

Hearing Transcript

House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management Hearing on Border Station Construction

May 18, 2016

BARLETTA:

Good morning. Border Security is a fundamental responsibility of the federal government because we must protect both our national security and the American worker. This makes border stations critical to our Nation's security and our economy.

The purpose of today's hearing is to review major capital projects at our Nation's border stations and examine how we can use non-federal and private dollars that are sitting on the sidelines to jumpstart projects to help meet these infrastructure needs. It is important that the men and women who guard our border have the resources that they need to better enforce our existing immigration and trade laws.

There are 167 land ports of entry, also known as border stations that, according to GSA, see roughly \$2 billion in trade crossings, 350,000 vehicles, 135,000 pedestrians, and 30,000 trucks daily. These land ports of entry are important to our national security, as they serve as a line of defense against those who would enter this country illegally and with the intent of attacking our homeland.

However, the cost of maintaining and modernizing our land ports of entry is not cheap. Projects recently completed or underway in recent years have totaled \$1.5 billion. And these costs don't include equipping and staffing these border stations.

That is why I worked to help craft language enacted in the Fiscal Year 2014 appropriations bill to establish a pilot program for public- private partnerships. This pilot program allows for non-federal donations of real property and equipment at owned border stations to help reduce costs to the taxpayer. More recently, language further refining this program was included as part of H.R. 3586, the Border and Maritime Coordination Improvement Act. The intent of this pilot program is not to replace the federal responsibility of constructing and maintaining these critical facilities.

To be clear -- making sure that we have the infrastructure and tools in place to enforce immigration and trade laws is a federal responsibility. Rather, the intent is to provide additional tools to GSA and CBP to work with state, local, and private sector partners to help temporarily address funding gaps.

Potential donations under the pilot should not be used to replace our federal responsibility or to circumvent our process of appropriately identifying priorities and needs. Donations -- whether

they be of real property or equipment -- are not free. Generally, acquisition costs are only a portion of the total cost of an asset.

Each project considered under the pilot program should be limited in scope and be carefully reviewed to ensure it fits with our national priorities and that the costs associated with ongoing maintenance and upkeep are assessed to protect the taxpayer from picking up an unexpected bill down the road.

While CBP owns 42% of the owned stations, GSA owns and manages all of the largest and most heavily used border stations. The size and complexity of these facilities vary widely and include facilities with traffic as little as two vehicles a day and 3,000 square foot buildings, to large complexes that see thousands of vehicles and house a multitude of federal agencies, including CBP, ICE, Agriculture, CDC, and the FDA.

Unfortunately, many of these border stations have not kept up with new technologies, threats, and traffic. We must ensure that we can effectively screen people and goods to protect our Nation's security and commerce but at the same time facilitate the movement of legitimate traffic and goods.

This is a tough balance and the facilities and related infrastructure managed by GSA and CBP are critical to this mission. Without proper facilities, new technologies like biometric entry and exit systems that better screen people and vehicles cannot be effectively deployed. Without space for all the key agencies to operate, commerce may be slowed, hurting American businesses and killing job opportunities.

Today, I am pleased to have GSA and CBP as well as private and local representatives here with us today.

We want to know the status of projects that we have authorized, what are the future needs and priorities, and how public-private partnerships could be effectively used to help temporarily fill any gaps. I hope we can get answers to these and other questions today.

I look forward to hearing from our witnesses today, and I want to thank you. And I now call on Ranking Member of the Subcommittee, Mr. Carson, for his opening statement.

CARSON:

Thank you, Chairman Barletta. Good morning, everyone.

The GSA serves an important role as the property and construction manager for the federal government. Today's hearing rightly chooses to focus on how GSA can continue to effectively manage the land ports of entry construction program.

GSA owns and manages all of the largest land ports of entries along the southern border. Daily, nearly \$2 billion in trade crosses through the border crossings along with 355,000 vehicles, the 135,000 pedestrians, and 30,000 trucks.

Today we hope to learn how GSA is improving the infrastructure at land ports of entry and how they can facilitate more efficient and secure crossings between United States and its trading partners along the southern and northern borders.

I'd like to thank Deputy Commissioner Michael Gelber of GSA for joining us today to outline the agency's role in maintaining and constructing land ports of entry.

The Department of Homeland Security often has the largest federal agency presence at land ports of entry and border stations, so I'm very pleased that they will be joining us as well.

I'm also pleased that we have two organizations representing private sector organizations. We're coming in today and giving us their perspective on working with GSA and DHS. I also look forward to hearing their insights on how DHS is implementing the pilot public -- the pilot public-private donation program that is meant to speed the development of land ports of entry.

Thank you for coming. I yield back, Mr. Chairman.

BARLETTA:

Thank you.

Our first panel today, we have Mr. Michael Gelber, deputy commissioner, Public Buildings Service of the General Services Administration; and Mr. Eugene Schied, assistant commissioner, Office of Administration, United States Customs and Border Protection.

