

**MINUTES
of the
FOURTH MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE**

**October 2, 2014
Santa Teresa High School
Santa Teresa**

The fourth meeting of the Transportation Infrastructure Revenue Subcommittee for the 2014 interim was held as a joint meeting with the Economic and Rural Development Committee and was called to order by Representative Roberto "Bobby" J. Gonzales, chair, on Thursday, October 2, 2014, at 9:14 a.m. at Santa Teresa High School in Santa Teresa.

Present

Rep. Roberto "Bobby" J. Gonzales, Chair
Sen. John Arthur Smith, Vice Chair
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Sen. Ron Griggs
Rep. Larry A. Larrañaga
Rep. Patricia A. Lundstrom
Rep. Jane E. Powdrell-Culbert

Absent

Sen. Timothy M. Keller
Sen. Clemente Sanchez

Advisory Members

Rep. Nathan "Nate" Cote
Rep. Anna M. Crook

Rep. Cathrynn N. Brown
Sen. Jacob R. Candelaria
Sen. Carlos R. Cisneros
Rep. Sharon Clahchischilliage
Sen. William H. Payne
Rep. Edward C. Sandoval
Sen. William E. Sharer

Guest Legislators

Sen. Joseph Cervantes
Rep. Dona G. Irwin

Staff

Mark Edwards, Legislative Council Service (LCS)
Carolyn Ice, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's web site.

Thursday, October 2

Representative Gonzales called the meeting to order at 9:14 a.m., and the meeting began with introductions from members of the subcommittee.

Santa Teresa: A Potential Economic Powerhouse

Jerry Pacheco, founder and vice president, Border Industrial Association (BIA), provided an overview of the industrial growth and development in the Santa Teresa area and a brief history of the association and its role in the area's economic development. He told the members that the BIA mission is to recruit companies to New Mexico's port-of-entry areas with Mexico. The BIA was formed in 2009 and is composed of more than 100 members involved in industrial operations. He stated that the association's member businesses have invested millions of dollars, which has resulted in billions of dollars in annual production and approximately 3,000 jobs for New Mexico residents.

Mr. Pacheco went on to explain that Mexico is one of the United States' largest trading partners and is New Mexico's largest trading partner. He stated that in 2012, New Mexico led the nation in percentage growth of exports. Emphasizing the importance of trade with Mexico, Mr. Pacheco noted that while the state experienced a net decrease in total exports in 2013, New Mexico's exports to Mexico alone grew by 33%. He said that over half of all of New Mexico exports to Mexico originate in southern Doña Ana County. Expanding on the potential for this market, he stated that two international investment firms, Goldman Sachs and Nomura, predict that the Mexican economy will enter the top 10 largest economies in the world by 2020.

Mr. Pacheco said that Santa Teresa is considered a part of the El Paso metropolitan area, with more than \$1 billion to \$1.5 billion of products crossing the Santa Teresa port of entry every month. He emphasized that there is still room for improvement concerning trade between the United States and Mexico. He suggested that the state focus on developing a stronger supplier base to the Mexican maquiladora industry, which in turn would create more production jobs within the state. Maquiladoras are primarily plants that assemble pre-made components, referred to as "production inputs". Maquiladoras import approximately 95% of the production inputs of Mexico's manufacturing industry. Production inputs, such as plastic injection components, metal parts, resin and packaging, are already supplied by U.S. firms primarily located in the Midwest. However, component manufacturers are under some pressure to place their firms closer to Mexican buyers. The demand to be closer to the border presents an opportunity for New Mexico to recruit maquiladora suppliers to the state.

Highlighting the Union Pacific Railroad's (UP) role in the economic growth in Santa Teresa, Mr. Pacheco stated that the UP railyard has added \$500 million to the New Mexico

economy. The facility provided 3,000 jobs during the construction phase, and 600 additional jobs are projected in the future.

Turning to New Mexico's ability to meet expected demand, Mr. Pacheco referred to two key elements, industrial space and transportation. With regard to industrial space, he said that the current industrial parks in Santa Teresa have a 99% occupancy rate, and he indicated that new park space is planned. However, Mr. Pacheco expressed concerns for the road system in Santa Teresa and its possible hindrance of further economic development. In addition, he asked for an extension of the current overweight border commercial zone. The overweight zone currently allows carriers to carry up to 96,000 pounds of a reducible load within a six-mile radius of the Santa Teresa and Columbus ports of entry. The overweight zone in Santa Teresa extends from the port of entry to the Santa Teresa Intermodal Park. He said that the BIA is requesting the legislature to extend the overweight zone to accommodate industrial space up to 12 miles from the port of entry.

