

July 25, 2017

TO: MR. GUILLERMO VALENCIA, CHAIRMAN, GNSCCPA

FROM: Luis E. Ramírez Thomas, President, RAI-N

SUBJECT: June Activity Report

On behalf of Ramirez Advisors Inter-National, LLC (“RAI-N”) allow me to present our activity report to you and the Board of Directors of the Greater Nogales Santa Cruz County Port Authority (“GNSCCPA”). Before outlining the issues and efforts we have addressed on your behalf to date, we request and welcome your continued comments and suggestions as to how we can improve on our services and our communications and on our activities on your behalf. With your feedback, we will make every effort to improve our response to your needs and learn to better anticipate your directives.

Our activities on behalf of the GNSCCPA have focused on the following key areas:

1. **Donation Acceptance Program Update;**
2. **AMC Summit;**
3. **Port Authority Supports Reintroduction of HiRe Act;**
4. **#NAFTYA4AZ Flake Initiative;**
5. **Farewell to Consul General Chris Teal;**
6. **Port of Entry Inter-Secretarial Meeting in Mexico City;**
7. **IBWC Citizens Advisory Committee Hearing; and**
8. **Representation of GNSCCPA with Key Entities.**

This report is not intended to be a full description of all our activities but rather provides highlights and information on the direction of our activities to keep Board of Directors informed and to ensure that our activities adhere to the vision and guidance imparted to RAI-N by the GNSCCPA and its leadership. Throughout this period, RAI-N has maintained active and frequent communications with Ms. Allison Moore, Mr. Guillermo Valencia and various other members of the Board of Directors in order to ensure that we have a fully coordinated approach to our efforts. RAI-N stands ready to address any issue, concern or suggestion that may arise from this report and from our on-going dialogue with the leadership and the Board of Directors.

1. ***DONATION ACCEPTANCE PROGRAM UPDATE***

- ✦ Dialogue between the GNSCCPA Technical Team and Customs and Border Protection and the General Services Administration continue with bi-weekly conference calls.
- ✦ **Reminder:** information provided is limited due to Non-Disclosure Agreement signed that prevents public disclosure of detailed information.

2. ***AMC SUMMIT***

- ✦ The Arizona-Mexico Commission hosted its 2017 Summit on June 1st and 2nd at the Omni Montelucia Resort in Paradise Valley.
 - In Attachment #1, a number of pictures from the event are provided to illustrate the high level of participation and attention that Nogales/Santa Cruz County received during the event.
- ✦ Nogales and Santa Cruz County had great representation during the event. Among those in attendance were (not an all-inclusive list):
 - The Honorable John Doyle, City of Nogales
 - The Honorable Manny Ruiz, Santa Cruz County Board of Supervisors
 - The Honorable Bruce Bracker, Santa Cruz County Board of Supervisors
 - Chairman Valencia
 - Jaime Chamberlain
 - Allison Moore
 - Lance Jungmeyer
- ✦ The Port Authority provided an update on Nogales/Santa Cruz County and raised a number of port of entry related issues during the Transportation, Infrastructure and Ports of Entry Committee.
 - Among the topics discussed were:
 - The need to modernize the DeConcini port of entry as it is the principal gateway for tourism and visitors, in addition to being Arizona's only rail crossing into Mexico;
 - Need to address the issues of the IOI and the Stormwater Tunnels;
 - Need to expand SENTRI to Mariposa port of entry;
 - Regional competitiveness;
 - Proposal to construct Cold Rooms at Mariposa port of entry
 - A copy of the Power Point Presentation is provided in Attachment #2.

- ✦ Chairman Valencia and The Honorable John Doyle participated in a private meeting that was chaired by Governors Ducey of Arizona and Pavlovich of Sonora.
 - During this meeting, John Halikowski, Director of the Arizona Department of Transportation provided an update on the Arizona-Mexico Study, ADOT Enforcement Initiatives and the various infrastructure projects on the border.



Mayors of Nogales, San Luis, Yuma and Douglas, Chairman Valencia, Matias Rosales of the Greater Yuma Port Authority and Ramon Riesgo of the General Services Administration.



Chairman Valencia greeting the Honorable Doug Ducey, Governor during the private meeting.

