Mexico City

November 10th, 2009.

NA competitiveness

SCT

SECRETARÍA DE COMUNICACIONES Y TRANSPORTES

November 10th, 2009.
U.S.-Mexico Cross Border Trucking Services.

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

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

Demonstration Project to gradually open the border by 2010.
Mex-U.S. participants in the Demonstration Project represented geographically by diverse states.

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

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

These carriers and their Mexican counterparts delivered a wide variety of products, as tomatoes, grapes and wines, cement, electronic components and plastic resins -- to and from 12 states in Mexico and 23 U.S. states.
The efforts and hard work put forth by SCT and US-DOT, were broken by the US-Congress FY 2009 Omnibus Spending Bill (March 11, 2009), which contained language that blocked all funding for the U.S.-MX cross-border demonstration program, supported by safety advocates.

On March 18, 2009 Mexico applied new tariffs on 89 U.S.-made products. Mexico implemented this measure in retaliation for the cancellation by Congress of a 2007 pilot program.
Mexico’s position on this issue had received broad and wide support from:


The business community: 150 manufacturing and agricultural interests that have joined together in the “Alliance to Keep U.S. Jobs” in order to urge implementation of U.S.-Mexico cross-border trucking.


State Leaders: Governors of California, Texas, Arizona and New Mexico; Agriculture Secretaries of Oregon, Washington, Idaho, California, Colorado, New Mexico, Arizona, Wyoming and Nevada.
New cross-border business opportunities remarks.

- According to SCT observations, the DP came under constant threat, was over-regulated and failed to add sufficient value for cross-border carriers regularly operating in the Commercials Zones.

- However, the DP showed that providing "door-to-door" services beyond the commercials areas are an efficient, safe and profitable option for carriers, exporters and importers alike. It also showed that participating Mexican carriers adhered to the rules and operated safely.

- The vision shared in the SCT consists of outlining a new, less restrictive scheme than the Demonstration Project (DP), in conjunction with the US-DOT, in order to attract carriers and promote their competitiveness.
Statistical data

• The trucking provision was born of the need to streamline an antiquated trucking system that carries 70% of the $370 billion of U.S.-Mexico trade. The drayage system served by “transfers” - substitute of “door-to-door” operations- creates limitations for long distance trips for better competitive access to markets.

• At present, multiple trucks and drivers are required for each truckload of Mexican cargo. When a Mexican long-haul truck nears the United States, its cargo generally must be transferred to older, smaller “drayage” vehicles that shuttle goods to the border, idle in long lines waiting to be processed, and then travel within the 25-mile “commercial zone.” Their cargoes are then transferred again to a U.S. long-haul truck for delivery to their final destination. This system, alone, makes no sense.

• A study sponsored by the U.S. Chamber of Commerce, found that “U.S. failure to implement NAFTA’s cross-border trucking provisions has resulted in $2.2 billion in higher costs for U.S. families and companies, $2.6 billion in lost U.S. exports, and more than 25,000 lost jobs for American workers.”
Background.

NAFTA called for cross-border trucking to be phased in 1995.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1992</td>
<td>The NAFTA was signed. The United States and Mexico agreed to allow each others’ trucks access progressively by 1995 - 2000.</td>
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<td>1995</td>
<td>U.S. failure to phase out restrictions on cross-border trucking services and on Mexican investment in the U.S. trucking industry as agreed in the NAFTA.</td>
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<td>1998</td>
<td>The Government of Mexico requested the formation of a NAFTA Chapter XX Panel to resolve the dispute.</td>
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<td>2001</td>
<td>NAFTA dispute-settlement panel ruled unanimously that the blanket exclusion of Mexican trucking firms violated U.S. obligations under the NAFTA.</td>
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<td>2002 – 2006</td>
<td>Mexico discussed during 5 years the 22 rules enforced by the DOT when considering them discriminatory, asymmetric, or discretionary, without being able to modify most of them.</td>
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<td>Date</td>
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<td>February 19, 2007.</td>
<td>The U.S. and Mexico announced a modest demonstration project to begin fulfilling U.S. obligations under the NAFTA’s cross-border trucking provisions.</td>
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<td>April 27th., 2007.</td>
<td>The U.S. and Mexico governments agreed the Pilot Program for one year with a maximum of 100 companies and 1,000 trucks in each country.</td>
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<td>September 7, 2007.</td>
<td>The demonstration program’s first trucks from Mexico rolled across the border to deliver goods to New York state and South Carolina, while the first U.S. truck in the test delivered goods several days later more than 250 miles into Mexico.</td>
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<td>August 4, 2008</td>
<td>The U.S. and Mexico announced that they would extend the existing test program for two years. The extension was intended to encourage added participation.</td>
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<td>March 11, 2009.</td>
<td>Congress passed the FY 2009 Omnibus Spending Bill, which contained language that blocked all funding for the U.S. cross-border demonstration program.</td>
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<td>Current status.</td>
<td>Mexico retaliates increasing import duties on 89 US products, whose total export value in 2008 was $2.4 billion.</td>
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Land Ports of Entry
Mexico-USA Border.

POE Mexico-USA have to improve, increasing efficiency, reducing environmental degradation and raising quality of life.
Accounts 70% of Mexico-USA trade is for land transport.

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

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

- Implementing Intelligence Transport Systems (ITS).
- Building new infrastructure.
- Developing long term plan and border master plans.
- Implementing sharing information data along the border area.
- Binational loop systems for passengers along the metropolitan areas.
- Developing Mexico - USA groups meeting regularly to address border infrastructure issues.
- Innovating financial mechanisms (Public-Private Partnership).
- Additional planning current initiatives
Procedures to reduce security risks to flow traffic on borders.

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

Puertos Fronterizos Oeste MEX-EUA

Puertos Fronterizos Este MEX-EUA
Mexico-U.S.

Competitive Cross Border Trucking Transportation System
Mexico is the United States’ third largest trading partner.

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

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

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

COMPETITIVE TRANSPORTATION SYSTEM

Today’s transportation system fails to fulfill the benefits (particularly lower transportation costs) that stem from U.S.-Mexico proximity – a key NAFTA advantage. Beginning to do so now clearly will boost U.S. and North American productivity and competitiveness.
The government of Mexico remains seeking a solution to agree with USA long-haul and bus transportation international services integration.

### Integration of NAFTA’s transportation services.

#### Solutions to...
- bring more and more secure trade among NA countries.
- generate a new environment for trilateral trade.
- develop a new transportation system.
- promote new trinational alliances.

#### Increasing...
- competitiveness
- integration
- new investments
- lower prices
- more options for consumers
- expanding markets
- infrastructure Programs for Mexico and USA
New cross-border business opportunities remarks.

**CROSS-BORDER TRUCKING**

SCT sees the need to provide "door-to-door" freight trucking delivery services to the U.S. beyond the commercial border zones as an additional alternative to multiple importers and exporters, who along with several carriers, such as the participants in the Demonstration Project in the U.S. and Mexico, have expressed interest in this option as a means to increase their competitiveness.

**More efficient transport can create a significant boost to support economic growth and create new confidence in the economic future.**

Yet, protectionist and purely national responses risk accentuating the problem in the medium-term, and solutions need to be found at an international level.