Testimony of Jolanda Prozzi
Submitted to the Texas House of Representatives
Transportation Committee
September 18, 2020

Chairman Canales and members—thank you for the opportunity to provide information on Interim Charge 4, which addresses international trade and economic growth. This testimony focuses on the impacts of COVID-19 on Texas's trade and trade transportation, with a focus on U.S.-Mexico cross-border movements. I am submitting this testimony in my capacity as a senior research scientist at the Texas A&M Transportation Institute (TTI). Also contributing to this testimony from TTI are Juan Villa (senior research scientist) and Jim Kruse (research scientist and director of the Center for Ports and Waterways).

Texas's International Trade

Texas's international trade is important to the state economy, creating jobs and business revenues. In 2019, Texas's international trade amounted to $623.8 billion (representing 15.1 percent of all U.S. trade).[1] Figure 1 shows a decrease of more than 34 percent in Texas's international merchandise trade value between March 2020 and May 2020. The value of Texas's international merchandise trade increased in June and July 2020. In July 2020, Texas traded $43.8 billion in merchandise—only 9 percent less than the $48.2 billion in March 2020. An analysis of the trade data shows a decline in Texas's international merchandise trade between the COVID-19 declaration of a national emergency on March 13 and the governor's Executive Orders to resume certain business operations on April 27, which can be partly attributed to COVID-19. Caution should, however, be exercised because COVID-19 is not the only factor that impacted Texas's international merchandise trade.

A reduction in Texas's international merchandise trade impacts the volumes transported through Texas international gateways (i.e., airports, marine ports, and international border crossings), as well as those surface transportation modes that enable movement of international freight in and through the state.

Cross-Border Trade

Mexico was the largest trading partner in 2019 for both the United States and Texas. In 2019, the United States traded almost $615 billion in goods ($257 billion in exports and $358 billion in imports) with Mexico.[2] In 2019, Texas traded almost $213 billion in goods ($109 billion in exports and $104 billion in imports) with Mexico—more than four times what Texas traded with Canada, the state's second-largest trading partner.[3] Figure 2 shows the decrease in Texas's international merchandise trade value with Mexico between March 2020 and May 2020—a decrease of more than 47 percent. The value of Texas's international merchandise trade increased in June and July 2020. In July 2020, Texas traded $15.4 billion in merchandise with Mexico—only 7 percent less than Texas's international merchandise trade in March 2020 (at $16.5 billion).

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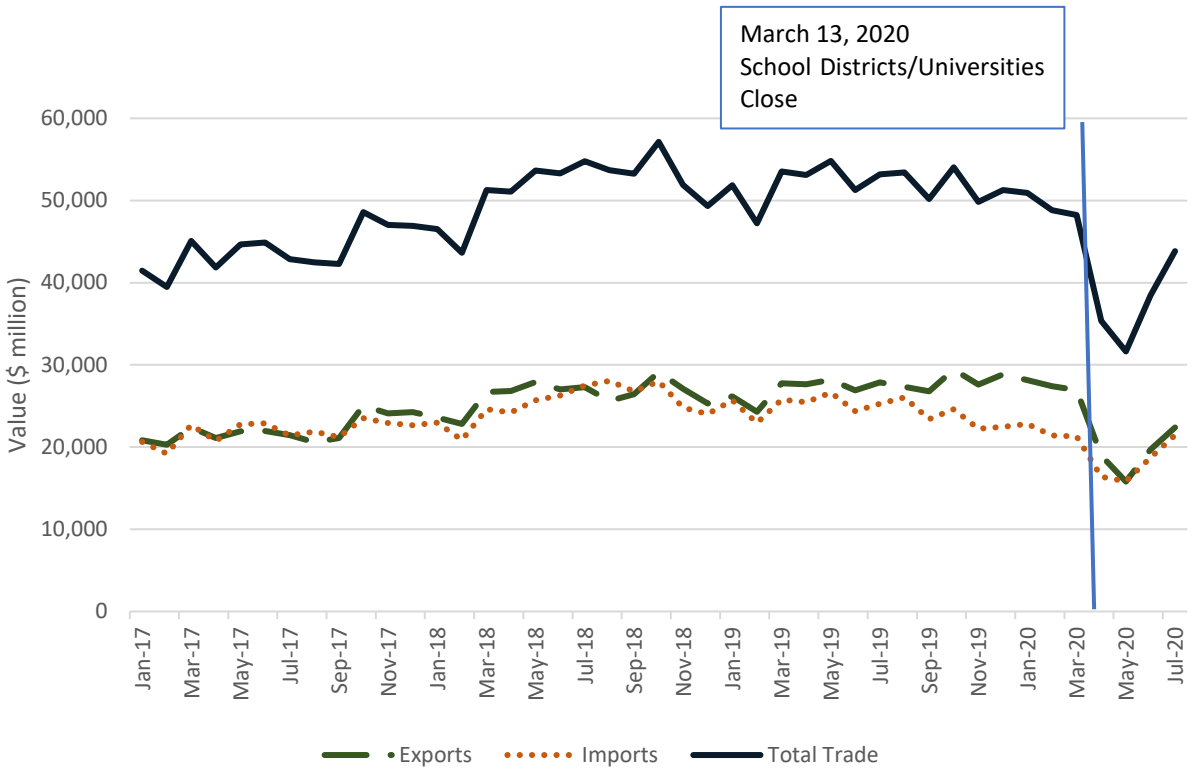
1 U.S. Census Bureau, USA Trade Online, https://usatrade.census.gov/.

