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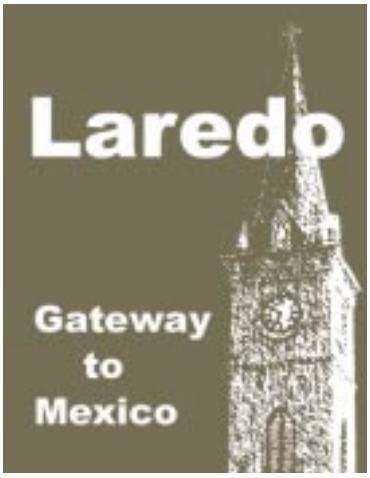
Chamber of Commerce
Laredo, Texas

# Vision 2001

## Economic Outlook Report




**Important Facts:**

- **The Port of Laredo is the largest port of entry on the U.S.-Mexico border, and the third largest inland border port of entry behind Detroit, MI and Buffalo, NY.**
- **The Port of Laredo accounts for over 40 % of U.S.-Mexico overland (truck and rail) trade.**
- **8,000 trucks cross at the Port of Laredo daily.**

## Inside This Issue...



## Formulating a Vision

The Purpose of the Vision 2001 Conference and Trade Mission

During the past two centuries, Laredo has been at the crossroads of U.S.-Mexico trade and commerce. As the city of 193,117 inhabitants enters the new millennium, Laredo will continue to shape the destiny of the region. Tremendous efforts are underway to maintain a competitive business environment. In this regard, extensive participation by the business community will hallmark how well we are prepared to address both the increase in growth and commerce.

The Laredo Chamber of Commerce, over 750 members strong, has a vision and goal to foster the ongoing betterment of the community and region as well as encourage and promote the maintenance of a competitive business sector. There are three prime factors that bode well for the future of Laredo: first is the growing active work force, second the continued diversification of all economic sectors, and third, a significant public-private infrastructure initiative to enhance all areas of the region's transportation corridors and support services.

The 2001 Vision Conference intends to focus on the dynamic commercial viability of the city and the traditional linkages with counterparts in Mexico and the South Texas region. The membership of the Laredo Chamber of Commerce looks forward to continued regional and transnational cooperation. Thus, this publication is a snapshot of Laredo's recent growth and trade activities.

## Border Employment in the 90s

By J. Michael Patrick, Director, Texas Center for Border Economic and Enterprise Development
Texas A&M International University

### Composition and Rate of Growth

Texas border counties experienced strong employment growth in the 1990s, adding roughly 70,000 new jobs. Explosive population growth and NAFTA were the major factors shaping the composition and rate of growth in employment in the region during the decade. Population in the border region grew 26.3 percent between 1990 and 1999, compared to 17.3 percent for the State. The border metropolitan counties of Cameron (Brownsville MSA), Hidalgo (McAllen MSA), Webb (Laredo MSA), and El Paso (El Paso MSA), comprising 90.1 percent of the region's population in 1999, grew 27.0 percent compared to 19.7 percent for the non-metropolitan counties. The Laredo MSA had the highest growth rate at 48.9 percent.

Employment in the border metropolitan areas increased 13.4 percent between 1994 and 1999, compared to 18.1 percent for the State (Table 1). Not all sectors enjoyed employment gains, however. Indeed a few sectors lost jobs. During the period, the border metropolitan areas gained 68,014 jobs and lost 11,759, for a net gain of 56,255 jobs. The fastest gaining sectors were construction (36.4 percent), services (32.4 percent), and transportation and public utilities (27.9 percent). The slowest growing sectors were

**(Continued on page 11)**

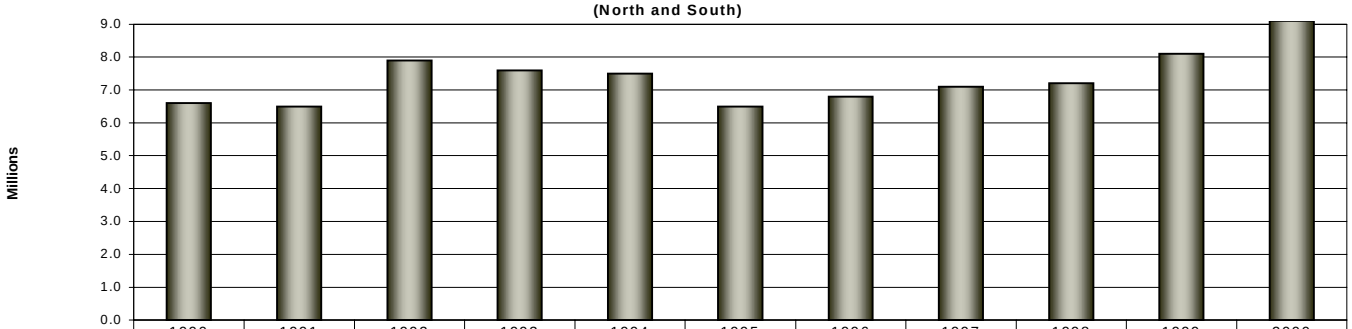
# International Trade and Commerce

2000 was a good year for international trade and commerce in Laredo. Although a few indicators were off slightly (vehicle and truck crossings), others were up (pedestrian and rail crossings, international air cargo landings, and local bridge revenues). Laredo also remained the border port of choice for U.S.-Mexico overland merchandise trade accounting for 41.2 percent of all shipments.

In 2000, 9.1 million pedestrians, 16.8 million vehicles, 2.9 million trucks, and 336 thousand railcars crossed the U.S.-Mexico international boundary at Laredo, compared to 8.1 million pedestrians (Figure 1), 17.1 million cars (Figure 2), 2.8 million trucks

## Pedestrian Crossings

**Figure 1**
**Pedestrian Crossings at Laredo**
**(North and South)**




| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Pedestrians | 6.6 | 6.5 | 7.9 | 7.6 | 7.5 | 6.5 | 6.8 | 7.1 | 7.2 | 8.1 | 9.1 |

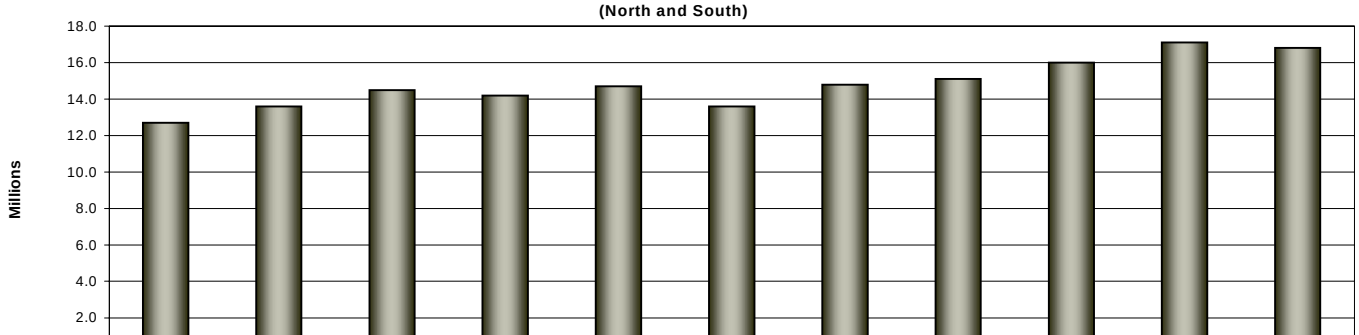
Source: Laredo Bridge System and Mexico's Oficina de Caminos y Puentes' data compiled by Texas Center at Texas A&M International University.

