testimony, 8.

¹⁴ Okada.



Source: U.S. Department of Commerce, International Trade Administration
Exports dropped in 1995 due to the Mexican recession and peso crisis

Figure 1.1: Texas Exports to Mexico: 1993-2000 (\$billions)

Table 1.5: COMPARISON OF EXPORTS TO MEXICO AND OTHER COUNTRIES

Year	Mexico (\$ bil)	Other (\$ bil.)	Percent Mexico
1993	12.86	22.76	36.1%
1994	14.36	26.13	35.5%
1995	12.59	32.60	27.9%
1996	15.59	32.66	32.3%
1997	18.86	37.44	33.5%
1998	21.63	37.40	36.6%
1999	23.33	38.38	37.8%
2000	24.62	44.13	35.8%

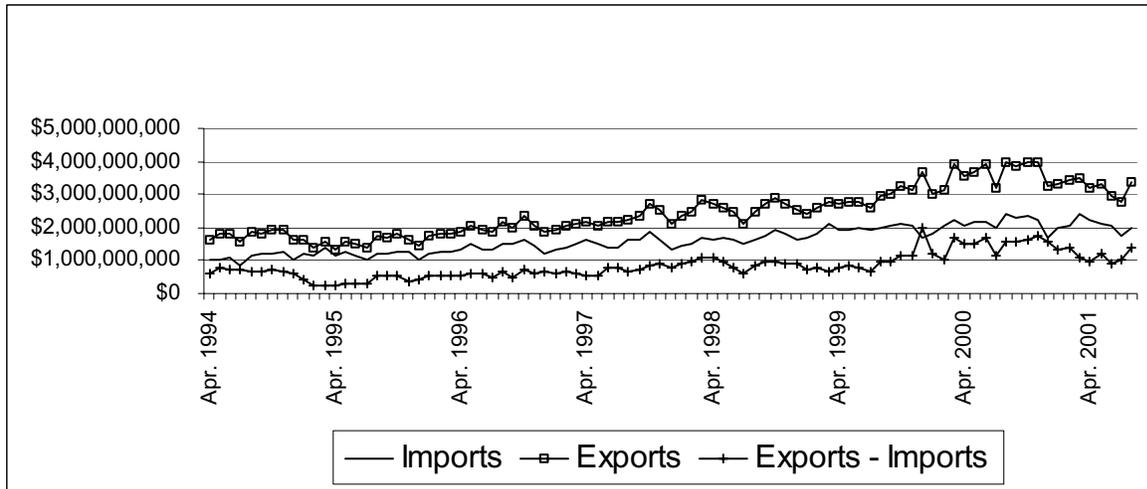
Source: U.S. Department of Commerce, International Trade Administration

the Texas economy, accounting for at or over one-third of all Texas exports, except for 1995, which is not representative of typical export activity due to the impact of the Mexico peso crisis. Although trade between countries is affected by any number of domestic and international factors at the moment, a comparison of Texas-Mexico and Texas-other countries exports between 1996 and 2000 shows that exports to Mexico increased almost 60%, while exports to other countries increased by only 35%.¹⁵ Of course, exports do not occur in a vacuum. Taking imports into account gives a more complete picture of Texas-Mexico inter-country trade.

Figure 1.2 represents the exports, imports, and net exports between Texas and Mexico from 1994 to August 2001. Figure 1.2 shows that the trend over time favors increased export growth. Although both exports and imports between Texas and Mexico have increased since the inception of NAFTA, exports have increased at a greater rate. Of course, numerous factors may account for

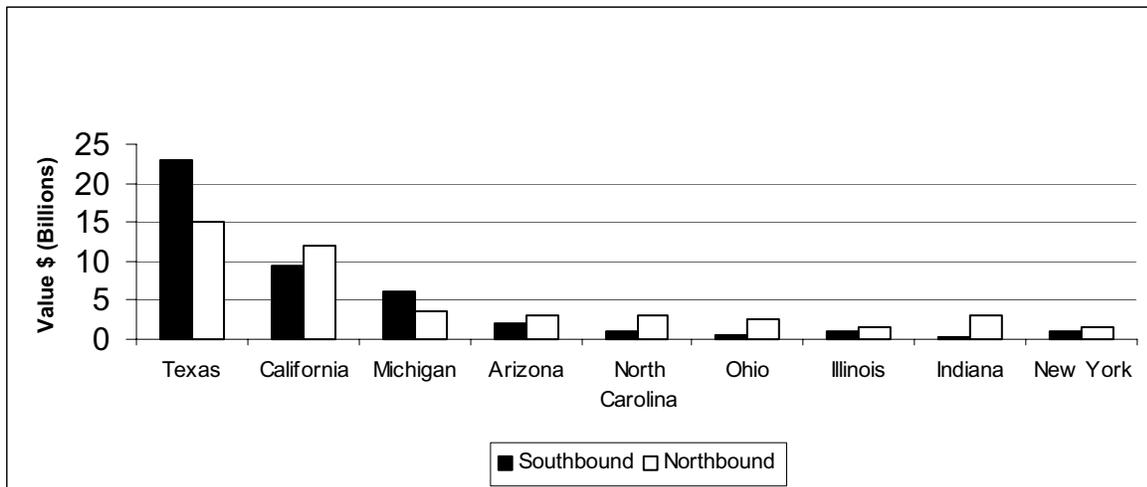
¹⁵ Comparisons were made for 1996-2000 because the 1995 Mexican peso crisis distorts the data if comparing 1993-2000. Percentages calculated using U.S. Department of Commerce, International Trade Administration data.

fluctuations and differences in net exports, but the trend holds relatively well over time. Most importantly, Texas has a positive trade balance with Mexico, unlike the other leading NAFTA-trading states that have experienced trade deficits (see Figure 1.3 for southbound and northbound trade by state in 1997). Greater export sales compared to import sales indicate that NAFTA is having a positive effect on sales and jobs for Texas.



Source: Transborder Freight Database, Bureau of Transportation Statistics

Figure 1.2 Trade by All Surface Modes: 1994-2001



Source: SWUTC Study on Truck Trade Corridors¹⁶

Figure 1.3: Trade with Mexico by State (1997)

¹⁶ Figliozi and Harrison, 21.

Much of the trade between Texas and Mexico is being fueled by the growth in Mexico's maquiladora industry. A large portion of the Texas-Mexico border traffic carries raw materials to Mexico's manufacturing industry or intermediate goods that are assembled at maquiladoras. Finished goods are then re-exported back across the border as finished products.¹⁷ The Texas border is host to the majority of maquiladoras along the U.S.-Mexico boundary.¹⁸ Maquiladoras have become a vital part of U.S. corporate strategy for achieving competitively priced goods in the world marketplace. Maquiladoras are largely concentrated in and around cities that border the U.S. For 2001, the Federal Reserve Bank of Dallas reported that the maquiladora industry within the border region employed more than 455,000 workers with a total production value of nearly \$29 billion in 713 plants.¹⁹ James Gerber, economics professor at San Diego State University, estimates that the average annual growth rate of maquiladora employment was 11 percent during the 1990s.²⁰

Opponents of free trade claim that American jobs are being lost because of the maquiladora system. While it is true that low-paying jobs, particularly in the textile/apparel industries, have moved southward across the border, Texas and its border cities have reaped important benefits from maquiladoras. The large trade flows generated by maquiladoras have generated transportation and customs employment in Texas border cities. Many maquiladora firms maintain administrative offices and distribution facilities across the border. Maquiladoras have also stimulated Texas border city employment in the legal, accounting, and financial professions. Manufacturing is increasingly benefiting from maquiladoras. Industries have relocated to the Texas border and are expanding operations to serve their maquiladora clients. Much of the employment in the Texas border manufacturing is highly skilled. Lucinda Vargas, senior economist for the Federal Reserve Bank of Dallas notes, "For Texas border cities, the presence of maquiladoras across the border translates into more and better-paying jobs. In short, maquiladoras help the Texas border region move up the economic ladder."²¹

1.6 Employment

Both theory and empirical data suggest that NAFTA has had a limited impact on employment in Texas. Hinojosa-Ojeda, Runsten, Depaolis, and Kernel show that for the most exaggerated scenario for import impact, with demand and productivity fixed, potential job losses from NAFTA is relatively small. Their model shows an average of 37,000 U.S. jobs lost annually between 1990 and 1997 due to Mexican trade. Considering that the U.S. economy creates about 200,000 jobs per month, job losses because of trade with NAFTA seem negligible. They also note that changes in aggregate demand created by changes in trade balances and trade policy are likely to be overwhelmed and counteracted by macro-economic policy; thus, trade policy is likely to have a small or insignificant effect on employment in the

¹⁷ Schneider.

¹⁸ Lucinda Vargas, "Maquiladoras: Impact on Texas Border Cities," Federal Reserve Bank of Dallas, June 2001, 26.

