

The May 7-9, 2000 Ottawa Conference Summary Report

CAN/AM BTA is an organization with a far-reaching beneficial impact on important issues of trade, travel and business between Canada and the U.S.

Conference Highlights

The reception hosted by the United States Embassy at the new Ottawa Embassy honoring CAN/AM BTA was truly a highlight of the 2000 Conference. It was a pleasure to meet Ambassador Giffin again. (He spoke at our 1997 Conference). Minister and Deputy Chief of Mission Peters and staff provided a memorable evening enjoyed by all in attendance.

The new Embassy is a magnificent facility. CAN/AM BTA highly values its excellent working relationship with the United States Embassy. Thank you to all Embassy personnel for according CAN/AM BTA such a great honor. Thanks again to the Canadian Embassy and staff in Washington, DC who also hosted a memorable reception for CAN/AM BTA at our September 1999 Washington Conference.

CAN/AM BTA was acknowledged by Conference Speakers:

"complimented CAN/AM BTA's ability to articulate essential issues and needs. Stated CAN/AM is much in advance of U.S. and Canada's societies on the importance and impact of the border"
(Assistant Deputy Minister - Americas Haynal)

"recognized and stated appreciation of CAN/AM BTA for its successful efforts which have had meaningful impact on achievements to date. CAN/AM BTA is highly regarded. The participation and support of Canadian Government senior officials reflects that"
(Deputy Minister Bloodworth)

[CAN/AM BTA] "is an extremely effective and important organization"
(Minister and Deputy Chief of Mission Peters, U.S. Embassy)

[CAN/AM BTA] "deserves a lot of credit for moving things along and making things happen. Citizenship and Immigration Canada is committed to a close working relationship and interaction with the CAN/AM BTA"
(Assistant Deputy Minister Nixon)

CONFERENCE SPEAKERS AND THEIR MESSAGE

An impressive array of senior Canadian and U.S. Government Officials and private sector executives updated members on Transportation, Commerce and Border management activities and initiatives.

Greg Dandewich, CAN/AM BTA Executive Board Member - Opened Conference

Welcomed attendees to the Conference. Stated CAN/AM BTA is a transcontinental/bi-national border-wide organization. It is an exceptional forum on border issues. The conference is an excellent mechanism to "tell it like it is" on the subjects of Trade, Transportation and Border Crossing. While separate, the U.S. and Canada are integrated and intertwined. A unified focus is essential.

CANADA UNITED STATES PARTNERSHIP (CUSP)

George Haynal, Ass't. Deputy Minister - Americas, DFAIT

The U.S./Canada Border is an important issue. The General Public needs to focus on the Border as it affects daily lives. Three reasons for developing a vision for the Border of the future: 1) we are paying the price of success from increased commerce flows and integration of our economies. While we have separate sovereignty, we share a domestic relationship. 2) Globalization has changed the "threat focus" to offshore. The U.S./Canada shared values allow a cooperative checkpoint approach at the internal border. 3) Information technology has resulted in virtual flows rather than just physical flows i.e. media, financial, knowledge and design.

In the areas of resources and legislation we must catch up to the present reality and envision the future to where we need to be. This involves the U.S. and Canada working more closely in an integrated and harmonized manner, focusing together on off-border initiatives at the foreign sources to take pressure off activities at our borders and develop a perimeter view for activities which should occur. Desired objectives of CUSP are: seamless border and jurisdiction for legal activity, a facilitative border identifying flows which need enforcement i.e. monitor at the interior border and control at the exterior border. CUSP efforts cannot be done in isolation and need broad discourse.

CROSS BORDER E-COMMERCE BUSINESS STRATEGY**Raymond Lepage, Policy Manager, Task Force on E-Commerce, Industry Canada**

Global economies are witnessing unprecedented change with the Internet driving the Network Economy. E-Commerce is on the cutting edge of a shift to a knowledge based economy (720 times faster, 355 times cheaper). E-Commerce radically changes traditional business models and drives supply chain transformation. Estimated savings of B2B E-Commerce in freight transport is 15-20%. The four largest sectors of B2B activity are Automotive/Computers-Electronics/Petrochemicals and Utilities. Ingredients for success are speed, partnerships and vision. The Internet is revolutionizing trust/level playing field/access/standards and market development. In 2003, E-Commerce business is estimated to reach \$3.2 trillion worldwide. Canada is at 2.1% and is challenged to capture a 5% world share.

