



THE CANADIAN CHAMBER OF COMMERCE

LA CHAMBRE DE COMMERCE DU CANADA

*The Voice of Canadian Business™*

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# Finding the Balance:

*Reducing Border Costs While Strengthening Security*



February 2008

# Partnering Organizations

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**Co-Chairs:** Canadian Chamber of Commerce  
U.S. Chamber of Commerce

Air Transport Association of Canada  
American Trucking Associations (ATA)  
Association of International Automobile Manufacturers of Canada  
Binational Tourism Alliance  
Border Trade Alliance  
Buffalo Niagara Partnership  
Business for Economic Security, Tourism and Trade (BESTT)  
Canadian Airports Council  
Canadian American Business Council  
Canadian Chemical Producers' Association  
Canadian Council of Chief Executives  
Canadian Courier and Logistics Association  
Canadian Die Casters Association  
Canadian Federation of Independent Business  
Canadian Industrial Transportation Association  
Canadian International Freight Forwarders Association  
Canadian Manufacturers and Exporters  
Canadian Plastics Industry Association  
Canadian Society of Customs Brokers  
Canadian Trucking Alliance  
Canadian Vehicle Manufacturers' Association  
Canadian Vintners Association  
Canadian/American Border Trade Alliance  
Chamber of Marine Commerce  
Council of the Americas  
Food Processors of Canada  
Grocery Manufacturers Association (GMA)  
Hotel Association of Canada  
I.E. Canada, Canadian Association of Importers and Exporters  
International Association of Exhibitions and Events (IAEE)  
Motor & Equipment Manufacturers Association  
National Business Travel Association (NBTA)  
National Business Travel Association Canada  
National Foreign Trade Council  
Public Border Operators Association  
Québec-New York Corridor Coalition  
Railway Association of Canada  
Retail Council of Canada  
Retail Industry Leaders Association  
Shipping Federation of Canada  
Supply Chain and Logistics Association Canada  
The Capital Corridor  
Tourism Industry Association of Canada

# Executive Summary



Canada and the United States enjoy a special relationship that has been built on shared values developed through the long history of family, friends, and visitors who live on both sides of the border. It facilitates the largest bilateral trading relationship in the world, with approximately \$1.5 billion USD<sup>1</sup> in two-way trade crossing the border on a daily basis. The benefits flowing from this relationship are significant, including approximately 7.1 million jobs in the United States<sup>2</sup> and 3 million jobs in Canada<sup>3</sup>.

Unfortunately, both Canadian and U.S. business communities are expressing a serious and growing concern with the increasing costs and delays associated with crossing the border. While we strongly support the efforts of our governments to protect our two nations against those who threaten our freedoms, we also believe that we can keep our borders closed to terrorism yet open to trade. Ensuring the safety and prosperity of our citizens requires us to work together so that decisions about security and economic policy are mutually reinforcing and balanced and do not serve to unnecessarily disrupt legitimate travel and trade. A 'thick' border, one associated with increasing border-crossing fees, inspections, and wait times, is an expensive border. A sense of frustration exists within the Canadian and U.S. business communities that many practical measures that could reduce border-related costs have yet to be taken.

To address some of these concerns, the Canadian Chamber of Commerce and the U.S. Chamber of Commerce co-chaired a coalition, in close collaboration with members and partnering associations, to collect specific, near-term and practical recommendations on how to reduce Canada-U.S. border-related costs.

This report recognizes and fully embraces post 9/11 security realities. Many of the recommendations seek to increase the participa-

tion in programs that identify known low-risk goods/travelers, allowing border officials to expend their limited resources where they are most needed – on unknown shippers and travelers.

We call on both our governments to implement the recommendations which will increase Canadian and U.S. competitiveness and reduce the unpredictability related to the border. Our current economic climate only amplifies the urgent need for action; action that will deliver a big win for Canadian and U.S. jobs, companies, and a more secure North America.

The active participation by our leaders in the Security and Prosperity Partnership of North America (SPP) initiative clearly demonstrates that both prosperity and security are important to our governments. The SPP workplan set a framework for further trilateral action on border measures and direct business input was provided by the North American Competitiveness Council (NACC). The North American Leaders' Summit in Montebello, Quebec in August 2007 called for "further cooperation in law enforcement, screening, and facilitation of legitimate trade and travelers across our borders."

This report responds to this call for action with specific and practical solutions for the Canada-U.S. border. We have collected industry's top recommendations for cost reductions, many of which have been expressed in other documents.

Many of the recommendations will strengthen participation in trusted shipper and traveler programs that have been designed by our governments to enhance their ability to take a risk-based approach to securing our borders. The more participants in these programs, the more border officials can focus on identifying illegitimate cargo and travelers – the aim of all the security measures. We support these programs. Businesses and travelers,



from both sides of the border, are willing to undertake the often costly investments needed to participate in these voluntary, certified low-risk programs if they benefit from more predictable and expedited border crossings. Businesses have identified a number of needed changes that will enhance the participation in these programs including: establishing goals, with shared metrics, for measuring the success factors that will increase participation; ensuring all government departments and agencies with border requirements are fully implementing the Single Window Initiative or International Trade Data System requirements; mutual recognition between U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) and Canada's Partners in Protection (PIP) trusted shipper programs; elimination of duplicative fees and requirements; establishing a pilot program for expediting shipments from low-risk food producers; and extensive marketing, expansion and wide implementation of the secure NEXUS and People Access Security Service (PASS) programs.

Other measures that will reduce the costs and risks associated with the border are also needed. These include providing 24/7 border access, including all secondary inspections, by fully trained officers at major crossings; further progress on the development of a border contingency plan; rapid implementation of enhanced drivers' licenses; waiving of APHIS fees; establishing a pilot preclearance program for low-risk food importers; rescinding the requirement for individual food health stickers; a Secure Flight Program exemption for Canadian overflights; a harmonized electronic in-transit process; establishment of a Short Sea Shipping pilot project; full rollout of Radio Frequency Identification (RFID) technology at all major crossings; and a work around ensuring minimal disruptions during the Peace Arch border upgrade.

It is important to state that we recognize that a significant contributor to the level of unacceptable burden that has been placed on the movement of legitimate goods, services, and travelers, has been insufficient funding for the border agencies. We clearly state our support for the needed funding for the agencies and departments that must implement the recommended measures.

The focus of this paper is reducing border-related costs in the short term. While not addressed in this report, we do recognize that there is also a pressing need for governments and industry to come together to rethink how we achieve our joint needs for a secure and trade efficient border in the mid to long-term. There are also important issues that fall outside of the mandate of this paper that must be addressed including the urgent need to fund and put in place upgraded border infrastructure, expanding preclearance, and implementing a coordinated clearance and point of departure determination program. While not short term deliverables, it is important that efforts begin in the near term.

The growing global competition and current financial downturn make the adoption of these recommendations essential to ensuring the competitiveness of Canada and the United States. We call on the governments of Canada and the United States to commit to fully deliver on these recommendations within the next 18 months.

The full list of recommendations can be found in 3 List of Recommendations.

<sup>1</sup>U.S. Department of State. 2008. "Background Note: Canada".

<sup>2</sup>Canadian Embassy to the United States. 2006. "State Trade Fact Sheets 2006".

<sup>3</sup>David L. Emerson, Minister of International Trade Canada. October 5, 2007. "Free Trade Works." The Chronicle Herald.

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# 1 The Current Situation



## Impact of Border Delays

Feedback from Canadian and U.S. business shows an increase in border costs and a ‘thickening’ of the border because of increased wait times; direct fees for crossing the border; additional and duplicative border programs; additional costs for participating in trusted shipper and traveler programs; and increased inspection times. The extensive layering of these costs has resulted in a border that is becoming increasingly more expensive to cross for both cargo and travelers.