(Figure 3), and 284 thousand railcars crossing (Figure 5) in 1999. The Laredo International Airport reported 459.0 million pounds of landed weight in 2000, compared to 395.0 million pounds (Figure 6) in 1999. The Laredo Bridge System posted $28.9 million in revenues in 2000, up from $210.7 (Figure 10) in 1999. The 1990-2000 figures clearly mark Laredo's extraordinary growth in international trade and commerce over the past decade — pedestrian crossing up 37.9 percent, vehicle crossings up 32.3 percent, truck crossings up 314.3 percent, railcar crossings up 242.1 percent, landed air cargo weight up 897.8 percent, and bridge revenues up 191.9 percent.

After 10 years of continuous economic growth, the U.S. economy began showing signs of a slow down in late 2000. While a recession is by no means a certainty, slower economic growth in the coming months is expected for the U.S. economy. The slow down will have a damping effect on U.S.-Mexico trade and will likely be felt in Laredo and other Texas border cities where traditional international trade and commerce indicators, such as border crossings, will grow at slower than accustomed rates or may even go flat for a period.

## Vehicle Crossings

**Figure 2**
**Vehicle Crossings at Laredo**
**(North and South)**




| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Vehicles | 12.7 | 13.6 | 14.5 | 14.2 | 14.7 | 13.6 | 14.8 | 15.1 | 16.0 | 17.1 | 16.8 |

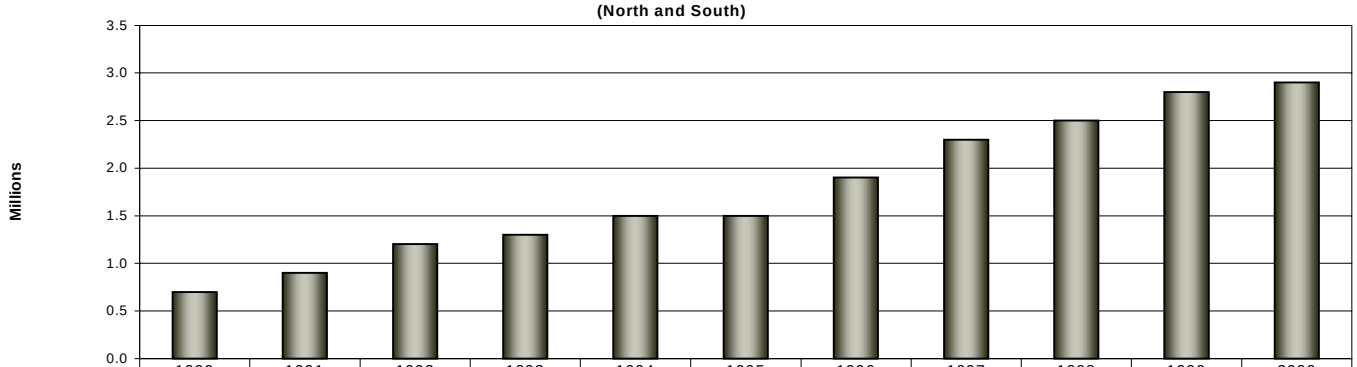
Source: Laredo Bridge System and Mexico's Oficina de Caminos y Puentes' data compiled by the Texas Center at Texas A&M International University.

In 2000, Laredo led Texas ports of entry in southbound vehicle crossings, with 22.9 percent of the total crossings; and was the second largest port of entry, behind El Paso, in northbound vehicle crossings with 19.0 percent of the total. Laredo was first among Texas' ports of entry for southbound truck and rail crossings with 48.3 percent and 61.7 percent of the total, respectively. Laredo was also first in northbound truck and rail crossings with 62.5 percent and 73.0 percent of the total, respectively. With respect to south and northbound pedestrian crossings, Laredo was the second largest port of entry, behind El Paso, with 21.7 percent and 25.7 percent of the total, respectively.

Laredo is the largest port of entry for trade on the U.S.-Mexico Border.

## TRUCK CROSSINGS

**Figure 3**
**Total Truck Crossings at Laredo**
**(North and South)**



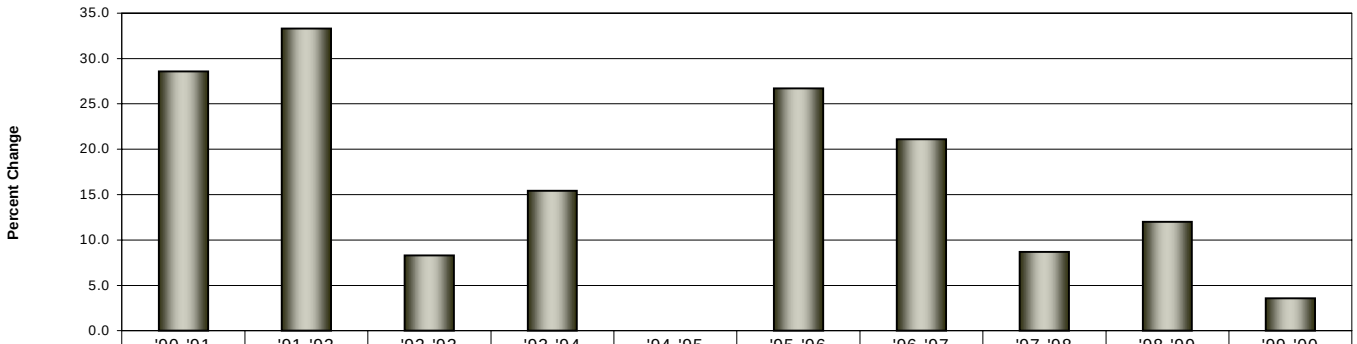

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Trucks | 0.7 | 0.9 | 1.2 | 1.3 | 1.5 | 1.5 | 1.9 | 2.3 | 2.5 | 2.8 | 2.9 |

Source: Laredo Bridge System and U.S. Customs Service's data compiled by the Texas Center at Texas A&M International University.

According to the U.S. Department of Transportation, roughly 83.0 percent of U.S.-Mexico trade by dollar value moves by truck and rail. In 2000, the Laredo port of entry accounted for roughly 41.2 percent of the total value in trade, making it one of the busiest ports of entry for overland merchandise trade in the hemisphere. In 2000, Laredo processed over 8,000 trucks daily. If the total number of trucks processed for the year were lined up bumper-to-bumper, they would stretch from Mexico City to a point 87 miles north of Kansas City, MO.

Because of the large volume of traffic moving through Laredo, the port has been selected by the U.S. Customs Service as the testing site for two new programs —*The North American Trade Automation Program (NATAP)*, and the *National Customs Automation Program (NCAP)*. Both programs are designed to improve the efficiency and speed of processing shipments at border crossings. To handle the growing volume of overland trade, Laredo opened its 4th international bridge (World Trade Bridge) in April 2000. Discussions are underway regarding a possible 5th international bridge. The Camino Colombia toll road opened, connecting the Colombia Solidarity Bridge to Interstate 35 at a point 23 miles north of downtown Laredo, giving truckers and passenger vehicles an alternative to the increasingly congested Laredo streets.