Finally, Mr. Pacheco noted the initiative for a binational community composed of Santa Teresa, New Mexico, and San Jerónimo and Ciudad Juárez in Chihuahua, Mexico. A joint initiative between Governor Susana Martinez and Chihuahua Governor César Duarte contemplates a master-planned community around the border crossing. In 2013, Governors Martinez and Duarte signed a bilateral agreement to begin promotion of the concept. This project would be the first of its kind. The Santa Teresa-San Jerónimo area has more than 70,000 acres of land available for industrial, commercial and residential development with 2,000 acres of rail-served industrial land.

Motion

Representative Lundstrom made a motion to have staff draft a bill to extend the overweight zone. The motion was approved without objection.

The members then moved into a general discussion about economic development factors in the Santa Teresa region. Topics raised included the labor force needed for business growth, the real estate market in the area and the balance of property tax rates versus amenities that the area offers. A particular concern was raised by a member concerning the cross-border used car market. That market often results in abandoned cars being left along the roadside leading to the port of entry, creating a hindrance to trucking shipments and to recruitment of new businesses to the area. Staff was requested to research whether additional law enforcement authority at the state level would be needed to alleviate the problem.

New Residents, Commuters and Industry: Is the Road System in Doña Ana County up to the Challenge?

Chuck McMahon, assistant county manager, Doña Ana County, Homer Bernal, international programs planner, New Mexico Department of Transportation (DOT), and Claude Morelli, advanced project manager, 2040 Statewide Long-Range Multimodal Transportation Plan

(SLRP), DOT, gave a presentation on growth in the border communities in Doña Ana County and the state of the road system serving those communities.

Mr. McMahon said that there is room for Santa Teresa to grow and develop. Noting that some of the area's labor force currently lives in El Paso, he said that an affordable housing plan is expected to allow more workers to become New Mexico residents. He also emphasized the advantage of the foreign trade zone (FTZ), which was established by the Foreign Trade Zones Board of the U.S. Department of Commerce in 1993. The FTZ allows delayed or reduced duty payments on foreign merchandise as an incentive for local economic development and business opportunities.

Mr. McMahon then went on to provide a brief overview of the Doña Ana County International Jetport at Santa Teresa. The airport was originally constructed to relieve business at the El Paso International Airport as well as to support the commercial and industrial growth of southern Doña Ana County. Currently, the airport is constructing a facility to allow for direct international flights. It is also remodeling the entrance road to accommodate larger fuel and delivery trucks. The airport will also serve as the home to the Amigo AirSho, an annual air show that attracts tens of thousands of people. It is anticipated that the Amigo AirSho will foster additional growth for the airport.

Mr. McMahon also discussed future plans for Airport Road and Industrial Drive. Airport Road provides access to the Santa Teresa Industrial Park, the Doña Ana County International Jetport, the UP facility and the National Weather Service station. The complete reconstruction of Airport Road to accommodate current and future projected traffic is expected to cost approximately \$7.2 million. Industrial Drive connects Airport Road to Strauss Road and serves as a critical connection between railroad tracks and two major industrial parks. The proposed plan is to completely reconstruct the roadway and provide more extensive road structure, wider lanes, storm drains and lighting. The approximate cost to reconstruct Industrial Drive is \$2.3 million. Mr. McMahon also spoke about the need to extend the overweight zone. He noted that the overweight zone serves to connect the intermodal yards to the main highways.

Mr. Bernal spoke about the infrastructure planning for the Santa Teresa region. He elaborated on the current condition of Airport Road and emphasized the importance of New Mexico Highway 136 ("Pete Domenici Highway"), which is vital for international trade and industrial development. He also highlighted a need to improve access to Interstate 10 in order to accommodate growing industrial, commercial and residential development and international traffic. He also noted that infrastructure projects must be approved and included within the SLRP and by the local metropolitan planning organizations or rural transportation planning organizations.

Mr. Bernal stated that the Santa Teresa port of entry may need to seek an expansion. If the local economy continues to grow, the proposal is to construct a "sub-port" that will include new inspection facilities, connecting roads and support infrastructure with an estimated cost of

\$60 million. The DOT is currently developing a border master plan and a priority projects list for each of the New Mexico ports of entry.

Mr. Morelli gave a presentation on multimodal transportation issues in Doña Ana County. Mr. Morelli gave background information on statewide and other planning processes. The SLRP is the key framework for the DOT to prioritize projects and programs on a statewide basis. The ranking is performance-based. The DOT must be able to show how projects and programs contribute to meet federal and state transportation goals.

