Seminar on Border Crossing Obstacles

Paris, France.

March 5-6, 2009

MEXICO

SCT

SECRETARÍA DE COMUNICACIONES Y TRANSPORTES

March 5-6, 2009
Mexico is the United States’ third largest trading partner.

Volume of trade has grown at an annual rate of 7.5% since NAFTA was signed and today it approaches 370 billion dollars per year.

Mexican exports to USA amount an estimate of 218 billion dollars while US exports to Mexico amounted 152 billion dollars.

According to the Office of the U.S. Trade Representative, NAFTA has had positive effects on US jobs, manufacturing outputs and investments.

UNCOMPETITIVE TRANSPORTATION SYSTEM

Today’s transportation system not only bloats producer and consumer prices. It also fails to fulfill the benefits (particularly lower transportation costs) that stem from U.S.-Mexico proximity – a key NAFTA advantage. Beginning to do so now clearly will boost U.S. and North American productivity and competitiveness.
Accounts 70% of Mexico-USA trade is for land transport.

Mexico’s main crossings -Ports of Entry (POE)- taking place for freight (road).

- Tijuana, MX – San Diego, USA (2 Border Crossings).
- Nogales, MX – Nogales, USA (2 Border Crossings).
- Ciudad Juarez, MX – El Paso, USA (1 Border Crossing and 4 International Bridges).
- Nuevo Laredo, MX – Laredo, USA (4 International Bridges including Colombia-Laredo Bridge).

These POE have complexity reducing their efficiency.
Mexico-USA Border.

- POE Mexico-USA have to improve increasing efficiency, reducing environmental degradation and raising quality of life.
  - Time crossing average on Mexico and USA POE takes three times more than Canada-USA crossing.
Significant obstacles to the smooth flow of traffic.

Road.

1. Outdated administrative procedures.
2. Redundant security procedures.
3. Require modernized infrastructure.
4. Insufficient personnel at POE’s.
5. Inadequate roadway access to POE’s generating bottlenecks.
6. The drayage system served by “transfers” -substitute of “door-to-door” operations- creates limitations for long distance trips for better competitive access to markets.
7. Some Mexican trucking companies serving US markets appointed duplicated physical- mechanical inspections by different authorities at federal, state and local, levels.
Procedures to reduce security risks to flow traffic on borders.

- Improving existing border crossings with modernized infrastructure and technological solutions.
- Pre-determination of cargo to be inspected, prior to shipments arrival.
- Security Pre-registration systems to fortify security of all the participants of the supply chain involved (carriers, agents, exporters, importers, etc.).
  - Customs Trade Partnership Against Terrorism (C-TPAT).
  - Free and Secure Trade (FAST).
  - Secure Electronic Network for Travelers Rapid Inspection (SENTRI).
  - Business Alliance for Secure Commerce (BASC).
Release congestion and “bottlenecks”.

- Implementing Intelligent Transportation Systems (ITS).
- Building new infrastructure.
- Innovating financial mechanisms (Public-Private Partnership).
- Developing long term plan and border master plans.
- Implementing sharing information data along the border area.
- Binational loop systems for passengers along the metropolitan areas.
- Developing Mexico - USA groups meeting regularly to address border infrastructure issues.

NAFTA, the basic document that regulates trade between Mexico, USA and Canada came into effect on 1994.

Measures are established relating to **Harmonizing standards** through of Land Transport Standards Subcommittee (LTSS).

- Vehicle and driver.
- Automated Data Exchange.
- Border Facilitation.
- Economic Issues.
- Science and Technology.
- Traffic Control Signals & Devices.
Mexico’s membership to North America trucking related main working groups.

- American Association of Motor Vehicle Administrators (AAMVA).
- International Registration Plan (IRP).
- Trilateral Insurance Working Group (TIWG).
- Commercial Vehicle Safety Alliance (CVSA).
  - Standards for mechanical inspections adopted by the three member countries.
- The North American Transportation Statistics (NATS).
  - Discusses recent developments in transport, energy, and environmental statistics and indicators.
- Security and Prosperity Partnership of North America (SPP).
NATS database provides comparative information on transportation activity and its impact.

NATS-OD Online Database statistics & figures show all the modes of transportation and presents relationships among transportation, international trade, economy, security, energy and environment.

- Country overview;
- Transportation and economy;
- Transportation safety;
- Transportation impacts on energy and environment;
- Domestic freight activity;
- North American merchandise trade;
- International merchandise trade;
- Domestic passenger travel;
- North American passenger travel;
- International passenger travel;
- Transportation infrastructure;
- Vehicles.
US-Mexico NAFTA’s trucking provisions.