**Figure 4**
**Annual Percent Change in Total Trucks**




| | '90-'91 | '91-'92 | '92-'93 | '93-'94 | '94-'95 | '95-'96 | '96-'97 | '97-'98 | '98-'99 | '99-'00 |
|---|---|---|---|---|---|---|---|---|---|---|
| % Change | 28.6 | 33.3 | 8.3 | 15.4 | 0.0 | 26.7 | 21.1 | 8.7 | 12.0 | 3.6 |

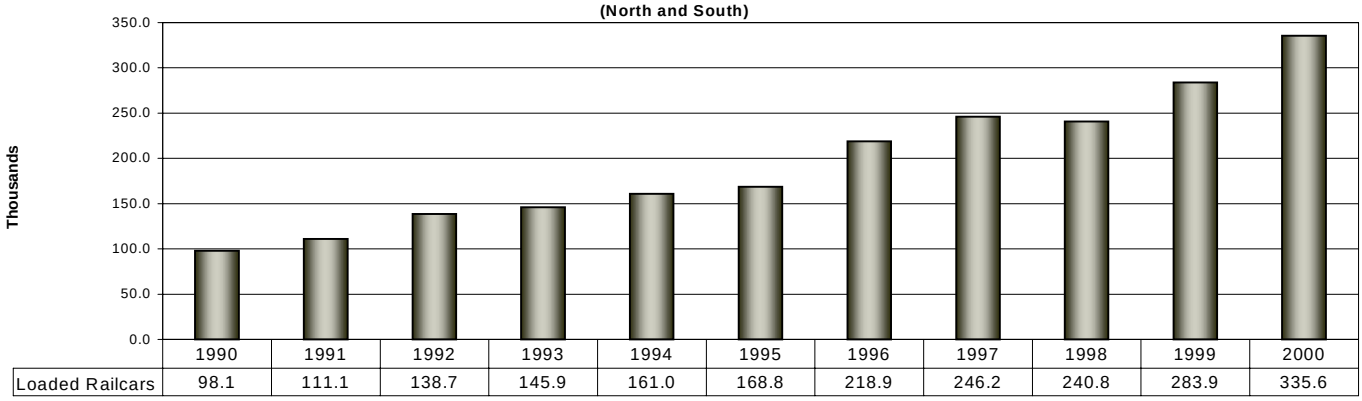
Source: Laredo Bridge System and U.S. Customs Service's data compiled by the Texas Center at Texas A&M International University.

In an attempt to capture the full benefits of increased trade with the U.S., Mexico is privatizing many assets previously held by the public sector, including the railroads. More than $1.0 billion (U.S.) will be invested over the next five years to upgrade and improve Mexico's stock of locomotives and rail cars. In addition, a consortium involving *Transportación Ferroviaria Mexicana (TFM)*, *Kansas City Southern Industries*, the *Texas Mexican Railroad*, and *Transportes Maritima Mexicana*, has committed to upgrade and modernize rail service between Laredo and Mexico City.

Rail car switching yard in Laredo.

## RAILROAD CROSSINGS

**Figure 5**
**Loaded Railcar Crossings at Laredo**
**(North and South)**




| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Loaded Railcars | 98.1 | 111.1 | 138.7 | 145.9 | 161.0 | 168.8 | 218.9 | 246.2 | 240.8 | 283.9 | 335.6 |

Source: Data provided by railroad companies and compiled by the Texas Center at Texas A&M International University.

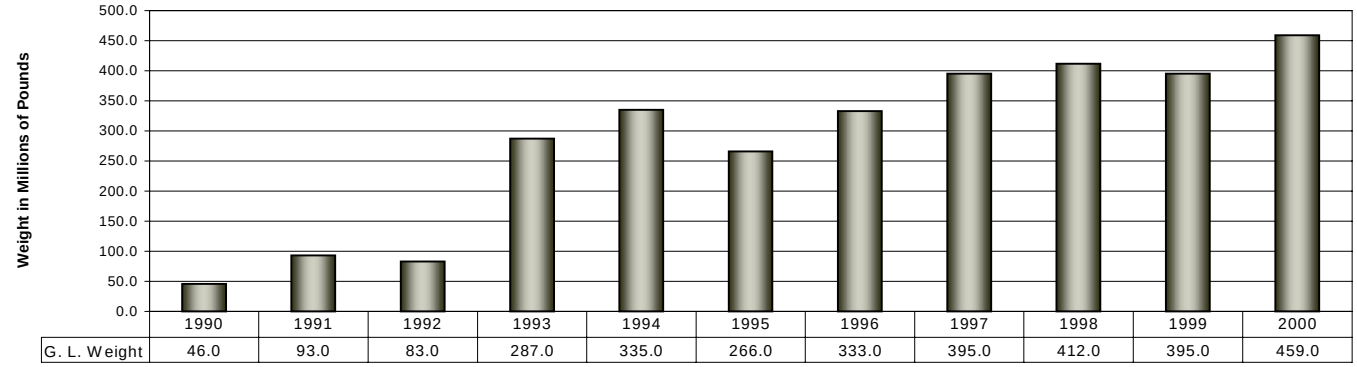
The sharp increase in *international air cargo* handled through the Laredo International Airport is another indicator of the growth taking place in the region. For 2000, the airport reported gross landed weight of 459.0 million pounds, up 19.0 percent from 1999. Between 1990 and 2000, Laredo's international airport reported an 897.8 percent increase gross landed weight (Figure 6).



The landed weight for 2000 is 459.0 million pounds.

## INTERNATIONAL AIR CARGO

**Figure 6**
**Gross Landed Weight at Laredo International Airport**
**(Millions of Pounds)**




| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| G. L. Weight | 46.0 | 93.0 | 83.0 | 287.0 | 335.0 | 266.0 | 333.0 | 395.0 | 412.0 | 395.0 | 459.0 |

Source: Data provided by the Laredo International Airport.

## LAREDO: LEADING U.S. PORT OF ENTRY

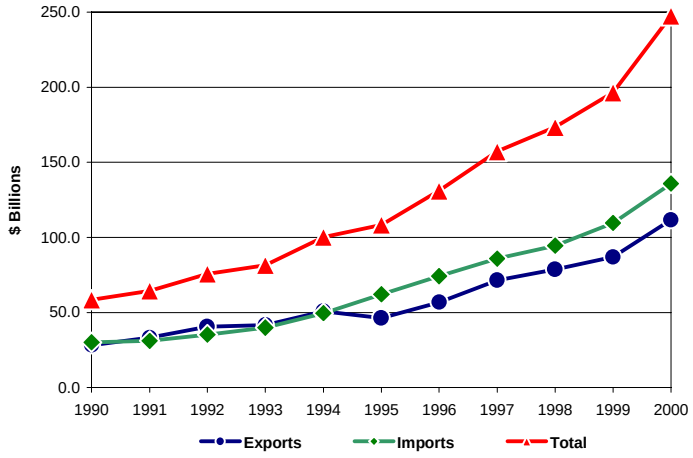
The Laredo port of entry accounts for roughly 40.0 percent of total value of U.S.-Mexico overland merchandise trade, according to the U.S. Department of Commerce. In 2000, the Laredo port of entry accounted for more than twice the amount of U.S.-Mexico trade ($84.2 billion), than did its nearest competitor, El Paso ($39.9 billion) (Table 1). Between 1999 and 2000, the dollar value of U.S.-Mexico overland trade increased 26.0 percent (Figure 7A & 7B). The share of U.S.-Mexico trade passing through Texas ports of entry increased 24.0 percent in 2000 (Figure 7B). At the same time, shipments moving through the Port of Laredo increased 30.0 percent in 2000 (Figure 8) Laredo's share of total border port activity in 2000 increased to 41.2 percent, up from 39.1 percent in 1999 (Figure 9). Motor vehicles, and motor vehicle parts and accessories continue to account for the largest share of exports and imports through the Laredo port of entry, followed by electrical and electronic components and materials.