Mr. Morelli also listed other interrelated planning processes currently under way, including the following: development of a New Mexico-Chihuahua border master plan; a localized Santa Teresa border strategic plan; a cross-border rail feasibility study; and the El Paso and Mesilla Valley metropolitan transportation plans.

Mr. Morelli stated that the DOT has received proposals for several commerce corridors in the border region, including: the reconstruction of New Mexico Highway 136 and Airport Road that serve Santa Teresa; the reconstruction of New Mexico Highway 9 that serves the port of entry at Columbus; and enhancements to Interstate 10. He noted that the DOT received a large number of comments from residents regarding public transportation and the environmental impact of transportation additions. He said there was a high public demand for a commuter rail and bus transit in the southern part of the state between Las Cruces and El Paso. Mr. Morelli noted that in addition to road improvements, the DOT has also considered non-motorized "active" transportation modes and air transportation opportunities in the area. Mr. Morelli gave an opinion that Santa Teresa has strong potential for expanded air freight and executive travel.

Mr. Morelli testified that the key challenge to all of these projects is funding. He suggested that shifting toward a "life cycle" approach to estimating and reporting project costs may help alleviate some of the funding challenges. The life cycle approach takes into account not only initial costs to construct the road, but also includes costs for ongoing maintenance, operation and eventual replacement.

Members then entered into a general discussion. Topics raised during the discussion included:

- the availability and use of federal Transportation Investment Generating Economic Recovery (TIGER) grants;
- how New Mexico should approach the binational transportation infrastructure needs of the Santa Teresa-San Jerónimo-Ciudad Juárez area, including whether there would need to be a formal international agreement on infrastructure repairs and whether a memorial by the New Mexico Legislature encouraging joint funding would help promote the binational community; and

- road construction questions, including the need for an additional access point to Interstate 10 and the balance of benefits and costs of building concrete roads, which last longer than asphalt roads.

Logistics for Community Growth: Public Infrastructure Requirements to Underpin Economic Expansion

Dr. Kevin Boberg, vice president for economic development, New Mexico State University, gave a presentation on inland ports, production to market logistics and economic development. In the early 1990s, Dr. Boberg toured inland ports in Laredo, Texas, Otay Mesa, California, and Alliance, Texas. His study of these communities helped inform the legislature when it adopted the Border Development Act in 1992, which authorized the creation of the Border Authority.

Dr. Boberg then defined the characteristics of an inland port as including:

- market proximity to at least three million people within 200 miles;
- a major, direct connection to an American seaport via a Class I railroad;
- FTZ status and privileges;
- an abundance of reasonably priced labor and commercial real estate;
- an overall governing body; and
- support from state and local governments.

Dr. Boberg talked more extensively about the town of Alliance, which he called a pioneer in the history of inland ports. Alliance is located between the juncture of rail lines and Interstate 35 in an area served by industrial aviation. Alliance has attracted more than 243 companies, which include 50 Fortune 500 firms. It is also considered the fastest growing area of the nation's fastest growing metropolitan city.

Using Alliance as a model and referring to the definition of an inland port, Dr. Boberg argued that the entire state of New Mexico should be viewed as an inland port and not simply a location for various ports of entry. He further argued that New Mexico's export trade qualifies it as a global port and that the state's policies should be channeled to maximize its potential as such. Dr. Boberg then went on to emphasize the importance of academics and the role of academics in capturing the economic potential of being a global port. He explained that the long logistic chains required by the global marketplace create a unique opportunity for port locations, noting that these long chains create a delay between product development and production on one end and the end user or sale on the other. He stated that this often means that market demand has changed before the product reaches the market.

Dr. Boberg said that being in the mid-point of the supply chain gives New Mexico an opportunity. If the state can provide technical and production abilities to modify products in transit, Dr. Boberg believes the state can market that ability to numerous companies, thus creating a local product adaptation industry. He indicated that a foundational element to create

this industry would be to develop and promote an adaptive and technically flexible education sector at academic institutions.

Members then entered into a general discussion in which they delved into particular aspects of Dr. Boberg's argument. Two intertwined aspects that garnered the most attention were the definition of "added value" and relative importance of locally initiated production versus adding value to products initially produced elsewhere.

Adjournment

There being no further business, the meeting adjourned at 1:25 p.m.

Tour of Santa Teresa Road System

Following the meeting, members toured the road system of Santa Teresa. The tour ended at 4:30 p.m.