

## **BACKGROUND**

During the 79th Regular Texas Legislative Session, HB 925 was passed. This legislation amended Texas Government Code Section 772.010, which describes the duties and responsibilities of the Texas “Border Commerce Coordinator.” HB 925 also required that the Border Commerce Coordinator submit a report of his activities to the presiding officers of each Chamber of the Legislature. This report is intended to fulfill that mandate.

By way of background, there are currently three different versions of Section 772.010, the statute that outlines the responsibilities of the Border Commerce Coordinator. These three versions are as follows:

### **§ 772.010. BORDER COMMERCE COORDINATOR.**

Text of section as added by Acts 1999, 76th Leg., ch. 429, § 1, effective if Acts 2005, 79th Leg., ch. 1369 does not make a specific appropriation for implementation of Acts 2005, 79th Leg., ch. 1215, § 3 which reenacted and amended this section

(a) The governor shall designate a border commerce coordinator in the governor's office. The coordinator shall:

- (1) study the flow of commerce at ports of entry between this state and Mexico, including the movement of commercial vehicles across the border; and
- (2) establish a plan to aid that commerce and improve the movement of those vehicles.

(b) The governor shall appoint the coordinator to serve at the will of the governor.

Added by Acts 1999, 76th Leg., ch. 429, § 1, eff. Sept. 1, 1999.

For text of section as reenacted and amended by Acts 2005, 79th Leg., ch. 1215, § 3(a), if a specific appropriation for implementation of Acts 2005, 79th Leg., ch. 1215, § 3 is provided in Acts 2005, 79th Leg., ch. 1369, or for text of section as added by Acts 1999, 76th Leg., ch. 1339, § 1 if no appropriation is provided, see § 772.010, post.

### **§ 772.010. BORDER COMMERCE COORDINATOR.**

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(a) The governor shall designate a border commerce coordinator in the governor's office or the office of the secretary of state as determined by the governor. The coordinator shall:

- (1) examine trade issues between the United States, Mexico, and Canada;

(2) act as an ombudsman for government agencies within the Texas and Mexico border region to help reduce regulations by improving communication and cooperation between federal, state, and local governments;

(3) work with federal officials to resolve transportation issues involving infrastructure, including roads and bridges, to allow for the efficient movement of goods and people across the border between Texas and Mexico;

(4) work with federal officials to create a unified federal agency process to streamline border crossing needs;

(5) work to increase funding for the North American Development Bank to assist in the financing of water and wastewater facilities; and

(6) explore the sale of excess electric power from Texas to Mexico.

(b) The governor shall appoint a border commerce coordinator to serve at the will of the governor in the governor's office or in the office of the secretary of state and may select the secretary of state as the coordinator.

Added by Acts 1999, 76th Leg., ch. 1339, § 1, eff. June 19, 1999.

For text of section as reenacted and amended by Acts 2005, 79th Leg., ch. 1215, § 3(a), if a specific appropriation for implementation of Acts 2005, 79th Leg., ch. 1215, § 3 is provided in Acts 2005, 79th Leg., ch. 1369, see § 772.010, post. For text of section as added by Acts 1999, 76th Leg., ch. 429, § 1 if no appropriation is provided, see § 772.010, ante.

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(7) explore the sale of excess electric power from Texas to Mexico.

(b) The governor shall appoint a border commerce coordinator to serve at the will of the governor in the governor's office or in the office of the secretary of state and may select the secretary of state as the coordinator.

(c) The coordinator shall work with the interagency work group established under Section 772.011, and with local governments, metropolitan planning organizations, and other appropriate community organizations adjacent to the border of this state with the United Mexican States, and with comparable entities in Mexican states adjacent to that border, to address the unique planning and capacity needs of those areas. The coordinator shall assist those governments, organizations, and entities to identify and develop initiatives to address those needs. Before January 1 of each year, the coordinator shall submit to the presiding officer of each house of the legislature a report of the coordinator's activities under this subsection during the preceding year.

(d) The coordinator shall:

(1) work with private industry and appropriate entities of Texas and the United States to require that low-sulfur fuel be sold along highways in Texas carrying increased traffic related to activities under the North American Free Trade Agreement; and

(2) work with representatives of the government of Mexico and the governments of those Mexican states bordering Texas to increase the use of low-sulfur fuel.

Added by Acts 1999, 76th Leg., ch. 429, § 1, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1339, § 1, eff. June 19, 1999. Reenacted and amended by Acts 2005, 79th Leg., ch. 1215, § 3(a), eff. Sept. 1, 2005.

For text of section if no specific appropriation for implementation of Acts 2005, 79th Leg., ch. 1215, § 3, is provided in Acts 2005, 79th Leg., ch. 1369, see § 772.010, ante, for the texts as added by Acts 1999, 76th Leg., ch. 429, § 1 and as added by Acts 1999, 76th Leg., ch. 1339, § 1.

Although these three different versions of §772.010 do contain some differences, they are rather consistent in many ways and in their overall intent. Therefore, to effectuate the will of the Legislature in passing these statutes, as Border Commerce Coordinator, I have attempted to harmonize and simultaneously give effect to each of these three different versions.