Continued strong growth in U.S.-Mexico trade flowing through the Laredo port of entry has stirred concerns that under staffing of U.S. Customs' personnel at the bridges will stifle trade and negatively impact the Laredo economy. Local officials are working closely with U.S. Customs to solve the problem.

**Table 1**
**2000 Total Imports and Exports, U.S. Dollars**

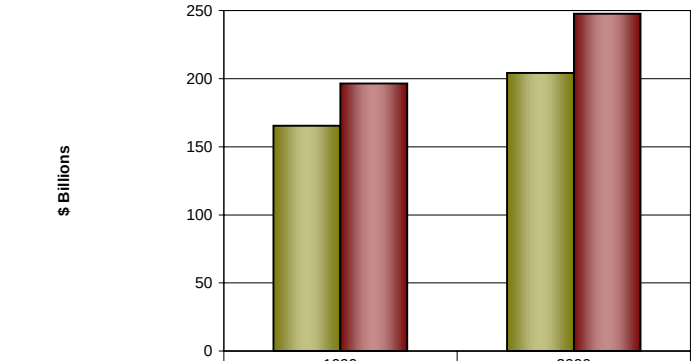
| | |
|---|---|
| **Laredo, TX** | **84,172,526,912.00** |
| El Paso, TX | 39,857,521,657.00 |
| Otay Mesa Station, CA | 18,826,304,383.00 |
| Nogales, AZ | 13,631,923,544.00 |
| Hidalgo, TX | 12,593,676,827.00 |

**Figure 7A**
**Total U.S.-Mexico Trade 1990- 2000**




Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C.

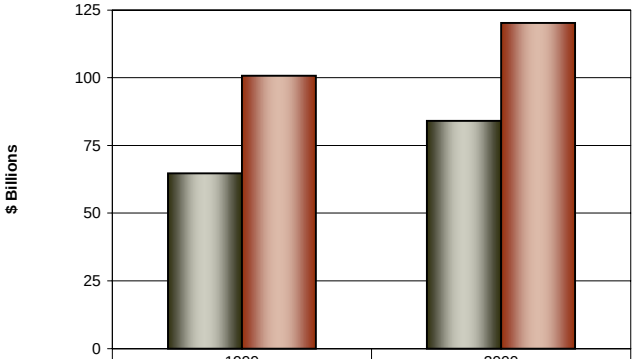
**Figure 7B**
**Total U.S.-Mexico Trade Handled at U.S.-Mexico Border Ports**
**1999 vs. 2000**




| | 1999 | 2000 |
|---|---|---|
| Total Trade via Border Ports | 165.4 | 204.3 |
| Total U. S.-Mexico Trade | 196.5 | 247.8 |

Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

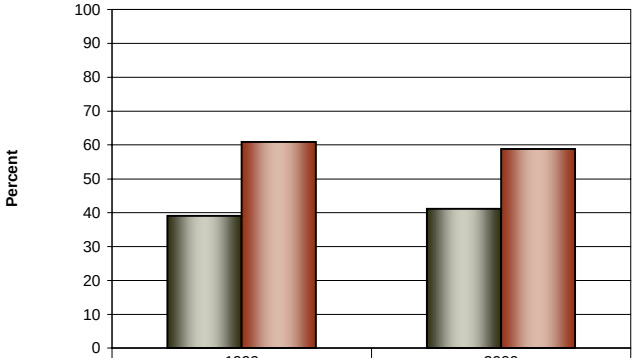
**Figure 8**
**U.S.-Mexico Border Trade Activity**
**1999 vs. 2000**




| | 1999 | 2000 |
|---|---|---|
| Port of Laredo | 64.7 | 84.1 |
| Other Border Ports | 100.7 | 120.2 |

Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

**Figure 9**
**Laredo's Share of U.S.-Mexico Total Border Trade Activity**
**1999 vs. 2000**




| | 1999 | 2000 |
|---|---|---|
| Port of Laredo | 39.1 | 41.2 |
| Other Border Ports | 60.9 | 58.8 |

Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

# Deregulation of the Electricity Industry*

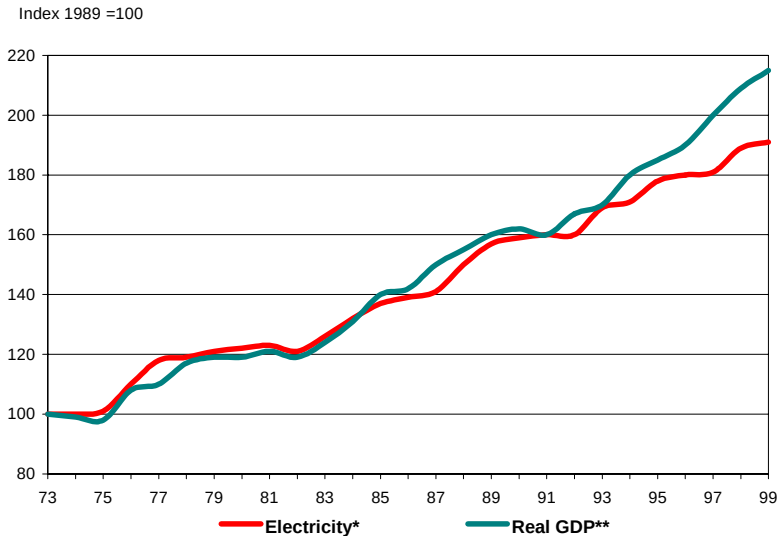
## Importance of Electricity

Electricity operates homes, offices, and industries; provides communications, entertainment, and medical services; powers computers, technology, and the Internet; and runs various forms of transportation.

U.S. economic prosperity is closely linked to electricity growth (see Graph 1). Since the end of World War II, growth in electricity use has coincided with growth in the domestic product (GDP) — our nation's gauge of economic health. Today, the U.S. economy relies more than ever on electricity, as evidenced by the ongoing growth of the digital revolution.

In response to mounting concerns that the nation's supply of electricity is not keeping pace with demand, policy makers have turned to deregulation of the electricity industry.

**Graph 1**
**Our Nations Economic Growth is Closely Linked to Electricity**
**1973-1999**




Source: *Energy Information Administration & **U.S. Dept. of Commerce, Bureau of Economic Analysis

## Benefits of Deregulation

The goal of deregulation of the electricity industry is to provide a reliable, affordable long term source of power for America. A recent study by economists at Clemson University found that deregulation of the electric power industry could save consumers, industry, and especially small businesses millions as competition drives down prices and improves quality. Using national data, they estimate that a typical consumer's monthly electric bill would drop by 43.0 percent. According to the Food Marketing Institute, electricity expenses consume 4.0 percent of a typical grocery store's net sales. The National School Board Association projects deregulation will save America's schools as much as 35.0 percent on their electric bills. GM estimates electricity expenses increase the sticker price of a new vehicle it sells in the U.S. by $700.