William Muntean, International Trade Specialist, U.S. Dept. of Commerce

The technology sector is replacing cyclical as the economic engine. In 1999 E-Commerce business was \$111 billion and is expected to grow to \$3.2 trillion by 2003. The Internet is doubling every 100 days. Today, of the 280 million worldwide users, 150 million use the English language. By 2001 the majority of activity will be in non-English. Embedded silicon chips are essential to faster growth. The key is user access. One third of economic growth in the past five years is E-Commerce related. Information technology is for all. We need to eliminate any "digital divide". Currently there are 350 thousand unfilled high tech jobs in the U.S. The Internet must be utilized in economic development activities. Effective Public/Private Partnerships are necessary. The Private Sector must lead. What the Government **does not do** is also key. The Government should not be an "over arching" directive. It must use a market driven approach with vigorous enforcement of consumer protection laws.

Robert Smolik, Economic Minister Counselor, United States Embassy

Governments, Business, Non-Profit organizations must: think beyond current paradigms for definition of future border management; adapt to what the border is likely to become and keep high profile on border focus. Bi-Lateral trade has doubled and will double again shortly. Look at new ways, what can be done on the perimeter? Cross border crime must be eliminated. The Accord on Our Shared Border has achieved many improvements. We must make the internal Border process more efficient and less intrusive. 98% of commercial and

traveler activity is low risk and legal. We must identify the means to determine those which are not and take appropriate enforcement action. The internal Border is a marker for sovereignty and has no military significance. We must look to harmonize and integrate commercial standards. The bottom line is the question. Is the internal Border worth the cost associated with it? We must mobilize a group to put together a vision of the future Border management by those who benefit/suffer the most and who truly understand "what is" and "what could be" to get the job done.

CONNECTIVITY, PORTS, RAIL, TRUCKLOAD CARRIERS

James Powell, Ass't. Vice President International, Canadian National

Every transport company must successfully carve out a niche in the transportation system in the global marketplace. Ships berth in ports and must plug into a transportation system to access inland markets. Connectivity in multi-modal supply chain is essential. Cost and reliability are key in transportation. The trend in North America is smaller shipments at increased speed. Vancouver Port to Toronto is now 71 hours. CN maintains an electronic catalog with 3200 shipping points and destination pairs and is on time 90%. 95% of trains clear the Border in 30 minutes or less. 50% of CN's business is now U.S./Canada movements. Halifax is deep water and the first Port of call from Europe. 1994 to 1998 Halifax to Chicago - volume grew 5 times. Vancouver Port handled one million containers in 1999. The new Pod 3 coming on line will double their capacity. Stated two critical needs 1) Canadian Ports do not have the ability to issue tax free bonds and are thus at a serious competitive disadvantage with U.S. Ports, 2) U.S. and Canada customs procedures must be harmonized.

Tony Aksich, Director Commerical, Canadian Pacific Railway

Canadian Pacific generates one-third of its revenue from U.S./Canada movements. Its main border crossing points are Lacolle, Niagra Falls, Windsor, Emerson, North Portal and Sweetgrass. It crosses 250,000 railway cars a year. Described the CPR Expressway roll on/roll off-truck friendly train slot system highlighting the Montreal/Toronto/Detroit/Chicago and Montreal/New York City runs. Rail is a controlled, reliable mode of Transportation.

Bram Everitt, Vice President Intermodal, Buffalo/Toronto Transport

Presented a dialogue about what the cross-border trucking industry in general is faced with on a daily basis. Described the over the road trucking services and the competing intermodal service which is the marriage of railroad service and short-haul trucking that provides door-to-door transportation. Of tremendous interest was the description of the people paying Buffalo/Toronto transport freight invoices who are not shippers/receivers but are Intermodal Marketing Companies (IMC). Defined them as "travel agents for freight transportation." These companies, mostly based in the U.S., control massive volumes of freight. Their annual sales amount to billions of dollars for services to arrange the origin to destination transpiration modes and routes. The IMC arranges and pays for all of the "legs" in the combination of rates, adds a management fee for its service and presents "one invoice" to their customer for the door-to-door movement of their goods. Discussed the very difficult current environment for trucking particularly the impact of increased fuel cost and the need to adjust to and deliver to customer expectations and demands. Described the critically important Canada Customs Pre-Arrival Processing System (PAPS) which is now available in Western New York, and shortly in Detroit. PAPS needs to be implemented border-wide ASAP. Also highlighted the importance of the condition of intermodal trailers and containers to insure safety.