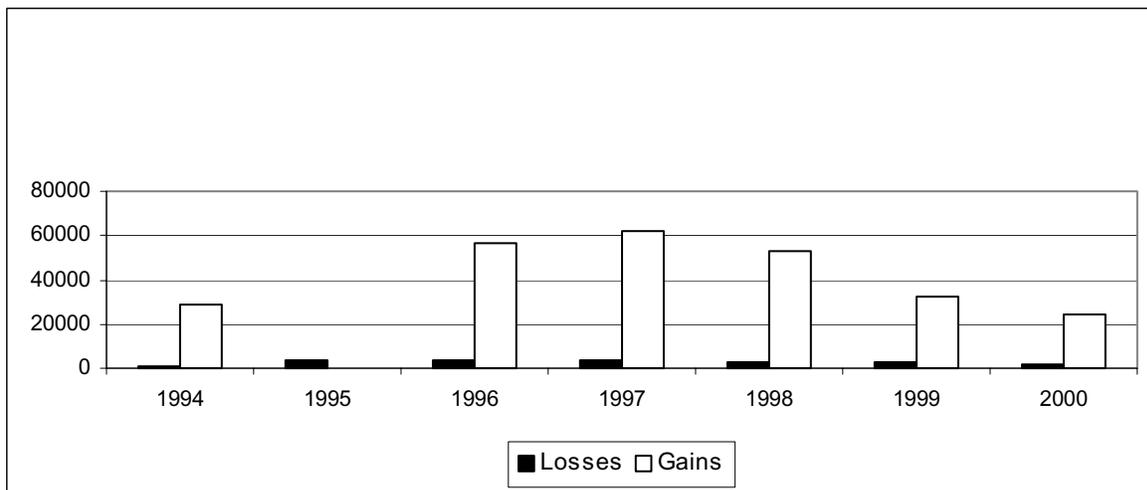
¹⁹ Vargas, 25-27.

²⁰ James Gerber, "Uncertainty and Growth in Mexico's Maquiladora Sector," *Borderlines* Vol. 9 No. 3 (March 2001).

²¹ Vargas, 29.

short run.²² In the long run, trade policy will have no impact on employment as individual economies adjust employment according to their comparative advantages.

Although NAFTA employment gains and losses are difficult to assess, this report attempts to provide an objective analysis by using a formula developed by the U.S. Department of Commerce to quantify job gains for Texas and data from the U.S. Department of Labor to quantify job losses. The DOC estimates that for every \$1 billion in new exports 19,000 jobs are created. The Labor Department reports the number of workers certified to receive NAFTA-Transitional Adjustment Assistance (TAA) benefits. The following chart shows employment growth using the DOC calculation and job losses using Department of Labor data on workers certified under the NAFTA-TAA. The NAFTA-TAA underreports job losses due to Texas-Mexico trade by omitting workers who did not file for compensation and benefits. However, it is assumed that those not filing were able to find other employment. This mitigates the impact of job losses caused by NAFTA-related trade.



Source: Job gains calculated from U.S. Department of Commerce, International Trade Administration Data; Job losses calculated using Texas TAA Certifications-Mexico from the U.S. Department of Labor 2000 job losses are partly based on U.S. Department of Labor Statistics calculations

Figure 1.4: Comparison of NAFTA Job Gains and Losses

The NAFTA-TAA program mitigates the adverse effects of NAFTA-related employment. NAFTA-TAA assists workers who lose jobs or face reduction of work hours and wages as a result of trade with, or a shift in production to, Mexico or Canada. NAFTA-TAA assists workers whose companies have been affected directly and indirectly by trade with Mexico or Canada. Firms directly affected are those that trade directly with Mexico or Canada, or who shift production to one of these two countries. Firms

²² Raul Hinojosa-Ojeda, et.al., “The U.S. Employment Impacts of North American Integration After NAFTA: A Partial Equilibrium Approach,” Executive Summary of Research Report for UCLA’s The North American Integration and Development Center, January 2000.

affected indirectly are those that supply materials to directly affected firms or assemble finished products for directly affected firms. Many family farms and farm workers are also covered as indirectly affected workers.²³

Companies and employees that believe they have been hurt by NAFTA trade or relocation can petition the Department of Labor for compensation. NAFTA-TAA allows for 52 additional weeks of unemployment compensation in addition to the regular 26 weeks of compensation.²⁴ NAFTA-TAA also provides an array of retraining and reemployment services.²⁵ Thus, while free trade always creates winners and losers because of competitive advantage, losers in the NAFTA trade pact receive up to 1.5 years of unemployment compensation and extra training and employment services. See Appendix B for more information on NAFTA-TAA.

1.7 Conclusion

Economic data supports the contention that free trade with Mexico is beneficial to Texas. Increased exports to Mexico have fueled economic growth and Texas has maintained a positive trade balance in goods with Mexico. Although difficult to quantify, employment gains have greatly offset losses resulting from trade with Mexico. Employment losses have occurred mostly in low-paying jobs such as textiles/apparel. On the other hand, many of the job gains are for higher-paying skilled labor. And for those adversely affected by NAFTA trade, TAA assistance is available as unemployment compensation, reemployment services, and job training. Thus, it seems as a whole that Texas greatly benefits from free trade with its largest trading partner.

An open border should only enhance the comparative advantages that Texas and Mexico enjoy in relation to each other. By removing a non-tariff barrier to trade, prices on goods traded between Texas and Mexico should fall. This should result in increased trade between Texas and Mexico, leading to more demand for higher paying skilled labor on the Texas side as maquiladora operations become cheaper. On an aggregate economic scale, the evidence supports the claim that an open border will benefit Texas. However, although Texas is heavily dependent on trade with Mexico, the effects of an open border will be most pronounced in the border regions. This is addressed next.

²³ “NAFTA-Transitional Adjustment Assistance Program Fact Sheet,” U.S. Department of Labor Employment and Training Administration, www.doleta.gov/programs/factsht/nafta.htm.

²⁴ Kengor.

²⁵ “NAFTA-Transitional Adjustment Assistance Program Fact Sheet.”

Chapter 2. TRUCK TRAFFIC, THE ENVIRONMENT, AND QUALITY OF LIFE IN THE BORDER COMMUNITIES

Once the border opens and cross-border truck traffic extends into the interior of the United States and Mexico, the impact will be felt most profoundly at the Texas border. Border communities surrounding international bridge crossings rely significantly on trade with Mexico to generate income and provide employment.

In the post-NAFTA era, the U.S.-Mexico border region has experienced an explosion in industrial development and urbanization as a result of cross-border trade.²⁶ This has been especially true in Texas border communities, which have experienced tremendous growth in population and growth in employment and job earnings. However, as the amounts of goods crossing the Texas-Mexico border have increased, so has congestion at border crossings and roadways in and around border communities. This, in turn, has exacerbated the environmental and social costs associated with increases in cross-border transportation of goods.

2.1 Border Population Growth

Population growth in border communities has been extraordinary. In Texas, the population of El Paso, Webb, Hidalgo, and Cameron counties totaled approximately 1.8 million, adding 391,000 inhabitants from 1990. This equates to a population increase during the 1990s of 29 percent.²⁷ In fact, Laredo was the nation's second fastest growing metropolitan area during the 1990's with a 45 percent population increase.²⁸ The population increases are expected to continue well into the future. It is expected that border metropolitan areas will grow at approximately 1.5 times the rate of other Texas metropolitan areas over the next 25 years (see Table 2.1).

Border growth effects must also account for increases in the international aspect of population increases. NAFTA has also fueled growth in Mexican border communities. Increases in Mexican metropolitan areas affect Texas border communities as border trade and vehicle crossings increase. Table 2.2 shows the extraordinary population growth in Texas-Mexico international metropolitan areas.

²⁶ Schneider.

²⁷ "Economic Factors Affecting Cross-border Transportation," Special Report from the Texas Comptroller of Public Accounts, January 2001.

²⁸ Texas Public Policy Foundation (TPPF), "The Road Ahead: Innovations for Better Transportation in Texas."

Table 2.1: BORDER METROPOLITAN FUTURE GROWTH RATE COMPARISON

	<u>2000</u>	<u>2025</u>	<u>% Change</u>
Border Metropolitan Areas	1,822,000	3,657,000	100.7
Non-Border Metropolitan Areas	12,627,000	20,880,000	72.5
Outside Major Metropolitan Areas	6,403,000	7,695,000	11.4
Texas	20,852,000	32,232,000	54.6