Currently, 24 states, and the District of Columbia, representing 62.0 percent of the nation's population, have adopted plans to restructure retail electricity markets. Nearly half of the country is in the process of implementing competition in the retail end of the electricity industry, and the other half is making decisions on how, when, and whether to do so.

## Supply Lagging Behind Demand

In 1990, the North American Electric Reliability Council (NERC) estimated that national demand for power would grow at 1.8 percent annually; in actuality, the rate has been closer to 3.0 percent. Some parts of the country are growing faster. Meanwhile, the Energy Information Administration (EIA), in its annual outlook report for 2001, raised its own projections of electricity demand for the next 20 years because of projected increases in economic growth. To meet demand growth, EIA argues that 1,310 new generation plants will have to be built by 2020.

In the 1970s and 1980s, when economic growth was relatively sluggish, the U.S. had power surpluses. During this period, a number of factors led to a virtual standstill in the construction of new electricity generation and transmission capacity. Utility companies had to meet increasingly stringent federal, state, and local environment laws in the production and transporting of electricity. Also entering the picture was growing public opposition to massive hydroelectric dams, coal burning plants, nuclear facilities, transmission lines and substations. Finally, many state regulators trying to keep consumer rates down, often disallowed the costs of some excess capacity and did not allow utilities to recover, in rates, all of the costs for building new power plants and transmission-distribution facilities. As a consequence, supplies of electricity have reached dangerously low levels.

Between 1978 and 1992, America's utilities had reserve margins that averaged between 25.0 and 30.0 percent to meet emergency demand situations. Since 1992, the reserve margin has dropped significantly to less than 15.0 percent, nationwide. Some states have experienced brown-outs for years and now are facing rolling black-outs

## Stimulating Electricity Generation

In 1996, in an effort to stimulate increased supplies of elec-

tricity, the Federal Energy Regulatory Commission (FERC) established a framework for the competitive marketing of electricity. Subject to the plans adopted by the states, consumers will be able to choose their electricity generation supplier. Competition for consumers, it is believed, will eventually lead the industry to expand production and the supply of electricity. To promote fair and open electric competition, the FERC, issued orders to allow all companies wishing to sell electricity to use existing transmission lines to deliver it to their customers.

Today, more suppliers are trying to put more electricity on existing transmission lines, challenging the limits of their capacity. The problem is that most transmission systems are not designed to be electrical "superhighways" for delivering large amounts of electricity over long distance or supporting the ever-expanding competitive trade of wholesale power (i.e., the sale of power from one utility or power provider to another for resale to the end-use customer). For example, in 1995, according to the Edison Electric Institute, there were 25,000 transactions where electricity was sold from one region to another. Last year, the number hit 2.0 million. In a number of areas, like California and New York, the transmission lines are carrying all the power they can.

The ultimate solution to the transmission capacity constraint is to build more transmission lines and to upgrade existing ones. Unfortunately, building new transmission lines is difficult. Obtaining approvals from many state and federal agencies can become complex and time consuming. Building new generation facilities can also be difficult because of regulatory and social concerns. For example, construction time for new power plants can range from 11 months to 20 months, depending on the plant. However, when the time to obtain permits is added, the time can range from 2 years, as in Texas, to as long as 4 years, as in California.

States that have committed to move forward with customer choice have had to balance the substantial stockholder interests of customers, alternate suppliers, and incumbent utilities, among others. They also have had to deal with a confluence of needs represented by state and federal legislators, regulators, and agencies empowered under various authorities.

## Deregulation of Electricity in Texas

In January 2002, Texas will launch a bold experiment when the State allows consumers to choose their retail electricity provider (REP). Consumers will be able to shop for a REP with confidence knowing that all REPs are certified by the Public Utility Commission of Texas as qualified to provide electricity in Texas.

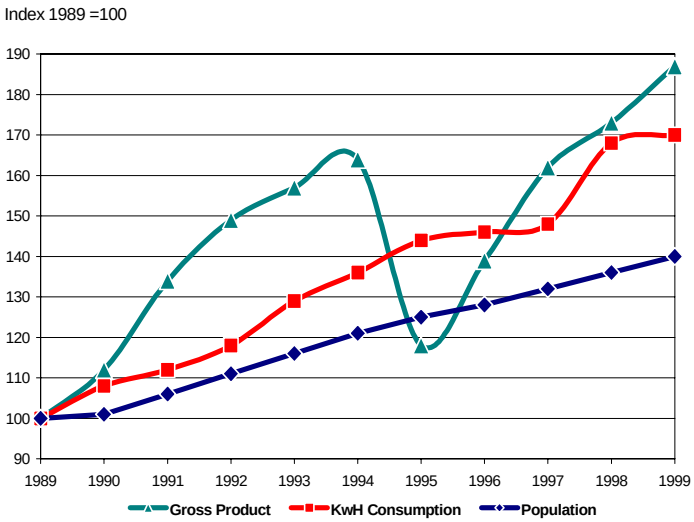
For consumers, the most immediate concern about deregulation will be how it will affect their electricity bill. Advocates of deregulation predict it will reduce retail electric rates. Unfortunately, rates probably will not drop as much as consumers may have been led to expect. This is because the consumer's electric bill is actually made up of three bills — and deregulation impacts only one of them.

The three parts of the consumers electric bill are generation, transmission, and distribution. Electric deregulation changes how power generation will be bought and sold. It does not change how electricity will be transmitted or distributed. For some consumers, deregulation could result in higher rather than lower electric bills as rising transmission and distribution costs offset lower generation costs.

## Laredo's Demand for Electricity

The positive relationship between electricity use and economic development evident at the national level also holds true for Laredo (see Graph 2). Between 1989 and 1999, Laredo's KwH consumption of electricity increased 70.0 percent. At the same time, Laredo's total gross sales for all industries increased 87.0 percent. Another factor contributing to higher electricity use has been Laredo's strong growth in population, increasing by 40.0 percent.

**Graph 2**
**Laredo's Growth in**
**Gross Product, KwH Consumption & Population, 1989-1999**




Source: Data complied by the Texas Center and data from the Bureau of the Census 1989-99

## Deregulation Pitfalls

Deregulation seeks to increase the nation's supply of reliable, affordable electricity by changing the rules and incentives that govern its generation and sale. Implementing deregulation is not without its pitfalls, however. Witness California's recent experience. The wholesale price of electricity was deregulated but the retail price was not. Rising demand and short supplies sent the wholesale price of electricity soaring by 900.0 percent. Unable to pass the higher cost on to their retail consumers, California's utilities quickly found themselves in serious financial difficulties. *V*

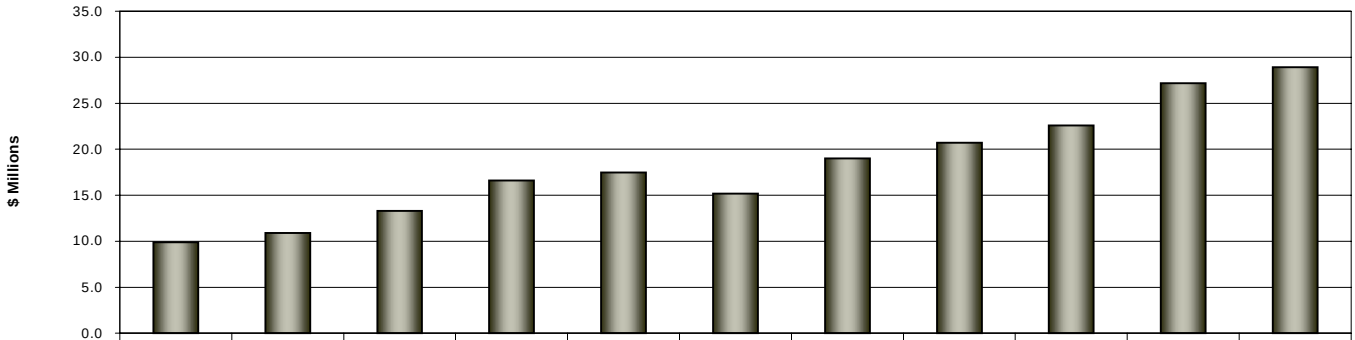
* The Edison Electric Institute is a good source for information on the deregulation of the U. S. electricity industry.