## **INTRODUCTION**

As the name implies, the Border Commerce Coordinator (BCC) serves as a channel for communication and coordination on initiatives between various state agencies and representatives from local governments and the State of Texas, as well as the federal governments of the United States, Mexico and Canada. To improve performance, the Office of the Secretary of State utilizes the Texas Border and Mexican Affairs Division to provide maximum support to the BCC in all of its activities and mandates. Furthermore, under my administration this year, a Special Assistant to the Border Commerce Coordinator was hired by the Executive Division to further achieve the mandates specified above. By utilizing the executive branch of government and extensive diplomatic and other outreach efforts to coordinate commerce along the border region, Texas benefits by comparison to other U.S. border states.

This report gives an overview of the most relevant activities undertaken by the BCC in order to appropriately comply with its legislative directives. It is also worth mentioning that 2007 was a year of transition given that my predecessors, The Honorable Roger Williams, Secretary of State, and The Honorable H.S. Buddy Garcia, Deputy Secretary of State and Border Commerce Coordinator, served during the first months of the year, and I have been serving the State in my current role since July; thus, the Texas Border and Mexican Affairs Division handled the work *ad interim*. This report will provide information about the activities of the Border Commerce Coordinator, no matter who was appointed at what time, given that my Office strives to provide continuous and seamless service to all Texans.

In the following pages appears a summary of activities in which the BCC has been involved throughout 2007. For ease of reporting, the activities highlighted follow the order in which the mandates appear in the legislation.

### **EXAMINE TRADE ISSUES BETWEEN THE UNITED STATES, MEXICO, AND CANADA.**

As Border Commerce Coordinator and Secretary of State, I have attended multiple meetings with local, state and federal officials as well as businessmen from the United States, Mexico, Canada and the Texas-Mexico border. It is my belief that through meetings with foreign business delegations and trade missions in our neighboring countries as well as across the globe, Texas will continue to foster strong global partnerships to enhance our state's foreign trade activities, which translates into further economic prosperity for all Texans.

For the past five years, Texas has led the nation in export revenues, totaling more than \$150 billion in 2006 alone. Additionally, Texas currently holds the second-largest number of international trade-related jobs in the United States. I strongly believe that the BCC should make every possible effort to make Texas the leader in all significant trade indicators. During my trips and meetings, I highly encourage Texans to look internationally to expand their business opportunities. We are living in a global economy and it is critical that we make extra efforts to ensure that Texas maintains open lines of communication with our worldwide partners to the benefit of all parties involved and enhance our nation's security in the years to come.

My activities concerning trade revolve primarily around two strategies:

1. Promoting Texas companies and their goods and services abroad; and
2. Recruiting foreign companies to locate in Texas.

I believe this approach brings to Texas enormous benefits that we would not realize if we just focused on either activity. Let me offer a few more details of my criteria for using this two-pronged approach.

First, as exporters, our Texas companies, as well as the State, obtain three different kinds of benefits. The best-known benefit we reap is the one produced by the inward flow of foreign earnings. We also benefit from the positive employment effects generated by the growing demand of capital equipment, intermediate goods, complementary products, and a variety of other goods. Lastly, as exporters, Texas companies benefit by learning valuable skills from their exposure to foreign markets, which can then be brought home to enhance their operations, thus causing a reverse resource-transfer effect.

Second, as the host state for foreign companies, we obtain the benefits from Foreign Direct Investment (FDI). Employment opportunities for Texans is the most apparent advantage, but a very important component is resource-transfer. FDI provides Texas with capital, technology and management resources that otherwise would not be available. We are all witnesses to how technology can stimulate the economy and advance industrialization. In Texas, we are proud to have all kinds of companies constantly researching and developing new technologies, from the unfathomable smallness of nanoscience to the giant spaceships that aerospace engineering has produced, and everything in between.

An example of the benefits of investment can be seen in the recent groundbreaking ceremony for the Motiva Enterprises, LLC refinery in Port Arthur. The facility will be completed in 2009 and, when fully operational, it will be the largest refinery in the United States and have the capacity to produce 600,000 barrels of crude oil per day. This expansion will bring 300 new, full-time jobs and billions of dollars in capital investment in just a few years. Additionally, Motiva is expected to hire 4,500 contract jobs throughout the construction phase, making a powerful impact in Southeast Texas and the entire state.

Additionally, I am charged with a variety of other duties that revolve around the economic development and trade. One of the functions of the Secretary of State is to serve as the Governor's liaison for Texas Border and Mexican Affairs, and in this capacity, I assist the Governor in addressing issues which involve our Texas-Mexico border and cross border affairs with Mexico. I proudly serve as the Chief International Protocol Officer for the state of Texas as well, where one of my responsibilities is to cultivate strong, multi-cultural relationships between Texas and the international community. Also, I serve as the Governor's designee to the Texas Enterprise Fund and the Emerging Technology Fund; and I have been appointed as Chairman for the Governor's Competitiveness Council, a committee of 28 other industry leaders, public and higher education officials, and representatives of key state regulatory agencies that is charged with identifying impediments to the state's ability to remain competitive in a global marketplace and recommending steps the state should take to improve its economic footing.