Source: Texas Public Policy Foundation

Table 2.2: POPULATION CHANGE IN TEXAS-MEXICO INTERNATIONAL METROPOLITAN AREAS

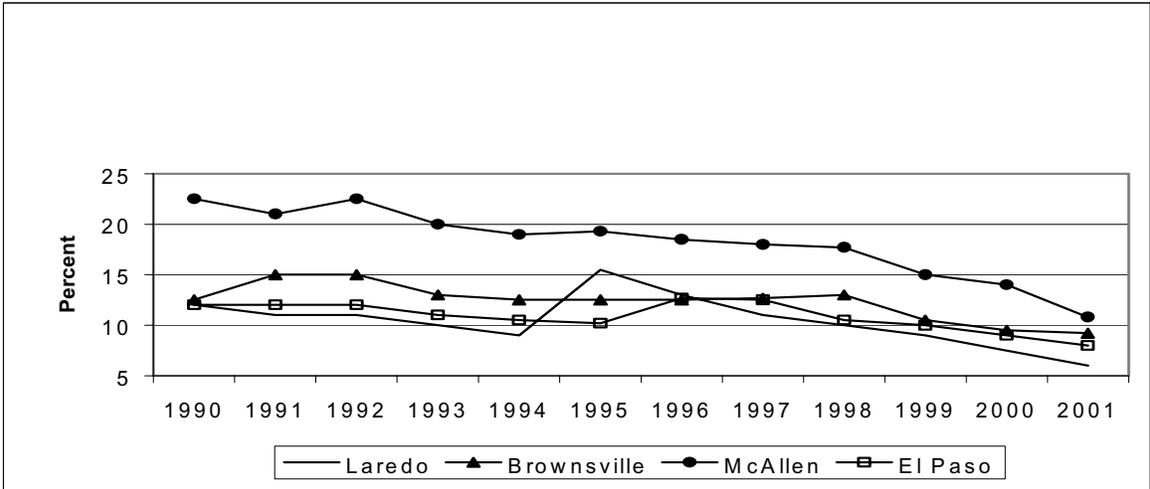
International Metropolitan Area	<u>1990</u>	<u>2000</u>	<u>% Change</u>
Ciudad Acuna - Del Rio	95,057	155,806	63.9
Ciudad Juarez - El Paso	1,389,709	1,939,492	39.6
Matamoros – Brownsville	563,413	751,171	33.3
McAllen – Reynosa - Rio Bravo	760,221	1,083,974	42.6
Nuevo Laredo – Laredo	352,807	515,174	46.0
Piedras Negras - Eagle Pass	134,563	177,218	31.7

Source: U.S. Census Bureau and Instituto Nacional de Estadística Geografía e Informática

2.2 Border Employment and Earnings Growth

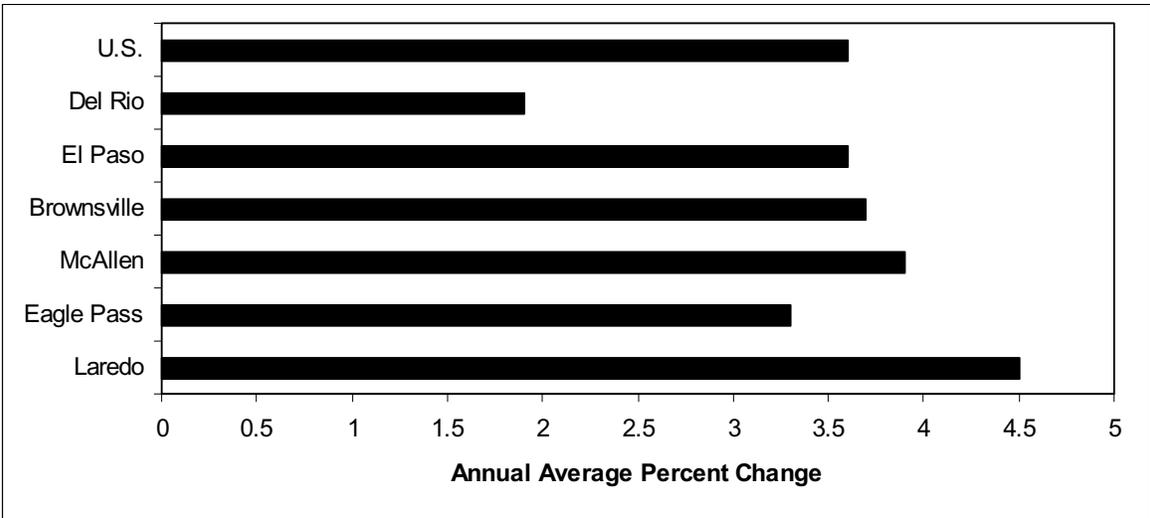
Border communities have also benefited economically from NAFTA trade flows. Unemployment rates have steadily fallen since NAFTA went into effect (see Figure 2.1). As expected, jobs in agricultural production, food processing, textiles/apparel, and electronics assembly have moved across the border. However, while low-paying assembly and manufacturing jobs have been lost to maquiladoras, Texas border cities have also benefited from them. Transportation and customs services, as well as warehousing, have flourished on the Texas side of the border because the maquiladoras' large trade flows pass through Texas border points of entry.

Earnings growth at border communities, which was previously stagnant and lagged far behind the national and Texas average, has seen a substantial increase during the 1990s. (see Figure 2.2). Transportation services account for a large portion of the border communities' earnings growth (see Figure 2.3).



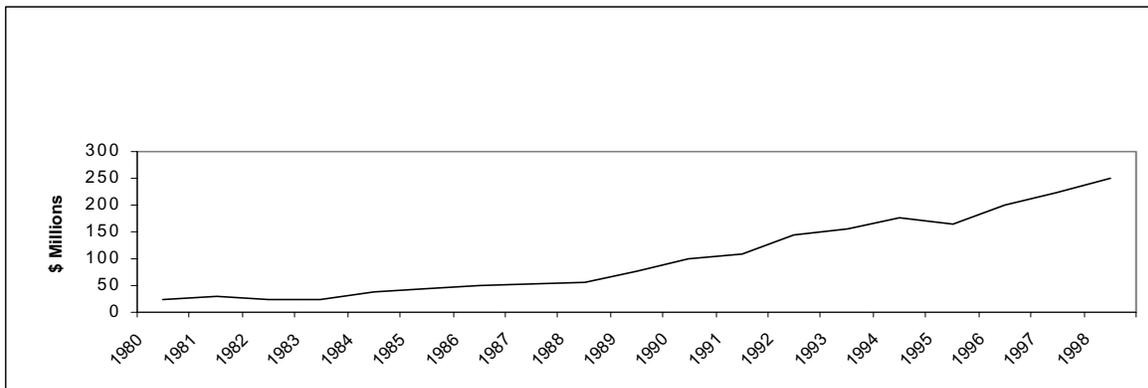
Source: Texas Workforce Commission

Figure 2.1: Unemployment Rates at Texas Border MSAs



Source: Bureau of Economic Analysis

Figure 2.2: 1990s Earnings per Job Growth



Source: Bureau of Economic Analysis

Figure 2.3: Border Transportation Services Earnings Growth

2.3 Border Environment and Quality of Life

NAFTA transportation planning has generally focused on economic and infrastructure development with scant attention paid to environmental factors. The lack of environmental studies may be the result of lack of data on environmental indicators. However, with NAFTA truck traffic primarily concentrated in border regions and on major NAFTA trade corridors, certain areas have been transformed into “high impact locales – places where environmental pressures concentrated to overwhelm the available supports.”²⁹

While Texas’ border communities have benefited significantly from increased trade in terms of population, employment, and earnings growth, these benefits have come at a cost. Some of the negative effects include increased congestion, accidents, and air and noise pollution. A Texas Public Policy Foundation report estimates these and other related “social costs” amount to \$560.8 million per year.³⁰

While data is lacking to assess many of the impacts that NAFTA trade has on border communities, a 1996 Texas Department of Transportation (TxDOT) study estimated some impacts. NAFTA –related truck traffic impacts were estimated in monetary terms for the three TxDOT border districts (El Paso, Laredo, and Pharr). The results are presented in Table 2.3. These three border regions accounted for 29.6 percent of the total Texas costs.³¹ Certainly, the costs of these impacts have risen substantially with the large increases in cross-border truck traffic.

Many indicators are used to determine environmental impacts. For example, the Commission for Environmental Cooperation (CEC) uses four categories as environmental indicators: air, water, biodiversity, and an aggregate indicator defined as “quality of life.”³² This study focuses on air quality and

²⁹ Commission for Environmental Cooperation, *Final Analytic Framework (Draft) for Assessing the Environmental Effects of the North American Free Trade Agreement (NAFTA)*, June 1999, 77.

³⁰ TPPF.

³¹ Texas Department of Transportation, *Effect of the North American Free Trade Agreement on the Texas Highway System*, December 1998.

³² Commission for Environmental Cooperation.

“quality of life” indicators, which include congestion and noise. Both are traceable to truck traffic, while the effects of truck traffic on water quality and biodiversity is difficult to estimate with any precision.

Table 2.3: IMPACT OF NAFTA ON TEXAS INFRASTRUCTURE AND COMMUNITIES, 1996 (COSTS IN \$ MILLIONS)

District	Pavement	Congestion	Air Pollution	Noise Pollution	Accidents	Total Cost
El Paso	8.4	21.2	8.1	6.1	11.9	55.7
Laredo	5.0	7.7	3.9	1.7	8.3	26.7
Pharr	17.7	29.9	11.2	11.2	25.8	95.6
Total Border	31.1	58.7	23.3	19.0	46.2	178.2

One of the few environmental studies is on air quality at the San Diego-Tijuana area. The study found that commercial trucks, which mostly use diesel fuel, account for only 4 percent of roadway use in the area, but are responsible for 80 percent of PM10s (particulate matter with a diameter less than 10 microns) and 25 percent of Nox (nitrous oxides) in the atmosphere.³³ PM10 refers to particulate matter, which is a mixture of solid particles such as smoke or soot emitted from vehicle exhaust. Nox comes from the combustion process and evaporation of unburned fuel and is a component of ground-level ozone. High ozone levels can lead to numerous environmental and public health problems.³⁴

El Paso is the only border city thus far to reach non-attainment status. However, limited data suggest that increases in border traffic have led to increases in both Nox and other pollutants. Thus, one can infer that ozone has likely increased.³⁵ The following chart reveals that the current inefficient border transportation system is increasing pollution at border communities. A Western Governor’s Association report gave the following estimates of avoidable pollution caused by the current inefficient border trucking system.