*By J. Michael Patrick, Director, Texas Center for Border Economic and Enterprise Development, Texas A&M International University*

Reflecting the overall growth in the volume of international trade and commerce, Laredo's local *bridge revenues* have steadily increased over the years, reaching a record high of $28.9 million, up $1.7 million from 1999 (Figure 10). Local *bridge revenues* are an important source of revenue for local government.

### BRIDGE REVENUES

**Figure 10**
**Bridge Revenues for Laredo**




| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | 9.9 | 10.9 | 13.3 | 16.6 | 17.5 | 15.2 | 19.0 | 20.7 | 22.6 | 27.2 | 28.9 |

Source: Laredo Bridge System data compiled by the Texas Center at Texas A&M International University.

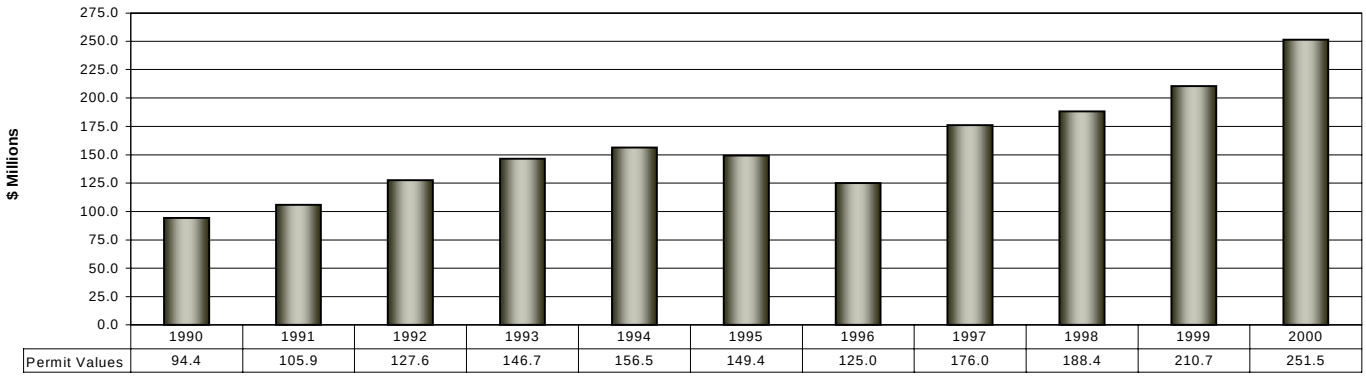
## Local Economic Activity

Laredo has enjoyed continuous growth in its *construction* sector throughout the 1990s. Annual building permit values have increased at the rate of 15.1 percent per year between 1990 and 2000 (Figure 11), reflecting the strong growth in population and economic activity in the area. 2000 *building permit values* reached a record high of $251.5 topping the previous high of $210.7 million set in 1999.

The outlook is for a robust Laredo construction sector over the next several years, with plans for new construction, expansions, and improvements in the community's infrastructure, including, hospitals, ambulatory health care facilities, elementary schools, middle schools, high schools, and the local university and college. In addition, continued construction on international bridge infrastructure, warehousing facilities, residential and commercial properties, major highways and streets will extend the construction boom. For example, in 2001, TxDOT has scheduled $79.4 million in projects for Laredo, FINSA Development Corporation has plans to build a $10.0 million industrial park adjacent to the new World Trade Bridge, Killam Industrial Park and East Point Industrial Park are planning multi-million dollar expansions, Convergys Corporation, a Standard and Poor's 500 Company, will invest millions in a new telecommunications center, Laredo Community College plans to break ground on a $50 million second campus, and construction on the new multi-million dollar Laredo Campus Extension of the University of Texas Health Science Center at San Antonio is expected to get underway. Also in 2001, Texas A&M International University will be well into the

### BUILDING AND CONSTRUCTION

**Figure 11**
**Laredo Building Permit Values**




| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Permit Values | 94.4 | 105.9 | 127.6 | 146.7 | 156.5 | 149.4 | 125.0 | 176.0 | 188.4 | 210.7 | 251.5 |

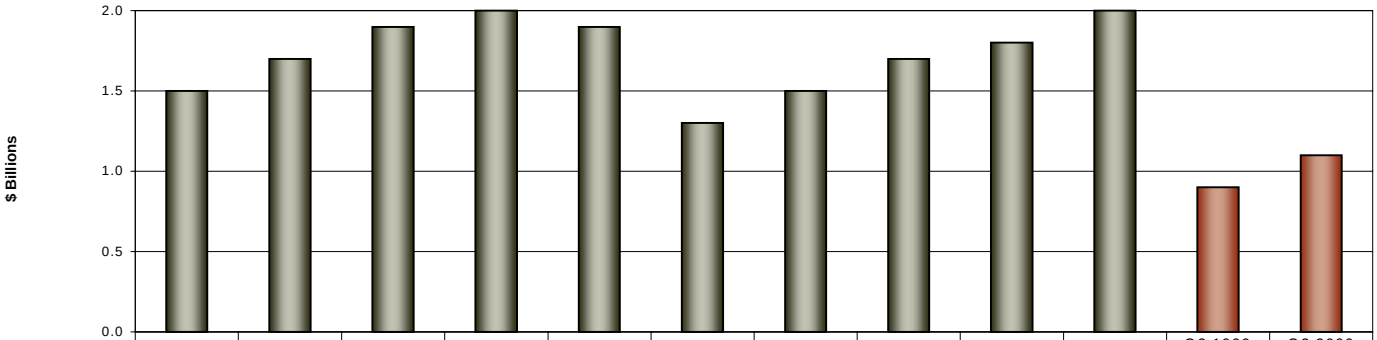
Source: City of Laredo's data compiled by the Texas Center at Texas A&M International University.

$49.5 million dollar Phase III Construction of its campus; and, construction on a new $35.0 million Laredo Entertainment Center will start.

According to the Texas Workforce Commission, Laredo's fastest growing sectors during the 1990s were transportation, communications, and utilities, up 77.0 percent; construction, up 65.6 percent; and services, up 64.0 percent. Health services added 4,063 new jobs during the 1990s, followed by transportation services with the addition of 2,990 new jobs. Trucking and warehousing added 2,085 new jobs.