Cross-Border Services
Mexico will be permitted to obtain operating authority to provide:

(a) three years after the date of signature of this Agreement, cross border truck services to or from border states, and such persons will be permitted to enter and depart the territory of United States through different ports of entry; (1995)

(b) three years after the date of entry into force of this Agreement, cross border scheduled bus services; (1997)

(c) six years after the date of entry into force of this Agreement, cross border truck services. (2000)

The delay in fully implementing NAFTA’s trucking provisions has impeded the efficient movement of goods to the markets on both sides.
Due to the current system of transferring trailers from a U.S. carrier to a Mexican carrier at the border, it has been uneconomical for many shippers and for trade processing activities.

A pilot program (demonstration project) begun a process that had to remove this impediment and pendent NAFTA provision passage on collaboration and shared vision on the importance of this issue and its negative effects on binational and trilateral respective business communities.

Through the cross-border trucking pilot program, both countries tried to demonstrate that long haul operations (door-to-door system) are a logical choice for distribution operations and as an attractive alternative for trade processing and distribution operations of foreign trade.

The efforts and hard work put forth by SCT and US-DOT, were broken by the US-Congress FY 2009 Omnibus Spending Bill (March 11, 2009), which contained language that blocked all funding for the U.S.-MX cross-border demonstration program, supported by safety advocates.
Greater safety.

NO SAFETY PROBLEMS.

During the 18 months of its operation, the demonstration program showed that Mexican trucks and drivers operated safely on U.S. highways. Twenty-six Mexican carriers (with 103 trucks) and 10 U.S. carriers (with 61 trucks) crossed the border more than 48,000 times without a significant incident.

The trucking demonstration program also improved U.S. safety, because of:

- The initial on-site safety audits
- The additional safety checks each time the trucks crossed
- The fact that replacing many short-haul vehicles with fewer long-haul trucks reduced the number of drivers and vehicles that had to be cleared at the border.
Binational Monitoring Group.

To supervise the implementation of the U.S.-Mexico Cross-Border Trucking Pilot Program and to find solutions to issues affecting the operational performance of the program.

The Group met weekly making use of video-teleconferences (VTC) to assess and resolve identified issues associated with the demonstration program.

GPS devices in participant trucks

-SCT-SE/ DOT
Other federal agencies or governmental entities as was required to address specific agenda issues

50 VTC
The Group met weekly making use of video-teleconferences (VTC) to assess and resolve identified issues associated with the demonstration program.

 ✓ The “Border Trucking Demonstration Project” had been set the standard for the gradual opening long haul operations between MX-USA, allowing up to 100 trucking companies/1,000 trucks of each country to gain operational experience and to identify in the practice the regulations that needed to be complied.
Mex/U.S. participants in the Demonstration Project represented geographically by diverse states.

CA, LA, GA, NC, NY, AZ, TX, NM, AL, MS, WA, SC, VA, OH, ID, FL, OK, AR, IL, IN, NV, TN, KY.

BC, SON, NL, TAMPS, SLP, MICH, DF, COAH, CHIH, GTO, EDOMEX, PUE.

These carriers and their Mexican counterparts delivered a wide variety of products, as tomatoes, grapes and wines, cement, electronic components and plastic resins -- to and from 12 states in Mexico and 23 U.S. states.
Other border facilitation initiatives currently under analysis.

✓ Application of internal and international transit classification (in-bond transit), so cargo can be removed quickly from ports.
✓ Extended working hours for cargo-dispatching, to avoid congestion.
✓ Establish a uniform procedure in all ports, to avoid discretionary practices.
✓ Improvements to transport infrastructure in border metropolitan areas.
✓ US-CBP and MX-AGA/SAGARPA will work to establish a Nogales/Nogales pilot for adoption of programs to harmonize and expand hours of operation, meet needs of existing agriculture trade and evaluate the Nogales/Nogales POE to design a joint strategy of modernization, including expanded use of C-TPAT.
Detection of cross border needs: Recent Studies and Researches.

✓ DOT and SCT, in cooperation with CBP and Aduanas, to conduct studies of travel and waiting times at the US/México border which could establish some time measurement standard and could evaluate technologies which can be used to measure travel and waiting times.

✓ CBP and SRE (as the coordinator of Mexican Interagency Group of Bridges and border Crossings) are currently working to determine a list of new FAST and SENTRI lanes to be pursued in the near future.

