

CAN/AM BORDER TRADE ALLIANCE

MAY 2-4, 1999 OTTAWA CONFERENCE SUMMARY

CAN/AM BTA IS AN ORGANIZATION WITH A FAR-REACHING BENEFICIAL IMPACT ON IMPORTANT ISSUES OF TRADE, TRAVEL AND BUSINESS BETWEEN CANADA/U.S.

1999 CAN/AM BTA OTTAWA CONFERENCE HIGHLIGHTS

Conference Speakers recognized CAN/AM BTA:

".appreciated CAN?AM BTA for its effective ability to keep Governments focused [on Border issues] and for its ability to identify and articulate the real impediments and problems" (Deputy Minister Bloodworth)

".for the contribution of CAN/AM BTA in assisting Governments to develop Border policies and programs which are responsive to the needs of communities" (Asst. Deputy Minister Nixon)

".CAN/AM BTA's continues interest, enthusiasm and involvement in re-engineering our shared Border is both appreciated and necessary" (Earle Warren, Direct General Revenue Canada)

".asked CAN/AM BTA to continue to suggest the means to make the Border crossing system work more effectively for the user community and the [Canadian] taxpayers (Minister Dhaliwal)

CONFERENCE SPEAKERS AND THEIR MESSAGES:

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

Jerry Nagel, CAN/AM BTA Executive Board Member - opened Conference

Welcomed attendees to the conference. Stated CAN/AM BTA is the unified voice to advance U.A./Canada shared interests. Urged attendees and their associates to join in creating "a great noise of concern and attention" to get action on critical needs and improvements and to continue to build strategic direction.

NATIONAL REVENUE CUSTIOMS AND TRADE ADMINISTRATION ISSUES

Honourable Herbance Dhaliwal, Minister of national Revenue

He is utilizing a hangs-on, pragmatic approach to streamline and simplify the Border crossing process. Provided insight on the organization change from a Ministry to the recently enacted Customs and Revenue Agency. Reviewed the Traders and Travelers Blueprint, [currently nearing competition stage] which will result in the issuance of a 5-year plan by autumn 1999.

95 of every 100 visitors to Canada cross the U.S./Canada Land Border.

Outlined key priorities with early deliverables being pursued:

1) CAN/PASS - Low Risk Traveler - U.S. and Canadian citizens [all arrival modes] entering Canada with the expanded Border-wide-background clearance pre-requisite. Launch discussions to harmonize entry into the U.S. with U.S. Administration officials;

2) Customs Self Assessment for Commercial Trade - profile-based risk assessment involving importer, carrier and driver - post-verification versus shipment by shipment at the border - top 1100 companies do 40% of trade, people and investment as seamless as possible and to concentrate on high risk shipments.

Denis Lefebvre, Assistant Deputy Minister Customs & Trade Admin.

Outlined the rapid changes requiring the border crossing process to work differently to keep pace with increased volume. Revenue Canada Customs has had a 10% decrease in resources over the last 5 years. Stated the Shared Border Accord is an unmitigated success in cooperation, progress and effective compromise between two different political realities. Action now focused to move from parallel to joint systems. Objectives: service enhancement and redeployment of resources to high risk [segments].

BRIDGE AND TUNNEL OPERATORS AND BORDER TRADE CORRIDOR PANEL

**Barry Bomier, Michigan-Ontario Corridor,
Michael Dahm, New England Corridor,**

Garry Douglas, New York-Ontario-Quebec Corridor,

Mike Dunbar, Detroit Canada Tunnel,

Bob Fraziew, Rocky Mountain Trade Corridor,

Allen Grandell, Niagara Falls Bridge Commission, (3 bridges)

Jim Horsman, Pacific Northwest Economic Region,

Charles Kelly, Cascadia Corridor,

Doug Keddy, Blue Water Bridge,

Jerry Nagel/Greg Dandewich, Mid Continent Corridor

The importance of Trade Corridors is economic issues primarily related to JOB creation and the economy. Washington and Ottawa Government actions and inaction impact BORDER CROSSING PROCESSES, TRADE CORRIDORS AND TRANSPORTATION SEGMENTS. WE KNOW WHERE WE NEED TO GO. THE PROBLEM TO-DATE IS LACK OF ACTION ON CRUCIAL ELEMENTS TO GET THERE.