I ask unanimous consent that our witnesses' full statements be included in the record. Without objection, so ordered.

Each of you is now recognized for five minutes. Mr. Gelber, you may proceed.

GELBER:

Good morning Chairman Barletta, Ranking Member Carson. My name is Michael Gelber, and I am the deputy commissioner of the U.S. General Services Administration's Public Buildings Service. Thank you for inviting me to this hearing on land ports of entry construction.

GSA's mission is to deliver the best value in real estate, acquisition, and technology services to government and the American people. As part of this mission, GSA maintains a close partnership with the Department of Homeland Security -- Customs and Border Protection to meet that

agency's space needs along our Nation's borders. CBP is our primary partner among the federal inspection agency -- agencies stationed along America's land borders.

GSA works closely with CBP to design, construct, maintain, and operate land ports of entry along more than 1,900 miles of border between the United States and Mexico and more than 5,500 miles of border between the United States and Canada.

Of the 167 land ports of entry along the America's borders, GSA manages 124, of which the government owns or partially owns 102. GSA's land ports of entry encompass more than 5.5 million square feet of space. CBP operates 40 primarily smaller ports, mostly in remote areas; these land ports of entry encompass approximately 477,000 square feet of space.

Minimizing costs to deliver these critical land ports of entry begins with effective targeting of resources at the highest priority projects. GSA looks to CBP to develop its priority list first, then GSA, while still working closely with CBP, integrates these CBP priorities into GSA's larger multi-year of capital investment plan.

Over the past 16 years, GSA has invested more than \$1.8 billion from the Federal Buildings Fund to deliver more than 20 new land ports along our northern and southern borders. Since 2013, GSA has requested over \$1 billion in support of land port modernization, including GSA's fiscal year 2017 request of \$248 million to reconfigure and expand the land port of entry in Calexico, California, and \$5.7 million for design and construction of a new animal inspection facility in Pembina, North Dakota. Of these requests, Congress has provided approximately \$700 million through fiscal year 2016.

Successful execution of these land port of entry projects improves trade and commerce, creates jobs, and bolsters our Nation's security.

GSA's ability to fund land ports of entry has historically been supported by appropriations provided by Congress. Without the full funding requested in the President's annual budget, GSA cannot execute the land port upgrades that are critically needed.

In recent years, GSA have seen greater interest in finding alternatives to federal appropriations to support the delivery of high-priority land port projects, including by accepting donations through GSA and CBP existing authorities.

When assessing the viability of any project, whether it is funded through the traditional appropriations process or alternative means, GSA and CBP look at the full life-cycle cost of a port. This analysis includes the funding amount and source of that funding to operate and maintain the facility. If an alternative funding source might be available to construct a land port of entry, GSA and CBP still may need to obtain funding to address the other costs associated with the project. Thus, acceptance of what appears to be a "cost-free" donation could ultimately result in additional costs to the government

At the same time, if the investment is required to address critical commerce and security requirements at the border, a donation would result in lower costs to the government than if the

government had to make the full investment. When evaluating a donation, GSA and CBP will continue to weigh these various cost implications relative to the opportunity to impact on CBP operations, border security, trade and travel, and local and regional economic benefits.

GSA has longstanding authority to accept unconditional gifts of real and personal property from other public or private entities. GSA has used this authority on occasions when state or local governments, and in a few cases private sector entities have elected to donate land or other real property to GSA.

Congress has supported efforts to find land port -- land port of entry funding alternatives by providing CBP additional statutory authority to receive donations and reimbursement from state, local, and private entities. Congress expanded CBP and GSA's donation acceptance authorities, through section 559 of the Consolidated Appropriations Act of 2014.

As required by the Section 559 Donation Acceptance Authority, GSA and CBP worked collaboratively to establish robust evaluation criteria, incorporating feedback from a broad range of stakeholders.

Thank you for the opportunity to speak with you today about GSA's ongoing partnership with CBP to cost-effectively improve the nation's infrastructure along America's borders. I welcome the opportunity to discuss GSA's commitment to strategic investment in the nation's land ports of entry, and I'm happy to answer any questions you may have.

Thank you.

BARLETTA:

Thank you for your testimony.

Mr. Schied, you may proceed.

SCHIED:

Good morning, Chairman Barletta, Ranking Member Carson. Thank you for the opportunity to appear before you today to discuss CBP's role and efforts to provide modern, efficient, and effective land ports of entry facilities in support of our mission -- to secure and facilitate trade and travel into the United States.

Alongside, the General Services Administration, CBP Facilities Management and Engineering Directorate oversees the repair and modernization of CBP's inspectional facilities that are 167 land border crossings along the U.S. border with Canada and Mexico.

Most of the land ports of entry were built prior to the creation of the Department of Homeland Security and CBP. When they were designed and built to support the distinct and independent

operation of pre-DHS agencies such as the U.S. Customs Service, Plant -- Animal and Plant Health Inspection Service, and the Immigration and Naturalization Service.