With this in mind, I traveled to Toronto and Montreal, Canada, in October leading the recruitment mission that the Office of the Governor organized under TexasOne to market and promote Texas as a premier business location. Through its fundraising efforts and member participation, TexasOne has directly enabled strategic economic development outreach at the state level and is making a big difference in our state. This unique marketing approach has championed the state's record-breaking economic development initiatives and created a surge of national and international awareness of Texas as a business friendly state.

In Montreal and Toronto, I held meetings with site selectors, conducted media interviews, and participated as the keynote speaker in the "Invest in Texas" seminars. In these seminars, Canadian companies attended various lectures regarding the business and legal environment and rules required to do business in Texas. For example, some of the topics included were: Texas tort reform, basic legal structure of business in Texas, Texas labor and employment law, tax issues associated with doing business in Texas, and business finance transactions for Texas.

Since Canada is Texas' second-largest trading partner after Mexico, this was truly a particularly illustrative trip since -- due to geographic proximity -- we naturally tend to focus more of our activities on our southern border. However, trade with Canada is no small feat: it accounted for 10% of the state's total exports last year, totaling \$15 billion. Additionally, foreign direct investment from Canada into Texas totaled \$7 billion and supported 23,000 Texas jobs in 2005.

I also had the honor of traveling with Governor Rick Perry and Railroad Commissioner Victor Carrillo to Mexico City for the 8<sup>th</sup> Annual Texas Energy Trade and Investment Mission. With Mexico's recent Presidential election and the designation of new federal government officials, the Mission focused on Mexico's new policies in the energy industry and provided valuable information as to the future of this sector.

The program offered a unique insight into specific Pemex projects and partnerships, as well as diverse viewpoints regarding the energy industry from Mexico's top public leaders. I had the opportunity to visit with various Mexican dignitaries, among which were: Georgina Kessel, Secretary of Energy; Eduardo Sojo, Secretary of Economy; Jesús Federico Reyes Heróles, General Director of Pemex; Alfredo Elías Ayub, General Director of the Federal Commission on Electricity; and we also had a private meeting with the President of Mexico, His Excellency Felipe Calderón Hinojosa.

U.S. Ambassador Tony Garza graciously hosted a welcome reception at his residence for the Texas delegation, which provided us an opportunity to network with prominent businessmen and government officials. The Texas delegation consisted of a total of 140 people representing government officials and energy-sector businessmen.

In conjunction with the Mexico trade mission, there was an "Invest in Texas" seminar, similar to the one conducted in Canada, which was mentioned earlier in this report. This allowed for the fulfillment of both strategies related to trade and investment.

It was very informative for the Texas companies to realize that despite some challenges, there are also many opportunities for the oil and gas industry. Given the volatile nature of the domestic oil and gas industry, Texas' independent producer, service, and equipment companies have had to develop and utilize new technologies in order to make the most out of declining field production. All this, coupled with Mexico's need for these types of services, has led to fruitful business opportunities now that our southern neighbor is allowing foreign companies to have a more significant role. The first horizontal drilling and multi-lateral wells have already taken place in Mexico.

Pemex also has much to learn from Texas because Mexico has plenty of reserves and its primary field is experiencing a steady decline. Mexico and Canada are Texas' two biggest trading partners, and since we import more oil and gas from them than from any other country, it is in our State's best interest to keep North American production at the highest possible levels.

Furthermore, Mexico also has a lot of deep water reserves. Pemex is working with a few companies to try to access them, which brings greater opportunities for Texas companies to be profitable in the exploration, production, midstream, pipeline, service and supply area activities.

One of the biggest challenges that we learned about on the trip was the fear that many companies have of making large capital outlays and not getting paid for services rendered. We were assured time and again that Pemex, although slow, pays like clockwork and we conveyed this information to the Texas companies who are looking at doing business with Pemex. (However, we also recommended that they follow the

standard practice of performing their own due diligence as it is in a company's best interest to do this before engaging in any foreign venture.)

An opportunity that came out of the Mission was to arrange a tour of a wind farm in Texas for Mexican energy officials headed by Railroad Commissioner Victor Carrillo and some private companies. It is scheduled to happen in the near future (possibly in the Spring). The RRC is working with a representative from Airtricity regarding two farms, one completely online, and one in various stages of construction so that the tour participants can visit both facilities.

Another important event that encompassed Mexico and Canada was this Spring's leadership summit of the North America's SuperCorridor Coalition (NASCO) members in Fort Worth. The Governor and Secretary of State had the honor of hosting the functions in our state, and in attendance were Premier Gary Doer from Manitoba, Governor Natividad González from Nuevo León, and Governor Juan Manuel Oliva from Guanajuato.

NASCO is a nonprofit organization dedicated to increasing economic development activity while supporting multi-modal infrastructure improvements, technology/security innovations and environmental initiatives along the NASCO Corridor, and to stimulate the dialogue between the public and private sectors about critical, corridor-wide trade and transportation challenges. NASCO members include cities, counties, states, provinces and private sector representatives along the Corridor in Canada, the United States and Mexico, dedicated to maximizing the efficiency and security of their existing trade and transportation infrastructure. The NASCO Corridor represents the existing trade and transportation infrastructure roughly shadowing U.S. Interstate Highways 35, 29 and 94, and the connecting transportation infrastructure in Canada and Mexico critical to national and international trade. This includes major intermodal "inland ports" along the corridor and under development.