CORRIDOR NEEDS AND INITIATIVES:

Actual implementation of the envisioned joint elements of the Shared Border Accord: International Mobility / Connecting Corridors and Gateways / Harmonize truck weights and measures / Standardize ITS technology to insure inter-

operability / Cooperative Regional planning including bi-national elements / Intermodal connectivity involving effective access to and use of Port, Rail and Truck modes.

Joint cooperative U.S./Canada Regional Marketing/Transportation Operations for commodities i.e., livestock and grain introduction of value added production and processing activities in previous commodity production "only" regions / Enhancement of Information Technology activities / Focus on critical elements of both low cost shipper and low cost producer attainment. Achieve effective Regional Dialogue.

Canadian Federal Legislation is needed for Canadian Highway Trade Corridor and Gateway Development. Action especially by Finance and Banking elements to determine "How to Fund".

Trade Corridor/Transportation enhancements funnel activity to the Border but the current Federal stances on "capping or reducing" inspection resources results in the Border Crossing become the constraint and "escape goat" unnecessarily.

Bridge and Tunnel Operators provided excellent insight into critical needs. It was unanimous. **The #1 problem is the current understaffing of Northern Border U.S. Customs inspectors and INS Inspectors.** Shortage causing congestion/delays and preventing use of existing crossing capability. Shortage also precludes ability to utilize existing and new expanded facilities at Border crossings.

UPCOMING CAN/AM BTA CONFERENCE:

1999 CAN/AM BTA WASHINGTON, D.C. CONFERENCE:

"A Unified Focus" September 12-14, 1999

HOLIDAY INN on the HILL Washington, D.C.

Contact Jim Phillips Fax & Phone 1-716-754-8824

Website - www.rtrade.org

Of further interest is the 1999 Trade Corridors Conference: A Design for the Decade Oct. 31 - Nov. 2, 1999 Sheraton Fallsview Hotel Niagara Falls, Ontario Contact Cass Bayley 1-888-527-3434. Website - www.tradecorridors.com

Robert Smolik, Economic Minister Counselor, United States Embassy

Posed the question, "What should the Border look like in 10 years?" Alternatives range from individually fully secure to a confederations/currency union with perimeter security only. Effective advocacy (private sector and citizens) force Governments to introduce new ways! Political realities, technology limitations and paradigm shifts must be considered. In any event Governments must provide appropriate resources to make the Border operate properly. Suggested awareness of what realities have changed, i.e., sovereignty, shared security, commercial relationships/activities and cost to Governments and industry. Objectively determining is it worth what it costs?

Posed a final question: "Are current Border procedures meeting objectives?" He closed with admonition to "think outside the box."

RAILROADS ROLE IN U.S./CANADA TRADE**Roger Cameron, Gen. Manger, Public Affairs, Railway Assoc. of Canada**

Association represents 50 member railways, virtually all freight and passenger activity In Canada. **The 1996 Canada Transportation Act transformed the Canadian Railway Industry.** It allowed CN to be privatized. Kilometers of track in Canada have been reduced 30% short line and regional railways have grown and strengthened. Canadian railways have invested in productive equipment, advanced technology, maximized asset utilization and reduced their workforce by 40% while substantially increasing traffic and improving service. Rail activity of U.S./Canada Trade is and has grown at almost 20% a year / 95% of trains clear the Border in 10 minutes or less. Outlined various elements of differential treatment by the U.S. and Canada and between modes.

Sandi Mielitz, Vice President Market Planning, CN

CN committed itself early to serve continental Free Trade and operate as a web connecting centers of economic activity. Developed infrastructural improvements and system-wide enhancements Regulatory reforms in Canada and U.S. have given all railroads greater freedom to operate and pursue market opportunities. Constructed the double-stack tunnel at Sarnia/Port Huron in 1995. Recent approved merger with Illinois Central provides perfect fit for efficient service of North-South Trade growth. CN is the only railroad serving 3 coasts, the Atlantic; the Pacific and the Gulf of Mexico. Have a Marketing Alliance with the Kansas City Southern Railroad. Trains clear the U.S./Canada Border in minutes today vs. an average 2-3 hours in 1995 due to technology and process enhancements in cooperation with U.S. and Canadian agencies. Pre-clearance achieved: clear designated trains without any delay CN is committed to provide time-sensitive/customer-driven service.