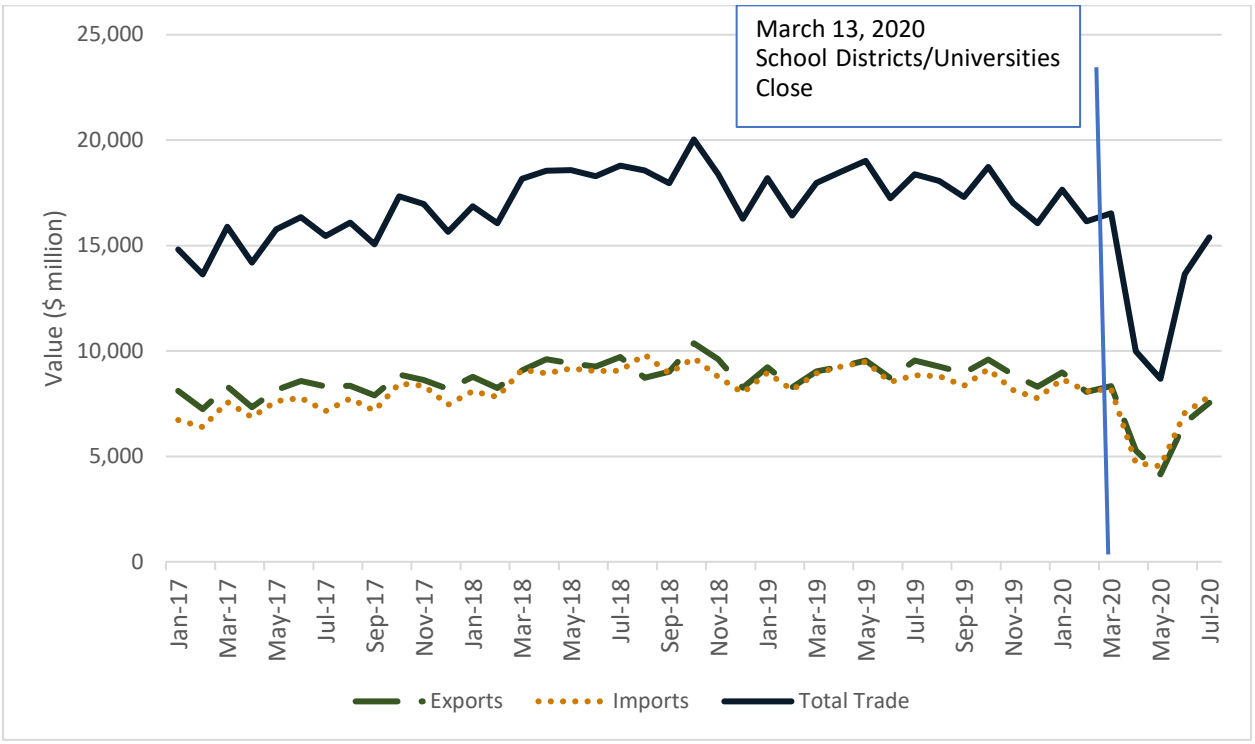
2 U.S. Census Bureau, Foreign Trade, https://www.census.gov/foreign-trade/balance/c2010.html.

3 U.S. Census Bureau, USA Trade Online, https://usatrade.census.gov/.



Source: U.S. Census Bureau

Figure 1. Texas's International Merchandise Trade ($ Million): January 2017 to July 2020.

