

April 14, 2015

**TO:** MR. BRUCE BRACKER, CHAIRMAN, GNSCCPA

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

**SUBJECT:** Activity Report

---

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

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

1. **Arizona-Mexico Commission;**
2. **Binational Bridges and Border Crossings Meeting;**
3. **Rail Initiatives;**
4. **Border Banking Meeting with FDIC;**
5. **Cross-border Trucking Update;**
6. **US-Mexico Joint Working Committee on Transportation; and**
7. **Representation of GNSCCPA with Key Entities.**

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

**1. *ARIZONA-MEXICO COMMISSION***

- Governor Ducey announced the appointment of David Farca as the new President of the Arizona-Mexico Commission
  - Working with Mr. Farca on possible dates for him to visit Nogales.
  - Have also invited Ms. Kim Sabow from the Office of the Governor to be part of this visit.

**2. *BINATIONAL BRIDGES AND BORDER CROSSINGS MEETING***

- The US Department of State and its Mexican counterpart, the Ministry of Foreign Affairs (SRE for its initials in Spanish), will be hosting the next Binational Bridges and Border Crossings meeting in Washington, D.C. May 20 and 21, 2015. For communities that have specific projects related to their ports of entry, presenting during the public sessions is very important.
- For the GNSCCPA and the Ambos Nogales region, the issue of the inspections by the Mexican Military inside the Mexican Customs compound is a critical one and it needs to be raised during the government only meetings.
  - Working with Chairman Bracker on a letter to State Department on this topic and will ask the representatives of the State of Arizona that will attend this session and participate in the Government Only meetings to raise this issue.

**3. *RAIL INITIATIVES***

- On Thursday, March 26, 2015, the Union Pacific held a briefing with the International Boundary and Water Commission (IBWC) regarding the project to improve the inspection rail yard at Rio Rico. Additionally, in attendance were representatives from the City of Nogales, Customs and Border Protection (CBP), Nogales Customs Brokers, the Economic Development Foundation and the Greater Nogales Santa Cruz County Port Authority.
  - The briefing provided an overview of the project and the points of access for the IBWC water treatment facility.
  - CBP indicated that typically the long delays at Rio Rico are due to the brake and safety inspections conducted by the Federal Railroad Administration (FRA).
  - The project will greatly improve the efficiency of the facility and the security of those that have to either operate it or conduct inspections at this location.

- The very outdated dock that used to be there and was used for at least 20 years to conduct inspections has been demolished and has been totally removed.
- It is expected that the project will be completed in August 2015.
- The project will include:
  - Perimeter fencing at a height of 8 feet
  - Stadium lighting for the entire area that is fenced in
  - New office space for Union Pacific and CBP – the CBP building includes dog kennels
  - A an inspection or third track that will measure approximately 500 feet, that will be immediately adjacent to the new inspection dock, will be built so that rail cars that require detailed inspection can be separated from the train
  - New access roads for Union Pacific and CBP personnel to the offices and inspection docks.
  
- It is expected that an additional siding track will be built at a future date

Picture of the old inspection dock (2012)



Group arriving for tour of facilities Rio Rico on March 25, 2015.



Walking where the old docks used to be located



#### 4. ***BORDER BANKING MEETING WITH FDIC***

- ✦ On March 29, 2015, a meeting was held with the Federal Depository Insurance Corporation (FDIC). The meeting, coordinated by the Ambos Nogales Hispanic Chamber of Commerce, included representatives of the FDIC San Francisco and Phoenix offices, and Lauren Kingry, Superintendent of the Arizona Department of Financial Institutions. Representing Nogales were Allison Moore and Jaime Chamberlain of the Fresh Produce Association, Sabrina Hallman of Sierra Seed Company, and Guillermo Figueroa from Centurylink.
  - The delegation from the FDIC did very little talking and presented the standard FIDC information about securing loans up to \$250,000 per depositor and that they work with banks that are in danger of closing their doors. But clearly they were here more on a fact-finding mission over anything else.
  - They kept coming back to the fact that banks are private companies and they have the right to do business with whom they want and deny service to those they don't want to do business with. That the FDIC has no regulatory framework to force banks to provide the service.
  - One of the key agreements is that they would work with the community on conducting compliance seminars for local or regional banks.
  - Those representing Nogales did a great job outlining the many concerns and impacts of the big banks leaving the border communities:
  - That customers were received little notification of the accounts begin closed and for the most part not given a sound reason for their accounts being closed. Once a company has their accounts closed there is a stigma about the "criminal" perception of that company or individual.
  - Big bank flight leaves small border communities undeserved by banks.
  - Companies need alternatives in order to meet their day-to-day business requirements.
  - Local banks or credit unions typical don't have the wherewithal to handle large credit lines that some Nogales companies require, in the \$5

million or more range.