### Increased Border Wait Times

The summer of 2007 saw the longest delays since 2001 for U.S.-bound traffic at many land-border crossings. Delays of up to three hours were not uncommon even at some border crossings not known for extensive wait times. Yet during 2007, at Ontario–U.S. land crossings, the volume of commercial and passenger vehicles was down almost 4 percent. For example, in August 2007<sup>4</sup>, the Peace Bridge crossing experienced an increase in average inspection time per vehicle from 56 seconds to 74 seconds, a 32 percent increase from the same period in the previous year. With an average of 14,500 vehicle crossings per day, 18 short seconds per vehicle easily turns into hours of delay at each crossing. Average wait times at the Detroit-Windsor Tunnel increased from 13.4 minutes in May 2007 to 23.6 minutes in August 2007. Finally, at the Blue Water Bridge, delays of at least one hour were experienced on 38 days between July 2007 and August 2007. The problem was so severe last summer that the Ontario Ministry of Transportation installed portable toilets along Highway 402 for travelers. Similar examples of increased border

delays can be found all along our shared border.

The cause of these inordinate delays has been attributed to a number of factors, including:

- Inadequate border infrastructure relative to traffic volumes;
- Limited primary inspection lanes being operational during peak hours because of inadequate staffing of Canada Border Service Agency (CBSA) and U.S. Customs and Border Protection (CBP);
- Increased processing times for passenger vehicles;
- Inspections of increased frequency and duration for all cargo and travelers—including those deemed to be low-risk;
- Lack of clarity on admissibility requirements;
- Technological issues with CBP computers, particularly with the recent introduction of the Automated Commercial Environment (ACE) program; and
- Exacerbation of the above challenges by currency fluctuations that increased cross-border shopping.

Increased border wait times have resulted in just-in-time deliveries being unable to meet their crucial deadlines, leading to both interrupted delivery of goods and a cascading effect that disrupts the complex Canada-U.S. supply chain. More disturbing from a long-term competitiveness perspective is that companies have to revert to warehousing inventory systems to ensure timely deliveries across

<sup>4</sup> Public Border Operators Association. 2007.



the border. These costly and inefficient processes have a heavy impact on investment, jobs, and productivity within North America. The business community recognizes its role as a key partner in ensuring a secure North America. Our companies have made significant investments to strengthen the security of their supply chains and to ensure the integrity of their employees. While certain aspects have been successful, this partnership is at risk and trusted shipper and traveler programs are being undermined. Companies participating in trusted shipper and traveler programs have not fully realized stated program benefits. For example, people certified for expedited processing under these programs have been unable to quickly access dedicated lanes because they are blocked by long lines of passenger traffic at border approaches. These lineups also cause extensive delays for commercial trucks that are not eligible for trusted shipper programs.

The negative impacts extend beyond intra-North American supply chains: cross-border healthcare workers have been subjected to lengthy waits; smog levels in border communities have increased significantly because of the thousands of vehicles idling for hours in hot and humid conditions; and the health of livestock have been endangered during long wait times in hot weather.

The increased border-processing times have also had a significant impact on many small businesses and communities on both sides of the border. Tourism, hospitality, shopping, and cultural activities have been seriously affected because casual border traffic in both directions is deterred by long border wait times, the vagaries of customs procedures, and sheer uncertainty of how long the process will take.

## **Direct Fees Applied to Cross-Border Commerce**

Another factor leading to increased costs is the layering of additional direct border-crossing fees. For example, the U.S. Animal and Plant Health Inspection Service (APHIS) fee is applied to cover the cost of inspection for imported fruits and vegetables into the United States. All commercial conveyances and airline passengers must pay the fee, irrespective of the cargo being carried. There is a real concern that more fees may be introduced in both countries. Canada is currently reviewing its user fee system under its Core Services Review program and concern exists that this may lead to increased fees for business for a variety of CBSA programs and services. Furthermore, proposed legislation currently under consideration in the U.S. Congress would restrict all agriculture imports to only a limited number of locations with laboratories operated by the Food and Drug Administration (FDA), significantly driving up costs for many businesses. Perhaps most frustrating is that the new and prospective border fees may also apply to businesses that our respective governments have certified as trusted shippers, or otherwise present a low risk.



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## Cross-Border Programs and Increased Inspection Rates

Businesses from all links of the supply chain are joining trusted shipper and traveler programs such as Free and Secure Trade (FAST), Customs-Trade Partnership Against Terrorism (C-TPAT), Partners in Protection (PIP), Customs Self Assessment (CSA), and NEXUS. While applying for and maintaining certification in these programs is costly, businesses view the cost and effort as worthwhile to gain predictable, expedited border crossings. Certification in these programs can cost a company well in excess of \$100,000 USD. The overall benefits are now being questioned as participating companies are continuously subjected to secondary inspections at the border. One major North American company reported that inspection rates for low-risk shipments entering Canada increased approximately 30 percent in 2007 from the previous year, despite the fact that the company is a longstanding participant in trusted shipper programs. Companies tell us shipments entering the United States are also facing increased inspection rates.

Canadian and U.S. businesses are very concerned about the associated costs of complying with new and expanded border security programs, often with duplicative requirements. These programs are layered on top of each other adding to the complexity and cost of moving goods and people across our borders. One company reported an annual expense of \$1 million USD because of the inspections and delays from increased security measures, coupled with participation in trusted shipper programs.

Clearly these costs are reaching the breaking point and risk becoming an unmanageable burden on Canadian and U.S. job producers. It is in neither government nor industry's interests to create or maintain a business environment that encourages the work and jobs to move offshore.



## Current Initiatives Addressing Border Cost Concerns

We see encouraging signs in a number of government initiatives that show progress can be made. Recent U.S. legislation has delayed implementation of the Western Hemisphere Travel Initiative (WHTI) at land and sea ports of entry until June 2009. Now governments on both sides of the border must tackle the significant tasks of ensuring that a critical mass of acceptable documentation is in circulation and Radio Frequency Identification (RFID) technology is implemented at all major border crossings before June 2009 to enable a smooth introduction of the new processes. Beyond passports, expanding participation in trusted traveler programs, such as NEXUS and FAST, and implementing enhanced drivers' licenses will provide an advanced level of security to tackle the challenge of ensuring that security needs do not impede the movement of people, goods, and services across our border. We remain committed to working with government on the promotion of these programs. We need to recognize that border travelers must see demonstrable benefits from these expedited programs or they will not use them. At times, it is not clear that these programs are delivering the benefits promised.

Other positive developments include a bill passed and signed into U.S. law at the beginning of 2008 which authorizes a study of the impact of border wait times at high-volume U.S. land-border crossings.

The expansion of the NEXUS program and the start of the Electronic Primary Inspection Line (E-PIL) pilot project are also good news. E-PIL, set to commence in June 2008 at Vancouver International Airport, is designed

to help passengers quickly navigate border procedures by automating the processing that takes place at primary inspection lines. It will allow CBSA to target more resources to unknown and potentially high-risk passengers and goods. Harnessing new technology provides a more practical and cost-effective solution to eliminate congestion in airport arrival areas.

These measures are positive steps in the right direction. Unfortunately, these steps alone are not enough. Both the Canadian and U.S. governments should continually reexamine the benefits, costs, redundancies, and complexity of border measures, ensure any new initiatives are properly funded, and initiate a clear plan to undertake the recommendations from this report for the collective good. The recommendations from this report will aid policymakers in facilitating cross-border business, while at the same time ensuring the security of North America.