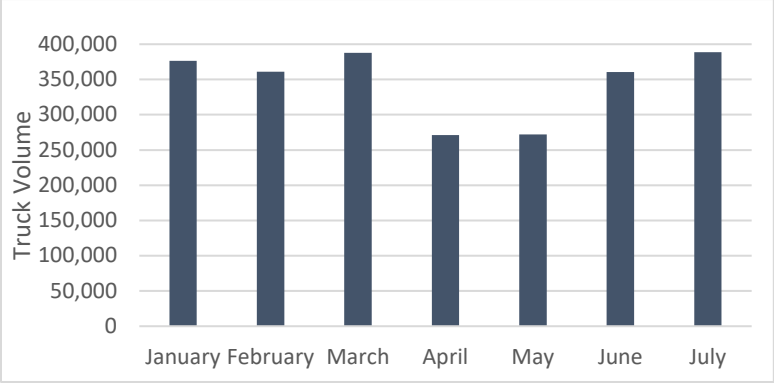


Source: U.S. Census Bureau

Figure 2. Texas's Merchandise Trade with Mexico ($ Million): January 2017 to July 2020.

Cross-border trade movements between Texas and Mexico were impacted by federal and state responses to contain the spread of COVID-19. Although the U.S. federal government did not implement country-wide restrictions on industry or commerce, state actions to contain the spread of COVID-19 resulted in the closure of non-essential businesses and non-critical manufacturing. In Mexico, the federal government issued stay-at-home orders for those who work in non-essential businesses. Differences in the definitions for essential/critical industries in Mexico and the United States resulted in supply chain disruptions, impacting not only cross-border trade and transportation but also commerce throughout North America. On March 19, the U.S. Department of Homeland Security's Cybersecurity and Infrastructure Security Agency developed guidelines identifying essential workers to help state and local officials as they worked to protect communities.[4] On March 31, the Mexican federal government issued a decree defining essential businesses.[5]

Figure 3 shows a decrease in the number of northbound (incoming) trucks from Mexico into Texas in April and May 2020 compared to March 2020—a decrease of almost 30 percent. With the reopening of Texas's businesses and non-essential manufacturing at the end of April/beginning of May, as well as the re-opening of Mexican manufacturing plants at the beginning of June, northbound truck volumes increased in June and July 2020. By July 2020, northbound truck volumes reached 388,757 trucks—slightly higher than the 387,734 trucks in March 2020.



Source: U.S. Department of Transportation Bureau of Transportation Statistics

Figure 3. Incoming Trucks from Mexico to Texas: January–July 2020.

Major impacted commodities, in terms of a reduction in cross-border trade value, included vehicles and vehicle parts, electrical machinery, equipment and parts, and computer-related machinery and parts.

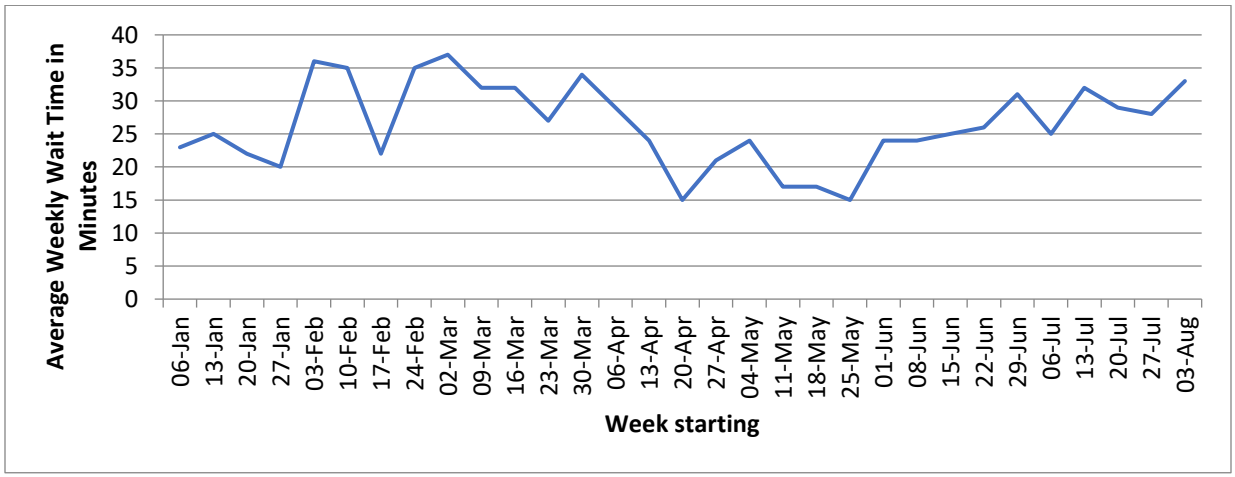
Figure 4 shows truck wait times[6] at the Ysleta-Zaragoza International Bridge in El Paso County. Similar to the trend for incoming truck volumes, truck wait times at the Ysleta-Zaragoza International Bridge were