3. *PORT AUTHORITY SUPPORTS REINTRODUCTION OF THE CBP HiRE ACT*

- ✦ On June 7, 2017, Senator Jeff Flake reintroduced the Customs and Border Protection Hiring and Retention (HiRe) Act.
- ✦ The basic principles of the HiRe Act are:

- **Direct Hire Authority:** Allows CBP to hire Border Patrol agents and CBP officers more quickly if there exists a shortage of qualified applicants or the positions are located in a rural or remote area, while still prioritizing the hiring of veterans.
- **Special Pay Rates:** Allows CBP to offer higher rates of pay for law enforcement positions in locations with recruitment and retention difficulties.
- **Recruitment and Relocation Incentives:** Allows CBP to offer recruitment and relocation bonuses to a newly appointed employee or an employee who must relocate to a different area, if the agency determines that the position is likely to be difficult to fill in the absence of the incentive.
- **Retention Bonuses:** Allows CBP to offer a retention bonus if a law enforcement officer is likely to leave for a position with another federal agency or component of DHS.
- **Commuting and Non-Commuting Allowance:** Amends the current monetary allowance for commuting to remote worksites in accordance with the GSA, and establishes allowances for non-commuting related factors.
- **Polygraph Limitations:** Prevents CBP from disclosing the results of an applicant's polygraph results with another federal agency or non-federal employer.
- **DHS/CBP Responsibilities:** Requires the CBP Commissioner to develop and implement a strategy to improve employee education regarding hiring and human resource flexibilities in order to meet staffing goals.

4. *#NAFTA4AZ FLAKE INITIATIVE.*

- ✦ On June 5, 2017, Senator Jeff Flake launched the #NAFTA4AZ initiative, inviting Arizonan's to share comments about the impact the North American Free Trade agreement has had on them, their companies and Arizona.
- ✦ Several Nogales/Santa Cruz Leaders have uploaded videos and/or comments.

5. *FAREWELL TO CONSUL GENERAL CHRIS TEAL*

- ✦ On June 28, 2017, The Port Authority hosted a farewell event for Consul General Chris Teal.
- ✦ Consul Teal has served at this post for over 3 years and has been instrumental in advancing the Ambos Nogales Agenda.
- ✦ A plaque was presented to Consul Teal:

*In appreciation to
the Honorable Chris Teal*

In a short-time you became an integral part of the Ambos Nogales family. You have been a fervent advocate for the needs of our region and an avid spokesperson for the opportunities offered by border communities. While you still need to work on your jokes, your sense of humor and your can-do attitude have left an indelible legacy and a high threshold for those that come after you. Best wishes on all your future endeavors.



*Nogales, Arizona
June 28, 2017*

6. PORT OF ENTRY INTER-SECRETARIAL MEETING IN MEXICO CITY

- ✦ On June 12, 2017, at the invitation of Secretary Ricardo Martinez of the Sonoran Department of Infrastructure and Urban Development, a delegation from Arizona participated in an Inter-Secretarial meeting in Mexico City.
- ✦ The Arizona delegation, led by Gail Lewis of the Arizona Department of Transportation, included the Port Authority, and representatives from Douglas and San Luis, Arizona.
- ✦ The Ministry of Foreign Affairs of Mexico hosted the meeting and invited every federal stakeholder agency that is involved in port of entry projects.
- ✦ The meeting was divided into two sections, one that was focused on the Sonora side only and the other included Arizona. In total, more than 5 hours were dedicated to addressing Arizona and Sonora port of entry issues.
- ✦ As a follow up to the meeting, Gail Lewis of ADOT sent a letter with notes and commitments from the meeting to the US Department of State.
 - A copy of that letter is provided in Attachment #3.



Members of the Arizona Delegation



Chairman Valencia Presenting

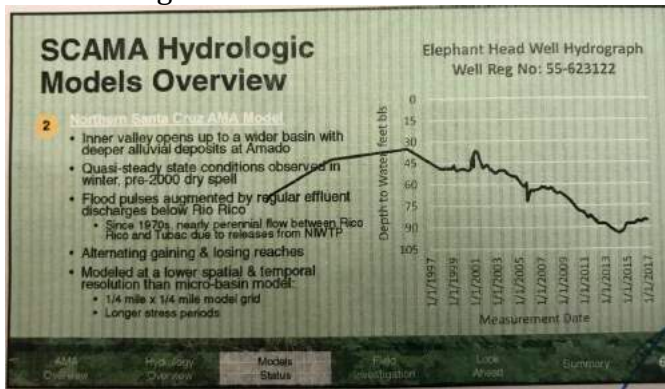


Meeting participants during the Port Authority presentation.