## Moving Forward

Security and prosperity in North America are mutually dependent and complementary. Our respective governments should address the twin goals of security and the facilitation of legitimate trade and travel. We support the development of a comprehensive, layered, and risk-based strategy to manage our shared border. This approach offers the greatest degree of security and optimal use of facility, personnel, and financial resources without impeding legitimate travel and trade.

We need to keep in mind the degree of Canadian and U.S. social and economic integration. Canadians and Americans do not just sell things to each other. More importantly we make things and we do things together – activities which provide benefits on both sides of the border. For example component parts of a vehicle produced in North America may cross the border approximately seven times during the production cycle. Because of fees, unpredictable wait times, and security compliance costs associated with each border crossing, products manufactured within North America may face a competitive disadvantage compared to their foreign competitors whose finished products cross the border only once. For vehicle manufacturers, this can add several hundred dollars<sup>5</sup> to the cost of manufacturing a vehicle domestically that imported vehicles do not incur. For Canadian and U.S. companies dependent upon intra-North American supply chains, these additional costs and regulatory burdens have a direct impact on a company's bottom line—and on the jobs that depend on that company's success.

With billions of dollars worth of goods and services and several hundred thousand people moving across the border every day, our

mutual economic growth is dependent on how quickly – and securely – we can expedite products, people, and ideas. Effective border management has become a key economic driver for both countries.

It is important to note that this report does not address the real need for both governments and industry to develop a long-term border strategy that addresses North American security and competitiveness challenge in the 21st century, especially the importance of keeping North America competitive in the face of economic challenges from other parts of the globe. A long-term strategy should include the urgent need for continued investment in building and modernizing border infrastructure including expanding capacity at the Detroit-Windsor border crossing—the busiest land crossing in the world; expanding preclearance capacity, including at marine crossings; lengthening dedicated lanes for trusted shippers and travelers; and a coordinated clearance and point of departure determination program that works to ensure only low-risk goods and people arrive on Canadian and U.S. soil. A long-term strategy is needed for economic security, benefiting Canada and the United States.

However, border-dependant businesses cannot wait for these long-term solutions. We must act now to reduce border costs. Given the litany of challenges and even longer list of areas where action is being sought, this report attempts to lay out what Canadian and U.S. businesses see as among the most critical priorities for what must be accomplished within the next 18 months.

<sup>5</sup>Canadian Vehicle Manufacturers' Association.



# 2 Priority Near-Term and Achievable Recommendations



## Movement of Cargo

### Trusted Shipper Programs

We strongly support voluntary trusted shipper programs such as Canada's Partnership in Protection (PIP), the U.S. Customs Trade Partnership Against Terrorism (C-TPAT), and the Free and Secure Trade (FAST) Program, which serve to enhance supply chain security without imposing one-size-fits-all regulatory burdens on businesses. These programs allow border agencies to redirect their limited resources to the inspection of unknown cargo—in essence making the search for the proverbial needle to be in a smaller haystack.

Unfortunately, participation in these programs is providing few benefits. Of concern are the increasing rate of inspections and the imposition of additional border fees that are being put in place without consideration to the level of risk of the shipments or the compliance level of the importer. Participants face similar increases in fees, border delays, and compliance burdens as those outside the program. The benefits of participation may not outweigh the costs.

A number of companies reported that compliance with trusted shipper programs costs approximately \$100,000 USD and may take up to two years to be granted certification. In return for participation, inspection rates on one major North American company's low-risk shipments entering Canada increased approximately 30 percent in 2007 despite approval and acceptance into the Canadian Customs Self-Assessment (CSA) program in 2006 and participation as a long standing member in the C-TPAT and PIP programs. In addition, the cost of offloading shipments for inspections at the border can cost carriers

several hundred dollars per occurrence, and delay the truck, the driver, and all the shipments on board for hours. Similar costs and incidents occur on products entering the United States. For example, another company reported that during the melamine testing of May 2007, multiple loads of their product were detained and tested at the border despite being C-TPAT and PIP approved, using FAST-certified drivers and FDA registered manufacturing plants. In addition, this company reported that low-risk certified products were held up in excess of three weeks. Increased inspection rates add to the cycle time for customs clearance, negatively impacting just-in-time delivery. This is contrary to the benefits anticipated by industry who participate in these programs.

Canadian and U.S. ports are also important North American hubs of entry for cargo, with cargo entering U.S. ports destined for Canada and vice-versa. It is important that security measures be recognized from port to port. For example, no duplication of effort should be required for inspected, secured, and in-transit containers moving through Canada to the United States. Today, 100 percent of containerized cargo entering via Canadian ports and destined for the United States is subject to cargo and vehicle screening using non-intrusive inspection (NII), scanning and may be subject to additional inspections. NII systems have been installed at nine rail border points, scanning virtually 100 percent of rail traffic entering the United States from Canada. The system can penetrate tankers, grain cars, and boxcars using a low-level gamma ray radiation source, generating a



radiographic image for each car. All Class 1 railways are also C-TPAT-certified, providing another level of enhanced security. As such, there is little need for duplicative inspections of intermodal containers, at rail border points, that have been cleared at the Canadian port of entry.

In addition to duplicative border inspections, we also see duplicative costs. Currently, carriers that want to take advantage of FAST into the United States and CSA-FAST into Canada are required to belong to both the C-TPAT and PIP programs. We are pleased to see that CBSA has begun the process of strengthening the PIP program and has engaged the United States in dialogue about mutual recognition. However, we are concerned that CBSA may end up with a more rigorous PIP program that still requires carriers to belong to C-TPAT. The goal must be to achieve nothing short of mutual recognition, i.e. Canada and the United States accepting the equivalency of each other's supply chain security programs (not harmonization). Therefore, companies interested in trusted shipper programs will only need to apply to one program with certification being recognized by both Canada and the United States. A similar case can be made for the U.S. Transportation Worker Identity Credential (TWIC) and Canada's Seafarers' Identity Document (SID).

Additionally, FAST requires a specific transponder to be assigned to a specific Vehicle Identification Number (VIN). This poses unique challenges for carriers without a dedicated cross-border fleet. The inability of a carrier to transfer its transponders to multiple vehicles results in increased operating expenses, late deliveries, and the potential loss of revenue. We recommend allowing carriers to have a pool of transponders and assign them

to specific vehicles as needed. Additionally, carriers using this option should be allowed to enter transponder and corresponding vehicle information for each load into the ACE portal.

Another example of duplicative costs can be seen through the October 2007 introduction by the Department of Homeland Security (DHS) of the TWIC-certification in the United States. TWIC has created a situation where drivers who have been security screened for FAST must still pay a fee of \$105 USD to obtain a TWIC card. Currently, the focus is on port workers and other workers, such as truck drivers, who require access to port property. It is expected that the card will eventually be required for access to other transportation facilities (airports and rail yards).



## Recommendations

- The Canadian and U.S. governments should establish goals and develop metrics to drive agency behavior and priorities that demonstrate tangible benefits to program participants in trusted shipper programs within the next six months.
- The Canadian and U.S. governments must implement a strategy to agree on requirements and establish reciprocity for all complementary freight security programs (including trusted shipper and credentialing programs). This strategy must also improve efficiency for both government and industry by reducing duplicate fees and redundant implementation costs.
- As committed in the SPP, Canada and the United States entering into an agreement to mutually recognize companies participating in the Canadian PIP program and the U.S. C-TPAT program no later than June 2008;
- Canada and the United States ensuring that rail and truck cargo inspected, cleared, and secured at a Canadian port is not subject to further inspections at the U.S. border;
- Canada and the United States allowing carriers without dedicated cross-border fleets to have a pool of FAST transponders and assign them to vehicles as needed; and
- DHS should develop a process for automatically enrolling FAST-certified drivers into the TWIC program without requiring the driver to undergo additional screening, fees, or application process.