Pollution surely affects quality of life and its effects were noted above. No measures of noise pollution were found, but it would surely decrease with decreased congestion at the border crossings. Congestion not only inconveniences travel around the international bridges, it also spreads throughout border cities. For example, a 2000 article on Laredo states, “On almost any city street and in the parking lots of many businesses you’ll find truck tractors.”³⁶ El Paso is also experiencing significant NAFTA truck traffic on its highways and local streets.³⁷ And, of course, trucks are placing severe strains on infrastructure. One loaded 80,000 truck and trailer causes as much pavement damage as 9,600 cars.

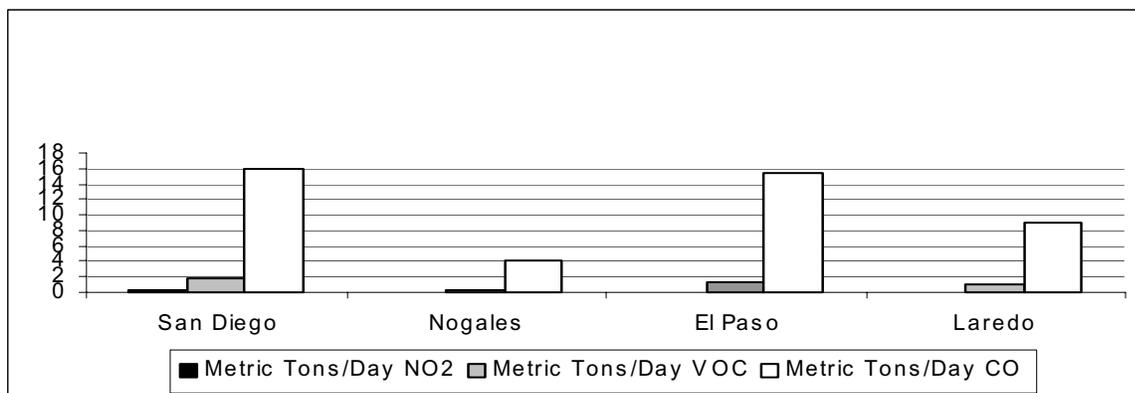
³³ Schneider.

³⁴ Sierra Club and Shelia Holbrook-White, *NAFTA Transportation Corridors: Approaches to Assessing Environmental Impacts and Alternatives*, Report presented at the North American Symposium on Understanding the Linkages between Trade and Environment, Washington D.C., October 11, 2000.

³⁵ Sierra Club and Shelia Holbrook

³⁶ Sierra Club and Sheila Holbrook-White.

³⁷ Judge Dolores Briones, Testimony to the Border Affairs Committee.



Source: *Border Congestion and Air Quality Study*, A Report to the Western Governor's Association (November 1999)³⁸

Figure 2.4: Emissions Due to Avoidable Delay at U.S.- Mexico Border Crossings, 1999

2.4 Border Communities and an Open Border

Once the border opens and cross-border truck traffic extends into the interior of the United States and Mexico, the impact will be felt most profoundly at the Texas border. Border communities surrounding international bridge crossings rely significantly on the existing commercial border zone restrictions to generate income.

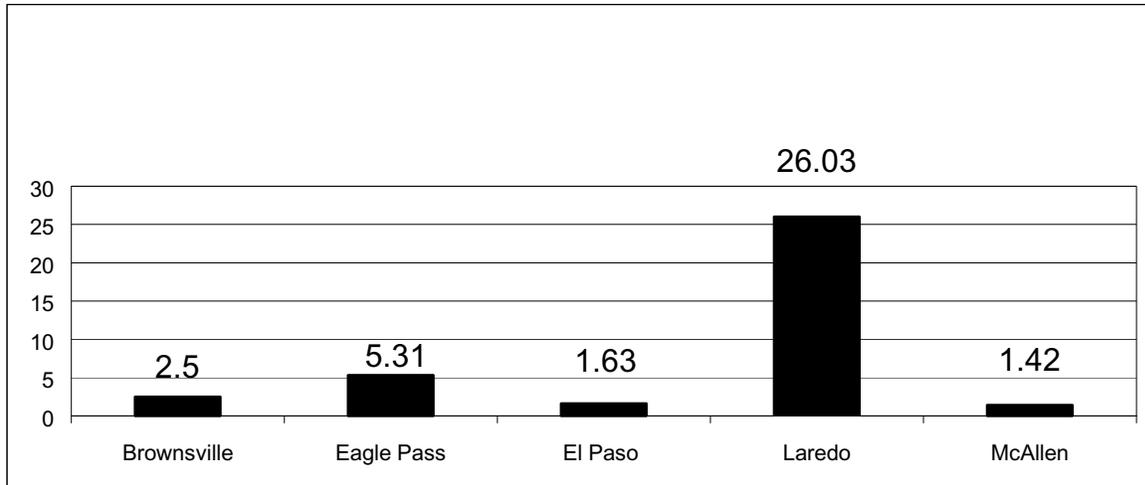
Warehousing, brokering, and Customs' clearance are some of the indirect services generating income and employment in the border communities. The Federal Reserve Bank of Dallas uses a location quotient to measure the share of jobs in a certain sector for a given geographical area. The location quotient is defined as the local share of jobs in an industry divided by the national share of jobs in the same industry. Figure 2.5 shows the share of transportation service jobs for the major Texas border areas. Transportation services include trucking, warehousing, and freight-forwarding.³⁹ It is evident that Laredo, which receives the largest number of cross-border truck traffic, is especially reliant on transportation-related jobs.

Once the restrictions on commercial zone truck traffic are removed, the stream of revenue accruing to the border communities from these transportation-related activities will no longer be assured. Economic activity related to cross-border trucking will no longer remain exclusively on the border. In fact, transportation theory states that goods tend to move between the major markets when transportation is unimpeded by regulatory decrees. The experience of the European Union validates this claim.⁴⁰ Thus, the more efficient practice of point-of-origin to final destination could have dire economic consequences for border communities.

³⁸ *Border Congestion and Air Quality Study*, A Report to the Western Governor's Association, November 1999.

³⁹ Keith Phillips and Carlos Manzanares, "Infrastructure and the Border Economy," Federal Reserve of Dallas, June 2001.

⁴⁰ James Giermanski. *The Impact of NAFTA on U.S.-Mexico Commercial and Border Zones and the Potential Consequences to the Border*. Report for the Instituted for International Trade, February 1994.



Source: Federal Reserve Bank of Dallas calculations from Census Bureau data
Figure 2.5: Border Share of Transportation Services Jobs (1997)

Economic prospects for Laredo could especially change quite dramatically if cross-border, long-haul truck traffic replaces the current drayage system. Because Laredo's economy is so heavily dependent on transportation and related service industries, a seamless border is a recipe for disaster, at least according to Dr. James R. Giermanski, a noted expert on NAFTA transportation issues. Laredo is home to 400 trucking companies and 55 million feet of warehouse space.⁴¹ Dr. Giermanski, in reference to Laredo, noted, "We don't have manufacturing. We don't have tourism. We don't have agriculture. What we have are a lot of trucks."⁴²

Accidents should decrease with an open border as long-haul Mexican haulers replace drayage haulers. Drayage trucks are older and many lack features such as properly-functioning brakes and lights. Pollution and noise should also decrease as more efficient-running long-haulers replace drayage trucks. However, the main environmental benefits of an open border will result from the decreases in border crossings with the absence of "dead-weight" hauls.

Over the long-term an open border should lead to more efficient cross-border transportation and increases in trade, since a non-tariff barrier to trade has been lifted. Barring a major shift to trans-border shipments by rail, sea, and/or air, this will result in more trucks passing through border communities as trade continues to grow. However, these long-haulers will produce less pollution and noise. Thus, an open border should lead to increased trade flows beyond those associated with the current drayage system with possible decreases, or over the long-term, minimal increases in negative environmental externalities.

⁴¹ Dave Harmon, "NAFTA loads up border's roads," *Austin American-Statesman*, 1999.

⁴² "On the Busy Streets of Laredo," *Washington Post*, April 18, 1999.

Chapter 3. MEXICAN TRUCK SAFETY

Much has been said and written concerning Mexican truck safety. Much of the rhetoric has focused on studies showing that Mexican trucks are unsafe in comparison to American trucks. However, this rhetoric is either distorted or false. These opponents of Mexican truck access beyond the commercial border zones of the United States have used data from the U.S. Department of Transportation to buttress their case. But their choice of data is biased and produces spurious conclusions. A closer perusal of the DOT study findings and methodology, plus additional information provided from other sources, show that concerns over unsafe Mexican trucks are largely an illusion, used by politicians and groups to further their interests. By examining the data more carefully and systematically, the evidence points to Mexican trucks that are as safe, or safer, than their U.S. counterparts. Thus, this study sets the record straight and provides some suggestions for revising the methodology used to assess Mexican truck safety in order to provide a more complete and objective analysis of the issue.