Bruce Richards, President Private Motor Truck Council of Canada

Represents private truck fleets such as Kraft, Molsen and Canadian Tire. Industry Canada estimates there are 420,000 trucks in Canada - 300,000 are

government, utilities, military, etc. Of the 120,000 commercial, 60% are private carriers. Described in the intermodal systems Eco-rail, Road Railer, Iron Horse and Triple Crown. Cited from 1990 to 1998 North/South truck volumes grew 12% a year. Canada exports move 60% by truck, 20% by rail and 20% other. Canada imports move 80% by truck, 10% by rail and 10% by other. Cited the importance of amending Section 110 Legislation, complimented the Canadian Customs and Revenue Agency on the Commercial Customs Self-Assessment initiative and stated that driver registration must be the responsibility of the individual and not the company.

TRANSPORTATION ISSUES

Margaret Bloodworth, Deputy Minister of Transport

Canadian transportation system must be excellent not just good. Cross border activities are smoother than in the past. Increased border facilitation in research, dialogue, technology and improved practices need to occur jointly while maintaining individual needs and national interests of each country. Integrated North/South corridors and the efficient use of infrastructure are a necessity. The transportation system must be seamless and integrated.

Rail cross border activity is growing 10% a year. Transport Canada is determining how Canada freight actually moves in order to achieve an integrated seamless system. Strategic policy planning is a priority to insure a coherent Federal approach and is utilizing an inter-department work group approach. A priority is the identification of issues and obstacles. Just-In-Time and Supply Chain needs of the trade community will dictate that the most efficient providers will gain share. Better use of E-Commerce technology in moving freight indicates savings of 15-20% in transportation costs. Canada needs additional infrastructure and has a legitimate national interest in insuring harmonization and compatibility. Consensus on contentious issues must be achieved. Must seek ways to make U.S./Canada partnership work better and find new and improved ways to connect Canada and the U.S. to provide efficient and cost effective transportation capability.

PROVINCIAL TRANSPORTATION PERSPECTIVES

ALBERTA: Rod Thompson, Exec. Director Transportation Policy & Eco. Analysis

Presented extremely interesting analysis depicting myths believed about truck use of their highways. Overall Alberta's highway users are: automobiles 84%, straight trucks 4.7%, semis 10%, and big trucks 1.3%. Myth - big trucks do most damage to roads. Truth - while individually big trucks create more wear but due to their capacity they make far fewer trips so cumulatively big trucks cause far less damage and wear than 3 axle trucks. Myth - trucks don't pay their way. Truth - in-depth analysis showed truck fees and fuel tax generated exceeded their caused portion of maintenance and repair expenditures. Myth - trucks take traffic from rail. Truth - study determined that only 10% of truck volume was shippable by rail. Truck and rail and complementary modes of transportation. Myth - big trucks are less safe. Truth - analysis of actual accident history determined cars were the cause of 70% of car/truck accidents and the number of accidents declining. Cited fuel savings are 70% big truck versus 3 axle trucks. Provided data that one third of pavement repair and maintenance costs in Alberta were caused by "weather wear out on the shoulders of the roads" which are not usually driven on.

MANITOBA: Don Norquay, Ass't. Deputy Minister, Highways and Transport

Manitoba is experiencing 19% annual growth in traffic. 39% of road ways are

deficient. Average pavement age is 19 years with a 20-year design life. Annual construction budget is \$100 million and it takes \$160 million just to sustain current system. Manitoba fuel tax revenue is \$1.5 billion per year and it spends \$1.55 billion. The Federal Government receives fuel tax revenue from Manitoba of \$1.06 billion per year and provides \$36 million per year to Manitoba or 3.4 cents on the dollar. Canada National Highway deficiencies are \$17.4 billion. Canada needs to implement a national infrastructure program properly funded and needs a national transportation investment strategy. The lack of these critical programs are undermining national productivity. Reviewed: the Mid-Continent Corridor Strategy; Manitoba "export" trends to the U.S.; the Emerson/Pembina Border Crossing; Key corridor Development issues; Northern Great Plains Trade and Transportation Assessment; the North Dakota-Manitoba-Saskatchewan Border Planning Project and the Mid-Continent ITS Assessment/Deployment Project.

