

Finding the Balance: Shared Border of the Future

**Speaking Notes for
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International Trade
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Please Check Against Delivery

Good evening Mr. Chairman and members of the committee.

The Canadian Chamber and U.S. Chambers of Commerce are pleased to provide our input on the vital issue of the Canada-U.S. border. As we find ourselves in a global economic downturn, we must make sure that our economic fundamentals are working. Unfortunately, the recession is magnifying structural problems in our economies – one of them being the Canada-U.S. border.

Canada and the United States have the largest trading relationship in the world with \$1.6 billion in two-way trade and 300,000 travellers crossing the border everyday. Our two-way trade goes beyond the sale of final goods and services. Instead, we *build things together*. After all, one-third of our trade is the intra-company delivery of input materials. Major benefits flow from this relationship including 7 million jobs in the United States and 3 million in Canada.

While the Canada-U.S. free trade agreement tore down tariff barriers to trade – creating an integrated North American economy – security concerns following 9/11 led to the piecemeal application of new border procedures. Inventories and transportation costs are growing, and businesses are cutting

back on spending. Increasing border costs add more pressure to businesses' bottom line, discourage much needed tourism, and put at risk far too many jobs.

You don't have to look too far on Main Street to see effects of border costs. Trips from the United States to Canada are down 50 percent from five years ago partly because of the new U.S. passport requirement. And the number of Canadians travelling to the United States is down over 20 percent from last year. Further, becoming a trusted shipper can cost more than \$100,000 in up-front costs. Adding to the myriad of costs are direct fees for crossing the border such as the U.S. APHIS fee which costs business \$78 million per year. Unpredictable border wait and lengthy inspection times just add to the problem. One company said that it costs them \$1 million annually to meet security requirements and deal with excess border costs. These costs hurt the Canadian and U.S. economies making it harder for both countries to create jobs and compete against rising global competition.

We recently formed a coalition of 47 Canadian and American business associations to put forward to both governments short-term and practical recommendations for making the border more secure and trade-efficient. Each recommendation may seem like a discrete undertaking, but collectively

they refocus border resources on unknown trade and travel, allowing trusted shippers and travellers to move more seamlessly between our countries. We believe that our recommendations can, and should, be put in place within the next 18 months.

As Prime Minister Harper and President Obama meet tomorrow in Washington, as Minister Van Loan and Secretary Napolitano prepare for their binational border meetings, and as you meet with your U.S. counterparts, it is the perfect time for our governments to commit to move forward on the report's recommendations.

I will now share with you some of the key recommendations in our report.

How to Make Trusted Shipper and Traveller Programs Work More Effectively?

First, we strongly support voluntary trusted shipper and traveller programs, such as CTPAT, FAST and NEXUS, which enhance supply chain and travel security. These programs should lead to more consistency in border-crossings, including lower inspection rates for participants. Border agencies can then focus their resources on unknown trade and travel, making the search for the proverbial needle to be in a smaller haystack. While initial

costs to participate in trusted shipper programs can be over \$100,000, it is a costly but needed step for securing our supply chains and participants should be rewarded with a traffic light that largely stays green when crossing the border.

However, too few companies have reported that their inspection rates have significantly decreased, and few believe that the investment has produced enough benefit to justify the cost. Some companies are avoiding the program all together because they think that they will be inspected less by not participating. Trusted travellers are having similar challenges.

We need to treat trusted shippers and travellers different from unknown trade and travellers. Canada and the United States need to ensure the risk-based approach to border management enhances membership in trusted programs and provides clear, measured, and reported benefits for participation. With this, we can then get thousands of more companies into these programs.

We should also expand these programs so that companies regulated by government departments beyond our border agencies can participate.

[pause] Preclearance of Goods and People

Our governments should expand the definition of the border to go beyond its physical location of the 49th Parallel. A lot of what border officers do can be done before the cargo or traveller even reaches the border. Just like how 12 million passengers a year are precleared into the United States from Canadian airports; rail, bus, and marine facilities could offer the same services. In fact, preclearance could decrease by one hour a trip between Montreal and Plattsburgh, Toronto and Niagara, and Vancouver and Seattle.

Preclearance of goods could actually be done in the processing plants. For example, CFIA inspectors, operating under an MOU with the FDA and USDA, are already present in meat and poultry plants in Canada and could easily do the border inspections before the goods even leave the plant.

Preclearance would help relieve traffic congestion at larger ports of entry, improve supply chain delivery, and reduce border costs.

Electronic Reporting of Imports and Exports

Next, the lack of a single system for reporting imports and exports on the Canadian and U.S. sides of the border continues to frustrate businesses. Different shipments are regulated by different government departments and

agencies. While Canadian and U.S. border agencies are moving towards electronic importing and exporting reporting mandates, other government departments use different systems that, in some cases, are still paper-based.

Electronic reporting helps our border agencies manage risk. A uniform filing system across all government departments would boost information sharing within government and simplify the reporting process for businesses. We strongly support the Canadian Single Window Initiative and the U.S. International Trade Data System. We recommend that both governments dedicate the resources needed to implement their uniform reporting systems.

Increased Staffing, Training, and Hours of Services at Border Crossings

Another major concern for the business community is that not enough border lanes and inspection services are available during peak commercial and travel times. Traffic patterns, especially commercial traffic, are predictable and should drive border staffing-levels, rather than the time of day. We recommend that Canada and the United States offer 24/7 border services at all major crossings, including the operation of border booths, secondary inspections, and border-related support services.

Achievement of a Critical Mass of Cross-Border Travel Documentation

One of the most contentious border issues has been the Western Hemisphere Travel Initiative. We are pleased to see that people can use trusted traveller cards and enhanced drivers' licences to enter the United States. However, we are concerned that there is not a critical mass of WHTI-compliant documents in circulation. Without this critical mass, WHTI will lead to travellers avoiding the border all together. **Evidence of this is already popping up.**

[pause]

Enhanced drivers' licences and NEXUS cards contain vicinity RFID chips that could dramatically reduce border wait times. One study showed that if every border user had a travel document with vicinity RFID and each border booth had the needed reader, wait times could decrease from 65 minutes to 8 minutes because all the information required for the border officer to grant or deny entry would be on the officer's computer screen as the traveller approaches the booth. The Canadian government should put in place RFID readers in all border booths at all major crossings.

[pause] A Border Contingency Plan

A pandemic, a natural disaster, or terrorist activity – any of these could lead to a partial or full border closure. The border's importance to 10 million jobs calls for a contingency plan to deal with these potential events. We applaud

the progress made in this area by the Canadian and U.S. governments in the last few years. We strongly support further work on a border contingency plan and communication strategy that could be enacted to re-open the border following a partial or full closure, especially for our trusted shippers and travellers.

Conclusion

In conclusion, government plays a critical role in ensuring the efficient and secure movement of goods and people. Improving supply chains and border access is vital to both the economic recovery as well as our long-term economic health. We view these improvements as an investment in the future of global trade and prosperity – an investment in the future prosperity of Canada and the United States. The current economic climate amplifies the urgent need for action – action that delivers a big win for Canadian and U.S. jobs, businesses, and a more secure North America.

Thank you and I would be happy to answer any questions.