Today, CBP consolidated operations incorporate state-of-the-art technology and professional law enforcement personnel to maintain the efficient and secure flow of cross-border trade and travel. Operational success depends on the condition in utility of our inspectional facilities. As distinct from the conventional office environment, these facilities are unique and critical to CPB's mission success.

Today, I'd like to discuss CBP's role in addressing infrastructure demand and modernize inspection facilities to meet the challenge of growing volumes of trade and travel.

Many of the nation's land port of entries were built more than 70 years ago. Even those constructed as recently as 15 years ago require renovation or replacement to meet present day security standards, enforcement and facilities technologies, and the growing demand for additional processing capacity.

Trade between the United States and Mexico has expanded nearly six-fold from \$100 billion in 1993 to \$531 billion last year, with similar increases in trade with Canada. During the same period, capital investment in the land port of entry facilities that process this trade and travel have averaged less than \$90 million a year. This historic insufficiency initiative investment has led to a compounding current investment need estimated to be about \$5 billion.

A study performed by the University of California Center for Risk and Economic Analysis of Terrorism Events, or CREATE, showed that an investment in constructing and staffing a single new vehicle processing lane at a port can translate to as much as \$25 million in positive economic value.

CBP uses a multi-step process to prioritize land port of entry modernization investments in coordination with key state and federal -- and local stakeholders, reassess individual needs at each facility. This assessment process is the underpinning of our prioritization process. It's metrics-driven. Its purpose is to identify candidate locations most in need of improvement.

In addition to this assessment, numerous other factors come into play. These include factors such as environmental, cultural, and historic preservation, land acquisition requirements, the impact on other projects in the same geographic area, and other project risks including the likelihood of obtaining funds.

After our assessment, we collaborate with GSA's Public Building Service to jointly develop our prioritized capital investment plan, and we update it annually to ensure that the available federal funding is directed to the areas of greatest need.

CBP actively participates in regional border planning efforts and work in close coordination with regional transportation groups. We look carefully at each port's activity and its regional context, then we work with state and local stakeholders to determine where and what kind of inspection facilities are needed both now and in the future.

In addition to traditional funding streams, thanks to the support of Congress, CBP has recently received the authority to enter into partnerships with the private sector and local government entities just to accept donations of real and personal property. This authority provides CBP and GSA the opportunity to consider donations and proposals to address local port of entry infrastructure needs that might not otherwise be addressed. These donations are expected to reduce border wait times, support increased flow and volume of traffic, create jobs, and address critical needs.

Last year, CBP and GSA selected three proposals for further planning and development. This spring we expect to announce additional selections, and we look forward to continuing to work with our partners for the shared goal.

In closing, thank you again, Chairman Barletta and Ranking Member Carson, for the opportunity to testify. And thank you for the interest in support of port of entry projects. And I'm happy to answer your questions.

BARLETTA:

Thank you for your testimony. And I'll begin the first round of questions limited to five minutes for each member. If there are any additional questions following the first round, we'll have additional rounds of questions as needed.

Mr. Gelber, we have authorized projects valued at nearly \$1.5 billion in recent years were some of those projects being for that starter years before. On -- on some of the major projects -- Calexico, San Ysidro, and Alexandria Bay -- can you give us a summary of where you are with those projects and with -- will additional authorizations be required?

GELBER:

Yes, Sir. San Ysidro was a three-phase project and funding has been provided for all three phases. The first phase is nearing completion, if not significant portions of that phase have been completed. In an oddity of that particular project, phase 3 then became the second phase as we are coordinating that project with the Mexican government, and then we have also received funding for phase 2, so all three phases have been funded and they are in various stages of development.

Calexico is a primary -- primarily -- excuse me, on San Ysidro, the notable thing about that facility, it's the busiest land port of entry in the world. Calexico is primarily a facility for the transmission of agricultural products with United States and Mexico. The funding for those two projects -- phase 1 has been provided in the President's budget. The request for fiscal year '17 is to provide funding for phase 2.

Alexandria Bay, funding has been provided in F.Y. '16 for the first phase of that project, and the expectation is in fiscal year '18 -- 2018, the remaining second phase, a funding request will come in for that work as well.

BARLETTA:

Thank you.

Mr. Schied, as major expansions and improvements come online at some of the busiest border stations, is CBP able to keep pace from an equipment and staffing standpoint? How does CBP ensure the infrastructure we are building or actually be fully staffed and equipped?

SCHIED:

So, thank you. So, CBP as we get the timeframe for these projects, we work within our appropriations process to make sure that the requisite number of staff get included in CBP's budget request.

CBP's Congress generously provided a couple of years ago 2,000 additional officers for CBP. We've had a certain challenge, hiring those officers, but we are making substantial progress to hiring up to the congressional floor.

And in the future, as these major projects come on, especially the type such as San Ysidro, we will work into our budget request, the staffing so that we can keep those lanes open. Obviously, having the lanes open is critical to the effective use of that facility.