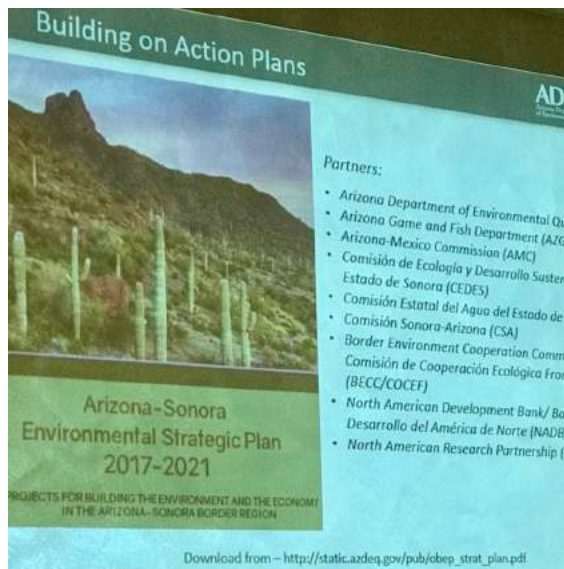
7. *IBWC CITIZENS ADVISORY COMMITTEE HEARING*

- ✦ On June 21, 2017, the Citizens Advisory Committee for the International Boundary and Water Commission (IBWC) held a meeting that focused on presentations from:
 - Arizona Department of Water Resources Management on the groundwater monitoring program for the Santa Cruz River Basin

- Arizona Department of Environmental Quality on the Arizona-Sonora Environmental Strategic Plan, that addresses several cross-border environmental issues.
- At the request of Santa Cruz County, both ADWR and ADEQ have been invited and will be presenting during a Santa Cruz County Work Session on August 7.



Graph indicating the drop in well-water levels over the past 10 years.



ADEQ Environmental Strategic Plan list of partners

8. NAFTA MODERNIZATION TESTIMONY

- On June 12, 2017, the Port Authority submitted written testimony to the Office of the United States Trade Representative.
 - Based on that written submission, the GNSCCPA was invited to testify in person during the hearings on NAFTA Modernization
 - A copy of the written submission is provided in Attachment #4

- ✦ On June 28, 2017, Chairman Valencia traveled to Washington, D.C. and testified before the United States Trade Representative and the US Department of Commerce on the Modernization of the North American Free Trade Agreement.
 - A copy of Chairman Valencia's oral testimony is provided in Attachment #5.

9. ***REPRESENTATION OF THE GNSCCPA WITH KEY ENTITIES***

- ✦ Continuing efforts to maintain an on-going dialogue with various agencies to ensure full coordination of efforts and maximizing the impact of our limited resources, including:
 - ADOT;
 - AMC;
 - DHS/CBP;
 - GSA;
 - Offices of Arizona Congressional Delegation;
 - Office of the Governor;
 - SCT;
 - SIDUR;
 - State Department;
 - State of Sonora; and
 - Transportation and Trade Corridor Alliance.
- ✦ It is imperative to highlight the great success that has been achieved on these efforts by coordinating efforts with key stakeholders, including the FPAA, Santa Cruz County, the City of Nogales and others as each has well established relationships with most of these entities.

Attachment #1
Photos from AMC Summit



Arizona Governor Ducey, Director Will Brooks,
Sonora Governor Pavlovich, Deputy



Greg Lucero, Christopher Teal, Justin Dutram



Don Taylor, Arizona Governor Ducey, Greg
Lucero, Juan Ciscomani



Councilman Varona, Jaime Chamberlain,
Director Will Brooks, Greg Lucero, Director



Greg Lucero and Manny Ruiz at the Ad-Hoc
Mining Committee meeting



Mayor Doyle, Councilman Varona, Justin
Dutram



Arizona Governor Ducey



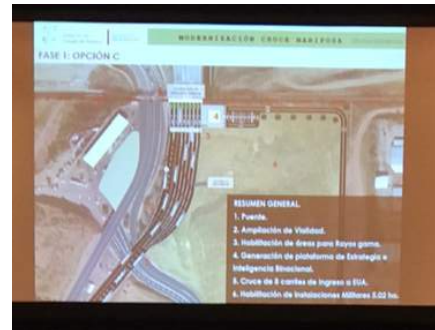
Arizona Governor Ducey, Chairman
Guillermo Valencia, Sonora Governor
Pavlovich



Sonora Governor Pavlovich



Vice Mayor Rosales, Guillermo Valencia, Mayor Uribe, Mayor
Doyle, Mayor Sanchez, Mayor Nicholls, Ramon Riesgo



Guillermo Valencia



Director Will Brooks



Ramon Riesgo of GSA



Luis Ramirez, CEO Lance Fritz,
Guillermo Valencia



Sonora Governor Pavlovich



Arizona Governor Ducey,
Guillermo Valencia



Jonathan Lines, Johnathan Lines, Director John Halikowski, Juan
Ciscomani, Greg Lucero, Senator Flake, Cheryl Flake, Chris Stoller