From the largest border crossing in North America (The Ambassador Bridge in Detroit, Michigan and Windsor, Canada) and Manitoba, Canada, to the second largest border crossing of Laredo, Texas and Nuevo Laredo, Mexico, and South to the Mexican Ports of Manzanillo and Lázaro Cardenas, the impressive, tri-national NASCO membership truly reflects the international scope of the Corridor and the regions it impacts.

To further reinforce the bonds of friendship that we have with Mexico, my predecessor attended a breakfast meeting with the Mexican Ambassador to the US, His Excellency Arturo Sarukhán, in San Antonio in April of this year. At this meeting, the topics discussed were cross-border cooperation and prosperity issues.

Finally, I briefly want to mention something that is intrinsically linked to trade, and that is border security. Governor Perry recently appointed me as a member of the Texas Border Security Council. As such, I will help create performance standards, reporting



requirements, audit methods and other procedures for homeland security fund allocation and use. The members of the Committee and I are aware that there can be no homeland security without border security, and while we recognize the need to reinforce the State's efforts to strengthen the safety and security of Texas, we are also aware that we need to ensure that trade continues to flow through our borders in the most effective and efficient way possible. I fully believe that trade will immediately benefit from this increased security.

**ACT AS AN OMBUDSMAN FOR GOVERNMENT AGENCIES WITHIN THE TEXAS AND MEXICO BORDER REGION TO HELP REDUCE REGULATIONS BY IMPROVING COMMUNICATION AND COOPERATION BETWEEN FEDERAL, STATE, AND LOCAL GOVERNMENTS.**

Similar to those who have served before me, I am a firm believer that one of the best ways to accomplish goals is by improving communication with all the parts involved in a project. As such, my staff and I are in constant communication with employees from other state agencies for updates and mutual assistance.

Furthermore, my Office periodically organizes a meeting of the Interagency Work Group on Border Issues and a meeting of the Texas-Mexico Strategic Investment Commission, which were both created by HB 925 at the 79<sup>th</sup> (R) legislative session.

The overall goal of the Interagency Work Group is to gather the representatives of various State agencies with activities along the Border and with Mexico to share experiences and knowledge and reduce regulation and duplication of efforts where possible. More specific details on the activities of this Work Group will be provided later in this report.

As per the Texas-Mexico Strategic Investment Commission, since most of the specific points of action of the mandate are similar to those of the Border Commerce Coordinator, they are incorporated into the BCC's daily activities and schedule. The Commission has met to discuss and pursue all the issues of common interest to the six agencies included in the mandate: TxDOT, TWDB, DSHS, TCEQ, RRC and SOS.

Meetings of these two groups took place on September 20, 2007, and the documentation that stemmed from the meeting is included as Appendices.

**STUDY THE FLOW OF COMMERCE AT PORTS OF ENTRY BETWEEN THIS STATE AND MEXICO, INCLUDING THE MOVEMENT OF COMMERCIAL VEHICLES ACROSS THE BORDER, AND ESTABLISH A PLAN TO AID THAT COMMERCE AND IMPROVE THE MOVEMENT OF THOSE VEHICLES.**

**WORK WITH FEDERAL OFFICIALS TO RESOLVE TRANSPORTATION ISSUES INVOLVING INFRASTRUCTURE, INCLUDING ROADS AND BRIDGES, TO ALLOW FOR THE EFFICIENT MOVEMENT OF GOODS AND PEOPLE ACROSS THE BORDER BETWEEN TEXAS AND MEXICO.**

**WORK WITH FEDERAL OFFICIALS TO CREATE A UNIFIED FEDERAL AGENCY PROCESS TO STREAMLINE BORDER CROSSING NEEDS.**

I have taken the liberty of grouping these three points together because the topics they address are related and are all concentrated in my efforts as presiding officer of the Border Trade Advisory Committee (BTAC). The BTAC is charged with defining and developing a strategy and making recommendations to the Texas Transportation Commission and the Governor for addressing the highest priority trade transportation challenges. Then, the Texas Transportation Commission considers the importance of trade with Mexico, border ports, and the value of trade activity in the Texas Department of Transportation's districts along the border and determines which actions will be taken.

The BTAC is comprised of 29 ex officio members whose 3-year terms are staggered. The members represent elected officials, the Texas Department of Transportation, the Metropolitan Planning Organizations in the Pharr, Laredo, Odessa and El Paso districts, entities governing ports of entry, economic development organizations, and universities that conduct research on transportation issues. For a complete list of members, please see Appendix C.

The last time the Committee met, its members developed ten initial principles that should be part of the recommendations. Those ten principles are (not in priority order):

1. Promote ample and expandable transportation trade corridors
2. Effectively coordinate with Mexico to ensure through trade corridors
3. Promote efficiencies at the border
4. Demonstrate statewide, national, and international benefits of trade
5. Optimize operations
6. Develop ports of entry for use of new technologies
7. Support improvements to the Presidential Permit process
8. Look for policies to facilitate trade at both state and federal levels
9. Promote cooperation and understanding of policies with Mexico
10. Leverage safety and security measures to enhance trade efficiency.

