Economic Impact of Extending the Border Zone Statewide

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Proposal to Extend Border Zone Statewide and Streamline U.S. Visa Process for Mexican Travelers

• Introduced by Maricopa Association of Government’s (MAG) Economic Development Committee
• Broad support
  o 9 Regional Planning Agencies
  o Inter-Tribal Council of Arizona
  o Nogales City Council

Current limitations on visitors

• Border Crossing Card:
  o Frequent, low risk crossers
  o Usually valid for ten years
  o Unlimited crossings for 10 years
  o Geographic limit

The Border Zone - 1953

Sources: Esri, USGS, NOAA

International POE
Major Highway
Border Zone
Sonora
San Luis
Douglas
Nogales
Lukeville
Sasabe
Tucson
Naco
San Luis
Lakeville
Tucson
Sonora
Navajo
Greenlee
Graham
Apache
Mohave
Mohave
Lytle
Navajo
San Carlos
San Carlos
Yavapai
Cochise
Pinal
Pima
Gila
Yuma
Why is it important?

- Tourism is Arizona’s top export oriented industry:
  - $17B in non-resident visitor spending (2014)
  - 140K jobs

- Mexican Visitors:
  - $2.5B in direct spending (2014)
  - 25,064 jobs

Perspective

- Arizona’s top exports:
  - 1) Computer & Electronic Products: $5B
  - 2) Transportation Equipment: $3.7B
  - 3) Minerals & Ores: $2.5B
  - 4) Mexican Visitor Spending: $2.5B
  - 5) Machinery (except Electrical): $1.6B

MAG Sponsored Project

- Estimate spending and the economic impact of Mexican visitors in 2013
- Estimate the potential economic impact of their spending if the border zone is extended from 75 miles to the entire state in 2016.
Estimate 2013 Visitor Spending and Economic Impacts

- Most recent border survey (2007/8)
- In those surveys:
  - Detailed information on city of origin, ports of entry, destinations, spending by destinations
  - Party size by port, by mode
  - Per party spending
  - Expenditure mix

Methods

- 2013 Estimates of Expenditures by Destination
  - Kept all visitor characteristics and behaviors the same as in the 2007-08 survey
  - Adjusted for 2013 crossers
  - Per party expenditures increased by growth in Mexico per capita GDP US$ (1.74% per year)
- 2014-2016 Projections
  - Based on recent crosser trends (by port, by mode)
Scenario 1 – 3% increase in all crossers

- 3% increase following 1999 Arizona border expansion to 75 miles
- 4.2% increase following 2013 New Mexico expansion to 55 miles

Scenario 2 – 3% increase in passenger visitors

- Passengers are more likely to be affected

### Scenario 1: 3% Overall Travel Volume Increase

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures $</td>
<td>$62,330,000</td>
<td>$66,410,000</td>
<td>$70,750,000</td>
<td>$75,350,000</td>
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<tr>
<td>Jobs</td>
<td>636</td>
<td>678</td>
<td>722</td>
<td>769</td>
</tr>
<tr>
<td>Labor Income $</td>
<td>$23,080,000</td>
<td>$24,590,000</td>
<td>$26,190,000</td>
<td>$27,900,000</td>
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<tr>
<td>Value Added $</td>
<td>$37,270,000</td>
<td>$39,200,000</td>
<td>$42,300,000</td>
<td>$45,050,000</td>
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<tr>
<td>Gross Sales $</td>
<td>$89,870,000</td>
<td>$95,750,000</td>
<td>$102,010,000</td>
<td>$108,650,000</td>
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</tbody>
</table>

### Scenario 2: 3% Passenger Increase

<table>
<thead>
<tr>
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<th>2015</th>
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<tr>
<td>Expenditures $</td>
<td>$53,980,000</td>
<td>$57,910,000</td>
<td>$62,100,000</td>
<td>$66,560,000</td>
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<tr>
<td>Jobs</td>
<td>551</td>
<td>591</td>
<td>634</td>
<td>679</td>
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<tr>
<td>Labor Income $</td>
<td>$19,980,000</td>
<td>$21,440,000</td>
<td>$22,990,000</td>
<td>$24,640,000</td>
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<tr>
<td>Value Added $</td>
<td>$32,270,000</td>
<td>$34,620,000</td>
<td>$37,130,000</td>
<td>$39,790,000</td>
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<tr>
<td>Gross Sales $</td>
<td>$77,830,000</td>
<td>$83,500,000</td>
<td>$89,540,000</td>
<td>$95,970,000</td>
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</table>
Scenario 3 – 5%, 10%, 15% increase in parties to the north

- 2001 to 2007-08 biggest change:
  - Overnight visitors (4% to 16% of all parties)
  - Overnight visitors spend 10X day-trip visitors
- Parties visiting Phoenix in 2007-08 was 500,000 (almost tripled)
- 1,000,000 BCC cards approved in Nogales, Sonora and Hermosillo
- Scenario 3 – increase parties to the north by 5%, 10%, 15% of the 500,000

Scenario 3 – a 15% increase in travel to north

- Parties to the north increases 15%

<table>
<thead>
<tr>
<th>Scenario 3: 5%, 10%, and 15% Increase in Travel to Northern Counties</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>Expenditures $</td>
<td>$80,390,000</td>
<td>$88,060,000</td>
<td>$102,690,000</td>
<td>$105,870,000</td>
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<td>Jobs</td>
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<td>1,173</td>
<td>1,313</td>
<td>1,410</td>
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<td>Labor Income $</td>
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<td>$42,540,000</td>
<td>$48,080,000</td>
<td>$51,130,000</td>
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<tr>
<td>Value Added $</td>
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<td>$71,340,000</td>
<td>$80,490,000</td>
<td>$85,750,000</td>
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<tr>
<td>Gross Sales $</td>
<td>$126,540,000</td>
<td>$138,610,000</td>
<td>$159,090,000</td>
<td>$166,630,000</td>
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Scenarios & Baseline Summary 2016

<table>
<thead>
<tr>
<th>Summary, 2016</th>
<th>Expenditures</th>
<th>Jobs</th>
<th>Gross Sales</th>
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</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>$2,907,340,000</td>
<td>29,677</td>
<td>$4,191,831,000</td>
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<tr>
<td>Scenario 1</td>
<td>$75,350,000</td>
<td>769</td>
<td>$108,650,000</td>
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<tr>
<td>Scenario 3c</td>
<td>$105,870,000</td>
<td>1,410</td>
<td>$166,630,000</td>
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<td>Total</td>
<td>$3,088,560,000</td>
<td>31,856</td>
<td>$4,467,111,000</td>
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Risk: Mexico Retail Development

Sources: Esri, USGS, NOAA
Risks
The Peso and Crude Oil Prices

Expectations of the border expansion

• Increase Mexican visitors to Arizona
• Send a positive message to visitors
• Increase trip duration and spending
• Encourage travel further north
• Prompt additional BCC applications

Arizona – Mexico Economic Indicators

azmex.eller.arizona.edu

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Full report:
On MAG website:

Or on AZMEX under 'resources':
https://azmex.eller.arizona.edu/about/resources

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