J. Reilly McCarren, Exec. V.P./Chief Op. Officer, Wisconsin Central LTD

Wisconsin Central of today is a network of short line railroads formed in 1987 in the U.S. and Canada who's Mission is Customer Driven. It has operations around the work including \$1 Billion in the U.K. It privatized the New Zealand railroads in 1883 and retains a 23% ownership. It has 3 focuses of U.S./Canada Trade: Algoma Central operations in northern Ontario; Border lands Trade which is real important. A large percent of Cross-Border Trade occurs with origins/destinations within a narrow geographic band on both sides of the U.S./Canada Border and long haul arrangements with CN. 25% of their business has Canadian origins/destinations. Short line railroads excel in cost effective storage and reconsignment in transit and are increasing their capability to provide this service. Wisconsin Central matches commodity supply and demand and uses the Internet and electronic Customs interface. Cited a critical need to be resolved for Cross-Border operations, i.e., current situation causes costly inefficiency and inability to use their assets and people effectively. Canadian crews are limited to 150 miles from Border in the U.S. They cannot pick up or drop off cars while in the U.S.. Further, specialized track laying crews are "not able" to work in the U.S. The above negatively affects both productivity and cost effectiveness.

Bruce Burrows, Director Government Affairs, Canadian Pacific Railway

CPR has become more fully integrated with Soo ownership, D&H acquisition, high performance locomotive investment and expanded

service offering. More than 30% of gross business revenue comes from Cross-Border traffic between Canada and U.S. Priority commitment to intermodalism, which needs pro-competitive investment, elimination of economic distortions and streamlined regulation. Highlighted a number of points on what is needed to move intermodalism forward including recommended Government initiatives. Rail prices declined 35% in constant dollars in past 10 years.

TRANSPORTATION ISSUES

Margaret Bloodworth, Deputy Minister of Transport

Highlighted productivity gain (1981-1997) of 80+% Currently 1/3 of Canadian GNP dependent on U.S. Trade. 95% of that Trade is transported by truck and rail. Reviewed Transport Objectives: Adequate infrastructure-Keep vehicles moving safely- Regulation Standards must become more compatible and an open flow of information. Advised Motor Carrier Act Bill C77 tabled in April.

REGIONAL TRADE CORRIDOR FOCUS

Federal Government will not pick or give preference to any individual Corridors. Federal Policy is to favor concept of Corridors and Gateways. Will work closely with Provinces who have highway primary authority. Desires "private sector interaction" in these matters. States future investment in Corridors and Gateways is needed. To date there is no clear signal from Provinces that this is a priority. Resources limited by the priority Provinces assign. Process will involve Corridor participants, Federal and Provincial representatives. Transport Canada will harmonize and facilitate trade via Corridors. Doing regional freight studies (BC 1996) and multi-modal studies. Stressed need to work together on this significant need to coordinate stakeholders, local, Provincial and Federal Government. Looked forward to continued close cooperation with U.S. Federal counterparts and the need for interoperability of technology systems utilized.

PROVINCIAL STRATEGIC IMPLICATIONS TRADE CORRIDORS/BORDER GATEWAYS

ALBERTA-Rod Thompson, Exec. Director Transportation Policy Development

Highlighted Alberta Transportation and Trade activity. Book value of their primary highway system is \$4.2 billion. Have 1.6 vehicles per household (highest in Canada). Alberta exports to U.S. grew 62% while imports grew 67% and 80% of Alberta's exports are to the U.S. High priority to provide transportation support to its value added industry, particularly agricultural products. Alberta is spending more than \$1 Billion constructing the North-South link connecting Alaska to Montana. Border Crossing facilities and processes require attentions. Federal Government has a funding role where Federal policy contributes if it does not do something similar to TEA-21 and develop a National Highway Program with appropriate shared funding. Discussed environmental, climate elements and the Alberta Traffic Safety Act.

MANITOBA-Lynn Cabak, Manager of Manitoba Corridor Strategy

Provided the Manitoba elements defining a Corridor: provide a seamless, efficient transportation link for cost-effective and safe movement of goods

and people; link major commercial and population centers; facilitate Trade by minimizing travel costs and time; inter-modal in nature (air, rail, truck, marine); offer a complete transportation capability; offer a total logistics approach by linking infrastructure development with technology through Intelligent Transportation Systems (electronic vehicle identification, toll collection, weigh-in-motion, pre-clearance of goods, carrier and driver).