Hunter Moore, Jaime Chamberlain,
Roberto Sanchez



A/C Ronald Vitiello, Guillermo
Valencia, Luis Ramirez



Secretary Ricardo Martinez, Jaime
Chamberlain



Attachment #2
 Copy of PowerPoint presented during AMC Summit



A Commitment to Competitiveness

Guillermo Valencia
 Chairman

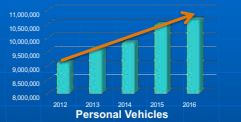
Scottsdale, Arizona
 June 1-2, 2017

Regional Competitiveness


- Nogales is Arizona's principle gateway for trade, tourism and Innovation
- \$250 million of investment in modernizing port of entry
- Close to \$1.8 billion being invested on MX15 connecting Arizona with Mexico City
- ADOT investing \$70 million in Phase I modernization of Mariposa Road
 - Community exploring ways to advance Phase II in partnership with ADOT.
- Committed to promoting Nogales and the region to attract new trade and investment
- Home-base for the testing of Unified Cargo Processing
 - Northbound, Southbound and Rail operations
 - THANKS TO CBP AND ADUANAS!

Nogales by the Numbers

Total People



Personal Vehicles

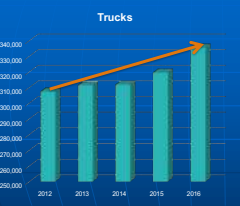


Source: US Department of Transportation

- In 2016, Nogales processed more than 21.2 million people and 7 million cars (two way traffic)
- Nogales is the gateway for more than 83% of trucks and 40% of the people that cross the border between Arizona and Mexico
- Growth in cars and people means greater regional economic activity in tourism, retail, real estate and professional services sectors

Nogales by the Numbers

Trucks



Source: US Department of Transportation

- In two way traffic, in 2016, Nogales processed more than 670,000 trucks.
 - Up by over 5% over 2015
- According to USDOC this represents more than \$26 billion of trade between US and Mexico
 - \$3 billion in produce
 - \$23+ billion in manufactured products
- Expect trend to continue for foreseeable future

Need to Modernize DeConcini



Central Processing Facility

Primary Lanes

- DeConcini is the main pedestrian crossing for Nogales
- Landlocked on both sides of the border
- City grew up around the port
- Continual pedestrian and vehicular delays are an impediment to frequent crossers
- Downtown retail is down over 40% in recent years
- Need to get CBP and GSA to prioritize project

Need to Modernize DeConcini



IOI and Storm Water Tunnel

IOI Pipeline

Looking into MX

Looking into US

Working with GSA and CILA to come up with strategy to make necessary repairs

Columns on MX Side

Gate Activates with Pressure

Mariposa -What we had!

Cattle Pens

Mexican Inspection

Northbound

Southbound

MX

US

FAST Lanes

US Inspection

ADOT

What we got!!

Google

Investment in Nogales

- Since the completion of the Mariposa Reconfiguration project, approximately 1.2 million SF of warehousing and Distribution Center space has been constructed in the Nogales/Rio Rico area.
- This represents \$52 million of direct investment in the community and state of the art facilities to handle fresh produce and various other commodities

10

Nogales DAP Proposal

Location of Proposed Refrigerated Dock Spaces

Google

- CBP has accepted proposal under Small Scale provisions of Section 559
- Convert 6 docks to refrigerated docks in order to handle any temperature sensitive commodity
- Initial cost estimate +/- \$500,000
- CBP/GSA and Port Authority Technical team working on design of project
- Approximately the same capacity as the Cold Facilities at Laredo World Trade Bridge

Nogales DAP Proposal

- Cold Rooms would allow a variety of temperature sensitive commodities to be processed at Nogales without breaking the Cold-Chain
- Among those commodities that could benefit from this investment are:
 - Grapes
 - Corn
 - Broccoli
 - Asparagus
 - Blueberries
 - Artichokes
 - Avocadoes

Expansion of SENTRI



- Two SENTRI lanes downtown are essential for daily commuters
- Supporting efforts to deploy SENTRI at Mariposa, essential for Maquila industry
- All 12 primary inspection booths equipped for SENTRI

Thank You!

Guillermo Valencia
Chairman
Greater Nogales Santa Cruz County Port Authority

www.nogalesport.org
(520) 287-2707
gvalencia@evalencia.com

Attachment #3
Copy of ADOT letter to State Department



Office of P3 Initiatives and International Affairs

An Arizona Management System Agency

Douglas A. Ducey, Governor
John S. Halikowski, Director
Gail Lewis, Director of the Office of P3 Initiatives and
International Affairs

July 17, 2017

Ms. Hillary Quam
Border Affairs Coordinator
Office of Mexican Affairs
U.S. Department of State
2201 C Street, N.W.
Washington, DC 20520

Subject: Arizona-Sonora port of entry projects

Dear Hillary:

In June, at the invitation of Secretary Ricardo Martinez of the Sonoran Department of Infrastructure and Urban Development (SIDUR), a delegation representing Arizona's border communities and the Arizona Department of Transportation (ADOT), participated in an Inter-Secretarial meeting hosted by the Ministry of Foreign Affairs (SRE) of Mexico. I wanted to provide you an overview of some of the topics covered and the action items that were agreed to by the participants according to our notes.