BARLETTA:

Thank you. Mr. Gelber, you highlight in your testimony the importance of alternative resources such as donations from non-federal and private sources. But as you point out, donations are not free. How does GSA evaluate the total cost of a real property donation to determine if it makes sense for the taxpayer?

GELBER:

We look at what the long-term costs would be to accept the donation. So when some -- ante (ph) is providing us either a -- a facility or land, we look at what it would have cost to operate, maintain that infrastructure. We work very closely with CBP to ensure that whatever staffing resources would be required or also factored into the equation. So again, we're -- it's a -- it's an evaluation of potentially the 10, 20, 30-year cost of accepting what on the surface maybe a free thing.

BARLETTA:

And this is for both Mr. Gelber and Mr. Schied. Language pending as part of the Border and Maritime Coordination Improvement Act makes clear that donations could only occur on a targeted, limited basis, limiting the total value of donations to \$50 million. Because there are costs of maintaining and operating donations, P3s should not be viewed as a replacement to the federal responsibilities.

Can you talk about what you are doing to ensure there are proper limitations on the use of the donations?

GELBER:

I can -- I can start. Again, our primary concern is to ensure that while the entity -- the thing that has been given to the government is purported to be free, but the long-term cost of operating, maintaining that -- that thing is, in fact, a manageable amount and that is suitable for the budget of the facility.

There have been donation attempts where individuals or entities have wanted to donate a property to us that we're going to have to lease, for instance. And that isn't a donation, it's just a long-term contractual arrangement that the government would be entering into, and we're not interested in doing that. So again, the key issue for GSA is, does the thing that's been given to the government meet the needs of the federal agencies that are going to use it? And if that's the case, what are the long-term costs of that thing? And if those costs aren't appropriate, it can't be budgeted for, then the GSA would not recommend accepting the donation.

SCHIED:

I think from the CBP perspective, one of the critical elements that we look at is the operational utility of the potential donation. I think as you, Chairman, mentioned in your opening statement the long-term cost of these facilities is going to be in operations and maintenance, in particular the staffing, so something that might be free if it expands our capacity beyond and Robin to rob Peter to pay Paul from an operational standpoint, then we've got to be careful about what it is that we accept.

I think as we go through these processes, you know, from our first round of donations, I think we saw -- the ones that we accepted were relatively modest projects. I think a common theme to them is that they improved operational efficiency at the ports of entry. And I think that's exactly the kind of project or projects that we're looking for.

BARLETTA:

Thank you. And I'll recognize Ranking Member Carson.

CARSON:

Thank you, Chairman.

Mr. Schied, in your testimony, you discussed how some land ports of entry were built over 70 years ago and the ports of entry constructed as recently as 15 years ago are not able to accommodate the growing demands of additional processing capacity.

New security requirements or even enforcement technologies sort of have design requirements evolve in the last 15 years and how are they being incorporated to ports of entry that GSA is constructing today.

SCHIED:

Certainly, so I -- I would venture to say that 15 years ago there was very little in terms of design standards for the ports of entry. I think that's been one of the successes between the relationship of CBP and DHS -- or CBP and GSA that in the past 10 years or so we've identified standards for ports of entry.

From CBP's perspective, that's of interest because we like to have a certain degree of interchangeability in the facilities. Officers will move from facility-to-facility even within a particular day, and so having a certain standardization is helpful from us from that standpoint. Certainly for the projects that we own, we find that it's more economical to be able to build off of a particular standard rather than essentially recreating each project from scratch.

CARSON:

Mr. Gelber, there has been much discussion today about the pilot donation acceptance program. Does GSA envision this program growing in scope? And -- and how many donations have actually been executed? And also, what are the lessons learned since this pilot commenced?

GELBER:

I think the -- the key lesson learned if I could answer the -- the latter part of your question, first, is the -- the ongoing need which we demonstrated for GSA and CBP to closely collaborate on reviewing these items and we do that on a regular basis.

For the fiscal year 2015 cycle, three donations were accepted. Over, I believe, eight were submitted. Many more may have been cleared. The process of CBP reviews done first and then GSA and CBP review, both that have made the initial screening together.

Two are in the cities of Dana (ph) and Pharr, Texas. Their -- their provision is for additional inspection booths and some additional inspection lanes.

In El Paso, Texas, the provision is for a -- to remove a traffic -- two traffic medians that are currently obstructing traffic. So these are relatively modest changes to the facility, but they still need to be looked at to ensure that when that construction occurs it's done in a fashion that's appropriate and doesn't create a problem for the government in the long-term. And so we view the donation programs an opportunity to assist CBP, meet its mission requirements at smaller stations.

Larger infrastructure improvements are -- are more challenging and require greater attention by the government, and -- and as such haven't seen the large-scale donations that we've seen in -- in the donation program.

CARSON:

Thank you, Gentlemen.

Mr. Chairman, I yield back.

BARLETTA:

Thank you. The Chair recognizes Mr. Costello for five minutes.

COSTELLO:

Thank you, Mr. Chairman.

