

Port of Entry: Laredo Impact on the Texas Economy, 2015

Texas' location, geography and diverse economy offer unique trade opportunities with other states and countries. Texas has a number of ports of entry, including seaports, inland ports and border crossings, which facilitate the movement of imports and exports. Texas ports of entry contribute to the state and local economies, each in a distinctive way.

The State of Texas accounted for nearly \$650 billion in international trade in 2015. Of Texas' total international trade, \$356 billion, or 56.4 percent, traveled across the state's border crossings, with the Laredo port of entry accounting for 57.8 percent of the cross border trade, or about \$204 billion.

Based on the Comptroller's analysis, the net benefit of trade associated with the Laredo port of entry contributes an estimated 363,000 net jobs to Texas and a minimum of \$52 billion in gross domestic product (GDP) to the Texas economy.¹ (The Comptroller acknowledges there may be other economic activities directly and indirectly associated with the use of this facility which may not be reflected here.)

The Laredo "Land Port"

The border crossings at Laredo together form one of 11 land ports along Texas' 1,254 mile-long border with Mexico.² Each border crossing enables the movement of people and goods between the neighboring countries through commercial, vehicular and pedestrian traffic.³

Laredo's land port consists of five bridges between the U.S. and Mexico, including four vehicular bridges owned by the city of Laredo (one offering pedestrian access) and a railroad bridge owned and operated by Kansas City Southern Railway Co. The city controls southbound operations and collects tolls. Laredo has dedicated 182 employees to the Laredo Bridge System with a budget of more than \$62 million, \$60 million of which comes from tolls collected.⁴

Crossing Types

<u>Bridges</u>	Vehicles (non-commercial)	Pedestrian (foot traffic)	Commercial (Trucks)	Rail
Juárez-Lincoln Bridge	x			
Gateway to the Americas Bridge	x	x		
World Trade Bridge			x	
Laredo-Colombia Solidarity Bridge	x		x	
Laredo International Railroad Bridge				x

Source: Texas Department of Transportation and City of Laredo

In addition to the bridges are customs and other operations managed by the federal government to accept entries of merchandise, clear passengers, collect duties and enforce U.S. laws.⁵ In the Laredo area, the U.S. Customs and Border Patrol employs 1,950 Customs field officers and 1,770 Border Patrol agents.⁶ In addition, numerous privately owned businesses, including warehousing, logistics and retail operations, rely on border trade and/or visitors from Mexico.

Economic Data

In total, trade crossing into Mexico through the port of Laredo accounted for \$204 billion in trade in 2015, an increase of 155 percent from 2003 (\$80 billion).⁷

Laredo Border Crossing (Port), All Trade (All Commodities), 2003-2015



Source: Texas Centers for Border Economic and Enterprise Development

Commercial truck traffic using the Laredo crossings has risen significantly in recent years. Northbound traffic increased by 27.1 percent between 2010 and 2015, while southbound traffic rose by 17.8 percent in 2015 alone. Laredo is the largest commercial crossing from Mexico into Texas; more than 3,600 trains (with over 400,000 rail cars) enter the U.S. through Laredo each year. More than 2 million trucks – 51 percent of all truck traffic crossing into Texas from Mexico – passed through Laredo in 2015. The World Trade Bridge processes more than 12,000 commercial vehicles crossing into Texas daily.⁸

- ➔ **Top destination for goods:** Mexico
- ➔ **Top Imports through Laredo:** motor vehicles (including trucks); automotive parts
- ➔ **Top Exports through Laredo:** automotive parts; automobiles; petroleum products

Laredo Border Crossing: Trade Value, 2013-2015

	Overall Trade (\$ billions)			Trade with Mexico (\$ billions)			
	Total Trade	Exports (only)	Imports (only)	Total Trade	Total Trade %	Exports (only)	Imports (only)
2015	\$204.43	\$91.78	\$112.65	\$197.97	96.84%	\$91.64	\$106.33
2014	\$199.13	\$91.76	\$107.38	\$192.74	96.79%	\$91.33	\$101.41
2013	\$180.10	\$83.03	\$97.07	\$174.63	96.96%	\$82.98	\$91.65

Source: Texas Centers for Border Economic and Enterprise Development

Laredo Border Crossing Activity, 2010-2015

	Northbound					
	2010	2014	2015	Two-year Total (2014-15)	Change (2014-15)	Change (2010-15)
Trucks	1,585,682	1,914,246	2,015,774	3,930,020	5.3%	27.1%
Vehicles	4,863,814	5,291,776	5,264,121	10,555,897	-0.5%	8.2%
Pedestrians	3,587,763	3,440,731	3,515,190	6,955,921	2.2%	-2.0%

Source: Texas Centers for Border Economic and Enterprise Development

The Laredo-area economy has been driven by international trade especially since the implementation of NAFTA in the 1990s. The city regularly issues building permits for millions of dollars in investment for new warehousing.⁹ Additionally, the city of Laredo has seen nearly 7 million pedestrians crossed into the city from Mexico in the last two years, and Mexican shoppers constitute a meaningful portion of

Laredo’s local retail trade.¹⁰ One recent estimate attributed approximately \$2 billion in Border-area retail sales to Mexican nationals visiting the U.S. to shop. According to Comptroller estimates, this spending has a positive impact on at least 40,000 jobs throughout the state.¹¹ High pedestrian traffic from Nuevo Laredo has been shown to increase the demand on public transit routes that directly connect with retail destinations throughout Laredo.¹²

