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“Improving Security and Facilitating Commerce with Mexico at America’s Southern Border”

Mr. Chairman, Ranking Member and Members of the Committee: Thank you for the invitation to testify today. I am grateful for the Committee’s interest in best practices in U.S. – Mexico trade and am pleased to have this opportunity to discuss the impact of improvements to the U.S. Land Ports of Entry facilities on improved trade with Mexico along with alternative approaches to the funding and development of such improvements.

A key, although sometimes overlooked element in encouraging trade with our neighbors to both the North and the South is the efficient movement of goods and people across our borders and the role the physical facilities that make up our Land Ports of Entry (LPOE) can play in encouraging or discouraging that movement.

A significant majority of goods traded with Mexico, including both imports and exports, are moved by truck or rail through the 52 LPOEs that serve the U.S. – Mexico border. A significant majority of all people entering the U.S. from Mexico also come through these LPOEs. Of the 52 LPOEs on the U.S. – Mexican border, eight are rail with the remainder serving pedestrians, autos and trucks. These 44 border stations include 27 in Texas, three in New Mexico, seven in Arizona, and seven in California. The key border stations serving cross border truck traffic include Otay Mesa, Tecate, Calexico East, San Luis, Nogales, Santa Teresa, El Paso, Del Rio, Laredo, Eagle Pass, Hildalgo, Progreso, and Brownsville. These thirteen LPOEs consistently serve 98% of all cross border truck traffic between the U.S. and Mexico. These border stations along with the border stations at San Ysidro, Calexico, and Mariposa also serve over 90% of all auto and pedestrian traffic.

Cross border trade is a significant driver of economic activity along the Southwestern border and in the country as a whole. In connection with the opening of new pedestrian only vehicle lanes at San Luis in September of 2012, GSA Regional Administrator Ruth Cox confirmed the importance of the LPOEs to both the U.S. and Mexican economy when she stated, “Improving the infrastructure at our land ports of entry on the United States – Mexican border is vital to the economic vibrancy of both countries.” *Statement of Ruth Cox at the dedication of the new POV lanes at San Luis, September 06, 2012.* Looking at cross border trade in the largest market, San Diego – more than \$1.2 billion dollars worth of trade crosses the border each day. Taken as a whole, Latin America now accounts for 42% of all U.S. exports, more than any other region further emphasizing the importance of U.S. – Mexico trade to the U.S. economy.

While both the U.S. and Mexico have made significant investments in their respective LPOEs over the years, additional investment in both the facilities and their operations would benefit and strengthen U.S. – Mexico trade. The last significant investment in our border facilities occurred as a result of the American Recovery and Reinvestment Act which provided approximately \$980 million dollars for improvements to border facilities and border security technology. In its 2010 budget submission, while

it acknowledged the importance of the stimulus act investment in our border facilities, CBP also acknowledged that “the infrastructure and facilities supporting many of our ports of entry are outdated and aging.” *Testimony of Jayson P. Ahern, Acting Commissioner, USCBP, before the Senate Judiciary Committee, September 11, 2009.*

The most significant detriment to cross border trade presented by outdated, undersized and/or understaffed LPOEs is excessive wait times and limited hours of operation. Excessive wait times and limited hours of operation impact both the overall volume of trade and the timing of shipments between the two countries. This not only hurts economic activity, but has detrimental environmental impacts as well. Expanding and improving border facilities will reduce wait times thereby encouraging expanded economic activity in both the U.S. and Mexico. Given the positive impact that improvements to our border facilities will have on our economy, such investments should be viewed not just as a cost and expense of Government, but as investment in the economic infrastructure of the U.S. in much the same way as investments in roads and bridges and other key components of U.S. infrastructure.