ONTARIO: Bruce McCuaig, Director Transport Planning, Ministry of Transport

Economic and job creation focus is on transportation. 40% of Ontario's GDP is dependent on exports to the U.S.; Ontario has a 5 year program from infrastructure entitled "Superbuild" coordinated in one initiative. In year 2000/2001 Ontario Provincial highway investment will be \$1 billion. 60% of trade by road is through Windsor, Sarnia and the Niagara Gateways. 90% of Ontario trucking is through these three Gateway areas as well as 80% of the auto traffic. A major decision is to determine whether to widen the QEW or construct a new range planning program. Priority is long-term solutions to Gateway pressures and congestion. Multi-modal approaches are important. Complexity arises from the multitude of U.S./Canada players. Cited differences in U.S. and Canadian funding approaches. He urged an increase in Bi-National Joint Planning and Cooperation.

ECONOMIC OVERVIEW

John McCallum, Chief Economist, Royal Bank of Canada

"These are the best of times, the worst of times and the most challenging of times." Canada and the U.S. are experiencing synchronized growth of 4% versus the world at 3%. U.S. boom in stock market while at risk of over valuation should, even if, a minus 28% reduction in value occurs would exert only a negative impact to economic growth rate of minus 1.3% per year. 1% of Americans own 40% of the stock market. Inflation is trending at 2-1/2%. He expects the interest rate to be raised another 1/2% this year. Canada is receiving tax cuts at both the Federal and Provincial levels and world commodity prices are strengthening. Medium term challenge is that Canada's living standard per capita is at 63% of the U.S. living standard. Tax revenues, as a percentage of GDP, are 36% in Canada and 29% in the U.S. Productivity growth in Canada is 1% and 2.6% in the U.S. The U.S. expansion is sustainable. It is critical for Canada to remove Border impediments. Rules based trade is an advantage for Canada. It is important for Canada to get Corporate taxes lower than the U.S. and to encourage migration for the supply of skills needed. Canada has monetary and fiscal discipline and credibility thus flexibility. Unemployment is 6.8% in Canada and 3.9% in the U.S. Long-term sustainable levels are 6.8% in Canada and 3.9% in the U.S. Long-term sustainable levels are 6% and 4.5% respectively. The Bond market is near peak. Current policy is affected by the needs of the new economy, but not favoring it. In 2000, the greatest challenge lies with Canadian firms themselves.

SHARED BORDER ACCORD ACTION PLAN AND BORDER VISION STATUS

Denis Lefebvre, Ass't Commissioner, Canada Customs and Revenue Agency

Appreciated this opportunity to account for the effort and progress on the

Accord. There is increased interest by the Canadian public in the border forming broader views. "Border" has become fashionable. The Canada Customs Blueprint has become a 5-year Action Plan. Factors are: technology is moving forward; movement of goods and people continue to increase; the public is impatient with delays and the Rasam affair. The ACROSS platform has been stabilized, EDI transactions are at 60% transacted in one minute, 2 of every 3 trucks are crossing the border on Line Release, OGD has been established as a single site and CANPASS has been expanded to the Peace Bridge, Ambassador Bridge and the Detroit Canada Tunnel. Twenty officers have been added at Sarnia for the Blue Water Bridge.

ACCORD STATUS: Enhanced cooperation and harmonization between the U.S. and Canada Agencies continues. Low risk traveler pilot at the Blue Water Bridge for U.S. and Canadian citizens entering either country will commence in October 2000, and will receive a one-year evaluation for expansion Border-wide. Of the 22 remote Ports planned for 24-hour service, 18 are completed. The U.S. is currently conducting a risk assessment. The review of small ports (profile ports) is completed. Canada/U.S. intransit commercial protocol is operational reducing trucks stops from four to two. A four Agency review of current screening procedures at ports, along with looking at procedures at perimeter, is underway. Assistance is needed from Legislation and final design of each element continues.