## APHIS Recommendations

In 2006, the U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) published an Interim Final Rule that removed a long-standing exemption from animal quarantine and inspection (AQI) and fees for conveyances originating in Canada. Despite objections from Canadian and U.S. carriers, manufacturers, and shippers, the USDA fully implemented the rule in 2007. Under the rule, APHIS fees and AQI apply equally to all shipments, irrespective of cargo type or associated risks. This has significantly increased the costs of Canada-U.S. trade and cross border manufacturing.

While the enhanced inspections generated by the fees only covers fruits and vegetables, all commercial conveyances and airline passengers must pay the fee, irrespective of the cargo being carried. The APHIS fee is \$5.25 USD per entry or \$105 USD annually with a purchased transponder for commercial trucks; \$490 USD per entry for commercial vessels carrying 100 net tons or more; \$7.75 USD per rail-car entry for railway service providers; \$70.50 USD per arrival per commercial aircraft; and \$5 USD per arrival for international airline passengers with a total cost of approximately \$78 million USD plus industrial processing costs. Furthermore, CBP border officials must collect the fee payment and distribute change, leading to further border delays.

The rule does not follow the targeted risk management model that has been driving customs reforms in North America. For instance, Canadian Class 1 railways and truck carriers have invested heavily in partnering with CBP programs such as C-TPAT and FAST to secure the supply chain. As such, there is no demonstrated need for additional inspection under the APHIS proposal.



Nor is there an exemption for the conveyance that pose little or no threat of importing plant pests or animal diseases, such as shipments of automotive parts.

### **Recommendation**

The USDA should immediately waive the APHIS fee for all modes of transportation for participants in trusted shipper programs such as C-TPAT and FAST.

### **Food and Agriculture Exports: Low-Risk Food Importer and Preclearance**

Since 9/11, the United States has enacted the largest expansion of enforcement authority since food safety laws were first implemented in the early 20th century. As a result of these new laws, regulations, and border process fees, such as APHIS, wait times at U.S. ports of entry have increased, resulting in costly delays. For example, though recently lifted in the last few months, Canadian meat exporters had faced a whole new wave of "hold and test" at the border, including for ready-to-eat meat products where the rate of random testing for *Listeria* and *Salmonella* had doubled as a result of the *E.coli* contamination of beef in Alberta. The entire Canadian industry, including companies with a U.S. parent, paid the price for one bad event at one plant.

The creation of C-TPAT, PIP, FAST, NEXUS, and other expedited treatment of goods and people demonstrates both Canadian and U.S. government support for trusted shipper and traveler programs. However, because of U.S. regulations that govern meat imports from Canada (i.e. the so-called "Minimal Risk Region Rule"), most food shipments from

Canada are subject to secondary inspections. Although agri-food shippers would be willing to participate, they cannot take advantage of C-TPAT or other programs that commit to expedite entry of products through U.S. ports of entry, even for the many FDA regulated products that contain minimal amounts of beef or poultry ingredients. This has resulted in blanket regulation for agri-food, no matter how low the risk, and an inefficient and costly allocation of scarce public resources to inspect, test, and analyze imported foods. In the highly integrated North American agri-food industry one cannot "inspect your way to safety". Food safety risk management begins far back in the growing and production process, where both Canada and the United States have very sophisticated regulatory standards and enforcement mechanisms.

The Canadian and U.S. governments should develop a program that expedites shipments for qualified agri-food exporters. The first step would be to launch a program for low-risk food Canadian and U.S. exporters. Foods produced by companies with a demonstrated history of compliance and safety would receive expedited treatment at the border, reducing both costs and delays.

Furthermore, the Canadian and U.S. governments should commit to the development of preclearance processes for low-risk food processors. For instance, most major Canadian and U.S. processors, many of which are owned by a U.S. parent, who export to the United States have facilities within one to two hours of U.S. ports of entry. As part of any reputable company's supply chain, food shipments are securely sealed at processing facilities to ensure integrity. Those seals are often broken at ports for inspections, and then replaced with new government seals.



Since Canadian Food Inspection Agency (CFIA) inspectors, operating under Memoranda of Understanding (MOUs) with the FDA and USDA, are often present at processing facilities (especially for meat and poultry products regulated by the USDA), many processes conducted at ports of entry could be conducted at the processing facility. This includes conducting all the processes associated with secondary inspections, including pulling samples for further analysis, reviewing all documentation, and applying secure government seals to shipments as they leave the manufacturing facility. With such a system in place, trucks could be precleared and expedited across the border by amending prior notification procedures to include some indicator that the shipment has been approved for entry into the United States and by simply ensuring that the seal is still intact. These programs would be further enhanced by making progress on mutual recognition with various food safety programs.

### **Recommendations**

- Within the next six months, the Canadian and U.S. governments should commit to the development of a pilot program along the Canada-U.S. border to expedite processing of qualified low-risk food importers from Canada and the United States.
- The Canadian and U.S. governments should commit to the development of preclearance processes for food processors. The CFIA, FDA, and USDA should begin discussions on a pilot program to test this concept, involving a pilot with a small number of volunteer processors and one port of entry within the next 12 months.

### **Application of Health Certificate Stickers on Individual Case Shipments**

In November 2005, the USDA changed an important policy that dramatically increased costs related to shipping meat and poultry food products from Canada. They required that health certificate numbers – obtained from a veterinarian late in production – be printed on each individual case shipment. Previously, it was common practice to place a placard on a pallet so that border inspectors could see that regulations were being followed. Complying with this new regulation costs one food exporter approximately \$700,000 USD annually.

Not only must this information now be placed on each individual case, usually through a labor-intensive procedure, each case on a pallet must be situated so that the sticker can be seen from the outside of the pallet. The new regulation conveys no benefit to consumers, because the information is only meaningful to border inspectors to ensure all applicable food safety regulations are being met. Each case, and even each individual food package, comes with preprinted lot numbers that permit food safety officials to trace any questionable products back to the time and location of production. This regulation has not increased food security in any way.

Canada also imposes the same regulation on U.S. exporters of meat and poultry. Rescinding this regulation in both countries will greatly reduce costs to agri-food companies with highly integrated North American supply chains and distribution systems.



### **Recommendation**

The Canadian and U.S. governments should cease requiring that health certificate numbers—obtained from a veterinarian late in production—be printed on each individual case shipment.

### **Other Government Departments: Single Window Initiative**

A major frustration for industry is the lack of a single window or integrated trade data management system on the Canadian and U.S. sides of the border. Currently in the United States, there are four systems serving the various mandates in relation to customs administration, food safety, and bio-security: two under CBP, one FDA system, and one USDA system. Often the same information has to be entered into each system.

We are supportive of the U.S. International Trade Data System (ITDS) initiative. The ITDS would provide a single window through which the trade community would submit its commercial data. Participating government agencies would have access to ITDS, eliminating duplicative procedures and providing access to more accurate and timely information. While this initiative was introduced in the 1990s, progress has been modest. We strongly support the requirement in U.S. Executive Order 13439 that all relevant U.S. government agencies use ITDS by 2009.

In Canada, CBSA is not the sole government agency responsible for regulations on the import and export of goods but is expected to enforce many of the regulations of other government departments (OGDs) such as CFIA and Transport Canada. Current OGD regulations significantly restrict the ability of

the trade community to participate in valuable CBSA policy and programs, such as advanced electronic reporting and CSA. Furthermore, duplicative information must be submitted to a number of different agencies in different formats (electronic or paper-based). We strongly support that the Single Window Interface being led by CBSA and urge all OGDs to join CBSA and move beyond paper-based systems. This will eliminate burdensome duplicative requirements and facilitate compliance with cross-border procedures.