[4] CBIA, Department of Homeland Security: List of Essential Industries, https://www.cbia.com/resources/coronavirus/coronavirus-state-federal-updates/department-homeland-security-essential-industries/.

[5] Secretaría de Gobernación, Acuerdo por el que se establecen acciones extraordinarias para atender la emergencia sanitaria generada por el virus SARS-CoV2, Diario Oficial de la Federación, http://www.dof.gob.mx/nota_detalle.php?codigo=5590914&fecha=31/03/2020.

[6] Wait time is defined as the time it takes a truck to travel from the entrance of the international bridge in Mexico to the U.S. Customs and Border Protection primary inspection booth on the U.S. side of the border.

lower in April and May 2020 compared to March. Truck wait times, however, increased in June and July 2020.

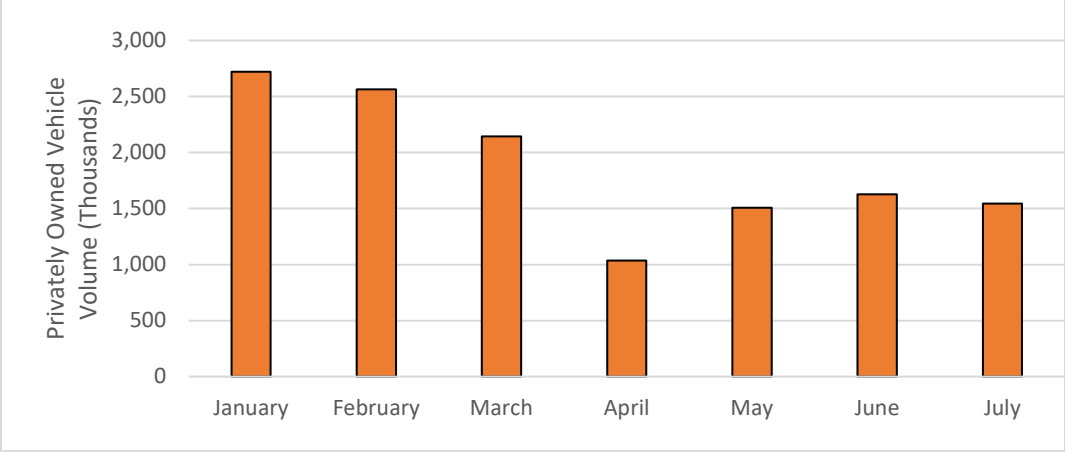


Source: Border Crossing Information System, Texas A&M Transportation Institute

Figure 4. Ysleta-Zaragoza International Bridge Average Weekly Truck Wait Times.

Privately Owned Vehicles and Pedestrians

On March 21, the U.S. and Mexican governments restricted all non-essential travel across its northern and southern borders. Non-essential travel includes travel that is considered tourism or recreational in nature. These restrictions are still in place through September 21 and may be extended. Figure 5 shows the impact of these restrictions on the number of privately owned vehicles entering Texas from Mexico in April 2020. In April 2020, the number of privately owned vehicles entering Texas from Mexico was slightly more than 1 million—less than 40 percent of the average number of privately owned vehicles that crossed during January and February 2020. In May through July, privately owned vehicle volumes remained low due to COVID-19 cross-border travel restrictions.