- Companies are prepared to provide any and all necessary information to assure banks that they are conducting valid business.



FDIC team during the meeting in Nogales



Jaime Chamberlain and Sabrina Hallman during the FDIC meeting

##### ***5. CROSS-BORDER TRUCKING UPDATE***

- ✦ As reported in previous reports, the Director of the Arizona Department of Transportation (ADOT) John Halikowski, sent a letter to the Federal Motor Carriers Safety Administration (FMCSA) requesting that ADOT personnel and not FMCSA personnel conduct all level 1 inspections.
- ✦ Senator Jeff Flake has drafted a letter of support for this request. His office, with great support from the GNSCCPA and the Fresh Produce Association of the Americas, has been working on getting the rest of the Arizona Congressional Delegation to sign on to the letter – and we have confirmed unanimous support from the entire delegation for this request.
  - As of April 15, 2015, all members of the House and Senate had signed on to a single letter with the exception of Congressman Raul Grijalva. Congressman Grijalva has indicated that he is intent on sending his own letter in support of this request.
- ✦ A copy of the letter from Director Halikowski to FMCSA is provided in Attachment #1

**6. *US-MEXICO JOINT WORKING COMMITTEE ON TRANSPORTATION***

- The US Department of Transportation and its Mexican counterpart, The Ministry of Communications and Transportation (SCT for its initials in Spanish) hosted its binational meeting in Chihuahua, Mexico this past February.
  - This meeting is limited in participation to agencies that are directly involved in state or federal transportation planning. It offered a great opportunity for the GNSCCPA to raise pressing issues that are impacting the flow of trade at Nogales:
    - Military inspections inside the Mexican Customs compound
    - Improvements to SR-189
    - Verifying that SCT will continue to move forward with the improvements on Mexican Highway 15
- A copy of the letter sent to Ms. Gail Lewis of ADOT is provided in Attachment #2.

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

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



**Attachment #1**  
Copy of letter from ADOT to FMCSA on Level 1 Inspection



Director's Office

Douglas A. Ducey, Governor  
John S. Halikowski, Director  
Scott Omer, Deputy Director for Operations  
Floyd Roehrich, Jr., Deputy Director for Policy  
Dallas Hammit, Deputy Director for Transportation

March 3, 2015

T.F Scott Darling, III  
Acting Administrator  
Federal Motor Carrier and Safety Administration  
1200 New Jersey Avenue SE  
Washington, DC 20590

RE: Mexican Commercial Carrier Safety Inspections at Arizona's Ports of Entry

Dear Commissioner Darling:

The safe, timely and efficient crossing of Mexican commercial carriers into Arizona is one of the primary economic drivers for the state in terms of both job creation and overall economic development. To that end, the Arizona Department of Transportation (ADOT) has been actively engaged in seeking to implement both operational and infrastructure improvements to make our ports of entry with Mexico as safe, efficient and effective as possible in order to retain Arizona's competitive advantage for receiving commercial traffic.

In mid-2014, a blockade by Mexican truck drivers was barely averted at the Nogales port of entry. The drivers' complaints centered around the Federal Motor Carrier Safety Administration's (FMCSA) treatment of Mexican truckers, the disproportionate number of level 1 inspections compared with other ports of entry, and the very high incidence of out-of-service orders for Mexican truckers and their conveyances issued by FMCSA. These complaints go back many years. Arizona's border has long been far above the incidence of these same inspections and out-of-service orders issued in Texas and California.

One of the principle factors in helping to avoid the blockade was the installation of an informal working group that includes industry, ADOT and FMCSA representatives. In spite of improved communications, ADOT and the industry remain concerned about the situation at Arizona's border and the perception of Mexican carriers that Arizona's ports of entry are harder to cross than those in other border states. This situation creates an artificial disadvantage for Arizona's ports of entry since drivers, shippers, brokers and trucking companies report that they simply avoid using Arizona's ports to enter the United States. This issue is especially serious at the port in San Luis, located only 40 minutes away from the crossing in Calexico, California, where commercial traffic reportedly diverts based on shorter crossing times and the perception of fairer and less onerous inspections and penalties.

