Cross-Border Cooperation: Current Challenges

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CEO, Canadian Trucking Alliance

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Denver, Colorado
- Federation of provincial trucking associations
- 4,500 + member companies
- 150,000 employees
Canada-US Trade
- World’s largest bilateral trade relationship
- Applies to agricultural sector as well
- Bilateral trade tripled since 1989
- $1.9 billion crosses border daily
- Relationship characterized by rules-based trading, dispute resolution
- Relationship based on integrated production
- US-Mexico trade based on lower labour costs; US-Canada trade based on quality, capacity utilization
- 40% of Canada-US trade is intra-firm
- Every NA vehicle contains US$1,250 Canadian parts

Canada’s Economic Reality
- Exports to US = 25% of Canada’s GDP
- US accounts for >80% of Canada’s exports
- > one-half of Canadian agric. exports to US
- Canada’s trade/GDP ratio = 80%; US =25%
- Every $ billion in trade = 10,000 jobs
Canada-US Trade is a Two-Way Street

- Canada=US top export market for > 60 years
- Destination for >23% of US exports
- Top export market for 39 states; top 3 for another 8 states
- US sells more to Canada than all EU countries combined; 5X more to Canada than to Japan
- >½ of its auto exports to Canada
- Canada is #1 supplier of energy, including oil, natural gas, nuclear fuel and electricity to the US
- Canada is world’s largest purchaser of US agricultural exports
  - About $10 billion per year
  - Average per capita consumption rate of almost $400 per year
Jobs Supported by Canada-US Trade in Great Plains International Trade Corridor States

(* denotes Canada #1 export destination)

**Montana***
- 16,000 jobs

**Wyoming***
- 14,000 jobs

**Colorado***
- 93,000 jobs

**New Mexico**
- 30,000 jobs

**Texas**
- 39,000 jobs

**North Dakota***
- 13,000 jobs

**South Dakota***
- 15,000 jobs

**Nebraska***
- 49,750 jobs

**Oklahoma***
- 58,000 jobs
Role of Trucking in Canada-US Trade

- Trucks haul 62% of Canada-US trade by value
  - 80% of US exports to Canada
- Trucks haul 30% of Canada-US trade by value; rail 18%
- Truck crosses border every 2 ½ seconds
- 25,000 enter US from Canada every day
- Trucking an essential component of the North American supply chain

Source: Transport Canada
Trade, Trucks & the North American Supply Chain

• “These significant (trade) numbers (with Canada) were attained without good accessibility. Imagine what the Great Plains Region could do with better access.” Great Planes International Trade Corridor (PTP web site)
• Access means infrastructure, regulatory harmonization AND efficient borders
• Anything that impacts negatively on access to either country impairs the efficiency, reliability, predictability and security of the North American supply chain
• In turn, this negatively impacts overall competitiveness of and direct investment in North America
• Thickening of US border is a major concern – Its not just the truckers’ problem
• Security trumps trade even though almost all exports and imports ($1.9 billion per day) that cross the border do so without incident
<table>
<thead>
<tr>
<th>Initiative</th>
<th>Status</th>
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<tbody>
<tr>
<td>US Bioterrorism Act</td>
<td>Registration, prior notice, administrative detention, record keeping rules</td>
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<tr>
<td>USA Patriot Act/ HAZMAT</td>
<td>Security screening for truck drivers</td>
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<td>US VISIT</td>
<td>Entry component now operational at land border</td>
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<td>Western Hemisphere Travel Initiative (WHTI)</td>
<td>ANPRM on land border issued summer ’07</td>
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<td>Transportation Worker Identity Credential (TWIC)</td>
<td>Implementation in 2008 at seaports can be expected</td>
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<tr>
<td>Automated Commercial Environment (ACE) – Truck Manifest</td>
<td>Expectation that compliance will be mandatory at all land border ports by end 2007</td>
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<tr>
<td>Free &amp; Secure Trade Program (FAST)</td>
<td>Fully implemented in Canada and US</td>
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<tr>
<td>Customs-Trade Partnership against Terrorism (C-TPAT)</td>
<td>Stringent truck carrier criteria published spring 2006; on-site validations</td>
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<tr>
<td>Animal Plant Health Inspection Service (APHIS Fees)</td>
<td>Fees have gone into effect for all trucks not just those hauling agricultural products</td>
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Thickening Border

- Need to balance security & trade
- Efficiency benefits of programs like FAST, ACE have not been realized
- Various studies have attempted to estimate the direct and indirect costs of security programs to carriers, shippers:
  - Costing Canadian trucking industry $500 million/year +++
  - $13.5 billion drain on US & Canadian economies from border delays (OCC)
    - US economy absorbing 40% of cost
- Carriers exiting market; drivers don’t want hassle, delays
- Border needs to be MORE efficient and MORE secure than it was on September 10, 2001
One Western Canada-Based Carrier’s Increased Annual Costs from US Security Measures
(# trips loaded/unloaded = 1,125/mo., Fleet Size = 400)

<table>
<thead>
<tr>
<th>Driver Costs ($)</th>
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<tbody>
<tr>
<td>C-TPAT Training</td>
<td>9,000</td>
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<tr>
<td>FAST Cards (One Time $76,000 every 5 yrs)</td>
<td>15,000</td>
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<tr>
<th>Operational Costs ($)</th>
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<tbody>
<tr>
<td>Customs Brokers, Trade Act, FDA Prior Notice, Mgmt of Customs Documents</td>
<td>400,000</td>
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<tr>
<td>Border Processing Delays (CBP Queues)</td>
<td>400,000</td>
</tr>
<tr>
<td>Border Crossing Fees + Annual Decal Costs + APHIS Inspection Fees</td>
<td>250,000</td>
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<tr>
<td>High Security Seals + Seal Tracking</td>
<td>10,000</td>
</tr>
<tr>
<td>ACE Declaration Costs + ACE EDI Costs</td>
<td>150,000</td>
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<tr>
<td>Increased Telephone/Fax + Satellite</td>
<td>5,000</td>
</tr>
<tr>
<td>Additional Conveyance &amp; Trailer Inspection</td>
<td>160,000</td>
</tr>
<tr>
<td>Additional Salary Costs</td>
<td>80,000</td>
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<tr>
<td>Add’l Op.Miles, Transit Delays, Route Changes, etc.; from Loss of In-Transit</td>
<td>775,000</td>
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<th>Capital Costs ($)</th>
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<tr>
<td>Software, Satellite Macro, C-TPAT Application, Bolt Cutters, Fencing, etc</td>
<td>140,000</td>
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| Total ($) | 2,394,000 |
What Needs to Be Done

• The US & Canadian business communities at large need to become much more engaged in border issues
• More participation by business in programs like FAST
• Need to re-introduce risk assessment – not check everything everyone all the time
• Cross-border security programs need to be bilateral
• Promises need to be kept – NAFTA southern border; reverse inspection pilot
• Prosperity & Security Partnership results underwhelming -- needs kick start if North America to compete with other regions
• Our biggest threat: Complacency