It was a focused technical meeting that covered all of our port entry projects over a 5-hour period. In addition to SRE, attending the meeting were representatives from Mexico's Departments of Treasury (Hacienda) and Communications and Transport (SCT), the Secretariat of the Revenue (SAT), the National Immigration Institute (INAMI) and the Institute for the Valuation and Management of National Assets (INDAABIN).

I am also attaching a copy of the three presentations provided by our border community partners – presentations that were left behind for all participants in the meeting.

1. San Luis/San Luis Rio Colorado

Representative: The Honorable Matias Rosales, Vice Mayor, City of San Luis and Chairman, Greater Yuma port Authority

- The City of San Luis, Arizona, provided an overview of the current situation and requested the following from Mexico:
 - Requested that Mexico provide plans for improvements at San Luis Rio Colorado I, as the U.S. Executive Budget includes \$234 million to modernize San Luis I.
 - Requested that Mexico provide the plans for the proposed improvements at San Luis Rio Colorado II that would show a separation between commercial and non-commercial traffic entering the port via Mexican Highway 2 (MX-2), thus enabling the addition of non-commercial traffic at San Luis II.
 - This could be a critical component to help alleviate any congestion delays that could occur as a result of the construction period for the modernization of San Luis I.
- San Luis requested that the Mexican government give strong consideration to the proposal by the Municipality of San Luis Rio Colorado for significant improvements at San Luis Rio Colorado I that would alleviate congestion on the Mexican side.

- The Municipality of San Luis Rio Colorado presented a video outlining the improvements they are proposing. We will provide an electronic copy of this video to you.
- The City of San Luis and ADOT invited Mexico to participate in a San Luis/San Luis Rio Colorado stakeholder meeting in July/August with Customs and Border Protection (CBP) and the General Services Administration (GSA) to review the findings of the San Luis Feasibility Study that GSA is conducting.
 - The meeting has been requested but a date has not been set.
 - SRE offered to host the meeting as Mexican federal agencies are experiencing severe travel budget cutbacks.
- SRE committed to sending a Diplomatic Note that will provide the conceptual design for how Mexico would process cars at San Luis Rio Colorado II and some initial plans are for improvements at San Luis Rio Colorado I.

Lukeville/Sonoyta

Representative: Gail Lewis, ADOT

- Arizona completed a \$2.5 million expansion of the Lukeville port in 2009.
- Governor of Arizona, Doug Ducey, and his Sonoran counterpart, Governor Claudia Pavlovich signed an agreement on June 2, 2017 to jointly promote the establishment of a Cruise Ship Homeport at Puerto Peñasco, Sonora. Once completed it stands to greatly impact the flow of cars and people at Lukeville.
- CBP is considering the deployment of a SENTRI lane at Lukeville to help with congestion, particularly during holidays and long weekends.
- Arizona is waiting for the improvements on the Sonoyta side, particularly the construction of a third lane – which we are informed would not require widening of the crossing, but will require some tear down and modernization to the facilities on the Mexican side.
- Arizona is supportive of the efforts by SIDUR to conduct the necessary improvements at Sonoyta.

Ambos Nogales

Representative: Guillermo Valencia, Chairman, Greater Nogales Santa Cruz County Port Authority

- The Greater Nogales Santa Cruz County Port Authority provided an update on the situation at the Nogales ports of entry.
- The Port Authority has been informed that GSA intends to conduct a feasibility study for the much-needed improvements at the DeConcini port of entry.
 - The Port Authority requested that Mexico also look at the Mexican side of the port to see what improvements are required
- The Port Authority requested an update on the improvements required at the Grand Tunnel underneath the DeConcini port of entry.
 - SRE indicated that there are no updates since the update provided during the Binational Bridges and Border Crossings meeting that took place in June, 2017 in Washington, D.C.

