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MOTRAN ALLIANCE, INC. 2005 BUSINESS CONTRIBUTORS

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The Entrance to the Pacific Corridor

The Entrance to the Pacific Corridor is a state and federally designated trade corridor from Texas to Chihuahua City, Chihuahua, Mexico, and continuing to the Mexican Pacific port of Topolobampo in the Mexican state of Sinaloa. Chihuahua is one of the four largest trading partner states with the United States, and this new corridor would capture a majority of this trade for Texas. Long term, after the completion of a highway from Chihuahua City to Topolobampo, and improvement of rail facilities, it would offer Texas with access to a Pacific deep water port that is approximately 500 miles closer and much less expensive than the Port of Los Angeles.

The concept of this major new trade corridor was developed jointly by MOTRAN Alliance and the Departments of Economic Development of the States of Chihuahua, Sinaloa and Durango. All four entities support the development of this corridor strongly. The concept was originally endorsed by Governor Patricio Martínez García of Chihuahua, Governor Ángel Sergio Guerrero Mier of Durango, and Governor Juan S. Millán Lizárraga of Sinaloa and Governor George Bush of Texas.

Trade with Chihuahua

According to the Department of Commerce reports, trade for 1995 with Chihuahua alone and the United States exceeded \$7 billion per year imports and \$10 billion per year exports. This trade is projected to quadruple by the year 2020.

Present Corridors into Western Mexico

Nearly all of the trade with Western Mexico now passes through the port of El Paso and Juarez. The bridge and port facilities at the crossings in El Paso-Juarez are already overloaded, thus motivating the construction of the Santa Teresa crossing approximately 20 miles west of El Paso, into the state of New Mexico. This crossing along with a proposed north-south interstate highway in southeast Arizona, will essentially direct all of the growth in trade with Western Mexico into Arizona and New Mexico and will totally bypass the state of Texas. A study that was done by McCray Research indicates that this trade wants to go northeast.

Economic Opportunities along La Entrada Al Pacifico Corridor

With the volume of present and future trade with Chihuahua, Durango and Sinaloa, as well as the Pacific Rim Countries, there will be enormous opportunities for warehousing, distribution, sub-assembly and assembly of imports, as well as manufacturing warehousing and distribution of exports, all in the state of Texas. Texas already has the basic infrastructure in areas along the proposed corridor to take advantage of these types of businesses. It is estimated that these businesses can result in substantial additional employment and economic impact for Texas if the corridor proposed herein is developed.

Texas Cities Which Will Benefit from this proposed corridor will be all cities in West and Central Texas. Those cities located along Interstate Highways I-20 and I-10 will benefit most, in that they will then have direct access to Western Mexico and the Pacific. This includes Dallas, Fort Worth, Abilene, Midland and Odessa. If the corridor is completed north from the Midland/Odessa area, then the cities along I-27 including Lubbock, Plainview and Amarillo will also benefit heavily from this corridor.

Secondarily, all cities in West and Central Texas, which have good access to I-27, I-20 or I-10, will benefit considerably due to access to these new markets.

Updates

In late 2003, the State of Chihuahua finished the initial phase of La Entrada al Pacifico in Mexico with completion of the new highway between Chihuahua City and Ojinaga. This road cuts the driving time in half over the existing roadway, and provides an excellent roadway for transporting delicate freight materials.

Since completion of the road, commercial border crossing increased over 20% at Presidio/Ojinaga.

Construction by Glamis, Ltd. continues on the second phase of the project, with construction of a new roadway through the Copper Canyon area between Chihuahua and Sinaloa. Governor Reyes Baeza of Chihuahua, Mexico and Governor Aguilar of Sinaloa have both committed their administrations' resources to completion of the project in Mexico in the next five years.

La Entrada al Pacifico Corridor Conference

The Second Annual La Entrada al Pacifico Corridor Conference was held August 22nd and 23rd at the Midland Hilton with 230 in attendance over the 2-day conference.

Workshops and legislative updates and workshops were held on Monday, August 22nd, with the conference updates on Tuesday, August 23rd.

The recent designation of La Entrada al Pacifico as a National High Priority Corridor and its potential impacts for the State of Texas, were a topic of discussion. The program included guests from the States of Chihuahua, Durango, and Sinaloa.