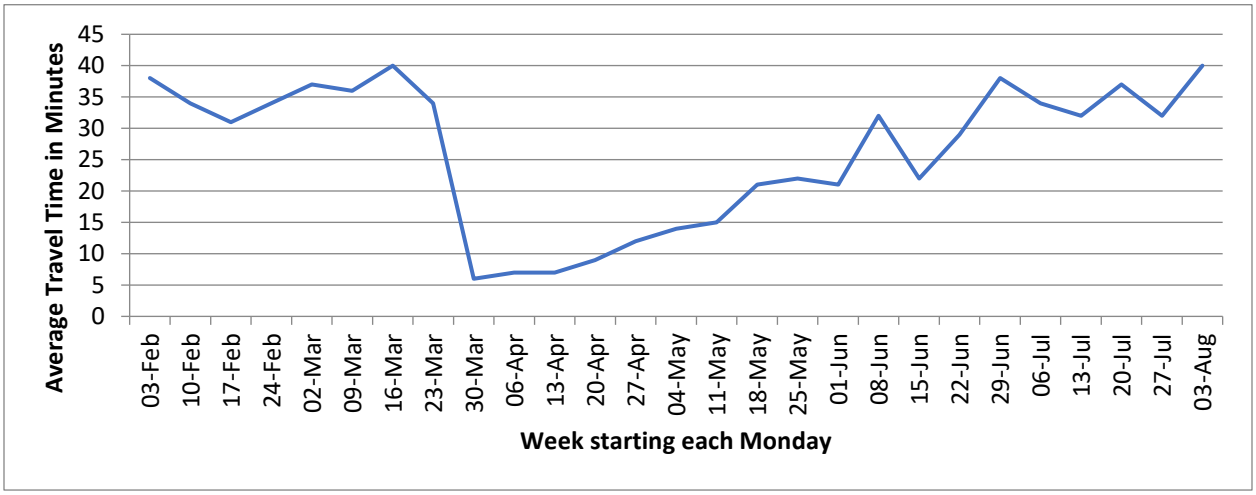


Source: U.S. Department of Transportation Bureau of Transportation Statistics

Figure 5. Privately Owned Vehicles Entering Texas from Mexico: January–July 2020.

Privately owned vehicle wait times followed a similar trend to truck wait times. Privately owned vehicle wait times at the Bridge of the Americas (El Paso) during April 2020 were considerably lower than during February through mid-March 2020. Since May 2020, privately owned vehicle wait times have increased,

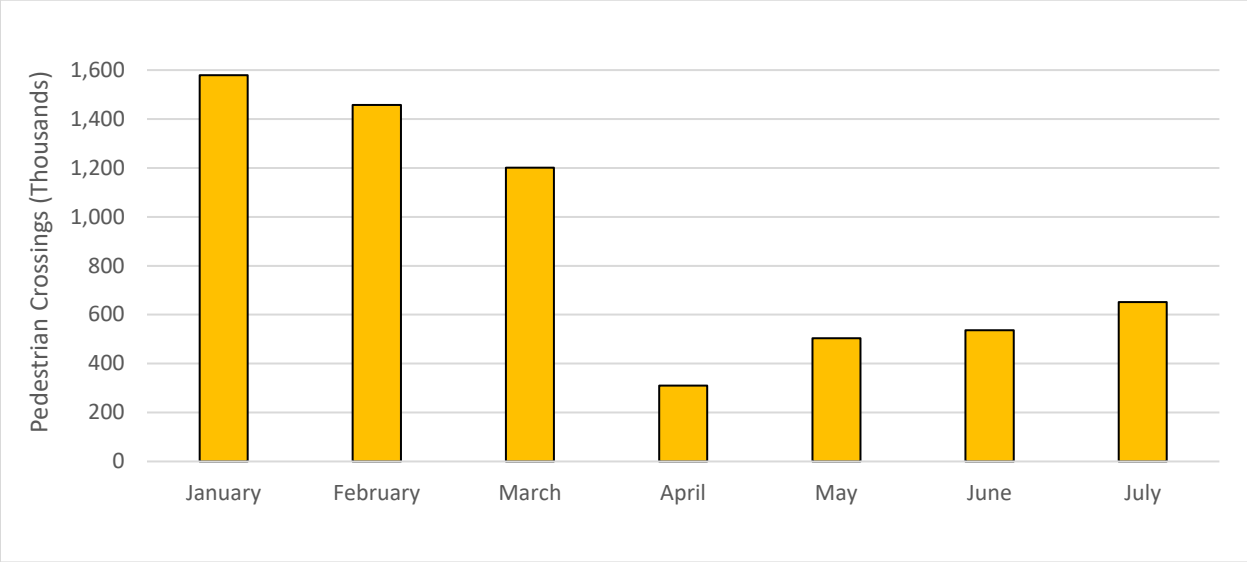
reaching a similar level in June to the wait times experienced in February through mid-March at the Bridge of the Americas (Figure 6). Several border crossings have also reported considerably longer wait times during the last week of August and early September 2020. These long wait times seem to be caused by U.S. Customs and Border Protection taking more time at the primary inspection booths, which ensure only essential travelers are crossing and dissuade non-essential travelers from crossing.