Martha Nixon, Ass't Deputy Minister OPS, Citizenship & Immigration Canada

Modernization of the border is underway defining where we have been and where we are going. Cited inspection statistics to 1999, 104 million crossed the border of which 1.8 million required secondary processing. Of those, 190,000 sought landed immigration status, 180,000 were workers, 105,000 were students, 60,000 were refused entry and 15,000 made asylum claims. The Canadian government is positioning itself of border issues. Deputy Minister of Transport Bloodworth has been designated champion on border issues. The amending of Section 110 is applauded. Stated desire to work together with CAN/AM BTA on definition of the "future border". Discussed perimeter initiatives, joint interdiction overseas, smuggler routes, joint and shared approaches on policies and visas and what we can do better at the border itself. Described the land border working group, joint Training guidelines, information sharing, terrorist database, regional visa policy, and common asylum (joint). Must look at whole border as a continuum.

LOGISTICS CONSIDERATIONS OF THE SMALL PACKAGE DELIVERY BUSINESS

Rick Van Staveren, National Accounts Manager, UPS Canada

Wayne Bosch, Director of Customer Automation, UPS Canada

Presented description of the UPS service and approach. ECommerce is changing business. Buyers are savvy. They have choices and know their choices. Competitive advantage is gained by those who provide solutions and at the lowest cost. Key is to integrate the provider into the customers' process. Today's commerce flow is defined in terms of information, goods and funds. UPS has formed over 100 active alliances. Dissatisfaction with Internet activity resulting in turndown of orders is caused 53% for shipping difficulties and 35% from fraud (item was not as described or expected). UPS has formed a Logistics Group which facilitates U.S./Canada business. Examples: tracks Ford vehicles, picks, packs and ships Nike.com orders. Visibility on the complete supply chain, speed and reliability are essential. UPS is moving at the speed of business.

Vinoo Vijayaraghavan, Mgr. E-Commerce/Customer Convenience Network, FEDEX

Early 80's = overnight/time delivery with package control. Late 80's = constructed means to tender package to system. Today must integrate with customer ECommerce business system. Moving to high value smaller shipments. Today's total shipment value is 5 times the past while weight has remained the same. Today the relative term is "Fast Cycle Logistics" which involves full collaboration of producer and customer (many to many). Globalism and ECommerce heighten competition and remove borders. In the high value small package business distribution is critical. It has a new level of visibility and control within an organization. Keys to success are visibility, collaboration and optimization. FEDEX merges product in-transit and also provides in-transit redirect. Example - it used to be that fabrication of an item with five components from around the world were each delivered and had to await receipt of the last item before the process could begin. FEDEX today manages the supply chain process so that the five components are boxed and delivered to the customer as a complete unit of components so fabrication can begin immediately upon delivery.

CANADA CUSTOMS

Honourable Martin Cauchon, Minister of National Revenue

Strongly supports U.S./Canada cooperation. \$500+ billion of cross border trade now occurs. 80% of visitors to Canada are from the U.S. Economic activity has a direct impact on Customs activities. In 1999, 11 million commercial entries were processed - up 1.5 million over 1998. Border management is a critical responsibility. The recently introduced and funded 5 Year Action Plan changes the way we do business. It supports health, safety and security while introducing a new perspective. The commercial segment CSA introduces post audit verification and monthly accounting versus transactional for those who qualify. The top 100 companies account for 40% of cross border shipments and 1,000 companies account for 70% of shipments. Canada Customs' objective is to facilitate known low-risk with safeguards and enhanced enforcement (of the balance). We intend to improve compliance with appropriate penalties and are committed to work together to find common responses and eliminate overlap and duplication. A bold step to modernize Border management and processes.

