



Canadian Vehicle  
Manufacturers' Association  
Association canadienne  
des constructeurs de véhicules



Canadian  
Manufacturers &  
Exporters

Manufacturiers et  
Exportateurs du  
Canada

AMERICAN AUTOMOTIVE POLICY COUNCIL



NATIONAL ASSOCIATION OF  
Manufacturers

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**Re: Recommendations to the Canada/U.S. Beyond the Border Working Group (BBWG)**

Dear Mr. Kennedy and Mr. Restrepo:

We are writing on behalf of a bi-national coalition of manufacturing associations and companies to provide input into the February 4, 2011 declaration by President Obama and Prime Minister Harper on *Beyond the Border: Shared Vision for Perimeter Security and Economic Competitiveness*.

Canada and the United States don't simply trade goods with each other, we build things together and rely on each other's markets to support millions of jobs and to design, build and compete with our products in global markets. The most often cited example is the six times that parts from a car will cross the shared border before the finished product is sold to a consumer in either market. This cross border movement of production parts has been estimated to add several hundred dollars per vehicle to the cost of vehicle assembly adversely impacting North American competitiveness. While the volumes may not be as high, the same process takes place in almost all sectors of our integrated economy, all adding costs and negatively impacting profitability and jobs.

Our governments manage and regulate trade between each other in the same way as trade from off shore, foreign markets. The reality is that unlike trade with foreign markets, trade between our markets is dominated by cross-border shipments within a single corporate enterprise or within an integrated supply chain with known trade partners. As such, trade data requirements should not be the same for internal market shipments as they are for foreign imports and exports because the risk is not the same.

Our coalition, Businesses for a Better Border (B<sup>3</sup>) represents companies that have significant manufacturing operations, including integrated supply chains, in Canada and the United States in a wide range of industries including automotive manufacturing, food products, mining and metal processing, consumer products and technology. Collectively members of B<sup>3</sup> account for roughly 35% of the trade volume across the Canada/U.S. border and employ hundreds of thousands of Canadians and Americans through their integrated operations. Additionally, our members are vetted trusted trading partners of governments through trusted shipper programs such as Customs Trade Partnership Against Terrorism (C-TPAT) and Customs Self-Assessment (CSA).

Individually our members are global companies fighting for customers domestically and in markets around the world against other globally integrated competitors. However, the North American economy is unique globally. We are the only advanced economy that is deeply integrated across international borders as a result of historical efforts by governments to create more globally competitive industries through aggressive forward thinking initiatives, beginning with the 1965 Auto Pact and leading to the 1988 Canada-U.S. FTA, and the 1994 North American Free Trade Agreement. While other jurisdictions have moved aggressively over the past two decades to enhance the global competitiveness of their industries through initiatives such as the elimination of internal market borders (e.g., the European Union), Canada and the United States have not made similar advances. As such, our integrated industries face barriers and costs that our global competitors do not face. The President and Prime Minister's declaration is the time for Canada and the U.S. to take another aggressive and forward looking step in our economic partnership through the Beyond the Borders Working Group.

The primary objective of B<sup>3</sup> is to reduce the cost of border compliance for integrated industries, by reducing the regulatory burden for border crossings and shortening border crossing times through the enhancement of existing trusted trader programs. Specifically, we believe the priority for the BBWG should be to create a harmonized system of border operations between the countries that separates traffic and their reporting requirements at the border into three distinct types based on the levels of investments by companies and the advanced knowledge and information of those companies that governments have.

- Level 1. Companies that have not invested in trade compliance or security partnerships with government who must provide full transactional data details well in advance of shipment arrival at the shared border so that governments can complete the necessary risk analysis. Data requirements and reporting timeframes should be harmonized to the existing U.S. Automated Customs Environment.
- Level 2. Companies that have only invested in supply chain security trusted trader programs should be provided dedicated primary inspection lanes with data requirements and reporting timeframes aligned with current U.S. C-TPAT/FAST.
- Level 3. Companies that have invested in both supply chain security and trade compliance trusted trader programs should be provided with unimpeded access across the border with a rolling stop process that eliminates transactional data reporting requirements with full data reported summarily post importation. This process would be an enhanced version of the current Canadian CSA/FAST requirements.