During a reception on the night of the 22nd, Tom and Nadine Craddick were both officially awarded their MOTRAN Milemarker Awards for their help in obtaining a high priority corridor designation and funding for several important projects in the recently passed Transportation Reauthorization Bill.

Speakers during the conference included Nobel Prize nominated economist Dr. Ray Perryman, Texas Secretary of State Roger Williams and Texas Transportation Commissioner Ted Houghton.





Road Construction in Texas

In addition to continued work in Mexico, TXDOT has leveraged the \$2 million in federal funds obtained by MOTRAN during the 2005 Appropriations process, with an additional \$2 million for construction of Super 2 Design on several segments of La Entrada al Pacifico on US 67.

The current condition of US 67 is two 12-foot lanes with 10-foot improved shoulders, for a total road width of 44 feet. The Super 2 Design project will add passing lanes throughout several stretches of US 67, bringing the total road width in those locations to 56 feet, and allowing for a better flow of traffic along the corridor.



Mexican Road Construction

On the other side of the border, several construction projects are underway which will benefit the La Entrado corridor.

The State of Chihuahua recently announced it would upgrade the existing roadway for Mexico 67 which connects to the La Entrada corridor south of Ojinaga and continues south to Delicias, Camargo, Jimenez and Parral. The improved roadway would provide an incentive for many of the maquiladoras in southeastern Chihuahua to divert traffic from Laredo to the Port of Presidio.

Improved shoulders are being added to the roadway at a cost of approximately \$5 million US dollars.

In addition, the State of Sinaloa recently began construction to upgrade existing road between San Blas and El Fuerte to four lanes. Local government officials have been lobbying state officials to go ahead and finish the build-out of the four lane highway past Choix to the Sinaloa-Chihuahua border.

The State of Sinaloa is funding the portion of upgraded roadway between San Blas and El Fuerte at a cost of approximately \$32 million US dollars and the new administration has stated that they will work to find additional funding to finish the upgraded roadway to Choix.



Container Handling Facility Moving Forward

According to La Entrada al Pacifico Rural Rail Transportation District Chairman Buddy Sipes, the rail district board is very optimistic that it will have qualified operators for the container handling facility when the Request for Qualifications previously solicited are open at their April meeting. Several entities that have experience have expressed an interest in responding and want to be considered. Personal visits have been made to the area by two out-of-town companies that have expressed interest.

The option agreement for the selected site is being finalized and will be available for the board to consider at the next meeting as well. "A verbal commitment has been in place for some time. We are just waiting on the written version," said Sipes. "Assuming the option agreement is accepted by the board and it chooses a qualified operator in April, I am hoping the facility can be up and running later this year."

Texas Rural Rail District Day

The La Entrada al Pacifico Rural Rail Transportation District (LEAP) and MOTRAN helped to sponsor the first ever Texas Alliance of Rural Rail Districts event in Austin on March 23rd. Nine of the twenty rail districts in the state participated in the event. In addition to local members, West Texas was represented by rail district members from Pecos County, Presidio County, and Webb County.



The group was recognized on the House floor by Texas House Speaker Tom Craddick of Midland and Representative Buddy West of Odessa. Later that day, the group was also recognized in the Senate by Senator Kel Seliger of Amarillo, whose District 31 encompasses Midland and Ector counties.

United States Congressman Mike Conaway was also present at a reception that morning to visit with participants. The South Orient Rail Line runs through several of the counties represented by Congressman Conaway. The day provided many rail district members with an opportunity to discuss pending rail issues with their legislators.

The event was attended by LEAP Chairman Buddy Sipes, board members Betsy Triplett-Hurt and John Cunningham, as well as MOTRAN Chairman Robin Donnelly.

International Planning Efforts

Studies will soon be underway on both sides of the border with regard to the La Entrada al Pacifico Trade Corridor. TXDOT has been working with MOTRAN to develop the scope of a Planning Study for La Entrada in the State of Texas. Initially, MOTRAN worked with federal officials to secure \$1 million in funding through the 2005 Federal Appropriations bill to conduct the transportation study, and since that time, TXDOT has agreed to add an additional \$500,000 in state funds to leverage the effort.