To both the gentlemen, depending on the proposed infrastructure project, the Department of State oftentimes must also issue permits. And the question becomes what are you doing to ensure that proposals considered on the pilot program are in accord with the State Department's project and how are you coordinating with the Department of State as it may be applicable on the front end to ensure that there are no delays to the project as a result of Department of State requirements somewhere along the line. And -- and if you have experienced any delays along the line, do you have any recommendations in order to how we -- how we might be able to get the Department of State to be a bit more accommodative if -- if that question may be applicable.

GELBER:

If I could start, the primary involvement of the Department of State is the issuance of what's referred to as a presidential permit, which authorizes the construction of a border station, a land port of entry.

For an existing land port of entry, the State Department is not engaged because the facility already exists and a presidential permit has been provided. If there's no plan, change to the nature of the border crossing then the Department of State would not be engaged in the review of the donation.

So, when the State Department is engaged, it tends to be again for a larger project that has been a subject of much discussion over numerous years because the creation of a new border crossing is a fairly involved process, involving two national governments, state and local governments as well. So we -- we've had GSA's experiences, reproductive relationship with the State Department when there is a need for the issuance of a presidential permit, which would be when a new station is being created.

SCHIED:

I don't have much to add. Obviously, one of the important more so (ph) I think in coordination with the Department of State from an international standpoint is with the counterparts in the foreign government just to make sure that any changes to the American side of the infrastructure are in -- generally in concert with ongoing projects on -- on either the Canadian or Mexican side.

COSTELLO:

Thanks. I yield back.

BARLETTA:

I thank both of you for -- I want to thank both of you for your testimony today. Your -- your comments have been helpful to today's discussion. And we will now move on to our second panel.

And our second panel today, we have Mr. Gary Gallegos, executive director of San Diego Association of Governments and also representing the Coalition of America's Gateways & Trade Corridors; and Mr. Sam Vale, chair of Public Policy Committee, Border Trade Alliance.

I ask unanimous consent that our witnesses' full statements be included in the record. Without objection, so ordered.

Each of you is now recognized for five minutes.

Mr. Gallegos, you may proceed.

GALLEGOS:

Well, good morning and thank you, Chairman Barletta and Ranking Member Carson, for having us here this morning, and thank you for holding this hearing today to discuss the growing importance of utilizing innovative funding strategies to implement critically needed improvements along the United States border.

Today's fiscal environment requires strategic investments in border infrastructure that, you know, maximize limited resources and incentivize what we would call leveraged partnerships. I appreciate the opportunity to testify today on the unique funding or financing approaches that we in San Diego are exploring to help provide the need to safely, efficiently and efficiently move people across the border at our border crossings with Mexico.

Today I am not only representing the San Diego Association of Governments but also representing the Coalition for America Gateways and Trade Corridors. SANDAG serves as the forum for regional decision-making in San Diego county that incorporates all 18 cities and the county government along the U.S. border where we have a combined population of a little over 5 million people. We are also the federally-designated MPO, or Metropolitan Planning Organization, for the San Diego region.

And in my capacity as executive director of SANDAG, I am proud to serve as a board member of the Coalition, a diverse coalition of more than 60 public and private organizations dedicated to increasing federal investment in America's multimodal freight infrastructure. The Coalition works to bring national attention to the needs of the U.S. multimodal system, to educate members of Congress and the public on the need to develop consensus for federal investment policy that supports intermodal connectors, trade corridors, freight facilities and gateway access.

I'd like to ask if we could advance a couple of slide -- to put a couple of slides to at least give the Committee some perspective on the regional context. If we can go to next one please. Click through all of those.

What this tries to do is show that, you know, California and Mexico today, the state of Baja, we have seven border crossings. Four of those are in San Diego as was highlighted in the earlier panel, San Ysidro know as the busiest international border crossing in the Western Hemisphere serving just literally millions of pedestrians and vehicles across each year. Otay Mesa is our major commercial gateway for international trade between California and Mexico, and it serves little over 800,000 trucks annually.

And land border crossings like these are facing rising passenger and commercial traffic levels and congestion as a result of increased international trade and levels of personal travel.

Border crossings are a source of our economic mobility for our region as well as the nation. People and goods traverse our vibrant bi-national region daily.

However, due to the current one to three-hour border wait times that occur daily that these represent lost economic opportunities and impact our economy in a negative way. As a result, in 2005, SANDAG launched an initiative to innovatively plan and finance a state-of-the-art border crossing, which we will refer to Otay Mesa East. And go to the next slide.

So, recognizing a limited federal resources available to implement new border crossings, it was determined that the new approach to financing border infrastructure improvements was needed. And SANDAG has partnered with the California Department of Transportation also known as Caltrans and trying to develop this new border facility.

In order to facilitate this new financing approach, state legislation was passed that authorizes SANDAG to issue bonds for acquisition, construction, completion of transportation facilities and to impose tolls and user fees for the use of the state route that would lead to the new border crossing.