Northbound Border Crossings through Laredo in 2015

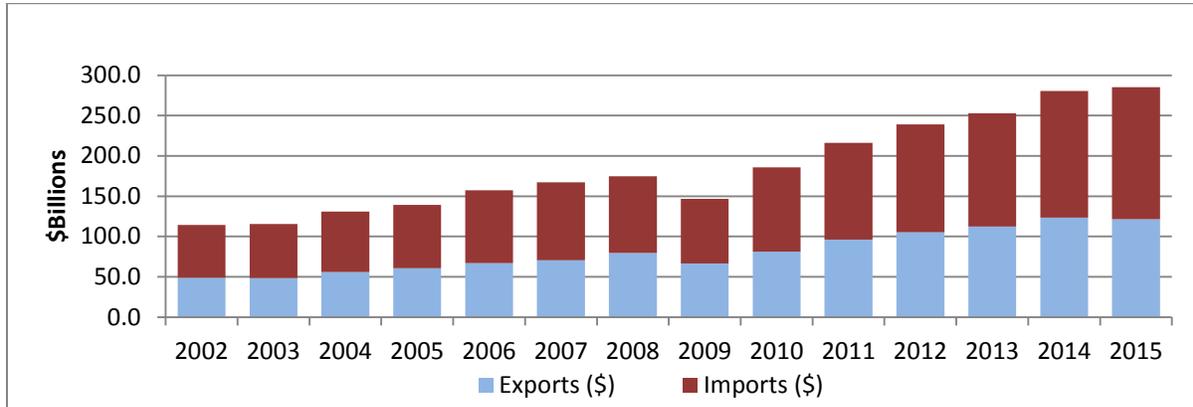
	Commercial Trucks	Personal Vehicles	Pedestrians (foot traffic)
Laredo Northbound Crossings	2,015,774	5,264,121	3,515,190
Other Texas Border Crossings	1,924,802	29,883,253	14,461,566
% of Northbound Texas Border Traffic passing through Laredo	51.2%	15.0%	19.6%

Source: Texas Centers for Border Economic and Enterprise Development

Federal Customs District Growth

The Laredo border crossings are part of the larger Laredo Customs District, which includes the area stretching from Del Rio and Eagle to McAllen, Pharr and Brownsville. With \$284 billion in trade, the district was nation’s third-largest district by value in 2015, surpassed only by the Los Angeles and New York Customs Districts.¹³

Laredo Customs District Total Trade, 2002-2015



Source: U.S. Census Bureau

Texas has 29 official ports of entry that serve as critical gateways to global trade. Each port, whether accessible via air, land or sea, serves a variety of domestic and international economic activity across multiple industries. The high quality of Texas’ ports has a significant impact internationally as well as across the state from its largest cities to the most rural counties. Texas ports play an important role in the state’s transportation network, as each directly contributes to and thus affects the entire transportation system. Texas ports contribute to the overall strength and diversity of the Texas economy, which ranks 10th in GDP when compared to other nations.¹⁴

¹ Comptroller staff applied Texas trade data supplied by the U.S. Census Bureau as an input using the REMI (Regional Economic Models, Inc.) model for Texas and attributed total trade value for the port as a percent of Texas' total trade value. This data was used to generate a weighted estimate of net jobs and GDP associated with trade at the port.

² U.S. Census Bureau: Economic Indicators Division USA Trade Online.

³ Texas Department of Transportation "Texas-Mexico Border Crossings." <http://www.txdot.gov/inside-txdot/projects/studies/statewide/border-crossing.html>.

⁴ Interview with Laredo Bridge System personnel, September 20, 2016 and City of Laredo, TX, *FY 2016-17 Proposed Budget*, p. 544. http://www.cityoflaredo.com/Budget/Proposed/2016-2017/PBudget_16-17.pdf.

⁵ U.S. Customs and Border Patrol, "Laredo Field Operations Summary," p.1.

⁶ Laredo Development Foundation, "Major Employers," <http://www.lfdonline.org/?i=36&/Major-Employers>.

⁷ Texas Centers for Border Economic and Enterprise Development, "I.S. Exports & Imports Trade Activity." http://texascenter.tamtu.edu/texcen_services/trade_activity.asp.

⁸ Texas Centers for Border Economic and Enterprise Development, "I.S. Exports & Imports Trade Activity."

⁹ U.S. Department of Housing and Urban Development, "Comprehensive Housing Analysis for Laredo, Texas," 2012.

¹⁰ Texas Centers for Border Economic and Enterprise Development, "I.S. Exports & Imports Trade Activity," and Thomas M. Fullerton & Adam G. Walke, "Border Zone Mass Transit Demand in Brownsville and Laredo." *Journal of the Transportation Research Forum*, Vol. 51, No. 2, pp. 43-59.

¹¹ Comptroller staff applied \$2 billion minimum retail sales attributed to Mexican nationals as an input using the REMI model for Texas to generate an estimate of contributions to state-level employment.

¹² Thomas M. Fullerton & Adam G. Walke, "Border Zone Mass Transit Demand in Brownsville and Laredo."

¹³ WorldCity Inc., "Laredo," <https://www.ustradenumbers.com/dashboard/customs-districts/laredo-overview/>.

¹⁴ The World Bank, "GDP Ranking," <http://data.worldbank.org/data-catalog/GDP-ranking-table>; and U.S. Bureau of Economic Analysis, "Gross Domestic Product Second Quarter of 2016 (Second Estimate)," <https://blog.bea.gov/2016/08/26/gross-domestic-product-second-quarter-of-2016-second-estimate/>.