- The Port Authority also presented a series of initiatives that will likely increase rail traffic at Nogales, and noted that the current rail facilities are severely limited.
 - The Port Authority asked that Mexico look at the rail connectivity at Nogales and determine the feasibility of possible improvements .
- The Port Authority informed the participants that CBP is considering a US-Only pilot program for SENTRI at the Mariposa Port of Entry.
 - The project is limited in scope because the full deployment will require a dedicated access lane on the Mexican side.
- The Port Authority indicated that the corridor on the Mexican side of the Mariposa Port of Entry is still badly in need of substantial improvements, including new signage, lane designation, fencing and pavement, and that the condition of the corridor continues to deteriorate.
 - The Arizona representatives asked SCT to provide additional information on this issue.
- The Port Authority indicated that there continues to be delays for commercial traffic caused by the Mexican Military (SEDENA) inspections at the entrance of the corridor 13 kilometers south of the border.
 - The Port Authority asked whether an agreement could be reached with SEDENA to either eliminate or expedite these inspections.

Douglas/Agua Prieta

Representatives: The Honorable Robert Uribe, Mayor and Jim Russell, City Manager, City of Douglas

- The City of Douglas, representing the Douglas International Port Authority, the Douglas Industrial Development Authority and the Douglas Regional Economic Development Corporation, provided an update on a number of initiatives designed to improve the border crossing experience at the Raul H. Castro Port of Entry.
 - A Sierra Vista Metropolitan Planning Organization survey indicates that the average visitor crossing through the Raul H. Castro POE spends an average of \$196, which translates into a gross regional impact in excess of \$740 million.
- The City informed those in attendance that GSA is considering conducting a port of entry Feasibility Study in FY'18 that would look at the improvements required to modernize this outdated and overburdened installation, and that it is the City's hope that the study will support the need to relocate commercial operations to a new facility. The City requested support in getting this study approved and hopes that the Mexican side will participate as one of the principal stakeholders in the study.
 - The request for the study and the need to address the challenges to the existing port have support from Congresswoman Martha McSally and Senator Jeff Flake.
- The City of Douglas is supportive of the efforts by the Municipality of Agua Prieta and the State of Sonora, through SIDUR, to convert the current rail corridor, which extends from the border at Agua Prieta approximately 2.5 kilometers south to Mexican Highway 2 (MX-2), into a commercial/tourism corridor.

- This effort involves a possible land swap on the Mexican side with the railroad company in order to remove the current rail and utilize that right of way for development.
- Arizona requested confirmation from the Mexican government of previous statements by SRE that Mexico does not support major investments for commercial operations in the middle of population centers, as is the case in Agua Prieta.
 - Arizona is seeking confirmation that Mexican policy is for major infrastructure investments in commercial operations to be done in alternative locations that do not negatively impact population centers.
 - The current situation in Douglas/Agua Prieta is challenging because hazardous materials and chemicals are transported through this port of entry, creating a high-risk situation for the residents of the binational community.
 - Additionally, this port is the main crossing for oversize, overweight shipments destined for the mining operations in Cananea and Nacozari, Sonora. Whenever these shipments cross, they block all other forms of cross-border traffic for hours at a time.
- The City of Douglas is prepared to donate up to 80 acres of land directly adjacent to the border approximately 5 miles to the west of the existing Raul H. Castro port of entry.
 - The City is supporting efforts by Agua Prieta and SIDUR to receive the donation from the private land owner on the Mexican side for the construction of the Mexican inspection facilities and the easement for access from the border to MX-2 approximately 3 kilometers south of the border.
- The City of Douglas is advocating that the proposed new port of entry to the west be the first port of entry that is designed specifically to enable the Unified Cargo Inspection process.
 - This would be the first port of entry that intentionally includes the necessary installations for Mexican Customs (Aduanas) to operate inside the port of entry.

As soon as we receive the notes from the Mexican Ministry of Foreign Affairs, we will be sure to share them with you. In the meantime, should you have any questions or comments, please let me know.

Respectfully,

Gail

Gail Lewis
Director
International Affairs and Public Private Initiatives
Arizona Department of Transportation

cc: John Halikowski, Director, Arizona Department of Transportation
The Honorable Robert Uribe, Mayor, City of Douglas
The Honorable John Doyle, Mayor, City of Nogales
The Honorable Gerardo Sanchez, City of San Luis
Juan Ciscomani, Senior Advisors, Office of the Governor
William Brooks, Office of Field Operations, Customs and Border Protection

Anthony Kleppe, Region 9, General Services Administration
Ramon Riesgo, General Services Administration
Carlos Fernandez, Douglas International Port Authority
Guillermo Valencia, Greater Nogales Santa Cruz County Port Authority
The Honorable Matias Rosales, Greater Yuma Port Authority

Attachment #4
Written Testimony on NAFTA Modernization



June 12, 2017

Edward Gresser
Chair of the Trade Policy Staff Committee
Office of the United States Trade Representative
500 E Street S.W.
Washington, D.C. 20436

RE: NAFTA Negotiations

Dear Mr. Gresser,

On behalf of the Greater Nogales Santa Cruz County Port Authority, I write to support the efforts of the United States to provide our insights as the United States identifies its negotiating objectives regarding the modernization of the North American Free Trade Agreement (NAFTA) with Canada and Mexico.