Under this strategy, the region will capitalize on its experience and strength. SANDAG has been involved in variable tolling on Interstate 15 since 1996. We believe a variable tolling approach will not only serve as a source for new revenue for new border crossings but will also serve as a mechanism for managing demand, which we think is important.

By utilizing SANDAG's financial authorities, we will be able to maximize public investment in the ports of entry by utilizing toll revenues and then hopefully being able to leverage those with state, federal, and local dollars. This will permit us to develop a new port of entry faster and following traditional funding processes based on estimates coupled with increased capacity and higher levels of service. We estimate that this new port of entry would generate a little over \$4 billion over a 40-year period. This toll revenue would allow SANDAG to underwrite about \$650 million worth in bonds that could be used to pay for the new facility.

This vision for the 21st border century will decrease dependency on federal dollars by focusing on new partnerships that help deleverage the federal dollars, establish a transportation demand tool that will help improve the efficiency of our border crossings, implement a border wait time detection system that would allow for a statewide or a system-wide approach -- excuse me -- to managing traffic congestion at the border, something that doesn't happen today. And it would also allow for improving roads on both sides of the border that make our system more efficient. We believe that this new border crossing will provide much needed traffic relief and serve as an economic engine for our region and the state.

Go to the next slide.

So, I wanted to use this slide to illustrate some of the progress we've made today. We've managed to leverage about \$150 million of state and local dollars with about \$286 million in federal dollars. And what you see there in magenta that -- that first section has recently been completed and is now open to traffic. And the sections in blue and brown are the ones we're working on, and we hope to have those at least to sign and ready to go to construction by 2018 at the earliest.

And go to the last slide. And so let me close that -- by saying that SANDAG as well as the Coalition for America's Trade Gateways and Corridors, we're delighted to have this opportunity to rest critical border issues of border station construction and look for ways to minimize and leverage dollars.

I also want to take this opportunity to thank the members of Congress for the last transportation bill for the first time starts really addressing dollars for freight and help us hopefully maintain the competitive edge that I think this country has globally.

So with that, Mr. Chairman, I want to thank you and I'd be pleased to answer any questions you may have.

BARLETTA:

Thank you for your testimony.

Mr. Vale, you may proceed.

VALE:

Chairman Barletta, and Ranking Member Carson, and Members of the Subcommittee, my name is Sam Vale, and I'm testifying in behalf of the Border Trade Alliance. We also are part of the South Texas Assets Consortium, which is a participant in the 559 program, and we do operate a - a small private port of entry. For 30 years, the BTA has been providing analysis and advocacy for U.S.-Canada and U.S.- Mexico border issues.

We will start with the fact. Adequate infrastructure produces less congestion and more efficient cross-border trade as well as generates taxable income. Staffing of the inspection agencies has admittedly been deficient primarily because of challenges on the hiring processes, and we understand that they're looking for solutions to get this taken care of in the future.

The average age of the border station is around 40 years, but the commercial truck inspection stations and infrastructure woefully inadequate, and we need to start focusing on that. That is an important part of job creation within the United States. For example, we have done \$250 million upgrade and the Port of Mariposa in Arizona for fruits and vegetable imports, but yet today, there is not enough staffing to keep all the new lanes operational at the times that they should be. This project was completed in 2014 and we still haven't got staffing.

In South Texas, we are growing dramatically in manufacturing and produce. And all of this could have been predicted 10 years ago if we had looked at the infrastructure being built in Mexico.

We're -- our recommendation is that with future border station construction that when it's being planned that the Committee also needs to work with your colleagues in the committees that have oversight over CBP staffing, federal and state highways, and truck inspections because you all got to be on the same page because it doesn't come to fruition until you get there.

The Section 560 and 59, I think, it's a viable creative option to assist the government in some of its expenses.

The donation acceptance program is great, but there's two ideas that might drive them. One is flexibility and the other is return on investment. Flexibility is a must, particularly in the design processes that -- that it's going through. The agencies must demonstrate a willingness to explore new ideas that are different than what they're used to seeing.

To be blunt, return on investment, real estate investors and the international trade communities are not charities. They're looking for something in return. The government should be prepared to demonstrate the financial upside for private and local public sector participation. CBP appears to be responding to flexibility in the small scale donation acceptance program, but they have recently announced, they're even promising 60 to 70 percent improved processing times in the -- in the application.

Not all border ports of entry need major infrastructure overhauls or dramatic staffing upgrades. The BTA supports pilot projects that take -- that have taken place in various parts of the country and we support the pre-clearance in the Buffalo-bound cargo inspection takes place on the Canadian side of the border and then comes to the U.S.

We also support pre-clearance in -- on the Mexican border with United States. Laredo, Texas has a pilot there. Otay Mesa, California has pilots going, and there is even one in an electronics plant in Juarez, Mexico.

However, on the other hand, we need to avoid the infrastructure agreements with states and foreign governments that lead to ongoing financial commitments. The BTA acknowledge that there's a significant debate over how to construct a new span across the Detroit River connecting Detroit and Michigan and Windsor, Ontario.