To enhance Manitoba's Trade and economic growth are working on the Mid-Continent corridor (Winnipeg to Mexico City). Corridor development goals are: expand market reach; ensure efficient transportation system; utilize technology and promote local, regional and continental economies. 1997 over 1996 Manitoba's exports to the U.S. grew 19% while imports from the U.S. grew 27%. Over the past 6 years Manitoba's exports to the U.S. grew 189%. Manitoba has 16 crossings to the U.S., 11 to North Dakota and 5 to Minnesota. Winnipeg airport freight volume has increased 500% 1990 to 1998. For corridor strategy development formed an involved parties group, defined information needs, identified issues, problems and needs, developed working relationships and completed an Action Plan.

ONTARIO- Bruce McCuaig, Director Transport Planning, Minn. Of Transports

The Honourable Tony Clement, Minister of Transport has led the Ontario Ministry from a role of delivery of highways to one whose primary purpose is supporting the economic competitiveness of the Province. Three areas were highlighted: the economic importance of Trade particularly along key corridors leading to the U.S., the importance of road transport while acknowledging contributions of rail, air and marine. Discussed strategic initiatives and priorities of Ontario to ward integrated transportation solutions. TEA-21 contains international coordination as criteria and adds pressure for Canada to provide transportation users with equivalent service. Cited the importance and impact of Cross Border Trade on the economy and quality of life. Ontario handles 60% of U.S./Canada two-way Trade. Key essential highways are 401, 402 and the QEW. Ontario has completed or is in the process of completing key current and future international Gateway Studies. Described ITS applications, selected expansions and harmonization initiatives.

QUEBEC- Jacques Pelletier, Director of Mobility, Min. des Transports

Quebec is very interested in Corridors and Gateways. They have completed a projection for 10 years out. They have also completed a detailed truck profile on the Quebec road network leading to the Canadian/U.S. Border. Stated absolute opposition to Section 110 of the U.S. 1996 Immigration Legislation (IIRIRA).

CANADIAN/U.S. TRADE - IMPORTANCE OF THE BORDER TO FACILITATION

David Peterson, Director U.S. Transboundary Div. DFAIT

Borders are a political instrument - physical and perception U.S./Canada Border becoming more open but we must have a Border. Discussed French/Swiss model, Vancouver airport pre-clearance pilot, status of Bill S 22 Legislation, application of airport model to other modes i.e. land Border and ports for goods and people. Described difference in Canada and U.S. interests. Posed questions and examples of how a Border could/should work / Reiterated strong Canadian Government major concern with Section 110 of 1996 IIRIRA. Discussed role of Border processing and technology. Stated labor mobility has become more of a

problem since NAFTA. Posed overriding key question needing resolution in the long run. Where are we going regarding the Border? The bottom line it is a political choice.

THE CANADA/UNITED STATES ACCORD ON OUR SHARED BORDER

Border Issues: A Canadian Immigration Perspective

Martha Nixon, Ass't Dep. Minister Ops Citizenship & Immigration Canada (CIC)

Affected relevant groups should play a much more significant role in discussions of policies that affect their lives. C&IC wants facilitation of low risk and reduction of high risk actually arriving at the border. In 1998 of 109 million entering Canada, 50,000 enforcement cases resulted with 7,000 of these crime related. "The debate in the U.S. around Section 110 has shaken Canadians from their complacency we had with Americans on Border controls" the way we manage the Border affects our Global positioning and competitiveness. Our current Border mechanisms are under stress. The key is working together to develop solutions In working with the U.S. we are convinced that most Immigration solutions do not lie at the Land Border. We are working to achieve an increasingly seamless and more harmonized process with the U.S. Border Vision being developed jointly by C&IC, USINS and the State Department re: regional approach to migration; strengthening the external perimeter; harmonizing and sharing information; work groups; cross Border mobility at Land Border (business travelers and temporary entrants); information sharing MOU; Visa issuance information exchange and consultation; jointly mapping illegal immigrant smuggling trends and prevention. In summary, we need to seize on opportunities to harmonize programs, which are currently parallel into single joint programs and jointly evaluate risks and programs to develop a common framework of solutions. How do we involve CAN/AM BTA in our planning? How do you help us plan across the confines of department mandates and Borders? "I look forward to working with you to develop a long-term strategic vision for the Border, which is dynamic and responsive to you needs."