This streaming of traffic would provide benefits to companies that are aligned with the level of investment in trade compliance and supply chain security as well as enhancing the ability of governments to more accurately target higher risk shipments for compliance verification and focus limited resources both at the border and beyond.

Below is a detailed series of recommendations that provide a specific roadmap for governments and regulators to achieve this objective. In short, this consists of six specific recommended areas for focus:

1. Harmonize and expand trusted trader programs and their benefits to demonstrate a clear, bottom line return on investment for both government and industry, including the adoption of Customs Self Assessment in the United States;
2. Harmonize to the most effective security and release procedures at the Canada/U.S. border;
3. Align regulations and regulatory reporting processes across government agencies and departments, including implementing government wide Single Window reporting;
4. Implement coordinated Canada/U.S. perimeter border security and processing requirements;
5. Expand and improve the existing trade infrastructure; and
6. Reduce barriers to the movement of business personnel.

We recognize that many of these recommendations are ambitious and far-reaching. We expect, as our Coalition continues to work with both governments, that we will have additional recommendations and further refinements of these recommendations that will enhance and improve commerce and security along the Northern Border. At the same time, we firmly believe that these recommendations are critical to meeting the objectives established by the President and Prime Minister to enhance the global competitiveness of our integrated industries, grow exports, and most importantly support business investment and job creation.

We look forward to working with the Beyond the Border Working Group to create a detailed work plan for implementation in the near term. We would be pleased to meet with you at any time to discuss this action plan further.

Sincerely,



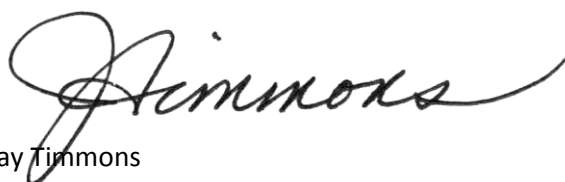
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## **Business for Better Borders Detailed Action Plan for the BBWG**

### **1. Harmonize and expand trusted trader programs:**

Trusted trader programs began to be developed and implemented in the late 1990s as a mechanism to streamline border reporting requirements to help both importers and governments deal with resource constraints, by providing the necessary data both before importation and post release. Trusted trader programs today cover the range of government/industry interaction including security, reporting compliance and post-release trade data verification. Canadian programs include Customs Self-Assessment (CSA), Partners in Protection (PIP) and the pilot program Partners in Compliance (PIC). Programs in the United States include Importer Self-Assessment (ISA) and Customs-Trade Partnership Against Terrorism (C-TPAT).

Collectively, these programs require companies to invest in their internal security and data reporting compliance as well as those of their integrated supply chains. Before acceptance into these programs, companies must pass verification audits from government agencies. In exchange for this investment and sharing of data on a continual basis with the government, customs agencies agree to facilitate trade by requiring less data on each shipment at the border. The benefit for governments is significantly enhanced information and assurance of compliance, which allows better streamlining of traffic at border crossings through better use of risk management principals.

However, while governments and industry have invested heavily in the trusted trader programs, the programs are limited by several factors in each country and are not aligned between Canada and the United States. Given the nature of trusted trader programs, and the companies engaged in the programs today – primarily those with heavily integrated supply chains operating in both Canada and the United States – governments should look to significantly expand the use of these programs as a mechanism to increase security, facilitate trade and reduce resource strain. Further, given that these programs are in place today we believe that improvements could be implemented in the short term and meet the timelines for accomplishments established by the Prime Minister and the President.