### **Recommendations**

- Both the Canadian and U.S. governments should work with their respective agencies and departments and implement the Single Window Interface and International Trade Data System (ITDS).
- The United States should ensure that all relevant federal agencies comply with Executive Order 13439 and ensure that they are actively using ITDS by 2009.
- Within the next 12 months, all Canadian agencies and departments with border-related requirements should produce a publicly-stated timeline for adapting their requirements to meet the single window platform within the next three years.

The implementation of the above recommendations will ensure cross-border trade information is more accurate and easily accessible by all government departments and agencies and can be the starting point of a more long-term strategy to develop a fully secure and interoperable customs system within North



America. This will further reduce costs and duplicative efforts, while improving risk modeling and the predictability of the Canada-U.S. border.

### Support for Inland Clearance

For some time now, CBSA has been talking about a new requirement to release all goods at the first point of arrival into Canada. Carriers that currently move some shipments into bonded sufferance warehouses for release, or in some cases to their own secure warehouses would lose this option. This would be especially problematic for less-than-truckload carriers that could see dozens of shipments from a single truck held up at the border while CBSA either examines, or waits for additional data on a single shipment.

#### *Recommendation*

CBSA should retain the bonded sufferance and secure warehouses for carriers and should state its intention to do so as soon as possible.

### Harmonized Electronic In-Transit Process

Introduction of ACE and prior notice in the United States has created a situation where there is no longer a harmonized Canada-U.S. in-transit process. Furthermore, the Bioterrorism Act also requires prior notice, affecting the movement of FDA regulated products. As a result, data requirements are such that much of the trucked freight that previously moved south of the Great Lakes now must move through Canada. This adds significant extra mileage on moves between eastern and western Canada, driving up costs and removing economic benefits for many

U.S. businesses that provide goods and services to these carriers. One trucking company reported additional costs of \$1,000 CAD per load associated with moving shipments through northern Ontario

instead of south of the Great Lakes as a result of increased mileage, accident risk, and transit delays. CBSA and CBP are currently working on the issue.

#### *Recommendation*

The Canadian and U.S. governments should work together to simplify data requirements for domestic in-transit freight movements.

### Short Sea Shipping Pilot Program in the Great Lakes Area

Another way of reducing border costs and wait times is to provide additional modes of transportation. Short Sea Shipping involves operation of a scheduled freight ferry service in the Great Lakes area. The intention is to use ferries to transport only commercial cargo. The proposed service would transport truck trailers containing commercial cargo with the cabs and drivers not accompanying the loaded trailers. Instead, the trailers would be delivered to the ferry by one driver and picked up at the destination by a different driver. In comparison, a truck must travel more than five and a half hours (466 km) from London, Ontario to Cleveland, Ohio to navigate around Lake Erie. In the marine mode, the water portion of the multimodal journey is only 105 km across Lake Erie. The marine mode is not only efficient but also a proven environmentally friendly form of transportation, resulting in a significant reduction in greenhouse gases and congestion at bor-



der crossings by providing another transportation option.

Short Sea Shipping provides savings to truck companies through fuel savings, driver waiting time cost savings, insurance and other driver costs. Furthermore, it helps relieve congestion at truck border crossings and removes some traffic from over crowded highways. A similar case can also be made for short sea shipment of low-risk bulk cargo.

Current interpretation of U.S. legislation on the definition of a ferryboat would classify this operation as 'vessel driven', and therefore require the operators to send border officials an electronic manifest 24 hours before the cargo is loaded on to the vessel—even though the exact same trailers would only require one or two hours notice if they were 'ferried' into the United States using a truck or rail respectively. Based on the short-term cargo turnover in a Short Sea Shipping operation, the regulation's interpretation makes this initiative unfeasible. Short Sea Shipping operations should be treated in the same manner as rail and truck.

### **R e c o m m e n d a t i o n**

Within the next 12 months the Canadian and U.S. governments should work together to launch a private sector driven Short Sea Shipping pilot project in the Great Lakes area and ensure that Short Sea Shipping operations face the same entry and clearance requirements as rail and truck.

## **Trusted Travelers and Legitimate Business/Personal Travel**

### **NEXUS**

We strongly support the NEXUS program as another example of a way to meet the mutually dependent goals of North American security and prosperity. NEXUS is an established biometric-based program designed to expedite border clearance for low-risk, pre-approved travelers in Canada and the United States. Applicants go through a detailed registration and interview process and must pass risk assessment in both countries to be deemed eligible for participation in the program.

NEXUS members bypass lengthy international arrival lines, and can clear customs and immigration in as little as a minute. It is an integrated program and can be used in air (using dedicated kiosks at eight Canadian airports), land (using dedicated lanes at 13 land border crossings), and marine travel between Canada and the United States. CBP and CBSA are able to focus their limited inspection resources on higher-risk travelers.

With NEXUS being rolled out widely in the summer of 2007, it has not yet enjoyed widespread participation. Currently there are approximately 170,000<sup>6</sup> participants. NEXUS lanes at some border crossings and airports have the capacity for higher traffic especially when compared to adjacent, congested line-ups going through the regular channels. At some border-crossing points, infrastructure constraints limit access to NEXUS lanes until just before the border, limiting its attractiveness for travelers who cross frequently. Some NEXUS users report higher levels of spot

<sup>6</sup>Canada Border Services Agency. 2008.



checking, which makes them question the value of their enrollment.

Increasing enrollment will boost the number of preapproved and low-risk travelers between Canada and the United States, facilitating cross-border travel and in the end, enhancing North American security. To ensure more success, there is a need for further expansion of current marketing campaigns undertaken by CBP, CBSA, and business stakeholders, an enhancement of the programs accessibility and transparency, and better infrastructure that allows NEXUS to deliver its promised benefits.

Furthermore, NEXUS cards can be revoked and renewal denied without explanation. Since the establishment of the NEXUS program, there has been concern about the inability to request a review of NEXUS denial and/or revocation. Providing the option for a secondary examination/review will enhance fairness and eliminate the uncertainty without jeopardizing the security of the program.

### **Recommendations**

- The Canadian and U.S. governments should continue to market the benefits of the NEXUS program with the target of one million NEXUS participants within the next 18 months.
- CBP and CBSA should create a formal review process for NEXUS rejections or revocations within the next 12 months.

### **Cross-Border Business Travel Facilitation**

With the growth of cross-border business, the increasing demand for qualified personnel and the increasing scarcity of skilled personnel, there is a need for accelerating travel between Canada and the United States for executives, professionals, and technical specialists.

Labor market conditions and skills shortages are different now than when the North American Free Trade Agreement (NAFTA) established a framework for expediting legitimate cross-border travel. Cross-border business travel needs targeted interagency collaboration to remove unnecessary obstacles. Business travelers frequently use one of two visas for travel to Canada and the United States; the intra-company transfer visa and the NAFTA Professional visa. Rules designed to facilitate business travel exempt these visas from the requirement for approval by a consular post. Applicants present their completed documentation at a port of entry, where CBP or CBSA officers are authorized to adjudicate the visa. However, there is no assurance that the qualified individual will be granted entry into either country.

This inconsistent treatment is due mostly to the lack of adequate training for inspecting officers of the visa's requirements and the applicable business arrangements and relationships—leading to undue delays or incorrect denial of entry. The slightest irregularity may trigger a refusal from the inspecting officer—a refusal that cannot be appealed. The business traveler must then cancel his or her obligations in Canada or the United States without notice.