As a border community, Nogales, Arizona is at the forefront of daily trade and commerce between the United States and Mexico, and in many instances, the products that cross through Nogales do end up in Canadian markets.

Nogales remains the single largest gateway in terms of volume for fresh produce originating from Mexico. Additionally, Nogales, Sonora, is the base for over 100 maquiladoras manufacturing hundreds of products. And all the products that cross through Nogales are destined for US, Canadian and other global markets. According to the US Customs and Border Protection, Nogales is the gateway for imports and exports valued at over \$42 billion, making Nogales not just an Arizona port of entry but a gateway of national importance and significance.

Nogales is the gateway for 320,000 trucks, 742 trains, 3.5 million cars and 10.7 million people¹. It is estimated that as much as 70% of the sales tax generated in Nogales' stores, restaurants and service providers is directly attributable to our visitors from Mexico. Additionally, according to a study by the University of Arizona, the fresh produce and maquila industries have a regional gross domestic impact exceeding \$440 million each year in both direct and indirect employment as well as

¹ Source: 2016 data from US Department of Transportation for northbound traffic

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Mr. Edward Gresser
US Trade Representative
June 12, 2017

local and state tax revenues. We simply cannot overestimate the impact that NAFTA trade and tourism have on our community.

Over the past 23 years of the agreement, there have been tremendous gains in trade, tourism flows, investment and job creation in all three countries. While there have been some adjustments in all three countries due to the competitive advantages that each country has to offer to the other signatories, the overall experience has been one of tremendous success – something that we see on the border day to day.

On behalf of our Board of Directors and our integrating entities, I would like to submit the following comments for your consideration:

- As trade and commerce continues to grow among the NAFTA partners there is an urgent need for all three countries to dedicate the necessary resources to ensure that border infrastructure is prepared to handle both commercial and tourism traffic.
- Customs agencies need to have sufficient personnel in order to ensure the security of the nation as well as ensure the effective and efficient flows of both goods and people. It is estimated that our port of entry is approximately 150 officers short today. That does not account for any future needs or growth in volumes of cross-border traffic.
- Nogales was the test bed for a new customs inspection program called Unified Cargo Processing through which both US and Mexican Customs officials jointly operate inside the US customs compound changing the approach by which trucks are processed. Participating trucks are stopped only once with both US and Mexican customs officials conducting their inspection process side by side, meaning that the truck is topped only once in order to comply with the customs requirements by both countries. Programs such as this are resulting in huge gains in efficiency while enhancing our nation's security efforts. We strongly urge these programs to become broadly adopted and entrenched from both an operational perspective as well as in the design of future infrastructure projects.
- We urge all three countries to identify redundancies in compliance with sanitary and phytosanitary regulations. The approach to these regulations should be to harmonize them to help companies, importers and exporters better understand the requirements and adequately allocate their limited resources.

The Board of Directors of the Port Authority is comprised by the City of Nogales, Santa Cruz County, the Fresh Produce Association of the Americas, INDEX-Maquila

Mr. Guillermo Valencia
Chairman
July 25, 2017

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Mr. Edward Gresser
US Trade Representative
June 12, 2017

Association of Sonora, Nogales Customs Brokers Association, Nogales Community Development, and Nogales-Santa Cruz County Economic Development Foundation.

It is imperative that the renegotiation efforts result in an even playing field for all parties that promote trade, investment and job creation. The very future of our binational community is dependent on it.

I thank you for the consideration of our concerns. I stand ready to participate in any relevant hearing where we can contribute to the efforts to modernize NAFTA.

Respectfully,



Guillermo Valencia
Chairman

Attachment #5

Oral Testimony by Chairman Valencia



**Testimony before
NAFTA Panel
United States Trade Representative**

**By: Guillermo Valencia
Chairman
Greater Nogales Santa Cruz County Port Authority**

**Washington, D.C.
June 28, 2017**

Good Afternoon. My name is Guillermo Valencia and I am the Chairman of the Greater Nogales Santa Cruz County Port Authority. I am with you today to express our support for the efforts to modernize the North American Free Trade Agreement and urge you take some key principles into consideration.

For the record, I am also a Customs House Broker by profession. I own a family business with a track record of success in importing, exporting and global logistics over the past 40 years.

As a border community, Nogales, Arizona is at the forefront of daily trade and commerce between the United States and Mexico, and we are the ones that live with the consequences. That is why it is so important for us to be here with you today.