We're not going to get into the details because that's another group of -- of issues, but we do have deep concerns over any agreement between governments to construct new bridge port of entry requiring ongoing staffing commitments from CBP and other agencies without deliberation and appropriations from the Congress. It should not be done.

The 559 programs have -- have benefited on the southern border because we're living up quite diplomatic notes primarily using donated acceptance program funds. McAllen, Texas donated the land for the poor then a little later have donated land in Mexico and helped build a road in Mexico. They build lanes on the U.S. side. Now they're building -- they're going to be building a border station for truck inspection on the U.S. side, on land that they had already donated. So, there are a lot of opportunities. That's a great example of how you do the right thing, but we need to understand that this is -- it's in a perfect world, the government should be able to finance all of these activities, and we don't have that perfect world today.

But today we do have an option. We can either choose to go forward with something that would be innovative and creative or not, but we have a choice. Before, we just lost competitiveness and tax dollars, so we're very happy to be part of that support group.

There is a role for the public and private sector -- local public and private sector in the donation acceptance programs. Investors have to have confidence. We think you have to look real

seriously at the large projects because you're not going to get funding on some of these projects and you can project it 30 years, but that could easily be a 50-year if you're talking about circumstances of highways ingress and access to how you have to function because the border station is no good if it doesn't -- it's like a bridge half way there if you don't have all the ingress and egress routes put into what needs to be done.

The Border Trade Alliance appreciates the opportunity to testify. We look forward to finding solutions on our border challenges. I'll answer any questions you may find.

BARLETTA:

Thank you for your testimony. I'll now begin the first round of questions limited to five minutes for each member. If there are additional questions following the first round, we'll have additional rounds as needed.

I will start. Mr. Gallegos, the Committee has authorized a three-phase project at San Ysidro port of entry. How will these improvements, when fully implemented, help address the capacity issues at that border station? I went down actually to see the -- the station, so how well they'd addressed that?

GALLEGOS:

So I -- I think first we should acknowledge the world's busiest border crossing, and so the fact that, you know, they've double-stacked the booths should allow us to get hopefully more throughput production out of the new border crossing. And I think the steps that are taking, that are still to come in phase 3 and, I think, it's the last panel highlighted phase 3 became sort of phase 2 and phase 2 became sort of phase 3.

But the one thing that -- that needs to be done and done as soon as possible in the next two phases is to improve the pedestrian experience. So, when you have pedestrians that are taking several hours to cross and facilities are less than adequate to handle the pedestrian movement, but we're optimistic that when phase 2 and 3 come that, oh, that's going to improve.

We should also highlight, Mr. Chairman, for the Committee that we work closely in partnership with GSA and CBP to bring local dollars forward, to also make key transit connections and a key intermodal center that will allow the local transportation system that integrate with the federal investment that's being made. And that's something that, I think, we got to work harder at doing better into the future that we, you know, not only look at the border crossings itself, but what are the connections that are necessary to make them work on both sides of the borders, both on the Mexican and the U.S. border.

BARLETTA:

Thank you.

Mr. Vale, as you point out in your testimony, even if we build the needed infrastructure without the ability of CBP to staff and equipment for the facility, we're not going to see much improvement. How critical is it that solutions, the staffing, and equipment be identified as GSA and CBP evaluate their priorities for infrastructure needs.

VALE:

It's absolutely vital. That's like you think -- it's like two parts of the same machine. You can't -- it doesn't work one without the other.

The -- the facilities are expensive to build. They are expensive to maintain. And if you're not using them, you're not getting your return on investment as a -- as a government. You're not getting your tax dollars. And we really focus right now a lot on the commercial traffic because we're being overwhelmed on the southern border. The Canadian border is down 25 percent. We're up 25 percent, and it's growing.

And -- and it's not that people are not crossing one place or another, it's that the pie is getting bigger, and there is more and more manufacturing going on in Mexico using -U.S. parts to do the manufacturing than ever before, and it is growing. They've been -- in one part of Mexico, they call them the Bajio Central States. They have had \$16.5 billion of foreign investment in the past three years with another \$16.5 billion projected for the next three years. This is all foreign money going in there that utilize qualified workforce, cost -- and the market is the United States of America.

BARLETTA:

Mr. Vale, you offered some important suggestions and notes of cautioning your testimony when it comes to private donations. You suggest the more nimble and focused approach for the Phase 3 program and caution us about ongoing financial commitments that may not be apparent in donated property. How do you think the process can be more streamlined in evaluating potential Phase 3s?

VALE:

Well, one of the things you have to do is have a more accurate predictability of the growth cycles. Now, we've been visiting with some major manufacturings lately and they said under the right circumstances they could make data -- maybe through this Southern California CREATE, make it available to have it sanitized because this will be confidential business plans. But these business plans, up to three years are 85 percent accurate in what they're projecting.

If we can get that information into the work staffing model for CBP that will also share it with the GSA of what they're going to pursue this, that's the innovative processes we need to go through instead of taking a historical look at it and linear projections forward. Those are part of the puzzle, but they are not the best solution to know what business is planning.