## RETAIL SALES

**Figure 12**
**Laredo Retail Sales**




| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | Q2 1999 Y-T-D | Q2 2000 Y-T-D |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Retail Sales | 1.5 | 1.7 | 1.9 | 2.0 | 1.9 | 1.3 | 1.5 | 1.7 | 1.8 | 2.0 | 0.9 | 1.1 |

Source: Texas Comptroller of Public Accounts

Local and cross-border retail sales constitute a major component of Laredo's economy. Retail sales account for over 50.0 percent of total sales, and provide income and employment to over a quarter of the area's residents. Notwithstanding a 31.0 percent decline in 1995 following the peso devaluation, Laredo's *retail sales* grew a healthy 33.3 percent between 1990 and 1999. Retail sales, for 2000 year-to-date, are running 22.0 percent ahead of 1999 and will likely top $2.4 million by year's end (Figure 12).

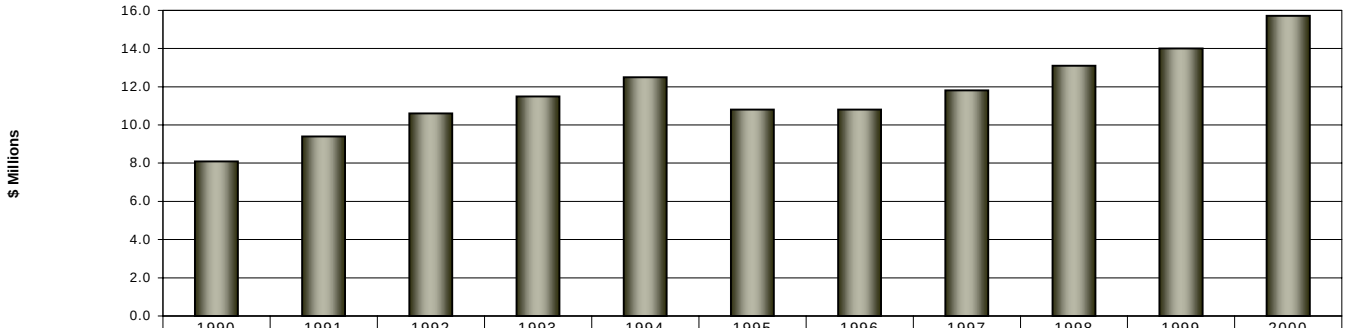
*Sales tax rebates*, along with international bridge revenues, are an important source of revenue for local government. Sales tax rebates grew by 72.9 percent between 1990 and 1999. Following the December 1994 peso devaluation, Laredo's sales tax rebates dropped 13.6 percent from its previous record high in 1994 (Figure 13). By 1999, however, sales tax rebates fully recovered their lost ground. Sales tax rebates for 2000 posted a 12.1 percent gain over 1999 bringing in $15.7 million for the year (Figure 13).

## LOCAL INCOME

Bridge system revenues and retail sales tax rebates are important sources of local revenue. Between 1990 and 2000, funds available to the City of Laredo from these sources grew 153.0 percent, from $18.0 million to $45.6 million. On a per capita basis,

## SALES TAX REBATES

**Figure 13**
**Sales Tax Rebates for Laredo**




| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales Tax Rebates | 8.1 | 9.4 | 10.6 | 11.5 | 12.5 | 10.8 | 10.8 | 11.8 | 13.1 | 14.0 | 15.7 |

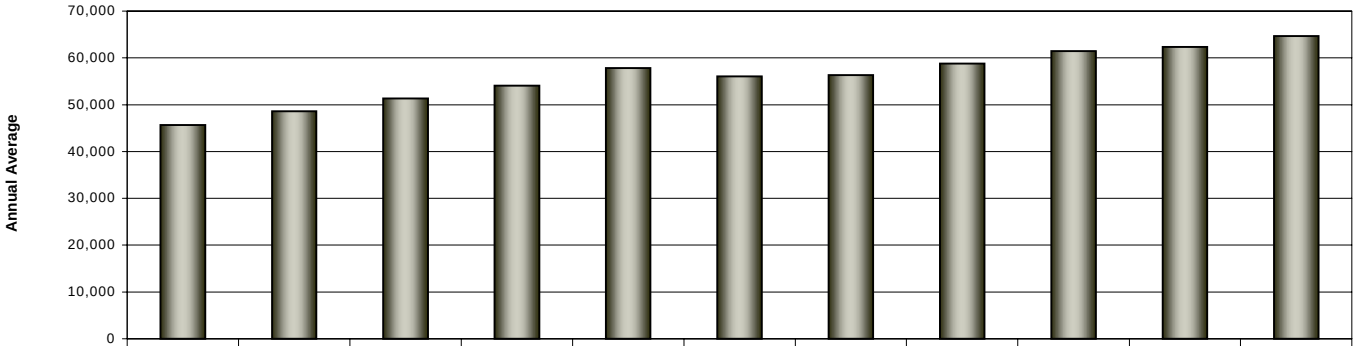
Source: Texas Comptroller of Public Accounts

the dollars available to Laredo from these two sources rose from $133.83 (1990) to $258.21(2000) per resident. Laredo's economic growth, driven by expanding trade and commerce, has clearly proven to be an important source of local revenue.

A measure of the strength of a local economy is its ability to generate jobs. Between 1990 and 2000, Laredo's robust economy created 19,004 *new jobs* (Figure 15). Laredo's 41.6 percent increase in jobs during this time period compares favorably to the State's job creation rate of 32.4 percent. Laredo's unemployment rate continued to improve in 2000, dropping to 6.9 percent from 8.1 percent for 1999. Clearly, Laredo's economy is capable of generating jobs. The city's rapid growth in population (3.3 percent per annum compared to 1.8 percent for the State) is making it difficult to reduce unemployment much below its current level. The number of new job seekers in the Laredo economy is much higher, percentage wise, than for the State as a whole. Ironically, it would seem that Laredo's economic success is the source of its unemployment problem. The more jobs it creates, the more new job seekers it attracts.

## EMPLOYMENT

**Figure 14**
**Laredo Employment**




| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Employment | 45,714 | 48,601 | 51,314 | 54,107 | 57,848 | 56,022 | 56,317 | 58,757 | 61,476 | 62,355 | 64,718 |

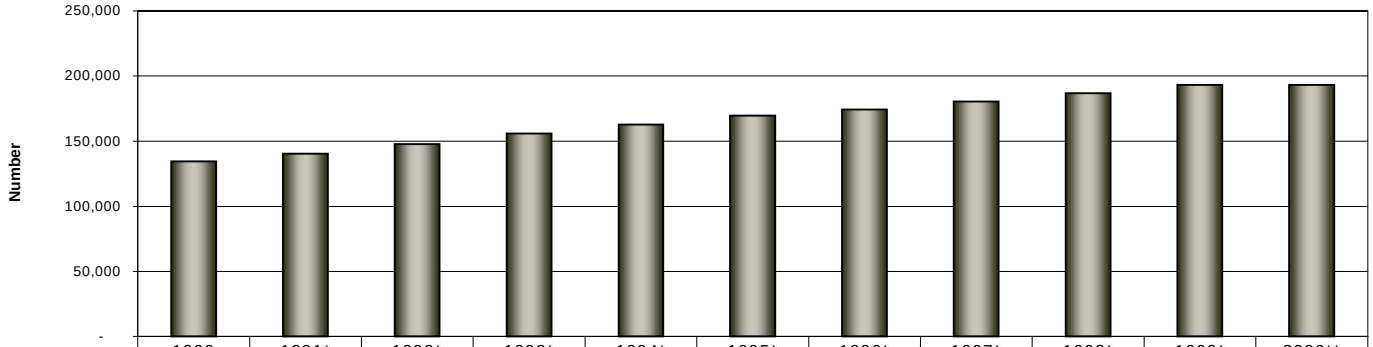
Source : Texas Workforce Commission data compiled by the Texas Center at Texas A&M International University.