KEY ISSUE BRIEFING

Jim Phillips, Executive Director CAN/AM Border Trade Alliance

Highlighted the following:

- ⌚ Legislation amending Section 110 entitled "The Immigration and Naturalization Service Data Management Act of 2000" has been cooperatively written and is in the process of introduction in the House and Senate by Congressman Smith and Senator Abraham. Since November CAN/AM BTA was the designated interlocutor to initiate the process and provide an objective approach. Congressman Smith and Senator Abraham each deserve tremendous credit forging a win/win outcome.
- ⌚ Voiced strong support and will provide assistance for the far reaching Border Vision agreement between Canada and U.S. Immigration Agencies as detailed by ADM Martha Nixon.
- ⌚ CAN/AM BTA has participated in the development of the Canada Customs 5 Year Action Plan and applauds its implementation and funding.
- ⌚ CAN/AM BTA urged Canadian budget priority for a National Transportation Strategy and Highway Plan and appreciates its designation and the start of funding in the current budget. However, major funding sources are needed to undertake the necessary program.
- ⌚ Efforts continue to achieve appropriation of additional resources for U.S.

Customs and INS on Border operations. Building on CAN/AM BTA's testimonies before the Senate Finance Committee, we urge funds be provided to the U.S. Customs from the \$21 billion they collect in duty before this revenue goes to the General Fund.

- ε Efforts continue to obtain funding for the Automated Commercial Environment (ACE) for U.S. Customs to replace the ACS system which is 15 years old and over extended. CAN/AM BTA takes the position that the \$1.2 billion required over the next four years should come from the existing Merchandise Processing Fee already collected from the private sector of \$800 million a year which goes to the General Fund.
- ε Supports the Congressionally mandated study by U.S. Customs to be completed this fall detailing infrastructure needs of the Border. CAN/AM BTA membership is providing assistance.
- ε Urges that the U.S. Customs Commissioner's report on Northern Border Trade, Corridors and Gateways which has been completed be distributed to users and stakeholders. CAN/AM BTA provided extensive assistance in this excellent and informative initiative.
- ε CAN/AM BTA is concerned with the earmarking of about half of the fiscal 2000 funds for the TEA-21 Corridors and Gateway program thus reducing availability of funding for the projects objectively selected in the program.
- ε Discussed 3 key initiatives CAN/AM BTA has undertaken in conjunction with its work on the Accord and ON WHICH ACTION IS NEEDED:
 1. Implementation of a joint low risk traveler technology system in both directions which results in dedicated primary lanes controlled without individual staffing.
 2. Development and implementation of Joint Border Processing Zones, essentially the perimeter of each border crossing's process area to allow operation of Joint Facilities and simultaneous enforcement of both countries non-criminal laws by representatives of both countries agencies. Requires Canadian legislation for land border pre-clearance.
 3. Data exchange between Canada and U.S. Customs to deal with intransit fraud.
- ε CAN/AM BTA urges speedy completion of current negotiations to proclaim the already passed Canadian Legislation on Airport Pre-clearance. This is a model for Land Border Pre-clearance with appropriate modifications.
- ε Without Canadian Legislation creating Accord processing zones for land border pre-clearance effective Joint Facilities are almost impossible to achieve. Current efforts are at a standstill, as they should be, until legislative action occurs. This is a number one candidate for CUSP as it is more a diplomatic resolution needed than action by the agencies.
- ε Voiced strong support for and are participating in the Canada United States Partnership (CUSP) as detailed by ADM - Americas George Haynal.

SUMMARY REMARKS

Barry Bomier, CAN/AM BTA Executive Board Member

Assured Minister Cauchon that CAN/AM BTA would communicate the message on the Canada Customs 5 Year Plan.

Stated the CAN/AM BTA Board was pleased with the content and success of this Conference and proud of its leadership role in amending Section 110 Legislation and interaction on the Accord. CAN/AM BTA embodies strength from its extensive expertise, diversity and unique mix of its participants and its ability to provide candid dialogue. It has a track record of success in its grasp of issues

and initiatives to provide solutions. CAN/AM BTA is now undertaking a synchronous address of a broad spectrum of Border activities. We are formulating documents to tell our story and the role we have and are playing, i.e., identification of current and future key issues with concerted action plans and the creation of appropriate position papers, brochures and reports.

Thanked all attendees and contributors for their active participation and the speakers and their staffs for their meaningful contributions in making this CAN/AM BTA Conference such a tremendous success. The CAN/AM BTA is inclusive in nature and single-minded in focus; improving the efficient flow of legal goods and people across the U.S./Canadian Border

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