

Expanding the Border Zone in Arizona

Estimates of Mexican Visitors Spending and Potential Economic Impacts



Overview

- Proposal to extend the current 75-mile border zone to the entire state and streamline U.S. visa process for Mexican travelers
 - Support of regional planning organizations in Arizona¹, Intertribal Council of Arizona, City of Nogales, Arizona

QUESTIONS

1. What is the estimated spending and economic impact of Mexican visitors for 2013?
2. What is the potential economic impact of their spending if the border zone is extended from 75-miles to entire state in 2016?

Requested the University of Arizona to provide estimates and projections of spending and impacts.

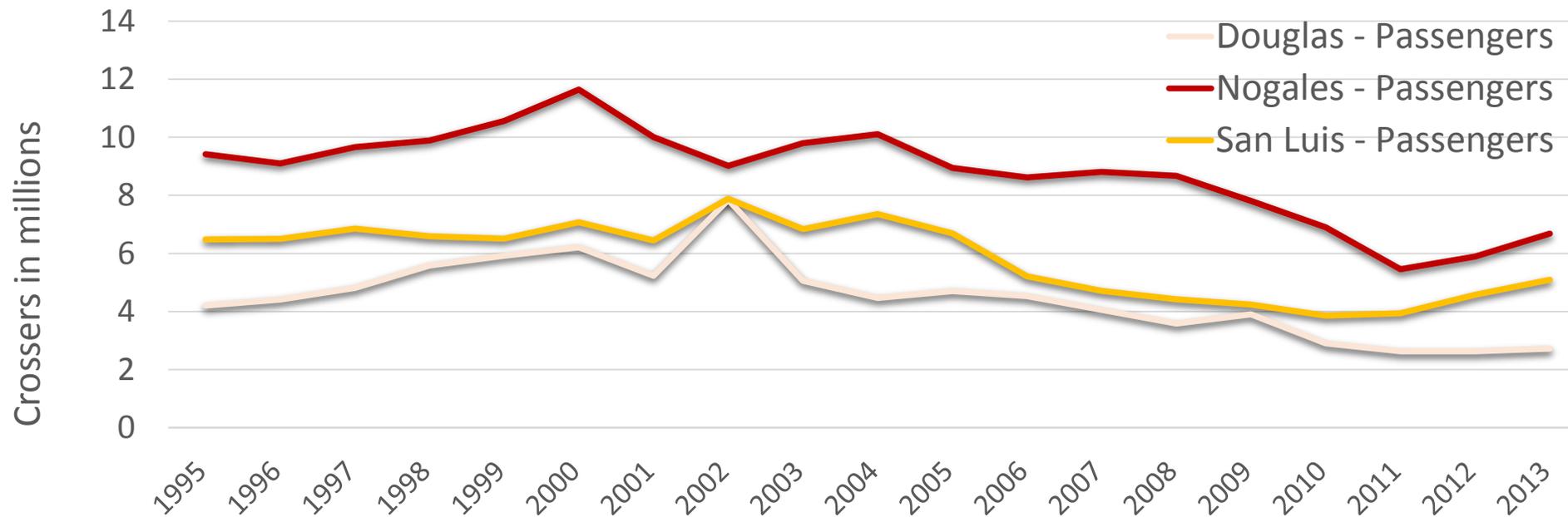
¹ With exception of Central Yavapai Metropolitan Planning Organization

Methods and Assumptions

- 2007-08 Mexican visitors study was basis for assumptions in analysis
- Provide Mexican visitors spending estimates for 2013
 - Generated economic impacts
- Baseline projections of visitors spending from 2013 to 2016
 - Generated economic impacts, 2014 and 2016
- Three “What if” scenarios of effects of extending the border zone statewide

Assumptions driving the baseline projections

- Nine percent projected increase in passenger crossings
- 1.74 percent increase in per party spending (1.74 % Mexican per capita GDP)



Baseline Projections and Impacts

Spending of Mexican visitors in 2013 approximately **\$431 million (-15.9%)** lower than the 2007-2008 levels

	2007-2008	2013	2014	2015	2016
Expenditures \$	2,688,670,000	2,260,630,000	2,455,410,000	2,670,260,000	2,907,340,000
Total Effect					
Jobs	30,355	23,076	25,064	27,257	29,677
Labor Income \$	837,244,000	836,888,000	908,998,000	988,535,000	1,076,302,000
Value Added \$		1,351,468,000	1,467,916,000	1,596,357,000	1,738,089,000
Gross Sales \$	3,613,128,000	3,259,398,000	3,540,242,000	3,850,010,000	4,191,831,000

“What if” Scenario – Scenario 1

Scenario 1: 3 percent increase in Mexican visitors, 2013 - 2016

- Both in pedestrian and passenger crossings
- Assumptions driving the 3% increase:
 - A 3 % increase after the 1999 Border extension
 - A 4.2% increase in border crossings after the 55-mile extension in New Mexico