While some positive steps have already been taken on both sides of the border to address this issue, more must be done. For instance, some U.S. border-crossing posts have instituted a practice of accepting required forms and documents in advance to adjudicate visas. In Canada, Citizenship and Immigration Canada introduced Temporary Foreign Worker Units (TFWUs), currently located in Calgary, Montreal, and Vancouver, to facilitate legitimate business travel by offering guidance and prescreening to employers seeking temporary foreign workers and foreign professionals, including those that meet NAFTA qualifications.

Both these programs greatly reduce the unpredictability of professionals and intra-company transferees from Canada and the United States crossing the border because both prescreen all supporting documents in advance, facilitating the issuance of the work permit at the border.

Inconsistencies with visa issuance for legitimate business travel impede the normal conduct of business between Canada and the United States. Expanding current preclearance services and enhancing the trusted traveler program would provide assurance that qualified individuals have predictable access to the border, facilitating the movement of legitimate business travelers, while ensuring security needs have been met.

## **Recommendations**

- The Canadian and U.S. governments should establish a mechanism for multiple entries by executives, technical, and professional citizens and permanent residents of Canada and the United States. This would include an optional preapproval process for qualified individuals to obtain necessary visas/approvals. Under this new program, qualified personnel would be required to be accepted under a trusted traveler program (e.g. NEXUS). The enhanced NEXUS Global Enrolment System database would include both the trusted traveler data and essential visas/approvals information needed for multiple entries. A pilot should commence within the next 12 months.
- Some U.S. border-crossing posts have instituted a practice of accepting required forms and documents in advance to adjudicate visas, and this practice should be universally adopted at all ports of entry.
- Citizenship and Immigration Canada should expand the Temporary Foreign Worker Units (TFWUs) to other provinces such as Ontario and in the Maritimes to create more certainty for temporary U.S. workers or business visitors entering Canada.



## Enhanced Drivers' Licenses

The Canadian and U.S. business community is concerned that there will not be a critical mass of WHTI-compliant documentation in circulation before its target June 2009 implementation. Without this critical mass, WHTI implementation will lead to further congestion at the border with travelers arriving without proper documentation. The resulting lengthy wait times will have many Canadian and U.S. tourists and business people avoiding cross-border travel, worsening an already critical situation.

Enhanced drivers' licenses (EDL), denoting identity, citizenship, and containing vicinity radio frequency identification (RFID) technology and security features, hold significant potential to represent a less expensive and more practical form of documentation than a passport for the many Americans and Canadians whose international travel interests are limited to our two countries. EDLs are vital to ensuring WHTI is smoothly implemented and the security needs of North America are met without impeding the movement of people, goods, and services across the border. We firmly support the CBSA and DHS determination that they will be considered WHTI-compliant documentation.

These drivers' licenses must be more affordable than a passport and be more easily attainable through provincial or state licensing offices. We are very encouraged by the positive first steps that have taken place. For example, the enhanced drivers' license currently available in Washington State only costs an additional \$15 USD. The Province of British Columbia will be offering EDLs shortly and exploratory expressions of interest are coming from other Canadian provinces and

U.S. states. We applaud the foresight of the governments who have become early adopters.

One of the limitations of the EDL is that it is available only for land and sea and is not acceptable documentation if a person who normally crosses the border by automobile needs to return travel by air. A broader, more universal acceptance of the EDL is needed to facilitate travel in all modes of transportation across the Canada-U.S. border.

### **Recommendations**

- The federal, state, and provincial governments of Canada and the United States should devote the necessary funds and resources to ensure that the development of EDLs are undertaken and accepted at all border crossings. An extensive and broad communications plan, aimed at all drivers and clearly identifying the benefits of the optional enhanced identification, is needed. Finally, the implementation must be rapidly deployed to ensure a critical mass of EDLs is in circulation before WHTI comes into effect in mid-2009.
- The EDL should be a compliant document for Canada-U.S. air travel.



## People Access Security Service (PASS) Cards

The People Access Security Service (PASS) Cards, also referred to as the U.S. Passport Card, will be another wallet-sized alternative to a U.S. Passport designed to facilitate efficient and secure cross-border travel at land and sea ports of entry. Business has long advocated for the development of this alternative prior to full implementation of WHTI and continues to urge the U.S. government to make it truly economical to obtain and acceptable at all ports of entry, including air.

\*The application fee is \$20 USD for adults and \$10 USD for minors. However, those submitting the application in person would have to pay an additional "execution fee" of \$25 USD. Many applicants will be required to apply in person and will thus be subject to this fee, such as first time adult passport applicants, all minors (under age 16), adults holding expired passports issued more than 15 years previously or when the bearer was a minor, and those applying for replacement passports that have been lost, stolen, or mutilated. In addition, there is currently about a \$15 USD fee for pictures taken at the government application center. Thus, what starts as a \$20 USD alternative to the \$115 USD passport (\$75 USD-application fee, \$25 USD-execution fee, and \$15 USD-picture fee) becomes a \$60 USD alternative (\$20 USD-application fee, \$25 USD-execution fee, and \$15 USD-picture fee). These costs do not take into consideration possible expediting fees, given there is no indication the time frame for production of a PASS Card will be any shorter than for a passport.

\* This paragraph has been updated in the electronic version of this report subsequent to its publication.

## Recommendations

- The PASS Card should be accepted at air ports of entry when travelling from Canada, as well as the proposed land and sea ports of entry, making it a full passport substitute under WHTI.
- The cost of the PASS Card should be \$20 USD for adults and \$10 for minors, regardless of whether it is a renewal or original application, if it is truly to be an economical substitute to a passport.
- The PASS Card should not be burdened with the same additional "fees" and "charges" already imposed on passport applications, e.g., there should be no execution or picture fee, making PASS Cards a truly economical alternative to a passport. Furthermore, special discounts should be made available to families applying for several PASS Cards at a time.
- The time frame for production of a PASS Card should be significantly shorter than for a passport, increasing its appeal and eliminating the need to increase its cost even further with expediting fees.



## Secure Vicinity RFID Technology

In the coming months, vicinity RFID technology will be installed at 39 U.S. border crossings, representing 95 percent of all U.S. cross-border traffic, to screen those entering the United States<sup>7</sup>. This technology will transmit a number, with no personally identifiable information included, to a DHS database, providing CBP border officers with the necessary information to make critical decisions about passengers entering or reentering the United States.

This technology is expected to substantially decrease border wait times. For instance, the average wait time at the Peace Arch crossing is 65 minutes. If all border crossers have identification with RFID proximity capabilities, such as passports, and all booths are equipped with such technology, the average wait time is expected to decrease to 26 minutes. The use of vicinity RFID cards, such as NEXUS, FAST, and EDL, would reduce the average wait time even more (to an estimated eight minutes if every traveler had this type of identification)<sup>8</sup>. Today, it has been estimated to take eight seconds for border officers to gather documents from occupants in a vehicle and fifteen seconds to process the information<sup>9</sup>. Multiply this by even a thousand border crossings, it is no surprise there are significant wait times. Secure vicinity RFID technology will completely eliminate such a process with the occupant's information appearing on the border official's computer as they arrive at the border. With the forthcoming implementation of the WHTI, wait times would be reduced by a critical mass of border crossers having a piece of documentation that uses secure vicinity RFID technology.

## Recommendation

The Canadian and U.S. governments must advance the implementation of secure vicinity RFID technology at all major border crossings and encourage travelers to obtain documentation that uses this technology.

## Secure Flight/APIS Quick Query (AQQ) Notice of Proposed Rule Making (NPRM)

In August 2007, the U.S. Transportation Security Administration (TSA) published a Notice of Proposed Rulemaking (NPRM) requiring air carriers to collect and transmit additional passenger information. While we support the goals of the Secure Flight Program to identify and focus aviation security efforts on high-risk passengers, we are very concerned about the proposed rule's potential impact on North American air travel.