Source: U.S. Customs and Border Protection

Figure 6. Bridge of the Americas Average Weekly Privately Owned Vehicle Wait Times.

Figure 7 shows the reduction in pedestrians crossings from Mexico into Texas at an international land border crossing since March 2020. In February 2020, 1.45 million pedestrians traveled from Mexico into Texas at an international border crossing. In April 2020, the number decreased to 310,000 pedestrians—an almost 80 percent reduction compared to February 2020. By July 2020, the number of pedestrians crossing reached 652,252—slightly more than double the April 2020 number of pedestrians.



Source: U.S. Department of Transportation Bureau of Transportation Statistics

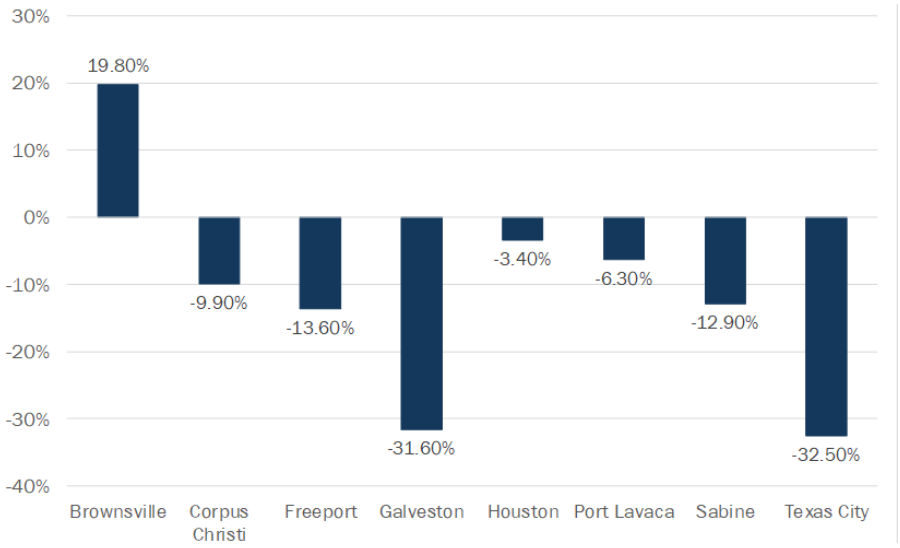
Figure 7. Pedestrians Entering Texas from Mexico: January–July 2020.

Privately owned vehicle and pedestrian volumes have remained low due to COVID-19 cross-border travel restrictions that are in effect until September 21, 2020. This reduction impacts the toll revenues collected by border cities and counties that own international toll bridges, thus reducing the available funding for servicing debt as well as the funding available for public infrastructure projects and services.

Maritime Ports

Texas is home to 11 deep-draft ports and eight shallow-draft ports. Five of Texas's deep-draft ports are ranked in the top 20 U.S. ports by total tonnage.

When comparing vessel activity data obtained from the Greater Houston Port Bureau, between the first quarter of 2020 and the first quarter of 2019, impacts from COVID-19 on Texas's maritime ports are not clear. Six of the eight Texas ports shown in Figure 8 saw an increase in vessel activity during the first quarter of 2020 compared to 2019 ("Sabine" in this figure designates the Sabine-Neches Waterway, which is the access channel for the Ports of Beaumont, Port Arthur, and Orange). The impacts of COVID-19 on Texas's maritime ports are, however, evident when comparing the percentage change in vessel activity for the second quarter of 2020 (April through June) to the first quarter of 2020 (January through March). COVID-19 impacted most of Texas's ports in the second quarter of 2020. The Port of Brownsville was the only port that did not see a reduction in vessel activity during the second quarter of 2020.



Source: Greater Houston Port Bureau

Figure 8. Percentage Change in Vessel Activity by Port: April–June 2020 versus January–March 2020.

Statistics from the Port of Houston show that import and export tonnage for the general and steel categories during January to July 2020 was lower than during the same time period in 2019. Most notable was the 47 percent reduction in steel tonnage. This reduction can, however, not solely be attributed to the impacts of COVID-19. This decrease is also attributable to the tariffs imposed on steel.

Thank you for the opportunity to provide this material. Please contact me if you need any further data.

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