3.1 Assessing the Evidence

Data selection for opponents to cross-border truck transportation between the U.S. and Mexico has mostly come from three U.S. Department of Transportation studies – “Motor Carrier Safety Program for Commercial Trucks at U.S. Borders (1998), “Mexico-Domiciled Motor Carriers” (1999), and “Motor Carrier Safety at the U.S.-Mexico Border” (2001). On the surface, these studies show that Mexican trucks are unsafe compared to U.S. trucks. However, closer inspection shows that these studies are methodologically spurious and the 1999 study even supports the pro-Mexican trucking side.

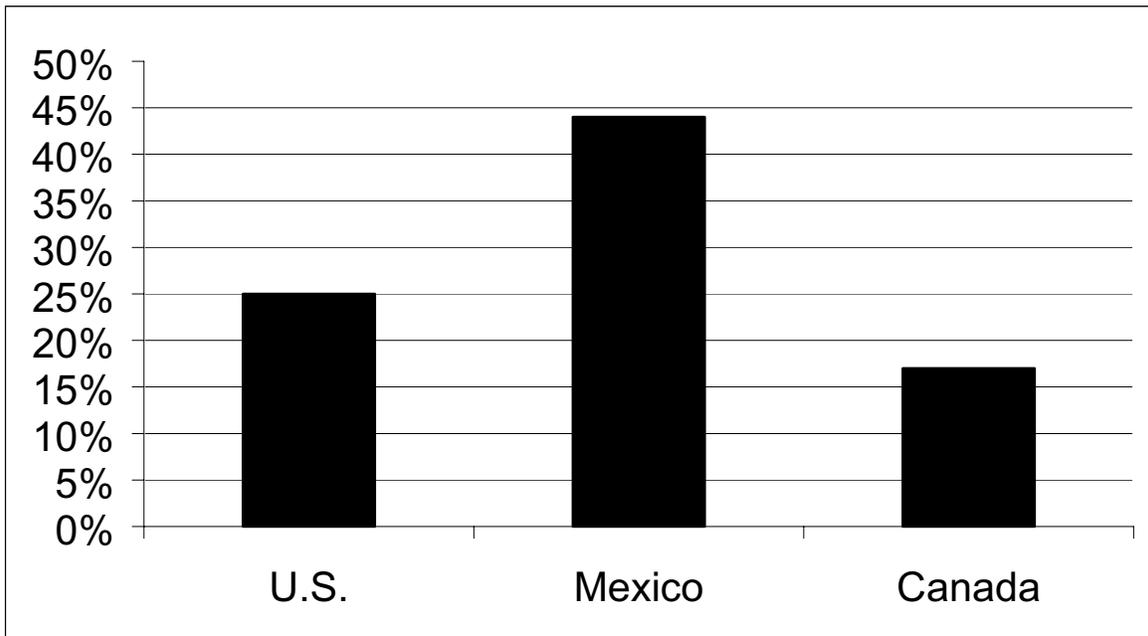
In 1998 the DOT asked its Inspector General (IG) to investigate truck safety along the U.S. borders. The report showed that in 1997, approximately 3.5 million trucks entered the U.S. from Mexico and around 17,000 of those trucks were inspected. 44 percent of the trucks were put out of service for safety violations.⁴³ Serious safety violations include defective brakes, defective frames and steering systems, and substandard tires.⁴⁴ This percentage is high by itself and in comparison with U.S. and Canadian out-of-service rates (see Figure 3.1). Thus, on the surface, it seems that the concern over Mexican truck safety is warranted. However, the DOT report notes:

Although views differ about whether a 44 percent out-of-service rate for Mexican trucks is statistically representative of the universe of Mexican trucks that are noncompliant, there currently is no other measure to use as a frame of reference; nearly all agree that the number of trucks currently crossing the border in a noncompliant condition is unacceptably high. Also, there is some speculation that once the border is open to long-haul traffic, the number and percentage of

⁴³ “Motor Carrier Safety Program for Commercial Trucks at U.S. Borders,” Report Number TR-1999-034, prepared by the U.S. Department of Transportation Office of the Secretary and Federal Highway Administration, December 28, 1998.

⁴⁴ “Motor Carrier Safety at the U.S.-Mexico Border,” Reports Number MH-2001-096, prepared by the Federal Motor Carrier Safety Administration, September 21, 2001, 5.

safety compliant Mexican trucks will dramatically increase because long-haul trucks will be different from and in a better condition than the shorter-haul trucks that currently comprise the commercial zone cross-border traffic (referred to as drayage).⁴⁵



Source: OMC Motor Carrier Management Information

Figure 3.1: FY 1997 Out-of-Service Rates

Thus, the inspections of Mexican trucks were made on drayage trucks – the trucks in the worst condition. Mexican drayage trucks were compared with U.S. and Canadian long-haul carriers. This is comparing apples to oranges. Dr. James Giermanski noted, “Publicly reported results of examinations of both Mexican and U.S. drayage trucks by federal and state officials over many years demonstrated that, in fact, “out of service” rates for Mexican and U.S. drayage were essentially the same.”⁴⁶ According to the Kansas City Police Department, the out-of-service rate for drayage trucks at the nation’s second busiest intermodal rail facility is 40 to 50 percent. This is about the same as the rate for the port-of-entry in Laredo.⁴⁷ Also, the Mexican trucks in the DOT report were not inspected in a random process; thus, it can be assumed that those trucks targeted were the most visibly ragged.⁴⁸

⁴⁵ DOT Report Number TR-1999-034, xi.

⁴⁶ Giermanski, Testimony, 9.

⁴⁷ Duane W. Acklie, Statement prepared for the Highways and Transit Subcommittee of the U.S. House of Representatives, July 18, 2001, 4.

⁴⁸ Russell Roberts, “How Safe is that Trucker in the Window?.” Feature essay in the Contributors’ Forum of The Library of Economics and Liberty, March 5, 2001, 4.

The 1999 report from the Inspector General gave the Mexican trucks a 41 percent failure rate. While the methodology in calculating this percentage was flawed in the same manner as the previous report, the most interesting aspect of the 1999 report concerns Mexican long-haul carriers operating in the U.S. Some of these carriers operated legally. About two percent of Mexico-domiciled motor carriers operate under legal authority because they claim U.S. citizens as majority owners or received “grandfathered” status prior to the Bus Regulatory Reform Act of 1982 that limited travel to the commercial zones. However, most of the long-haul Mexican trucks inspected were operating illegally beyond the commercial zones. Of the trucks inspected in the four border states, 32 percent were taken out of service because of safety violations, but only 19 percent of the Mexican trucks operating outside the border states were found to have violations severe enough to ground the truck.⁴⁹ This compares favorably to the 17 percent out-of-service rate of Canadian trucks and is substantially lower than the rate of U.S. carriers (26%).⁵⁰ Thus, the farther the truck has to travel, the safer the truck that is used by the Mexican firms. This makes sense rationally, for safety is a more important factor the longer the trip.⁵¹

Additionally, the IG report cited the following as an example of placing a Mexican truck out of service:

A Mexican truck on its way to Florida to deliver furniture was stopped in Louisiana. The driver was placed out of service. The safety inspection report reads as follows:

- No record of duty status (no driver logbook)
- No medical examiner’s certificate
- Failure to obtain required commercial driver’s license
- Allowing unqualified driver to operate vehicle
- Unable to read or speak English sufficiently⁵²

This truck was placed out-of-service because of driver qualifications, not because of the safety of the truck. When accounting for this situation, the out-of-service rate for Mexican long-haul carriers is probably much lower if the focus is on vehicle safety.

The 2001 Inspector General report once again used the same faulty methodology of comparing Mexican drayage trucks to U.S. long-haul carriers. For fiscal year 2000, 37 percent of Mexican trucks inspected were removed from service because of serious safety violations. Thus, the rate of out-of-service Mexican trucks fell from 44 percent in FY 1997 to 37 percent for FY 2000. However, it was still significantly behind the out-of-service rate for U.S. trucks of 24 percent.