Furthermore, those 10 principles were consolidated into four categories:

- A. Trade Transportation Corridors
- B. Coordination with Mexico
- C. Safety and Security Measures
- D. Economic Benefits of International Trade

Each category was then broken down by strategy for ease of implementation.

- A. Trade Transportation Corridors -- Promote the development of ample expandable trade transportation corridors.
1. Strategy: Support the development of the Trans-Texas Corridor (TTC) and other major identified trade corridors to assist the expansion of Texas' international trade. Efficient multimodal trade corridors in Texas with connections to the Mexican transportation system will foster Texas' trade activities with Mexico and other regions of the world.
  2. Strategy: Develop policies to facilitate trade at both state and federal levels. Trade policies supported by adequate transportation infrastructure will stimulate the flow of goods in the state and improve existing commercial corridors.
- B. Coordination with Mexico -- Develop coordination mechanisms to foster trade between Texas and Mexico.
3. Strategy: Coordinate effectively with Mexico to ensure the planning and development of through trade corridors. Formal and informal coordination efforts with Mexican federal and state government agencies are important to ensure the development of efficient U.S.-Mexico trade corridors.
  4. Strategy: Promote more efficient international border crossings. Existing international border crossing procedures and infrastructure should be examined on a continuing basis to identify efficiencies that can be gained by coordinating with Mexican stakeholders. Future international border crossing plans should be developed in close coordination with Mexican and U.S. stakeholders to promote the efficient use of the latest technologies, procedures and infrastructure on both sides of the border.
  5. Strategy: Promote cooperation with and understanding of U.S. policies. Constant changes in U.S. security and safety policies impact the international border crossing process and the overall trade between Texas and Mexico. It is important to support cooperation efforts with Mexican government agencies and the trade community so that new rules are understood and their impact on international trade is minimized.
- C. Safety and Security Measures -- Leverage safety and security measures to enhance trade efficiencies.
6. Strategy: Promote efficiencies at international border crossings. By evaluating, recommending and implementing various procedures, efficiencies can be gained throughout international border crossings. Some of the efforts that have been discussed include eliminating the duplication of the vehicle safety inspections,

- combining security facilities, implementing interoperable technology, modifying hours of operation, increasing staffing levels and applying demand management techniques like off-peak incentives – value pricing.
7. Strategy: Develop international border crossings that take advantage of the latest technologies and procedures. New procedures and technologies significantly impact the way international border crossing inspections are carried out. Therefore, the infrastructure at international border crossings should be designed with enough flexibility to benefit from the latest technology and to make it easy to change in the future when new technologies are implemented.
  8. Strategy: Review Presidential Permit policy to facilitate international bridge construction. Current Presidential Permit procedures to construct or modify international bridges are lengthy and difficult to obtain. A streamlined procedure will smooth the progress of any required modification to take advantage of new technologies or processes.
  9. Strategy: Provide a balance between required inspections and efficient trade flow.
- D. Economic Benefits of International Trade -- Demonstrate the economic benefits of international trade at the national, state and local levels.
10. Strategy: Identify national, statewide and international benefits of trade. Increased land commercial trade not only benefits the local port of entry where the transaction takes place but also has a ripple effect that benefits the state and the nation as a whole. The Alameda Corridor Project in California is an example of how a trade corridor improvement can benefit not only the region but the whole nation.

With the assistance of the Texas Department of Transportation, I presided over a meeting of the Committee where we reviewed these strategies and the responsible parties to implement them. We realized that most of the recommendations fall under the scope of the federal government, yet there are several that we can implement to move closer to the Committee's goals. Each member present reported briefly on the advances or improvements that each entity has achieved, as well as the challenges currently faced. However, since a quorum was not present, after the meeting a Status Report Form was sent via email to all the members to learn what each of them, in their respective area, has been or is doing to address the recommendations specified in last year's BTAC report.

We also requested that each of the members provide two to three success stories, and two to three challenges they currently face, as well as issues they would like to see changed at a regulatory or legislative level. Our intent is to compile this information as a way to show the BTAC's accomplishments so that we can share our efforts and successes along the Texas-Mexico border. Also, we intend to show the challenges that still lie ahead of

us, propose viable solutions, and define the necessary course of action to continue making progress.

The geographic distribution of the members is concentrated along the Texas-Mexico Border. Consequently, the BTAC will hold future meetings in the Border area in an effort to maximize participation. The next BTAC meeting will take place in the Lower Rio Grande Valley in January.

For this next meeting, we have invited the President of the Mexican Automobile Dealers Association (Asociación Mexicana de Distribuidores de Automotores or AMDA in Spanish), given that one of the points brought up was that of the large amount of U.S. illegal vehicles in Mexico. While statistics are vague, it is estimated that out of the 14 million vehicles that exist in Mexico, 2.5 million are vehicles that have entered the Mexican territory illegally coming from the United States. These vehicles create pollution along the border at higher rates than normal since they do not comply with environmental rules due to the fact that they are not inspected and sold “as-is”. More often than not, the vehicles are stolen or they hold salvage or junk titles. A salvage title is a notation that the vehicle has been damaged and is applied to a title when an insurance company pays a total-loss claim. A junk title is a similar notation to a salvage title, but indicates that the vehicle is not roadworthy.