When the North American Free Trade Agreement (NAFTA) was initially ratified 20 years ago, Arizona lacked both the infrastructure on the ground and the trained personnel to safely inspect every truck entering our state from Mexico. That situation has now been completely reversed. Arizona now counts state of the art inspection facilities and trained personnel at all three major commercial crossings (Douglas, Nogales and San Luis). In fact, FMCSA co-locates with us for their inspections at these ports of entry.

T.F Scott Darling, III  
Acting Administrator  
Federal Motor Carrier and Safety Administration  
March 3, 2015  
Page Two

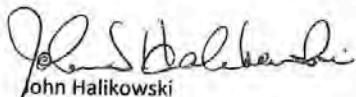
As a result of the concerns raised by a number of Arizona and Mexican business interests, the infrastructure and personnel improvements that the General Services Administration (GSA) and ADOT have implemented, the economic threat to Arizona from loss of commercial crossings and FMCSA's reports that it does not have enough inspectors to fully meet its mission, ADOT and our industry partners met with and petitioned former Associate Administrator Anne Collins to have ADOT conduct all level 1 inspections at our ports of entry with Mexico.

This would put Arizona on par with our border state neighbors, where FMCSA focuses primarily on level 3 inspections and the state enforcement agencies perform the level 1 inspections. It would also free up FMCSA inspectors for other critical duties such as hazardous materials inspections.

Although the meeting with Associate Administrator Collins and the written petition to FMCSA occurred over one year ago, no response has been received from FMCSA regarding ADOT's request to assume responsibility for the level 1 inspection. Please be assured that I, and the entire team at ADOT, remain dedicated to ensuring the safety of our traveling public and preservation of our road system. ADOT values the long history of collaboration we have with FMCSA.

I look forward to hearing from you soon on this very important matter.

Respectfully,

  
John Halikowski

C: The Honorable Jeff Flake, US Senate  
The Honorable Raul Grijalva, US House of Representatives  
The Honorable Martha McSally, US House of Representatives



**Attachment #2**

Copy of letter to ADOT for JWC Meeting in Chihuahua, Mexico



February 25, 2015

Ms. Gail Lewis  
Director, P3 and International Initiatives  
Arizona Department of Transportation  
Phoenix, Arizona

Via Electronic Mail: [glewis@azdot.gov](mailto:glewis@azdot.gov)

RE: Upcoming US-Mexico Joint Working Committee

Dear Gail,

I have been informed that you will be attending the upcoming US-Mexico Joint Working Committee on Transportation meeting in Chihuahua. I wanted to take this opportunity to request that as part of the discussions you raise the need to address the long-term transportation issues of the Arizona-Mexico Corridor that passes through Nogales.

I am sure you are already planning on informing the group about the improvements that are slated to take place on SR-189 which is the principal connector between the Mariposa Port of Entry and Interstate 19. I think informing Mexico of the timeline and anticipated investment in the improvements by the Arizona-Department of Transportation will assist in the binational planning for this critical corridor.

Additionally, I would ask that during the meetings you confirm with the Ministry of Communications and Transportation (SCT) that the projects to improve 800 kilometers of Highway 15 (MX 15) from Nogales into Sinaloa will continue as originally scheduled. The recent cutbacks due to the dramatic drop in oil prices are of great concern and we are concerned that this may impact these improvements.

Finally, I would ask that you once again raise the issue of delays created by the military inspections on MX 15. For the past several years these inspections have created delays at Querobabi but more recently, the Mexican Military (SEDENA) has moved into the Mexican Customs (Aduanas) compound at Nogales, Sonora creating additional delays as they are conducting their own inspections of every truck in addition to the inspections being conducted by Aduanas before the truck enters the US.

P.O. Box 4518  
Rio Rico, AZ 85648

[www.nogalesport.org](http://www.nogalesport.org)

Page 2

Gail Lewis  
Arizona Department of Transportation  
February 25, 2015

In fact, just this past Monday there was a blockade by Mexican truck drivers at the entry point to the Aduanas compound complaining about the delays that they are experiencing. Please be assured that we are ardent advocates of efforts to stem the flow of narcotics and other illegal merchandise, but it should not be at the expense of the flow of legal cargo. We hear that these intensive inspection measures are being deployed in our corridor only, creating a very real competitive disadvantage for us vis a vis other regions of the border.

As always, thank you and ADOT for championing these key issues before this binational committee

Thank you for your attention on this critical matter.

Respectfully,

A handwritten signature in blue ink, appearing to be 'B. Bracker', written over a faint circular stamp.

Bruce Bracker  
Chairman

CC: The Honorable John Doyle, Mayor, City of Nogales  
Greater Nogales Santa Cruz County Port Authority Board of Directors