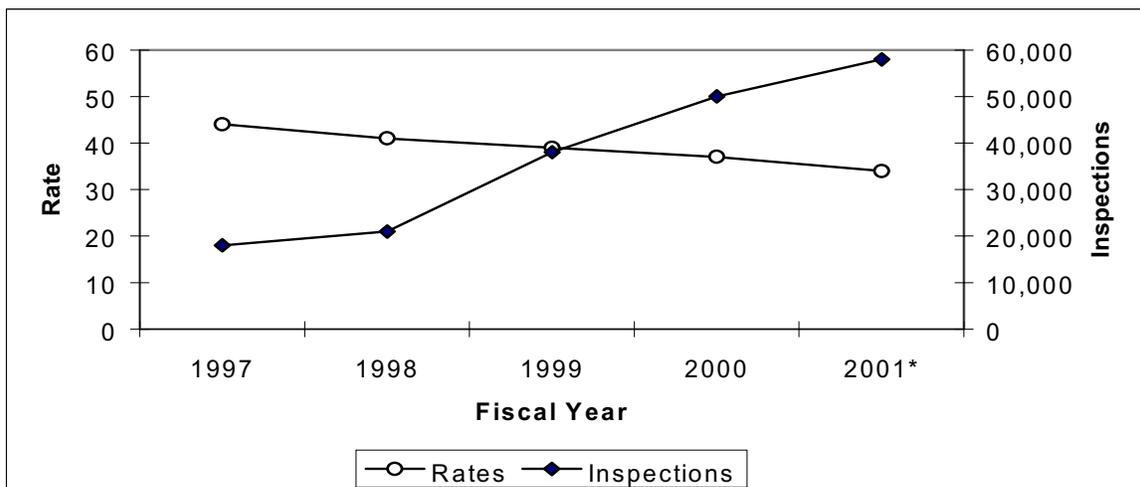
While the report notes that Mexican truck safety is improving, it attributes the improvement to increased levels of inspections in the U.S (see Figure 3.2). The report states, “There is a direct correlation between the condition of Mexican trucks entering the United States and the level of inspection resources at the border. That is, the more likely the chance of inspection, the better the condition of the

⁴⁹ DOT Report Number TR-2000-013.

⁵⁰ Giermanski, Testimony, 10.

⁵¹ Roberts, 5.

⁵² DOT Report TR-2000-013, v.



Source: Federal Motor Carrier Safety Administration, DOT Report No. MH-2001-096

Figure 3.2: Mexican Out-of-Service Rates and Number of Inspections

vehicle.”⁵³ The out-of-service rate for inspected Mexican trucks was only 27 percent in California, which has more inspectors than other states and operates inspections during all operation hours. On the other hand, the out-of-service rate for Texas, with more limited inspection resources and less operating hours, was 41 percent. Thus, the data supports the contention that carriers respond rationally to increased inspections by upgrading the safety of their trucks.⁵⁴ However, there is no a priori reason to expect that U.S. carriers would not respond in the same manner to increased safety inspections. Showing that Mexican trucks respond to increased inspection does not differentiate Mexican truck safety from U.S. truck safety. The presumption that Mexican carriers respond to inspections by upgrading their unsafe fleet implies that Mexican carriers deliberately operate unsafe trucks. While this may be true for drayage carriers, the same holds true for U.S. drayage carriers. Economics dictate that older trucks be used for drayage purposes.

Another contentious issue surrounding the Mexican truck debate centers on the number of Mexican trucks that enter into the U.S. The more that Mexican trucks cross the border, the more that safety concerns are raised. Teamster’s President James Hoffa stated, “Unsafe Mexican trucks cross our border more than 4 million times a year.”⁵⁵ However, this is another case of disseminating distorted information. A report received by the U.S. Department of Transportation from the International Association of Chiefs of Police (IACP) revealed that of the 80,000 trucks operating along the U.S.-Mexico border, 63,000 were Mexican. The report, released in April 2001, was conducted to assist the agency in planning its border workforce and relied on information from U.S. Customs’ license plate readers and

⁵³ DOT Report Number MH-2001-096, 5.

⁵⁴ DOT Report Number MH-2001-096, 6.

⁵⁵ Margaret Gordetsky, “Report Finds Fewer Trucks at U.S.-Mexico Border Points,” *Transport Topics* (April 23, 2001): 34..

1999 data collected at commercial border crossings. Information on border crossings had previously relied on a Customs' 'head-count'. However, this did not take into account the actual number of specific trucks that crossed the border. Thus, the truck-crossing numbers were inflated. This data is important for the perception of the number of unsafe Mexican trucks that may cross the border.⁵⁶

The magnitude of the presence of Mexican trucks is further reduced when one considers that there are approximately 740,000 Class 7 and 8 trucks in the U.S.⁵⁷ This number excludes 63,000 other vehicles that failed to file a report. This leaves an actual total of approximately 796,900 U.S. trucks. The number of operating authority requests by Mexican motor carriers was only 184 as of July 1999. Thus, based on these numbers, Mexican carriers would account for only .0002 percent of the motor carriers in the U.S.⁵⁸

Other aspects of cross-border trucking also have been distorted. Teamsters' spokesman Rob Black claims that the Teamsters want to ensure that Mexican trucks "have to obey the same standards as American trucks."⁵⁹ However, if Mexican trucks do not meet U.S. standards, they cannot legally travel in the U.S. This applies to safety as well as weight standards.⁶⁰ Mexican trucks traveling outside of U.S. standards will face the same legal sanctions that U.S. trucks face.

A closer examination of the data contrasts with the conventional wisdom. The DOT Inspector General reports draw spurious conclusions by comparing U.S. long-haulers to Mexican drayage trucks. Evidence in the 1999 report shows that Mexican long-haulers are as safe, or safer, than U.S. trucks. The number of trucks estimated to cross the border has been vastly overrated when one looks at individual trucks instead of simply the number of border crossings. And Mexican carriers face numerous impediments constraining U.S. shipping. Thus, while close inspection of the data and information actually counters the claims of those against an open U.S.-Mexico border, the question remains as to why the data has not been more thoroughly scrutinized in policymaking decisions. The next section addresses this issue and concludes that political considerations were the prominent consideration for the Mexican truck safety issue.

3.2 Political Considerations

The trucking dispute came to a head shortly before Mexican trucks were to be authorized to travel in U.S. border states on December 18, 1995.⁶¹ By all accounts, both the U.S. and Mexico were preparing

⁵⁶ Gordetsky, "Report Finds Fewer Trucks at U.S.-Mexico Border Points," 1 and 34.

⁵⁷ Class 7 and 8 motor carriers include the heavy, over-the-road vehicles.

⁵⁸ Giermanski, Testimony, 4.

⁵⁹ Margaret Gordetsky and John Wislocki, "Congress Asked to Block Mexico-U.S. Border Opening," *Transport Topics* (June 4, 2001): 33.

⁶⁰ Peter Cazamias, "The U.S.-Mexico Trucking Dispute: A Victim of Politics," *Texas Transnational Law Quarterly* (July 1997): 64.

⁶¹ Peter Cazamias. Cazamias uses newspaper articles, Journal of Commerce articles, and interviews with officials from the Federal Highway Administration, the U.S. Department of Transportation's Office of International Transportation and Trade, and the International Brotherhood of Teamsters to piece together the political maneuverings that occurred at this time.

for the border opening prior to December 1995. The DOT and state agencies increased resources in preparation for the border opening. Texas added 109 officers to handle the expected increase in border inspections. The DOT gave the border states \$2 million for inspection expenditures in 1994 and 1995 and promised another \$1 million in 1997. Also, Mexico earmarked some of its World Bank money to improve its inspection facilities.

Additionally, officials from both countries met prior to the expected border opening to discuss a number of issues. U.S. DOT Secretary Federico Pena and Mexican Minister of Transportation Emilio Gamboa conducted the North American Transportation Summit in April 1994. A Memorandum of Understanding was reached setting forth cooperation between U.S. and Mexican officials at all levels of government. Agreement was reached on issues such as standardizing safety operations regarding hazardous materials and setting up electronic systems to exchange information on commercial drivers. Beyond the summit, DOT and the Texas Department of Public Safety conducted workshops to train Mexican drivers, and the Clinton administration created the Land Transportation Safety Subcommittee (LTSS) with the express intent of harmonizing surface transportation safety and regulatory standards between the U.S. and Mexico.⁶²

Just a few days before the historic event of the border opening was supposed to take place, DOT Secretary Pena had given a speech on new technology relating to border issues. During the speech he stated, "NAFTA embodies President Clinton's vision of seamless trade and transportation along our international borders."⁶³ On the day of the scheduled border opening, the DOT director for motor carriers discussed the upcoming event with reporters. The director explained that Mexican trucks would be held to U.S. standards by tough safety enforcement programs.⁶⁴ However, appearances were deceiving.

Despite the preparations for the border opening and pro-border opening rhetoric, the event did not happen. The day before the border was to open, Secretary Pena called a press conference and announced a freeze on Mexican applications for trucking permits because of lack of harmonization in U.S. and Mexican safety standards.⁶⁵ And President Bill Clinton issued a proclamation for keeping Mexican trucks restricted to the commercial zones because of safety reasons. This was a failure to implement the NAFTA agreements, and as result, Mexico responded by placing the commercial zone restrictions on U.S. trucks.⁶⁶

Why did the Clinton administration decide to keep the border closed? Though circumstantial, the evidence points to pressure from the Teamsters as the main factor in the seemingly reversal of the administrations position. The Teamsters, along with the Citizens for Reliable and Safe Highways, had taken especially tough stances against the NAFTA transportation provisions. With Mexican drivers

⁶² Cazamias 56-57.

⁶³ Cazamias, 62.

⁶⁴ Cazamias, 58.

⁶⁵ Cazamias, 58.