As you know, our state has a program called Aircheck Texas that focuses on trying to take old cars off the road and destroy them in non-attainment and near non-attainment counties, i.e., the big population centers. This is significant because of the complaints from Mexico that our old cars, trucks and tires end up illegally in its territory creating environmental, health, safety, and competitiveness issues. The program has specific guidelines and requisites for vehicle conditions and eligibility, and the goal is to help individuals fund a new car or a car that is one year old, or to retrofit the existing vehicle. After the purchase of the new vehicle, the old one is destroyed (scrapped).

For more details on the topics described in this section, please review the transcript from the past BTAC meeting. It has been included as Appendix C.

## **WORK TO INCREASE FUNDING FOR THE NORTH AMERICAN DEVELOPMENT BANK TO ASSIST IN THE FINANCING OF WATER AND WASTEWATER FACILITIES.**

The North American Development Bank (NADBank) and its sister institution, the Border Environment Cooperation Commission (BECC), were created under the auspices of the North American Free Trade Agreement (NAFTA) to address environmental issues in the U.S.-Mexico border region. My staff and I recognize the importance and benefit that these institutions bring to Texas residents along the border, and remain in constant communication with their representatives at all levels.

The work of the NADBank is truly valuable to the colonias residents along the Texas-Mexico border. My Office houses the Colonia Initiatives Program, which is a critical part of the Texas Border and Mexican Affairs Division.

As brief background, during the 76th Texas Legislative session in 1999, a bill was passed to advance efforts to get colonia residents' homes connected to water and wastewater services more expediently. As part of this legislation and subsequent modifications to it, the Office of the Secretary of State today houses a Director of Colonia Initiatives that works in Austin, as well as eight Colonia Coordinators or Ombudspersons that work in those border counties with the highest colonia populations (in descending order): Hidalgo, El Paso, Starr, Webb, Cameron, Maverick and Nueces.

The coordinators along the Border serve as advocates among colonia residents, state agencies, local governments, and utility companies to ensure residents are connected to water and wastewater services in the most efficient and timely manner possible. They work hand-in-hand with representatives from the NADBank and the BECC to identify, monitor and seek funding for water, wastewater and other physical infrastructure projects.

Also, my Office created an Interagency Coordination Group that is a consortium of 13 federal and state, funding and regulatory, agencies which meet on a quarterly basis:

#### Federal Agencies

1. North American Development Bank and Border Environment Cooperation Commission
2. U.S. Army Corps of Engineers
3. U. S. Department of Agriculture - Rural Development (administers rural business, cooperative, housing, utilities and community development programs)
4. U.S. Department of Housing and Urban Development
5. U.S. Environmental Protection Agency

#### State Agencies

6. Office of Rural Community Affairs
7. Texas Department of Housing and Community Affairs
8. Texas Water Development Board
9. Texas Department of Transportation
10. Texas Commission on Environmental Quality
11. Health and Human Services Commission
12. Office of the Attorney General

These agencies gather to improve coordination, share information, and aide in the planning of the State's efforts to strengthen physical infrastructure in colonias along the Texas-Mexico border and, as you can see, the NADBank and BECC participate with us.

The Group's objectives are:

- A. To collaborate in coordinating specific infrastructure-project information and data
- B. To identify project barriers and allow for immediate collective problem solving
- C. To expedite the delivery of basic services to colonia residents
- D. To provide progress updates on colonia initiatives and projects.

The agencies discuss the availability of program funding for current and upcoming colonia projects, events, opportunities for collaboration, etc.

This program is a major part of the Secretary of State's efforts to improve the quality of life for colonia residents along the border. As such, we are aware that we must do everything within our power to ensure that the funds are available to help colonias residents. With that in mind, my Office has corresponded with the U.S. Environmental Protection Agency (EPA), as well as various other federal officials, to request funding for the Border Environment Infrastructure Fund (BEIF; pronounced "beef"). Furthermore, my Office has encouraged the Governor to send out letters in support of the BEIF, and our ombudsmen have also worked locally with colonia stakeholders and authorities to encourage them to send letters of support advocating for full restoration of the BEIF monies back to the original sum of \$100 million. (Currently, the Federal authorities have reduced the BEIF resources down to only \$10 million.)

The NADBank established the Border Environment Infrastructure Fund (BEIF) with the objective of making environmental infrastructure projects affordable for communities throughout the U.S.-Mexico border region by combining grant funds with loans and other forms of financing. It is designed to reduce project debt to a manageable level in cases where users would otherwise face undue financial hardship and projects could not be implemented. Only water and wastewater infrastructure projects located within 100 kilometers (62 miles) of the U.S.-Mexico border are considered for funding. BEIF funds may be used to support projects that serve a single community or regional approaches that serve multiple communities and/or outlying areas, and eligibility is based on a set of project selection criteria and affordability guidelines.

A summary report of activities from the NADBank in Texas is included in Appendix D.

It is worth noting that while more funding for water/wastewater infrastructure is needed, it is also imperative to consider the sources of fresh and potable water in the future. To this effect, the Governor has a pilot initiative on desalinization in Brownsville. This program is testing five different technologies to identify the most cost-effective method for Texas to develop and transport fresh water converted from sea water.