In produce, who drives produce? The American consumer. Who knows them best? The big box buyers, not the farmer, not the trucker, but the guy who sells it to the public. We need to get them in the picture.

BARLETTA:

Thank you. And I recognize Ranking Member Carson.

CARSON:

Thank you, Chairman.

Mr. Vale, there have been a lot of discussion today about how land ports of entry are basically outdated due to an increase in trade post NAFTA, and subsequent investments in infrastructure by the Mexican government. Who is responsible for tracking the infrastructure investments made by either the Canadian or Mexican governments, and do you believe it's even feasible to coordinate those activities between countries to ensure that land ports of entry are not overwhelmed due to mismatched investments along the border.

VALE:

I don't know if the governments do a good job of it because they many times have overarching what they think of are more important on six-year items to deal with, but the bottom line is that business does because the business investor has to have a return.

We think that if you were to look in Mexico, for example, you saw them constructing these highways. You saw them cross -- they built two trans -- a continental roadways connecting to the border. They also built the highest -- and these are not overnight projects. They built the highest suspension bridge in the world. That changes, flows and patterns. The dollar and the investment climate in the world changes it. Somebody needs to be looking in.

I know business is looking at it. We look everyday at it. We're working -- two years ago, we were looking at Mexico as an exporter of oil and hydrocarbons. Guess what? Today, they were only producing 50 percent of their hydrocarbon needs. Who is going to be selling it to them? Who's already starting doing that? The United States.

We're -- in the smallest port in the country, we're now exporting oil, tankers into Mexican tankers going across the bridge into Mexico to deliver to their consumers.

CARSON:

That point, also in your testimony, Mr. Vale, you indicated that the CBP should be able to demonstrate the financial upside for a private sector donation to the land ports of entry program. In your mind, what is the appropriate metric or even order of magnitude that the CBP should be targeting to even make the private sector donation attractive?

VALE:

Well, it's maybe a little easier if you're talking to a local public sector entity, a city or a county, or a state government because they have interest for their -- for their taxpayers. But even private business would like to know that there's going to be a receptive attitude to what they're trying to do.

If they're not trying to force it down somebody's throat, it's going to have to meet all the security requirements, whatever is needed there, but there has to be understood that this is something good for all the parties. And sometimes you don't get that reception. It's more like pulling teeth.

CARSON:

Yeah. Lastly, Mr. Gallegos, what roles do you believe that local and state governments should have in developing infrastructure plans for land ports of entry? And how can local and state governments augment federal efforts to expand capacity at land ports of entry?

GALLEGOS:

Well, first of all, thank you for the question, and I think that innovative approaches that we're proposing is one way to do that. But another, I think, key component for us has been the development of border master plans. And in many ways, they are similar to general plans that cities have so that if you understand how lands proposing to be zoned to be used on both sides of the border both on the Mexican side and the U.S. side, the post land use plans then become the drivers for, you know, the businesses, the investment, the growth that's going to happen in those borders.

And so I think local governments working with a state, working with the federal government on both sides of the border can develop these master plans as a planning tool to allow governments at all three levels on our side of the border and governments on the Mexican side of the border to do a better job of planning and forecasting what our needs are going to be in the future.

And I think these border master plans are a fairly new phenomena. We haven't been doing them for a long time.

CARSON:

Mr. Chairman, I yield back.

Thank you, Gentlemen.

BARLETTA:

Thank you.

Mr. Vale, you expressed deep concerns about the proposed new bridge and border crossing in Detroit going forward without appropriation -- without congressional appropriations.

I also have concerns. And -- and the House limited the donation program to be clear. It cannot be used for this project. This crossing and -- and bridge is estimated to cause several billion dollars and require 100 or more CBP staff, where will they come from and -- and how could this impact other crossings on the northern and southern border?

VALE:

The thing that jumped out at us was \$100 million commitment for year 1 and \$50 million every year thereafter for staffing alone. Good grief, we have to beg, borrow and steal to get a guy to work, and every guy that we get to work on the southern border produces tremendous amount of economic benefit.

Why would you be doing that on a border that right now by their own admission is decreasing its exports to the United States or our imports are decreasing, which means you need less -- less staffing and better utilization of the existing staffing.

Sometimes we forget that we have to look at international bridge ports as a system and not this community versus that community. And the number of lanes that are out there are maybe built, but if they're underutilized, we're wasting infrastructure. And, oh, by the way, there's not a bridge on the border congested 24 hours a day.

BARLETTA:

Well, I want to thank you both for your testimony today. Your comments have been helpful in our discussion. If there are no further questions, I would ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted to them in writing, and unanimous consent that the record remain open for 15 days for any additional comments and information submitted by members or witnesses to be included in the record of today's hearing.

Without objection, so ordered. I would like to thank our witnesses again with their testimony today. If no other members have anything to add, the Subcommittee stands adjourned.