In addition, a study has just been awarded in a joint effort by the States of Chihuahua and Sinaloa to conduct an economic impact study of La Entrada in Mexico. Officials from all three states are working to ensure that information from the two studies will be shared to enhance the data and findings for both efforts.

Transportation Reauthorization Passes!

MOTRAN Supported Projects In Transportation Reauthorization Bill

\$2 million – SH 349 Extension To US 87 in Dawson County
\$1.6 million for the widening of SH 349 in Martin and Dawson County
\$2 million for the SH 349 Relief Route in Midland County
\$4.3 million for the I-20 Cotton Flat Interchange
\$2 million for the JBS Inter-Changes at I-20 and BI-20
\$1.6 million for the widening of US 385 south of Odessa
\$1.2 million for ROW on the US 87 Relief Route in Lamesa (ties into the SH 349 extension)

After over two years of extensions to the program, the United States House of Representatives and Senate both overwhelmingly passed the Transportation Reauthorization bill before their August recess.

The bill was particularly important to the Midland-Odessa area which netted approximately \$14 million in earmark projects and a designation of the La Entrada al Pacifico Trade Corridor as a National High Priority Corridor.

“The designation of the corridor as a National High Priority Corridor will help bring credibility to the corridor both in the United States and in Mexico,” said MOTRAN Chairman Robin Donnelly.

In addition to local gains under the bill, there was also good news for the entire state under the new bill. Most notably, the rate of return on gasoline taxes paid by Texans will be raised from the current level of 89.5 cents on the dollar to 92 cents by 2008. The increase would ultimately mean an \$800 million dollar increase in Texas transportation funding every year.



TXDOT Appreciation Dinner

MOTRAN recently held a TXDOT Appreciation Dinner for TXDOT employees and spouses. The event included several special guest including Texas Transportation Commissioners Ric Williamson and Johnny Johnson, as well as TXDOT Executive Director Mike Behrens.

The event was held at the Willows and according to MOTRAN Chairman Robin Donnelly was a way to “show our appreciation for the great working relationship we have with TXDOT.”

During the event, TXDOT Executive Director Mike Behrens and Commissioner Ric Williamson were awarded MOTRAN Milemarker awards by Chairman Donnelly, and Chairman-elect Drew Crutcher presented a Milemarker award to State Representative Buddy West of Odessa. Also recognized during the event were Coby Chase and Tonia Ramirez from the TXDOT Legislative Affairs office and Ajay Shakyaver.

Governor’s Trade Mission to Mexico

Motran recently participated in the Governor’s trade mission to Mexico. The primary topic of this year’s mission was oil and gas, however, the event was also a chance for networking with officials at the federal level in both Mexico and the United States.

One of the highlights was a quick visit with US Ambassador to Mexico, Tony Garza, who asked several questions about the progress of La Entrada.

Texas Railroad Commissioner Victor Carillo and Texas Secretary of State Roger Williams were the co-hosts of this year’s event.



BORFIC Conference El Paso, Texas

MOTRAN attended and was one of the presenters at the BORFIC (Border Federal Intelligence Conference) Hemispheric Inter-modal Trade Corridor in El Paso at the El Paso Intelligence Center.

The gathering was mainly federal agencies (Border Patrol, DEA, FBI, DOJ, Customs, Army, Coast Guard, Foreign Military Affairs Office, National Drug Intelligence Center, SOUTHCOM, Department of the Interior, USMC, National Guard, and the Los Alamos National Lab.

The conference also included Gil Wilson (TXDOT) and Roy Williams (Texas Pacifico) who spoke about the advances of the South Orient.

The purpose of the conference was for federal law enforcement agencies to learn more about the La Entrada al Pacifico corridor and its recent progress, as well as, exchange between all interested parties.

Here are some interesting facts about the future of La Entrada al Pacifico based on predictions by the US Customs and Border Protection Agency.

- Expected to take up to one-third of all West Coast maritime container traffic.
- Closer proximity to mid-America and projected lower costs very attractive.
- Projected maximum throughput of up to 2.7 million Twenty Foot equivalents (TEU’s)
- Would make the Mexican Port of Topolobampo and the Presidio Texas POE flow equal to that of New York/New Jersey Port Authority.