According to the U.S. Census Bureau, in 2000 Laredo's population stood at 176,576 (MSA population at 193,711). Although this figure is roughly 25,000 less than local officials estimate, Laredo remains the second fastest growing city in the U.S., behind Las Vegas, Nevada. Laredo's annual *population* growth rate of 3.3 percent, over the past decade, has been roughly twice the State of Texas rate of 1.8 percent. With the expansion of U.S.-Mexico trade and continued economic integration likely in the coming years, Laredo can expect to remain one of the fastest growing metropolitan areas in the nation. The Texas State Data Center projects that Laredo's population will reach 400,000 by 2030. *v*

Laredo is the 2nd fastest growing city in the U.S.

## POPULATION

**Figure 15**
**Laredo MSA Population**




| | 1990 | 1991* | 1992* | 1993* | 1994* | 1995* | 1996* | 1997* | 1998* | 1999* | 2000** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Population | 134,517 | 140,492 | 147,823 | 155,747 | 162,834 | 169,715 | 174,365 | 180,370 | 186,798 | 193,180 | 193,117 |

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis' population figure for 1990 and *estimates for 1991-99.
** U.S. Census Bureau, Census 2000 Redistricting Data (Public Law 94-171) Summary File, Matrices PL1, PL2, PL3, and PL4.

mining (-38.2 percent), agriculture (-20.6 percent), and manufacturing (-10.1 percent) (Table 1).

## Gainers and Losers

Specific job gaining and job losing categories for the period are presented in Table 2. The pattern of job gains and losses reflects the changes taking place in the region. The sharp increase in population growth during the 1990s sparked a strong demand for health services and social services, in general. The increase in population also gave a strong boost to the construction industry, as additional schools, hospitals, and homes have been built to accommodate the growing demand.

The impact of NAFTA is also clearly reflected in the numbers. The increase in demand for transportation services, trucking and warehousing, as well as business services, has been in response to the sharp increase in trade between the two countries. NAFTA has also given an added boost to the construction industry as new bridges, port facilities, roads, and warehousing have been built to handle the enormous increase in merchandise flowing through the region.

As expected, NAFTA has had a negative impact on certain job categories, particularly those that are labor intensive and subject to wage competition, such as agriculture, apparels, food & kindred products, and other manufactured goods.

The border region has long lagged behind the state in terms of employment and income opportunities. NAFTA and strong population growth has fueled new economic activity in the region, helping to narrow the gap. Nevertheless, much remains to be done. For example, in 1999, after a decade of strong economic growth, unemployment in the border region was roughly twice that of the state (10.6 percent vs. 4.6 percent); average weekly wages in the border region ($388.05) were only 64.2 percent of the state average ($604.48); and border per capita income was roughly 56.0 percent of the state ($14,234 vs. $25,369).

In summary, notwithstanding the importance of the employment gains in the border region in the 1990s, wages and incomes remain substantially below state averages. One could suggest a number of contributing factors including a surplus labor pool and a mix of low-paying industries in the region. Low levels of education attainment is probably a more important factor, however. Education specialists estimate that in 1999 roughly 57.0 percent of adults 25 years of age and older in the border region had graduated from high school compared to 75.0 percent for the state; and, only 14.0 percent had graduated from college compared to 22.0 percent for the state. Why are these graduation rates so important? According to 1999 figures published by the U.S. Census Bureau, the mean annual earnings for someone with a high school degree was $29,310 and $51,403 for someone with a college degree. Not withstanding the significant progressive that educators and communities in the region have achieved in raising educational attainment levels in the past, challenges remain. *v*

**Table 1**
**Texas Border MSAs* Employment**

| | 1994 | 1999 | Change Number | Change Percent |
|---|---|---|---|---|
| Agriculture | 13,486 | 10,709 | -2,777 | -20.6 |
| Mining | 3,743 | 2,315 | -1,482 | -38.2 |
| Construction | 19,557 | 26,685 | 7,128 | 36.4 |
| Manufacturing | 74,500 | 67,000 | -7,500 | -10.1 |
| Transportation & Pub. Util. | 29,400 | 37,600 | 8,200 | 27.9 |
| Wholesale Trade | 24,600 | 27,500 | 2,900 | 11.8 |
| Retail Trade | 108,000 | 114,000 | 6,000 | 5.6 |
| Fin. Serv. & Real Est | 18,400 | 21,500 | 3,100 | 16.8 |
| Services | 103,000 | 136,400 | 33,400 | 32.4 |
| Government | 114,400 | 133,400 | 19,000 | 16.7 |
| **Total** | **509,086** | **577,100** | **68,014** | **13.4** |

** Brownsville, McAllen, Laredo, and El Paso MSAs*
Source: Texas Workforce Commission, *http://www.twc.state.tx.us*

**Table 2**
**1994 - 1999**
**Leading Job Categories in Fastest Growing Sectors (Estimates)**

| Sector/Job Category | Increase in Number of Jobs |
|---|---|
| **Services** | |
| Health Services | 9,933 |
| Business Services | 7,701 |
| Eating & Drinking Establishments | 4,857 |
| Social Services | 2,555 |
| **Construction** | |
| Special Trade Contractors | 1,678 |
| Heavy Construction, Ex. Bldg | 728 |
| **Transportation & Public Utilities** | |
| Transportation Services | 2,356 |
| Trucking & Warehousing | 1,615 |

**Losing Job Categories in Slowest Growing Sectors (Estimates)**

| Sector/Job Category | Decrease in Number of Jobs |
|---|---|
| **Agriculture** | |
| Production & Ranching | 1,299 |
| Agricultural Services | 2,087 |
| **Mining** | |
| Oil & Gas Exploration | 1,282 |
| **Manufacturing** | |
| Apparel & Other Textile Products | 5,760 |
| Food & Kindred Products | 602 |
| Stone, Clay & Glass Products | 251 |
| Electronic & Other Electric Equipment | 215 |
| Furniture & Fixtures | 203 |
| Leather & Leather Products | 162 |
| Fabricated Metal Products | 155 |
| Chemicals & Allied Products | 115 |

Source: Texas Workforce Commission, *http://www.twc.state.tx.us*

*"Gateway to Mexico"*

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## Partnership

By J. Charles Jennett, President
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The **Vision 2001: Economic Outlook Report** is a joint effort between the Laredo Chamber of Commerce and Texas A&M International University. The Chamber of Commerce and Texas A&M International University share the common goal of providing business/economic information and analysis to decision makers on a timely basis. We believe that informed decisions taken today by businessmen and women, public officials, and policy makers will determine Laredo's opportunities of tomorrow.

The Laredo Chamber of Commerce and Texas A&M International University are committed to pursuing partnerships, including conferences, workshops, research projects and reports, that will enhance Laredo's ability to meet the challenges and opportunities of the future.

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