Expanding on the topic of funding, I also want to highlight the importance of advocating for additional funding destined for the International Boundary and Water Commission (IBWC) for flood protection. The IBWC provides binational solutions to issues that arise during the application of United States - Mexico treaties regarding boundary demarcation, national ownership of waters, sanitation, water quality, and flood control in the border region.

Numerous miles of interior floodways and levees were constructed by the IBWC under various flood control projects to protect the public and adjacent lands from floods. The main purpose of the levees is to constrain river meandering (movement of the international boundary), hence providing flood protection to many Texas cities including El Paso, Presidio, McAllen-Mission, Harlingen, and Brownsville, as well as their respective sister cities in Mexico. The projects located within the United States are operated and maintained by the IBWC and its Mexican counterpart, the Comisión Internacional de Límites y Aguas (CILA), maintains its portion of the levees and floodways.

The Rio Grande Flood Control System Rehabilitation Program, originally funded in 2001, is a multiyear effort to evaluate and rehabilitate, where necessary, 520 miles of U.S. river and interior floodways and levees. Cost for the work has increased from the 2004 work plan due to inclusion of river levees subject to freeboard encroachment and the interior floodway system. The 2004 work plan only addressed areas where there was levee overtopping. In addition, costs for levee surfacing, environmental mitigation, and inflation have been added and, thus, the contingency increased.

If this project is not funded and completed in an expeditious manner, it will have an adverse effect resulting in decertification of flood protection for many counties along the border. This will impact growers negatively by raising the cost of insurance rates in the Valley; and it will also have a harmful effect by diminishing the region's ability to grow, thus affecting the entire economy of the State.

## **EXPLORE THE SALE OF EXCESS ELECTRIC POWER FROM TEXAS TO MEXICO.**

Over the past years, my predecessors had been in regular contact with various representatives of the public and private sectors regarding the Sharyland DC tie to keep them abreast of the status of the project. I was fortunate enough to be serving in my current position when the project came to a completion and started working.

This project will be an important step in the eventual consumption of electricity in Mexico from Texas, and can eventually lead to potential employment opportunities for the Rio Grande Valley. Groundbreaking on this project occurred earlier in 2006 and, in October of this year, my Office attended the commissioning ceremony for the



interconnection project at the Sharyland Plantation in Mission along with other distinguished officials such as Commissioner Julie Parsley from the Texas Public Utility Commission, Commissioner Victor Carrillo from the Texas Railroad Commission and Pat Wood, III, former Chairman of the Federal Energy Regulatory Commission.

This 150 megawatt facility will link the Electric Reliability Council of Texas (ERCOT) grid with the Comisión Federal de Electricidad (CFE) grid of Mexico and is the first of its kind ever to be built that would enable commercial trade of electricity between the United States and Mexico.

The High Voltage Direct Current (HVDC) technology used in this facility will allow cross-border transfers of electricity while keeping the two grids completely separate, effectively acting as a “firewall” while providing system reliability to both sides of the border and opening up trade and commerce.

This project represents a first step in providing the infrastructure necessary to support the growing electricity needs of the Rio Grande Valley and the broader Texas market.

In addition, during the previously mentioned energy trade mission to Mexico, one of the representatives from El Paso Electric posed a question to the representative from the Comisión Reguladora de Energía (Mexico’s Energy Regulatory Commission) about interconnecting the grids between Juarez and El Paso to provide reliability on both sides of the border. CRE welcomed the opportunity, proving once again how meaningful face-to-face dialog can be and leaving the doors open for a project of this magnitude, such as the one in Sharyland.

Along the same lines, one of the successes that we must highlight is the work done within the last two or three years on emergency power generation when either Mexico or Texas needs or calls for it. For example, there has been much work done to utilize the available waters of the Amistad reservoir to mitigate or avoid power emergencies. This joint work is going to be reduced to an agreement in writing in the near future. The Texas Commission on Environmental Quality (TCEQ) has been testing it on the lakes and it has been very effective.

Another event that my predecessor attended was the Variable Frequency Transformer Dedication in May of 2007. This project referred to as Electric Transmission Texas is a joint venture between AEP and MidAmerican Energy. Their collaboration will provide reliable energy to the Laredo – Nuevo Laredo region and is another example of the benefits that occur from regional planning along the border.

**WORK WITH THE INTERAGENCY WORK GROUP (ESTABLISHED UNDER SECTION 772.011), AND WITH LOCAL GOVERNMENTS, METROPOLITAN PLANNING ORGANIZATIONS, AND OTHER APPROPRIATE COMMUNITY**

**ORGANIZATIONS ADJACENT TO THE BORDER OF THIS STATE WITH THE UNITED MEXICAN STATES, AND WITH COMPARABLE ENTITIES IN MEXICAN STATES ADJACENT TO THAT BORDER, TO ADDRESS THE UNIQUE PLANNING AND CAPACITY NEEDS OF THOSE AREAS. THE COORDINATOR SHALL ASSIST THOSE GOVERNMENTS, ORGANIZATIONS, AND ENTITIES TO IDENTIFY AND DEVELOP INITIATIVES TO ADDRESS THOSE NEEDS.**

The Interagency Work Group on Border Issues was created to develop or update a process to allow agencies to work together on issues that face border communities.