Earle Warren, Director General Major Project Design and Development Revenue Canada Customs and Trade Administration Branch

Highlighted that the Accord on Our Shared Border has been instrumental in focusing Canada's and the United States' collective efforts on developing Border processes that facilitate legitimate Trade and Cross-Border travel while protecting the health, safety and security of our citizens. Reviewed status and allowing redeployment to concentrate on high-risk; ALTERNATE INSPECTION SERVICES (land Border remote ports) where 22 location pairs of crossings will be operational by 12/31/99; IN- TRANSIT PRE-CLEARANCE Air traveler Bill S-2 when enacted (expected to be Fall of 1999) will give U.S. officers limited power to enforce U.S. Customs, Immigration, Agriculture and Health laws at Canadian airports; this sets a precedent for expanding these arrangements to other modes (Land Border Accord Processing Centres) where inspection officers from one country could exercise limited powers on the soil of the other country on a reciprocal basis with the enactment of necessary legislation; JOINT BORDER FACILITIES program is commenced and will be much enhanced with the same Land Border Legislation needed for Accord Processing Centres; SHARED EQUIPMENT and JOINT RESEARCH programs are well underway.

LOGISTICS CONSIDERATIONS OF U.S./CANADA BORDER CROSSING

PROCESS

Cliff Gilroy, Dir. Material Transportation General Motors (GM)

Very informative discussion from Border user perspective of needs and results. GM makes 336,000 shipments and moves 200,000 vehicles a year through Detroit and Sarnia. Timing is "sacred and speed is critical". Business survival is directly dependent on the "time element" to be able "to fill customers needs". The users can't control but "can and must influence" the Border Crossing Process. There is a great need to get rid of the unnecessary so you don't waste time and effort managing it. Need to research, develop and implement connections to the Border Crossings. There is a critical need to actively increase cooperation of all elements in Border Crossing Process and work on improvement of data collection. Border Crossings must be quick, smooth and consistent / must not let Border issues and needs fester. Section 110 implementation must be prohibited in its present form at the Land Borders.

CANADA/U.S. TRADE CORRIDOR / GATEWAY COOPERATION. SECTION 110 UPDATE INCREASING U.S. CUSTOMS AND INS STAFF/RESOURCES AT THE U.S./CANADA BORDER

Jim Phillips, Executive Director CAN/AM Border Trade Alliance

Realities at the U.S./Mexico Border and the U.S./Canada Border are distinctly different and differential approaches to meet their respective needs are not discriminatory. Provided updated status on the efforts to amend Section 110 of IIRIRA.

In late 1997, CAN/AM BTA was asked to initiate efforts to increase U.S. Customs and INS Staff/Resources on the U.S./Canada Border. We are interacting with Senator Moynihan's (D. NY) proposal on Northern Border Trade Facilitation specifying 500 new U.S. Customs inspectors for the Northern Border (bill S.219) and Senator Gramm's (R. TX) Border protection bill (S.658) which specifies a like number- Senator Abrahams' (R. MI) (bill S.745) and Congressman Upton's (R.MI) (bill HR 1650) mirrors Senator Abrahams' bill and Congressman LaFalces' (D. NY) (bill HR 1250). These active legislative initiatives each contain increased resources for the Northern Border for Customs and/or INS.

Discussed 3 key initiatives the CAN/AM BTA has undertaken in conjunction with its work on the Accord and with U.S. Customs ON ACTION NEEDED IN 1999:

- 1) Implementation of a joint low risk traveler system in both direction which results in dedicated primary lanes technology controlled.
- 2) Development and implementation of Joint Border Accord Processing Zones, essentially the perimeter of each Border Crossing's process area to allow simultaneous enforcement of both Countries laws by representatives of both Countries Agencies.
- 3) Increase U.S. Customs staffing on the Northern Border with "the Accord" fully implemented with new technologies operational.

SUMMARY REMARKS**Bob Frazier, CAN/AM BTA Executive Board Member**

Stated that extensive effort had resulted in excellent vision of where the Border process needed to go. Now is the time to act to actually get there. CAN/AM BTA is committed to an action plan of implementation. Items of priority are amend/repeal Section 110; staffing/resource increases for Federal Agencies to be deployed on the U.S./Canada Border; implement improvements, now only in the vision stage, in the vision stage, in the

Border process; insure proper techniques in place at Border Crossings, i.e., true effective joint-facilities not just the present limitation of all in one building straddling the actual Border line; actualize infrastructure, Corridor and regulation solutions, NAFTA regulations have created a bureaucracy vs. streamlining.

Thanked all the attendees for their active participation and the speakers for their meaningful contributions for a very successful Conference.

Jim Phillips

Executive Director