Given the ever increasing demands on limited federal budget dollars, it is important that Congress and the President consider alternative approaches to funding the design and development of improvements to the border facilities which are critical to U.S. – Mexico trade. One such approach, which is similar to the techniques that the Government is considering for the redevelopment of the SW Federal Center and the design and construction of a new headquarters for the FBI in the Washington DC metropolitan area, would be to engage the private sector to provide development capability and financing for critical border station infrastructure projects. This approach would engage and benefit from private sector development expertise while leaving USCBP free to focus on its core mission of border operations and security. The implementation of this approach can also benefit from tolling operations that would defray a portion of the costs of these critical projects.

The key benefits of this approach include, but are not limited to:

- A transaction structure which can serve as a model of public private cooperation that can be duplicated across the country;
- A project approach that will result in the completion of millions of dollars of improvements to critical border stations with little or no outlay of federal construction funding;
- Project schedules that will place these critically needed improvements in service three (3) to five (5) years faster than federal construction, assuming appropriations are even available for the federal construction;
- Projects that will significantly ease ever increasing border congestion for pedestrian, autos and trucks;
- Projects that will significantly enhance border security by providing USCBP and the agencies it works with to protect our borders, the modern facilities they need to effectively carry out their mission;
- Undertakings that will provide major environmental benefits especially through reduced vehicle emissions as border wait times are lessened;
- Projects that will spur economic growth along the Southwestern border and Northern Mexico;
- A project implementation plan that relies on the design and development expertise of the private sector freeing up USCBP to focus on its primary mission – border security;

- A project approach that insulates and protects the Government from development and operating cost overruns; and
- Where possible, the implementation of tolling in a fashion that will significantly reduce lease and operating costs to the Federal Government while not overburdening pedestrian and non-commercial vehicles.

The proposed approach contemplates that existing LPOE infrastructure would be leased to a non-federal entity (such entities may include local and/or state development authorities which have significant stakes in cross border trade best practices) selected to re-develop the LPOE. The intent of this approach is to use the existing contracting authorities and have the U.S. Government, acting either through GSA or DHS as appropriate, enter into a 45 to 50-year site lease. This site lease would be subject to the requirement that the private sector lessee re-develop the applicable LPOE in accordance with a pre-agreed scope. At the same time, the lessee would enter into a 20-year facilities use agreement pursuant to which the lessee will lease the renovated facilities to the Government and would also agree to provide facility operations and maintenance for the LPOE for the full term of the Lease. The facility use agreement could be extended at the option of the Government for an additional 20-year term. DHS-CBP would, of course, continue to provide all border security and border crossing functions within the leased facilities, but would be relieved of the obligation to operate, maintain and repair the facilities themselves during these lease terms.

This unique approach to these critical facility redevelopment projects will result in a significant capital infusion from the private sector and at the same time bring to bear the expertise of the private sector in facility design, development and operation as the projects are implemented.

The test case for the implementation of this approach to border facility re-development can take place with the Calexico East and West Land Ports of Entry. These facilities currently handle 5.2 million pedestrians, 7.08 million personal vehicles, and 322 thousand truck crossings per year. While relatively new, the Calexico East LPOE which handles all of the truck crossings is undersized and operates a limited daily schedule, leading to long delays and significant potential loss of cross border trade. The Calexico West LPOE is one of the older facilities on the Southwestern border with very limited space and facilities to handle its almost 9 million border crossings per year. In addition, this facility is positioned immediately adjacent to the border resulting in a less than desirable security mechanism. As a critically important project, the Government has funded and executed the design for a renovated facility, but funding for the actual construction is behind the original planned schedule and is not currently budgeted making this an ideal project for the suggested approach.

A local joint venture including elements of the City of Calexico, the County of Imperial, and various private development entities including the project architect GSA used for the Government-funded design, a general contractor and a tolling company have submitted a proposal to GSA for its consideration. The graphic on the following page illustrates the general outline of the transaction. The approach outlined would incorporate all of the benefits outlined above along with the assumption of facility operations during the full term of the lease. I would encourage the Committee to work with the relevant Government agencies, including USCBP, GSA and OMB to fully investigate, and if appropriate pursue, this or similar projects as a best practice in promoting and enhancing U.S. – Mexico trade.

Thank you. I look forward to your questions.