Potential Economic Impacts, 2016

	Spending	Jobs
<u>3 % increase in border crossers</u>	\$ 75,350,000	769

“What if” Scenario – Scenario 2

Scenario 2: 3 percent increase in passenger crossings, 2013 - 2016

- Assumptions driving the 3% increase:
 - Passenger crossers most likely to be directly affected by proposed change
 - A 3 % increase after the 1999 border zone extension
 - A 4.2% increase in border crossings after the 55-mile extension in New Mexico

Potential Economic Impacts, 2016

	Spending	Jobs
15 % increase parties traveling north	\$ 66,560,000	679

“What if” Scenarios – Scenario 3

Scenario 3: 5%, 10%, 15% increase in northbound travel, 2013 - 2016

- Assumptions driving the 5%, 10%, and 15% increase:
 - 2007-08 study revealed an increase from 4% in 2001 to 16% in 2007-08 in Mexican visitors staying overnight

Potential Economic Impacts, 2016

	Spending	Jobs
15 % increase parties traveling north	\$ 105,870,000	1,410

Best Case “What if” Scenario

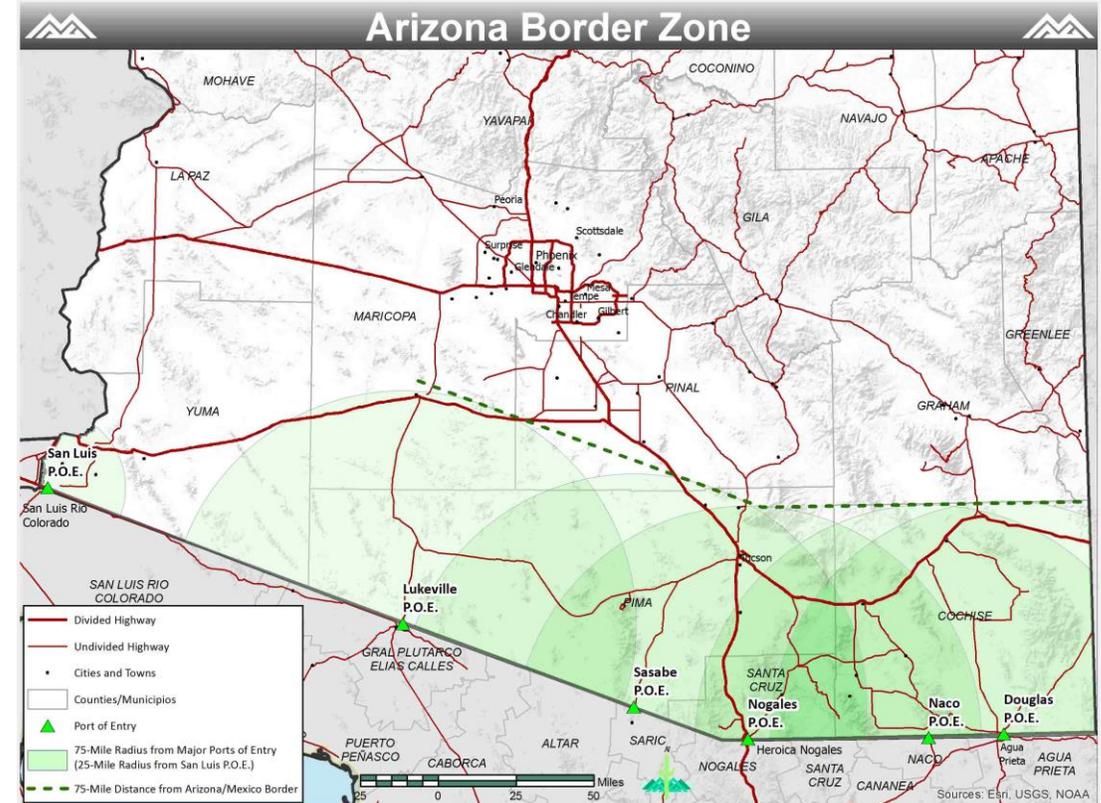
- Scenario 1: 3 percent increase in Mexican visitors
- Scenario 3: 15% increase in passengers driving north of current border zone

	Spending	Jobs
Impacts of baseline spending projections	\$ 2,907,340,000	29,677
• 3 % increase in border crossers	\$ 75,350,000	769
• 15 % increase parties traveling north	\$ 105,870,000	1,410
Total (baseline and best case scenarios)	\$ 3,088,560,000	31,856

Generate up to \$181 million in additional estimated spending and 2,179 jobs in 2016

Some risks to consider

- Mexican peso devaluation
- U.S.-based department stores like Walmart in Mexico



Questions and Answers



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