⁶⁶ Paul Stephen Dempsey, *Free Trade but not Free Transport? The Mexican Stand-Off*, Draft Report by the Director of the Transportation Law Program at the University of Denver, August 27, 2001, 3.

earning only about a third of U.S. driver salaries,⁶⁷ it stands to reason that the Teamsters would logically lobby against the border opening for fear of increased penetration into the U.S. trucking market by cheaper Mexican shippers. But just as important, the Teamsters had a 1.4 million membership. Additionally, the AFL-CIO and the insurance industry were threatening to flex their muscles on the border opening issue.⁶⁸ Thus, one could surmise that the Clinton administration had come to realize the full electoral repercussions of not appeasing the Teamsters, the insurance industry, and organized labor, especially in light of the recent 1994 gains made by the Republicans in Congress. Voter sentiment had turned away from the Democrats and toward the other party, and a large majority of organized labor historically votes Democratic.

The Teamsters influence hypothesis is also bolstered by the fact that a few hours before Secretary Pena's press conference, the Teamsters issued a press release announcing the U.S. decision to stop processing Mexican applications.⁶⁹ Thus, contradictory remarks from Secretary Pena and the director of motor carriers, coupled with the fact that the Teamsters had information on the border freeze in advance of Pena's press release, gives the impression that the Teamsters Union at the least had inside information, and at the most was involved with the administration in the decision to keep the border closed. New information on Mexican truck safety was not likely to be the case of the switch in policy, for the United States lacked any data on Mexican safety failure rates prior to the border freeze. In any event, the narrative points towards interest group influence in the decision to keep the border closed.

The Clinton administration continued to fight an open border. In 2000 the *Los Angeles Times* reported that, according to State Department officials, the Clinton administration continued to delay opening the border to please the Teamsters and secure their support for Vice-President Al Gore in the upcoming election.⁷⁰ Organized labor objection to the open border continued to strengthen in the wake of labor solidarity against free trade and organizations such as the World Trade Organization.

With the election in 2000 of pro-open border George W. Bush as president, the political impetus to keep the border closed fell on the U.S. Congress. Senator Byron Dorgan (D-N.D.) introduced a bill in May 2001 to bar Mexican trucks from entering the U.S. beyond the commercial border zones.⁷¹ The Senate Appropriations Committee inserted provisions in transportation appropriations bills requiring more stringent safety standards for Mexican trucks in comparison to U.S. and Canadian trucks. Representative James L. Oberstar (D-Minn.) introduced a resolution urging Bush to delay the border opening.⁷² And in May 18-20, 2001, a house delegation visited the border to see first hand the condition of Mexican trucks.

⁶⁷ Dempsey, 3.

⁶⁸ Dempsey, 3.

⁶⁹ Cazamias, 58.

⁷⁰ James Giermanski,, "Closing the Border Under NAFTA: The Strength of the Teamsters or Weakness of Leadership?," Capitol Research Center, February 2000.

⁷¹ Gordetsky and Wislocki, "Congress Asked to Block Mexico-U.S. Border Opening," 33.

⁷² Gordetsky and Wislocki, "Congress Asked to Block Mexico-U.S. Border Opening," 33.

Rep. Robert Borski (D-Pa.) commented that Mexican trucks were in “appalling condition.”⁷³ However, he did not acknowledge that he was observing drayage trucks and not Mexican long-haulers. Clearly, the Congresspersons were continuing to relay on incomplete and unreliable information in asserting their claims.

In December 2001, President Bush signed a transportation appropriations bill that contained provisions for opening the U.S. – Mexico border to cross-border truck traffic. However, the new law will not, in the near term, alter the current border trucking operations. The law was a result of compromise between pro- and anti-open border advocates. While both sides can claim that the law opens the border while addressing safety concerns, it in effect may continue to stall efficient cross-border transportation and is much more restrictive on Mexican companies in comparison to regulations that Canadian motor carriers must follow when traveling on the U.S. side of the border.

3.3 Conclusion and Recommendations

The evidence shows that alleged safety issues regarding Mexican trucks are contrived and conclusions reached are spurious. However, political interests have selectively used data to support the anti-Mexican truck crusade. In fact, the true issue regarding safety of Mexican trucks traveling on U.S. roads is driver safety. This is supported by general vehicle crash causation studies consistently indicating that approximately 90 percent of vehicle crashes are caused by actions of the driver.⁷⁴

A 1997 General Accounting Office (GAO) study found that regulatory differences could threaten U.S. highways. The study found that American truckers were required to maintain logbooks of their driving hours, while Mexican drivers were not. Also, Mexican law did not limit driver hours.⁷⁵ However, in May 2001, the DOT Inspector General reported that Mexican drivers have been required to use logbooks since March 20. Mexico’s current labor laws limit drivers to working eight-hour days. Additionally, procedures for administering drug and alcohol tests were harmonized with the June 10, 1998 Memorandum of Understanding between the U.S. and Mexico.⁷⁶ Today, driver qualifications for Mexico’s international drivers are the same as those for U.S. commercial license holders.⁷⁷

For those not convinced of the safety of Mexican long-haul carriers, they can take some comfort since Mexico adopted safety standards based on Commercial Vehicle Safety Alliance (CVSA) standards. CVSA standards are the same as those used to measure the safety of U.S. and Canadian trucks. Safety databases for Mexican drivers and companies, accessible to all three NAFTA countries, are almost

⁷³ Margaret Gordetsky and John Wislocki, “Congress Turns Up Pressure on President to Deny Trucks from Mexico Access to the U.S.,” *Transport Topics* (June 25, 2001): 13 and 15.

⁷⁴ Acklie, 5; Emily Williams and Kristen Monaco provide detailed analysis of driver characteristics and safety in “Accidents and Hours-of-Service Violations Among Over-the-Road Drivers,” *Journal of the Transportation Research Forum* 40, No. 1 (Winter 2001): 105-115.

⁷⁵ “Bordering the Future: Challenge and Opportunity in the Texas Border Region,” Report by the Texas Comptroller of Public Accounts, July 1998, 80.

⁷⁶ Gordetsky and Wislocki, “Congress Asked to Block Mexico-U.S. Border Opening,” 33.

⁷⁷ Margaret Gordetsky, “Mexican Trucking Misunderstood, Official Says,” *Transport Topics* (March 5, 2001): 5.

completed. And the Mexican roadside safety inspection program is nearly fully operational.⁷⁸ Thus, the Mexican government has taken the necessary steps to improve its safety inspection system, and is now using the same safety standards as the U.S.

Although regulation is not completely harmonious between Mexico and the U.S., the same holds true for the U.S. and Canada.⁷⁹ However, each truck and driver that operates across the border is subject to the rules and regulations of the host country. Additionally, by 2004, U.S. firms should be able to acquire complete ownership of Mexican international trucking firms. Thus, U.S. firms will be able to infuse capital improvements into some of the Mexican firms operating with older truck fleets. Currently, U.S. firms may invest up to 51 percent.⁸⁰

Further impetus for opening the border to Mexican trucks came from the NAFTA arbitration panel. The panel ruled that the U.S. was in violation of NAFTA by barring Mexican trucks from entering the its highways. And Ambassador Peter F. Allgeier, the Deputy U.S. Trade Representative, warned that the failure to comply with the NAFTA provisions could lead to a withdraw of trade concessions made by Mexico to the United States under the NAFTA agreement.⁸¹ Furthermore, Ken Hoffman, past president of the National Law Center for Inter-American Free Trade, warned that the closed border could put the U.S. at risk of retaliatory tariffs and quotas on its exports, resulting in a price tag as high as \$2 billion. Mr. Hoffman stated, "These retaliatory moves [by the Mexican government] would send the cost of U.S.-made goods sky high in Mexico and many U.S. manufacturers would lose their Mexican market...that would cost jobs in the U.S."⁸² Current Secretary of Transportation Norman Y. Mineta also echoed this sentiment, saying that not implementing the NAFTA truck provision could cost the United States more than \$1 billion a year in sanctions.⁸³

Below are some recommendations for improving the methodology of truck safety studies to provide a more accurate portrait of Mexican long-hauler safety. Also, some recommendations are made to augment the safety of Mexican trucks. Although the Mexican trucks that will enter the U.S. if cross-border traffic is allowed have been shown to be no less safe than U.S. trucks, a few simple measures may improve Mexican trucks condition and performance; this reduces any transportation asymmetries that may restrict unencumbered trade and enhances the natural comparative advantages that each country holds.

- Compare apples to apples – To assess the safety quality of Mexican fleets that would carry goods on long hauls into the interior of the U.S., it is necessary to properly assess the condition of Mexican long-haul trucks. This requires working with Mexican officials to observe a sample of

⁷⁸ Gordetsky and Wislocki, "Congress Asked to Block Mexico-U.S. Border Opening," 33.

⁷⁹ Acklie, 5.

⁸⁰ Dempsey, 2-3.

⁸¹ "Mexican Truck Access a Safety Issue: Congress Raises Concerns over Mexican Trucking Operations Traveling U.S. Highways," *The American Shipper* (September 2001): 97..

⁸² Gordetsky and Wislocki, "Congress Asked to Block Mexico-U.S. Border Opening," 33.

⁸³ Margaret Gordetsky, "Mexican Retaliation Could Raise Costs of American Exports," *Transport Topics* (July 2, 2001): 43.