The Work Group is comprised of representatives from the following State agencies:

1. Office of Rural Community Affairs
2. Texas Department of Housing and Community Affairs
3. Texas Water Development Board
4. Texas Department of Transportation
5. Texas Commission on Environmental Quality
6. Texas Workforce Commission
7. Department of State Health Services
8. Health and Human Services Commission
9. General Land Office
10. Texas Education Agency
11. Texas Economic Development and Tourism Office
12. Texas Office of State-Federal Relations
13. Texas Higher Education Coordinating Board
14. Office of the Attorney General
15. Office of the Secretary of State (Presiding Officer)
16. Texas Department of Public Safety
17. Railroad Commission

In following this mandate, as mentioned earlier, the Work Group met to discuss and coordinate programs and services offered to border communities and residents of border communities. Other topics revolved around developing regulatory and legislative recommendations to eliminate duplication and combine program services. Lastly, the Group considered the effect of policies instituted by the federal government impacting the border region. The transcript of the meeting is enclosed for your review as Appendix A at the end of this report.

As part of this mandate, I have become very interested in learning about border-related and cross-border activities in which the member agencies are engaged. As such, I continued with a practice that my predecessor instituted last year, by submitting a survey to all the Work Group members to obtain an update on their various agency activities. The responses we received depict a wide range of functions, programs, success stories and challenges. In an effort to respect the agencies' responses and give them due credit,

as well as to avoid the possible errors or omissions that might inadvertently occur if the reports were summarized, I have left them intact for your perusal under Appendix D.

**WORK WITH PRIVATE INDUSTRY AND APPROPRIATE ENTITIES OF TEXAS AND THE UNITED STATES TO REQUIRE THAT LOW-SULFUR FUEL BE SOLD ALONG HIGHWAYS IN TEXAS CARRYING INCREASED TRAFFIC RELATED TO ACTIVITIES UNDER THE NORTH AMERICAN FREE TRADE AGREEMENT.**

**WORK WITH REPRESENTATIVES OF THE GOVERNMENT OF MEXICO AND THE GOVERNMENTS OF THOSE MEXICAN STATES BORDERING TEXAS TO INCREASE THE USE OF LOW-SULFUR FUEL.**

The requirements for Ultra Low-Sulfur Diesel (ULSD) fuel in the U.S. are federal. As of the fall of 2006, EPA regulations required that at least 80 percent of the diesel fuel sold in the U.S. be ULSD (in 2010 the requirement will rise to 100 percent), and that the pumps be clearly marked. (Diesel engines of model year 2007 or after must use ULSD; any fuel with higher sulfur content damages the engines.) Since then, ULSD fuel of 15 parts per million (ppm) or less is available for retail sale in Texas and the entire U.S., and there is no indication that the law is not being followed.

In previous years, the TCEQ held discussions with Mexican federal officials urging them to begin selling ULSD fuel in border cities and along transportation corridors in northern Mexico. In 2006, Mexico modified the law (NOM-086) that regulated sulfur content in fuels, introduced premium (high octane) ultra-low sulfur gasoline, and announced that ULSD would be available in all border cities as of January 2007. In the spring of 2007, TCEQ was told by EPA officials in California that random checks in Tijuana showed that availability was spotty at best. The TCEQ has since been assured by Mexico's federal environmental agency (SEMARNAT) that the ULSD roll-out had occurred. Moreover, although Mexico has committed to make the necessary modifications to its refining plants to produce ULSD, the production of this fuel will not be available until 2009, and is currently being imported.

In April 2007 TCEQ representatives met with counterparts from the other nine U.S.-Mexico border states as part of an annual meeting of the ten state agencies. One of the agenda items was a discussion of mid-course refinements to the binational Border 2012 environmental program, and a consensus proposal developed so as to continue working towards ensuring availability of ULSD in Mexico's northern border states.

## **SUMMARY AND CONCLUSION**

As Border Commerce Coordinator, I have had the opportunity to closely assess the wealth of opportunities that the border provides and the enormous challenges that it faces when compared to the rest of the State and the nation. Texas is faced with creating a unique balance of securing our borders without hindering international trade. It is my goal to determine a long-term solution that will create a secure environment for border Texans to live, do business and raise their children. There is no question that international trade and foreign investment play a large role in our economy and I am committed to promoting opportunities to further increase our border position in the global marketplace.

Physical infrastructure plays a key role in every aspect of the border. It is imperative that we devote the necessary resources to anticipate needs and keep up with growth to help raise the standards of living of those less fortunate.

Technology is another leading factor on the road to economic prosperity as it is a multi-billion dollar industry. Research, development, and a rapid commercialization of technology will pave Texas' way to a prosperous future.

While I have been in this position only a few months, I have quickly realized the need for timely and accurate information and coordination of resources amongst the entities that interact in one way or another with the border area and/or Mexico. Fortunately, my staff and I have forged solid, professional relationships with countless parties involved in all of our activities: federal, state and local officials, non-governmental organizations, private sector representatives, and many more contacts on both sides of the Texas-Mexico border. We track and coordinate projects and developments and share real-time data and information through our extensive network of resources.

I am committed to continue working towards overcoming challenges, advocating for the well-being of our residents, and providing a favorable business climate.

I appreciate having the opportunity to provide this report and look forward to further activities relating to these issues of interest and concern.