✓ COLEF (Colegio de la Frontera Norte) U.S.-MEXICO PORTS OF ENTRY: A CAPACITY ANALYSIS AND RECOMMENDATIONS FOR INCREASED EFFICIENCY.

   The objective of this research is to identify bottlenecks at U.S.-Mexico land ports of entry and to develop action plans to facilitate border crossing, thereby easing the movement of people, passenger vehicles, and commercial traffic between the two countries. The research focuses on measures for improving international commercial flows, transport logistics, and physical infrastructure.
Detection of cross border needs: Recent Studies and Researches.

✓ IMT (Instituto Mexicano del Transporte) CASE STUDIES OF INTERNATIONAL CARGO MOTORCARRIES SERVICES MEX-EUA DEMONSTRATION PROJECT (DP).

The study focused on general knowledge of the operating performance service of motor carrier border crossing on framework of DP.

This study identified successful cases on cross-border motor carrier services, and savings on terms of logistics, cost and waiting times.

The study documented the actions made by companies on providing services, and identified the benefits achieved for the operations done.
Integration of NAFTA’s transportation services.

The government of Mexico remains seeking a solution to agree with USA long-haul and bus transportation international services integration.

**Solutions**

- To bring more secure trade among NA countries.
- To generate a new environment for trilateral trade.
- To develop a new transport system.
- To promote new trinational alliances.

**Increasing**

- Competitiveness
- Integration
- New investments
- Lower prices
- More options for consumers
- Expanding markets
- Infrastructure Programs for Mexico and USA
Remarks.

“We’ve put together a Mexican truck program ...”
“I think we’ll have a chance throughout the early part of the summer to get this resolved and have it reinstated in a way that reflects what the Congress wanted, with revolves almost exclusively around safety.”

Ray LaHood, Secretary of the US-DOT.
National Press Club Luncheon. Washington, D.C.
May 21, 2009.

The Mexican government envisions convenient the NA integration of long haul international services.

The challenge of a new-found solution:

- To diminish the requirements so that the solution is economically viable and to review what so onerous are the new requirements.
- A clear justification of safety.
- Legal certainty for Carriers.
- Reciprocity, national treatment and adherence to trade *best practices* and NAFTA principles.


On September, 2007. USA agreed with Mexico a via to accomplish its commitment and launched the cross-border trucking demonstration program.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1992</td>
<td>The NAFTA was signed. The United States and Mexico agreed to allow each others’ trucks access progressively by 1995 - 2000.</td>
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<tr>
<td>1995</td>
<td>U.S. failure to phase out restrictions on cross-border trucking services and on Mexican investment in the U.S. trucking industry as agreed in the NAFTA.</td>
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<td>1998</td>
<td>The Government of Mexico requested the formation of a NAFTA Chapter XX Panel to resolve the dispute.</td>
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<tr>
<td>2001</td>
<td>NAFTA dispute-settlement panel ruled unanimously that the blanket exclusion of Mexican trucking firms violated U.S. obligations under the NAFTA.</td>
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### Chronology of U.S.-Mexico Cross-Border Trucking Services.

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<tr>
<td>2002 – 2006.</td>
<td>Mexico discussed during 5 years the 22 rules imposed by the DOT when considering them discriminatory, asymmetric, or discretionary, without being able to modify them.</td>
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<td>February 19, 2007.</td>
<td>The U.S. and Mexico announced a modest demonstration project to begin fulfilling U.S. obligations under the NAFTA’s cross-border trucking provisions.</td>
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<td>April 27th., 2007.</td>
<td>The U.S. and Mexico governments agreed <strong>the Pilot Program for one year</strong> with a maximum of <strong>100 companies and 1,000 trucks in each country.</strong></td>
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<tr>
<td>September 7, 2007.</td>
<td>The demonstration program’s first trucks from Mexico rolled across the border to deliver goods to New York state and South Carolina, while the first U.S. truck in the test delivered goods several days later more than 250 miles into Mexico.</td>
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<tr>
<td>August 4, 2008</td>
<td>The U.S. and Mexico announced that they would extend the existing test program for two years. The extension was intended to encourage added participation.</td>
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<td>March 11, 2009.</td>
<td>Congress passed the FY 2009 Omnibus Spending Bill, which contained language that blocked all funding for the U.S. cross-border demonstration program.</td>
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<tr>
<td>Current status.</td>
<td>Mexico retaliates increasing import duties on 89 US products, whose total export value in 2008 was $2.4 billion.</td>
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