Nogales remains the single largest North American gateway, in terms of volume, for fresh produce originating from Mexico. Additionally, Nogales, Sonora, is the base for over 110 maquiladoras manufacturing hundreds of products. All the products that cross through Nogales are destined for US, Canadian and other global markets. According to US Customs and Border Protection, Nogales is the gateway for imports and exports valued at over \$35 billion, making Nogales not just an Arizona port of entry but a gateway of national importance and significance.

In 2016, more than 320,000 trucks, 742 trains, 3.5 million cars and 10.7 million people¹ entered the US through Nogales. I want to stress that these statistics are for

¹ Source: 2016 data from US Department of Transportation for northbound traffic

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northbound traffic only. But typically, what comes in must go out. That means that at Nogales we process more than 640,000 trucks, 1,484 trains, 7 million cars and 21.4 million people. Yet we are a community of 24,000 people. I strongly urge you to consider the impacts of trade not just from the entry data, but also for the exit data. It is a far more realistic image of the border.

It is estimated that as much as 70% of the sales tax generated in Nogales' stores and service providers is directly attributable to our visitors from Mexico. Additionally, according to a study by the University of Arizona, the fresh produce and maquila industries have a regional gross domestic impact exceeding \$440 million each year in both direct and indirect employment as well as local and state tax revenues.

Over the past 23 years of the agreement, there have been tremendous gains in trade, tourism flows, investment and job creation in all three countries. While there have been some adjustments due to the competitive advantages that each country has to offer, the overall experience has been one of tremendous success – something that we see on the border day to day.

Your effort to modernize NAFTA will have an impact on trade but they will also have a direct impact on border communities and the residents of the crossborder region. Thus, permit me to present some general principles that we believe have to be part of the negotiations and part of the dialogue by the signatory countries if we are to maximize the potential of a modernized trade agreement.

First, as trade and commerce continues to grow among the NAFTA partners there is an urgent need for all three countries to dedicate the necessary resources to ensure that border infrastructure is prepared to handle both commercial and tourism traffic. For the most part, ports of entry are outdated, overburdened and congested.

Second, Customs agencies need to have sufficient personnel in order to ensure the security of the nation as well as ensure the effective and efficient flows of both goods and people. It is estimated that our ports of entry at Nogales are approximately 150 officers short - today. A study by the University of Southern California indicates that every CBP officer has an impact to our GDP in the millions. Simply staffing our ports of entry to their current needs will mean a huge increase to our Gross Domestic Product. And that story is repeated port after port. Staffing is critical to our future success.

Third, Nogales was the test bed for a new customs inspection program called Unified Cargo Processing through which both US and Mexican Customs officials jointly operate inside the US customs compound. Participating trucks are stopped only once

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with both US and Mexican customs officials conducting their inspection process side by side, thereby complying with the customs requirements for both countries all at once. Programs such as this are resulting in huge gains in efficiency and reducing transactional costs for cross-border business while enhancing our nation's security efforts. We strongly urge these programs become the standard and not the exception.

Fourth, we urge all three countries to identify redundancies in compliance with sanitary and phytosanitary regulations. Nogales processed over 5 billion pounds of fresh produce in 2016 and there is a 75% chance that the tomatoes you consumed this past winter came through Nogales. But forcing companies to comply with redundant and duplicative requirements is essentially a business tax that can be eliminated with greater collaboration and data-sharing. The approach to these regulations should be to harmonize them to help companies, importers and exporters better understand the requirements and adequately allocate their limited resources.

Fifth, the elimination of the agreement is simply not an option. Too many jobs and too many industries are dependent on trade with Mexico and Canada. The principle of fair trade needs to be intrinsic into the modernization efforts with the goals of enhancing competitiveness of the region, attracting new investment and fostering job creation. Thus, defining clear mechanisms for conflict resolution must remain a critical part of the next version of NAFTA.

Finally, trade is a two-way street. Since the NAFTA was enacted, U.S. food and agricultural exports to Canada and Mexico have more than quadrupled. We strongly recommend that US negotiators not take a short-sighted view to limit produce imports which are a direct benefit to US retailers and consumers. Please be reminded that our NAFTA trading partners may turn to other suppliers and may also limit US exports to their markets, if chased out of the US market. Reciprocal trade should be the goal.

The Board of Directors of the Port Authority is comprised by the City of Nogales, Santa Cruz County, the Fresh Produce Association of the Americas, INDEX-Maquila Association of Sonora, Nogales Customs Brokers Association, Nogales Community Development, and Nogales-Santa Cruz County Economic Development Foundation.

It is imperative that the renegotiation efforts result in an even playing field. The very future of our binational community is dependent on it.

I thank you for your attention and I stand ready to answer any questions you may have.