Of particular concern is the requirement for Canadian carriers to provide full passenger data from all carriers' overflights through U.S. airspace on their way to another country. Under the proposed rule, Canadian carriers would be required to collect and submit passenger data to TSA up to 72 hours in advance, for flights that originate in Canada, never land in the United States, and terminate in a third country. This requirement would place an undue burden on Canadian carriers who would be required to modify their systems to collect, store, and transmit significant amounts of new information on their passengers.

<sup>7</sup>Bob Brewin. 2008. "State, DHS grant RFID contracts to speed border crossings". Government Executive.

<sup>8</sup>US-VISIT Time Study provided by the Can/Am Border Trade Alliance.

<sup>9</sup>Public Border Operators Association. 2007.



Canada already requires that all airlines with flights in or out of Canada check their passenger lists against Canada's own Specified Persons List, which was developed in close cooperation with the U.S. government. Additionally, U.S. carriers regularly over-fly Canada. The Secure Flight Program could potentially expose U.S. carriers to costly and burdensome reciprocal requirements.

### **Recommendation**

The U.S. government should exempt Canadian overflights that originate from or destined to a third country from the data requirements of the Secure Flight Program.

## **Additional Measures**

### **Increasing Staffing, Training, and Hours of Services at Border Crossings**

A major concern for the Canada-U.S. business community is that not all border booths are operational during peak commercial and tourist travel times at major crossings, resulting in increased border wait times for everyone. This has a direct negative impact on just-in-time logistics practices and indeed affects all cargo, business travel, and tourism between Canada and the United States. Traffic patterns, especially for commercial traffic, are, to a large extent, predictable and should drive staffing levels rather than time of day. Offering 24/7 services, including those of other government departments and agencies that conduct border inspections, and operating all booths at major border crossings during key operating hours will ensure the efficient use of existing facilities and support Canada-U.S. competitiveness. Of course, the

critical importance of the border requires funding for adequate numbers of officials who are fully trained and consistently apply all needed border procedures.

Under the current contract between CBSA and a service provider, offload services for inspections are available during only a portion of regular business hours. After these arbitrarily set hours, when much of the freight crosses the border, a carrier will have to wait up to two hours for personnel to arrive at the border and conduct an inspection. The entire process of offloading, inspecting, and reloading can take up to six hours. The actual cost per inspection can be several hundred dollars. The minimum hourly charge, in addition to attendant delays, drives up costs, causes carriers to miss delivery windows, hampers just-in-time delivery practices, and in some cases puts a driver over the legal duty time limit.

Another serious impediment is the limited number of hours of operation for other government agencies that inspect cargo, such as the FDA. Canadian and U.S. companies are constantly experiencing delays as a result of the lack of resources. This is especially acute on weekends where shipments can be held up for days. Border and inspection services must be offered on a 24/7 basis at major crossings, meeting the needs of the movement of cargo and travel.



During the past year, CBP began rolling out a phased requirement that trucks transmit advance cargo information to CBP via the ACE Truck Manifest System (e-Manifest). An ongoing complaint from carriers during this startup phase has been the quality and timeliness of help desk/technical support. Businesses experiencing a problem with an electronic manifest need access to 24/7 support from qualified individuals to ensure trucks and drivers are not delayed at the border for hours on end. Today, delivery schedules are being disrupted and drivers are put over their legal duty time limit. While CBP has made efforts to improve the situation, more needs to be done to address the volume of inquiries. While this is not a relevant matter today with CBSA, it could become an issue when the Canadian equivalent, Advanced Commercial Information (ACI) truck manifest, is implemented.

### **Recommendations**

- CBSA, CBP, and other government departments with border mandates should make a priority of offering 24/7 border services at all major crossings with a published timeline on how this will be achieved within the next 18 months. This includes the operation of border booths, secondary inspections, and border-related support services.
- Both the Canadian and U.S. governments must ensure adequate funding is provided to efficiently deliver this report's recommended border services, including the training of border officials.

### **A Workaround for the Peace Arch Border Crossing**

In the British Columbia (B.C.) lower mainland, there are only three full-service border crossings for the 10 million people that live in B.C. and Washington State and the almost three million people along the B.C.-Washington State border: the Douglas (Peace Arch), Pacific (truck), and Huntingdon/Sumas crossings. The Aldergrove crossing is another option for general and commercial traffic, but is currently only open from 8:00 a.m. until midnight.

The relationship between British Columbia and Washington State is an excellent example of the highly integrated nature of the Canada and U.S. economies. For instance, more than \$10 billion USD in two-way trade travels between British Columbia and Washington State annually and approximately 32,000 vehicles cross the B.C.-Washington State border every day. Furthermore, approximately 30 percent of foreign visitors to British Columbia also visit Washington State and the Pacific Northwest. This is expected to increase with 25 percent of visitors to the 2010 Olympic and Paralympics Winter Games in Vancouver, B.C. projected to travel through Washington State on their way to the games<sup>10</sup>. It is imperative that the necessary resources and functioning infrastructure be in place to facilitate this integrated relationship both today and for the 2010 Olympics.

The Peace Arch is the busiest border crossing in the B.C. lower mainland, receiving more than 4 million travelers in 1.4 million non-commercial vehicles in 2006/07<sup>11</sup>. Forthcoming construction on the U.S. side of the Peace Arch border crossing is expected to

<sup>10</sup>Office of the Premier of British Columbia and Office of the Governor of Washington State. June 20, 2006. "B.C. and Washington Call to Delay Passport Requirement". News Release.

<sup>11</sup>Canada Border Services Agency. 2007.



reduce the number of lanes from nine to three with construction expected to begin this spring and not completed until January 2010. This needed upgrade will limit the movement of cross-border travel at one of the busiest land-border crossings until all work is completed. To ease pressure off of the Peace Arch crossing, traffic will be encouraged to use the Pacific Highway truck crossing and the Huntingdon/Sumas crossing. The increased traffic will undoubtedly result in increased wait times, including at the truck crossing, as passenger traffic is rerouted. This has already created uncertainty around shipment arrivals and just-in-time logistics practices. The Aldergrove crossing is the most convenient alternative because it is only 20 minutes from the Peace Arch; however, it does not offer 24/7 border services.

### **Recommendation**

To accommodate the upgrading of the Peace Arch border crossing, without creating undue wait times at the other ports of entry, the Aldergrove crossing should provide 24 hour access for both passenger and commercial traffic, and both the Peace Arch and nearby ports of entry should have sufficient staffing to operate all booths. Given the aging infrastructure in a number of locations along our shared border, the model used to facilitate the movement of traffic during the upgrade of the Peace Arch crossing can set a formal framework for future border construction projects.

### **A Border Contingency Plan: Deliver on Montebello Commitments**

A smart and secure border is critical to the future well-being of the North American economy. A pandemic, a natural disaster or terrorist activity could lead to a partial or full border closure. The inherent importance of the border necessitates a strong contingency plan to deal with such a situation. While progress has been made, Canada and the United States have not fully developed a formal border contingency plan to be used in the event of a full or partial closure to the Canada-U.S. land, sea, and airport border points.

The SPP announced in June 2005, that Canada, Mexico, and the United States were committed to developing coordinated business resumption protocols for the border. Following the announcement, Canada and the United States, through the impressive work of its officials at CBSA and CBP, have started to develop a border contingency plan in consultation with industry in both countries. We are encouraged by the recent Communication and Coordination Plan developed by both agencies and the prioritization framework efforts underway in Canada. Furthermore, at the August 2007 SPP North America Leaders Summit, the leaders announced the commitment to further develop a coordinated plan for the movement of goods and people during and after an emergency.