Mexican long-haul trucks firsthand. The Mexican safety inspection program is just now becoming operational; thus, accurate data on Mexican out-of-service rates for long-haul trucks will not be available until the inspection program is shown to be reliable and implemented over a period of time to acquire the necessary data.

- Compromise – Gradual phase-ins, pilot projects, or trial periods are various methods to test the safety of Mexican trucks in an open-border environment.⁸⁴ This could placate anti-open border advocates' concern over a deluge of unsafe Mexican trucks traveling into the interior of the U.S. Pro and anti-open border advocates could use the data from the trial run to assess the true safety impacts of Mexican long-haul motor carriers.
- Survey Mexican carriers on open-border operations – This survey should provide questions relating to future North American operations if the border was to open. The American and Mexican trucking associations, as well as transportation officials in the border states, indicate that interline agreements will stay intact and the current cross-border transportation system will not change in the near future once the border opens. There are simply too many impediments for most Mexican carriers to operate in the United States. This survey data can provide a proper assessment of future Mexican long-haul operations and settle the dispute regarding the influx of Mexican trucks that may enter the U.S. once the border is open.
- Permit the sale of American used trucks in the Mexican market – Partially removing the Mexican ban on used American automobiles by allowing the sale of U.S. trucks would allow some Mexican firms to upgrade their fleets. Mexican fleets, on average, are older than U.S. fleets. This provides a more inexpensive way for Mexican firms to upgrade their fleets and allows the U.S. to reduce its surplus of used trucks.⁸⁵

These recommendations are meant to improve information regarding Mexican long-hauler safety. More accurate data is needed by both pro and anti-open border advocates. The current DOT Inspector General data is mis-specified and can be used by both sides in the debate to justify their positions. If, as expected, more accurate information on Mexican long-haulers shows that they are as safe as their U.S. counterparts, the claims of organized labor and politicians regarding unsafe Mexican trucks will lose what little strength they have.

Postscript

In late November 2002 President Bush ordered that the southern border with Mexico be open to bi-national trucking and accordingly U.S. Transportation Secretary, Mineta, instructed the Federal Motor Carrier Safety Administration (FMCSA) to begin processing applications from Mexican domiciled truck

⁸⁴ George, Kourous, "Still Talking Trash about Mexican Trucks," Article from Border Information and Outreach Service, February 12, 2001.

⁸⁵ Brendan M. Case, "Texas Congressman Proposes Plan to Increase Mexican Truck Safety," *Dallas Morning News*, February 15, 2001.

and bus operators wishing to obtain a U.S. operating permit under NAFTA rules. However, it will be some months before permits are given and the numbers issued will be small.

Meanwhile, the trucking activities at the border continue much as before and, at this time, there is no further evidence to complement the contents and recommendations of this report. Few large Mexican truckers have currently applied for operating permits and we take this as indicative of both a conservative “wait and see” attitude and of a lack of decision-making on the part of them and their U.S. counterparts. The latter is hardly surprising as changing trucking supply chains in a fundamental manner requires careful financial analysis and the support of both customers and shippers. Customers will be looking to lower total shipping costs from the border opening, but it will take some time to see what steps at the border can be taken to achieve this goal. Through-shipping at the border may only be possible on a large scale after the U.S. Customs implements and deploys both its Automated Commercial Environment (ACE) and International Trade Data Systems (ITDS) systems along the southern border.

This suggests that it may take a number of years to fully comprehend the magnitude of the economic changes that opening the border will create in Texas and the U.S. It is highly likely that the next public policy issue will not be trucking logistics but trucking safety. The various border state agencies responsible for vehicle safety are now building new safety inspection facilities near or adjacent to the main ports of entry (8 in Texas alone) and in 2003/4 reliable data will be available on safety inspection rates. It will then be possible to address this important issue in a more rational and equitable manner.

Chapter 4. CONCLUSION

Much has been written on U.S.-Mexico cross-national trucking. Certainly, this study does not address many of the border issues that have existed for a decade. The following concerns of a 1991 GAO report still apply today:

- The existing U.S. border inspection facilities cannot adequately accommodate the current flow of commercial traffic.
- U.S. inspection agency staffing along the border has not kept pace with the increase in traffic.
- Adequate transportation infrastructure is required on both sides of the border in order to facilitate the flow of commerce between countries.⁸⁶

I would add to the above concerns illegal drugs and national security; both slow down the border crossing process. While this study does not directly address the concerns above, it does show that an open border will reduce congestion with the elimination of “dead-weight” traffic. This, in turn, should help alleviate some of the problems with border infrastructure and staffing. In combination with the implementation of Intelligent Transportation Systems technology and more streamlined border inspection processes, an open border could substantially reduce cross-border transportation costs.

As this analysis has shown, an open border should greatly increase the efficiency of transportation at the border. The current drayage system is costly and a waste of resources that could be put to productive uses. Once cross-border trucking operations are finally implemented and U.S. and Mexican trucks travel into the interior of each other’s country, the export and employment benefits of NAFTA should increase as transportation costs fall. Additionally, less congestion will reduce the impact of trucks parking and traveling on border community streets and parking lots. And air and noise pollution should fall. Furthermore, safety concerns over Mexican trucks has been largely debunked. However, border communities will most definitely face economic adjustments once a seamless border is in operation because of their reliance on the current drayage system for employment and job earnings growth.

Considering the benefits of an open border, Texas policymakers should press the DOT Secretary to open the border as soon as legally allowed. As this study has shown, political considerations can thwart this. Additionally, to effectively address cross-border trucking concerns, the Texas agencies should keep better statistics on border crossings and border community environmental impacts. Lastly, full use should be made of NAFTA-TAA assistance. TAA assistance will prove pivotal to mitigating negative employment effects in border communities once cross-border trucking is implemented.

⁸⁶ Richard W. Dickinson and Jesse Guzman, *An Investigation into the Relationship Between Transportation Infrastructure and International Import Rules and Regulations: Understanding How to Avoid Building Bridges to Nowhere*, Report for the Southwest Region University Transportation Center, 31.

APPENDIX A
INTERNATIONAL BRIDGES ALONG THE TEXAS-MEXICO BORDER

Bridge Name	County	Ownership
B&M Bridge at Brownsville	Cameron	Private
Veterans International Bridge at Los Tomates	Cameron	Cameron County and City of Brownsville
Gateway International Bridge	Cameron	Cameron County
Free Trade Bridge at Los Indios	Cameron	Cameron County, City of San Benito, City of Harlingen
Fabens-Caseta Bridge	El Paso	U.S. International Water and Boundary Commission
Bridge of the Americas	El Paso	U.S. International Water and Boundary Commission
Ysleta-Zaragoza Bridge	El Paso	City of El Paso
Good Neighbor Bridge	El Paso	City of El Paso
Paso del Norte Bridge	El Paso	City of El Paso
Progreso-Nuevo Progreso	Hidalgo	Private
Pharr-Reynosa International Bridge	Hidalgo	City of Pharr
McAllen-Hidalgo-Reynosa Bridge	Hidalgo	City of McAllen
Fort Hancock-El Provenir	Hudspeth	U.S. International Water and Boundary Commission
Camino Real International	Maverick	City of Eagle Pass
Eagle Pass Bridge I	Maverick	City of Eagle Pass
Presidio Bridge	Presidio	State of Texas
Roma-Ciudad Miguel Aleman Bridge	Starr	Starr County
Del Rio-Ciudad Acuna International Bridge	Val Verde	City of Del Rio
Juarez-Lincoln Bridge	Webb	City of Laredo
Gateway to the Americas Bridge	Webb	City of Laredo
World Trade Bridge	Webb	City of Laredo
Laredo-Colombia Solidarity Bridge	Webb	City of Laredo

Source: Texas Department of Transportation

APPENDIX B – NAFTA TAA

In order to apply for benefits under the NAFTA-Transitional Adjustment Assistance Program, the U.S. Department of Labor following requires the following:

- 1) That workers have been totally or partially laid off, and
- 2) That sales or production have declined, and
- 3) That increased imports from Canada or Mexico have contributed importantly to worker layoffs, or that there has been a shift in production to Canada or Mexico.

The state and the Department of Labor share certifying eligibility. The state makes a preliminary finding on eligibility within 10 days of the receipt of petition for assistance. The Department of Labor makes a final determination of eligibility within 30 days of the preliminary finding. Petitioners denied eligibility for NAFTA-TAA benefits may appeal the denial or request an administrative reconsideration by the Department of Labor within 30 days of the publication of the denial in the *Federal Register*. NAFTA-TAA program benefits are as follows:

- Reemployment services – career counseling, job placement assistance services, supportive services, skill's assessment, and job development.
- Training for employment in another job or career – receive up to 104 weeks of training in occupational skills, basic or remedial education, or training in literacy or English as a second language.
- Income support – trade readjustment allowances are weekly cash payments made available for 52 weeks after normal unemployment compensation is exhausted and during the period in which the recipient is participating in a full-time training program.
- Job search and relocation allowances – provide reimbursement for approved expenses while job hunting or relocating to a new job.⁸⁷

⁸⁷ “NAFTA-Transitional Adjustment Assistance Program Fact Sheet.”

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