We strongly support the accelerated development of a plan that could be used to prioritize ‘what should be expedited’ ensuring that people or cargo that must get across the border in an emergency or serious situation can do so. Further work is also necessary on the two-way, iterative communications framework that will provide governments with the relevant information needed for decision making and keeping business informed and on testing the frameworks to ensure they work in practice.

### ***Recommendation***

The Canadian and U.S. governments should work in partnership with the business community on both sides of the border to further develop the plan to manage the movement of people and goods during and following a full or partial closure of the border.



# 3 List of Recommendations



*We call on the governments of Canada and the United States to commit to fully deliver on these recommendations within the next 18 months.*

## **Trusted Shipper Programs**

The Canadian and U.S. governments should establish goals and develop metrics to drive agency behavior and priorities that demonstrate tangible benefits to program participants in trusted shipper programs within the next six months.

The Canadian and U.S. governments must implement a strategy to agree on requirements and establish reciprocity for all complementary freight security programs (including trusted shipper and credentialing programs). This strategy must also improve efficiency for both government and industry by reducing duplicate fees and redundant implementation costs. This would include:

- As committed in the SPP, Canada and the United States entering into an agreement to mutually recognize companies participating in the Canadian PIP program and the U.S. C-TPAT program no later than June 2008;
- Canada and the United States ensuring that rail and truck cargo inspected, cleared, and secured at a Canadian port is not subject to further inspections at the U.S. border;
- Canada and the United States allowing carriers without dedicated cross-border fleets to have a pool of FAST transponders and assign them to vehicles as needed; and
- DHS should develop a process for automatically enrolling FAST-certified

drivers into the TWIC program without requiring the driver to undergo additional screening, fees, or application process.

## **APHIS Recommendations**

The USDA should immediately waive the APHIS fee for all modes of transportation for participants in trusted shipper programs such as C-TPAT and FAST.

## **Food and Agriculture Exports: Low-Risk Food Importer and Preclearance**

Within the next six months, the Canadian and U.S. governments should commit to the development of a pilot program along the Canada-U.S. border to expedite processing of qualified low-risk food importers from Canada and the United States.

The Canadian and U.S. governments should commit to the development of preclearance processes for food processors. The CFIA, FDA, and USDA should begin discussions on a pilot program to test this concept, involving a pilot with a small number of volunteer processors and one port of entry within the next 12 months.

## **Application of Health Certificate Stickers on Individual Case Shipments**

The Canadian and U.S. governments should cease requiring that health certificate numbers—obtained from a veterinarian late in production—be printed on each individual case shipment.



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## Other Government Departments: Single Window Initiative

Both the Canadian and U.S. governments should work with their respective agencies and departments and implement the Single Window Interface and International Trade Data System (ITDS).

The United States should ensure that all relevant federal agencies comply with Executive Order 13439 and ensure that they are actively using ITDS by 2009.

Within the next 12 months, all Canadian agencies and departments with border-related requirements should produce a publicly-stated timeline for adapting their requirements to meet the single window platform within the next three years.

## Support for Inland Clearance

CBSA should retain the bonded sufferance and secure warehouses for carriers and should state its intention to do so as soon as possible.

## Harmonized Electronic In-Transit Process

The Canadian and U.S. government should work together to simplify data requirements for domestic in-transit freight movements.

## Short Sea Shipping Pilot Program in the Great Lakes Area

Within the next 12 months the Canadian and U.S. governments should work together to launch a private sector driven Short Sea Shipping pilot project in the Great Lakes area and ensure that Short Sea Shipping operations face the same entry and clearance requirements as rail and truck.

## NEXUS

The Canadian and U.S. governments should continue to market the benefits of the NEXUS program with the target of one million NEXUS participants within the next 18 months.

CBP and CBSA should create a formal review process for NEXUS rejections or revocations within the next 12 months.

## Cross-Border Business Travel Facilitation

The Canadian and U.S. governments should establish a mechanism for multiple entries by executives, technical and professional citizens, and permanent residents of Canada and the United States. This would include an optional preapproval process for qualified individuals to obtain necessary visas/approvals. Under this new program, qualified personnel would be required to be accepted under a trusted traveler program (e.g. NEXUS). The enhanced NEXUS Global Enrolment System database would include both the trusted traveler data and essential visas/approvals information needed for multiple entries. A pilot should commence within the next 12 months. Some U.S. border-crossing posts have institut-



ed a practice of accepting required forms and documents in advance to adjudicate visas, and this practice should be universally adopted at all ports of entry.

Citizenship and Immigration Canada should expand the Temporary Foreign Worker Units (TFWUs) to other provinces such as Ontario and in the Maritimes to create more certainty for temporary U.S. workers or business visitors entering Canada.

### **Enhanced Drivers' Licenses**

The federal, state, and provincial governments of Canada and the United States should devote the necessary funds and resources to ensure that the development of EDLs are undertaken and accepted at all border crossings. An extensive and broad communications plan, aimed at all drivers and clearly identifying the benefits of the optional enhanced identification, is needed. Finally, the implementation must be rapidly deployed to ensure a critical mass of EDLs is in circulation before WHTI comes into effect in mid-2009.

The EDL should be a compliant document for Canada-U.S. air travel.

### **People Access Security Service (PASS) Cards**

The PASS Card should be accepted at air ports of entry when travelling from Canada, as well as the proposed land and sea ports of entry, making it a full passport substitute under WHTI.

The cost of the PASS Card should be \$20 USD for adults and \$10 for minors, regardless of whether it is a renewal or original application, if it is truly to be an economical substitute to a passport.

The PASS Card should not be burdened with the same additional "fees" and "charges" already imposed on passport applications, e.g., there should be no execution or picture fee, making PASS Cards a truly economical alternative to a passport. Furthermore, special discounts should be made available to families applying for several PASS Cards at a time.

The time frame for production of a PASS Card should be significantly shorter than for a passport book, increasing its appeal and eliminating the need to increase its cost even further with expediting fees.

### **Secure Vicinity RFID Technology**

The Canadian and U.S. governments must advance the implementation of secure vicinity RFID technology at all major border crossings and encourage travelers to obtain documentation that uses this technology.



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### **Secure Flight/APIS Quick Query (AQQ) Notice of Proposed Rule Making (NPRM)**

The U.S. government should exempt Canadian overflights that originate from or destined to a third country from the data requirements of the Secure Flight Program.

### **Increasing Staffing, Training and Hours of Services at Border Crossings**

CBSA, CBP, and other government departments with border mandates should make a priority of offering 24/7 border services at all major crossings with a published timeline on how this will be achieved within the next 18 months. This includes the operation of border booths, secondary inspections, and border-related support services.

Both the Canadian and U.S. governments must ensure adequate funding is provided to efficiently deliver this report's recommended border services, including the training of border officials.

### **A Workaround for the Peace Arch Border Crossing**

To accommodate the upgrading of the Peace Arch border crossing, without creating undue wait times at the other ports of entry, the Aldergrove crossing should provide 24 hour access for both passenger and commercial traffic, and both the Peace Arch and nearby ports of entry should have sufficient staffing to operate all booths. Given the aging infrastructure in a number of locations along our shared border, the model used to facilitate the movement of traffic during the upgrade of the Peace Arch crossing can set a formal framework for future border construction projects.

### **A Border Contingency Plan: Deliver on Montebello Commitments**

The Canadian and U.S. governments should work in partnership with the business community on both sides of the border to further develop the plan to manage the movement of people and goods during and following a full or partial closure of the border.

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