The focus to improve trusted trader programs should be:

- PIP/C-TPAT programs are the recognized programs for supply chain security. Improvements should be focussed on:
  - Harmonize existing PIP and C-TPAT between the countries with full benefits to all approved companies in both countries
  - Canada must introduce at the border release benefits for PIP/CTAPT shipments
  - Dedicated primary inspection lanes (PILs) at all border crossings for PIP/C-TPAT registered companies
  - Identical release data requirements and timeframes – similar to current U.S. C-TPAT
  - PIP/C-TPAT must be fully recognized across all government agencies and departments and duplicative government programs should be eliminated
  - Eliminate all import inspection fees (COBRA, APHIS, etc) for approved companies
  - Lower rates of inspection compared to industry averages must be documented and proven
  - Front of the line inspections when requested with non-intrusive mechanisms (VACIS) should be the first option and full truck de-stuffing the last option
  - During emergency situations provide reliable and timely communications between registered companies and border agencies along with the ability to move shipments across borders

- CSA/PIC and ISA are the recognized trusted trader programs for trade data reporting and compliance. Improvements should be focussed on:
  - U.S. implementation of a program aligned with the existing Canadian CSA program
  - Eliminate transactional reporting requirements for all government departments and agencies with information provided post-release
  - Release at the border with three data elements – registered driver (FAST), importer and carrier
  - Transponder reporting of all data elements
  - Dedicated lanes from Canadian highway to U.S. interstate, including PILs (where infrastructure and demand permits)
  - Non-stop movement of fully qualified and secured shipments across the border
  - Canada must make PIC a fully operational program open to all importers
  - Implementation of joint trusted trader release process on the perimeter:
    - Simplified reporting for partners in compliance programs with fewer data elements and shorter reporting time frames
    - Lower rates of inspections
    - Front of line inspection processes

## **2. Harmonize security and release procedures at the Canada/U.S. border:**

Today, there are significant differences in the data requirements and release processes between Canada and the United States. This often requires companies to operate multiple customs compliance and reporting systems, which is resource intensive (both human and technological) and requires different data to be collected and reported in different manners to each government and between government departments. Companies want to invest in and support a single customs reporting system as it is less resource intensive and it creates common processes across the company which improves data quality and compliance rates.

The United States has implemented its Automated Customs Environment (ACE) with mixed results and Canada is currently part way through implementation of its Electronic Manifest (eMan) system, a modified version of ACE. These electronic systems operate entirely independent of each other with different data requirements, timeframes for reporting, and technology for data transmission, and do not allow full reporting of all data required across all government departments and agencies.

Immediate attention must be focussed on:

- Align data requirements for shipments between our countries with fewer data requirements than for foreign shipments. Canada must align its importer data requirements under eMAN to the U.S. requirements under ACE and eliminate the current requirement for detailed manufacturer information on U.S. originating shipments
- Align data reporting timeframes for all shipment types
- Integrate threat analysis processes
- Implement identical technology for transmission of data both in advance of the shipment and the transponders used at the border crossing
- Eliminate reporting and tracking requirements on returnable containers of international trade that are moved between Canada and the United States
- Enforcement of IPR and Trademark regulations to guard against third country counterfeit goods

### **3. Align regulations and regulatory reporting processes across government agencies and departments:**

Historically the focus on improving and simplifying border processes has been focussed on customs reporting requirements. However over the past several years, data reporting requirements from other government departments and agencies have increased substantially and have not been implemented in a coordinated or controlled manner. It has been estimated that there are roughly 45 combined Canadian and U.S. authorities today that can require data during the importation process, depending on the type of goods being shipped, including food and drug, health, energy and natural resources and transportation. In recent years there has been a proliferation of such requirements, often designed and implemented without full consultation with industry or an understanding of industry processes, without broader input from customs agencies often required to enforce the requirements at the border, and without knowledge of other similar processes from other government departments/agencies. This has been repeated in both Canada and the United States without coordination among government agencies that are looking for largely identical information.

These increased demands have placed significant resource strains on those required to enforce the regulations at the border and for companies attempting to remain in compliance with ever changing regulations. Furthermore, there has been no consideration given to companies and shipments originating in each other's jurisdiction, when the identified target of the regulation has been from offshore importers.

There must be a complete review of all non-customs requirements for importing and exporting between our countries and externally to identify all differences between requirements, with the goal of:

- Align import and export requirements between government agencies
- Eliminate all requirements between Canada and the United States where there are no identified health and safety or security concerns and/or via mutual recognition of each other's health and safety regimes
- Eliminate all reporting requirements at the border and allow companies to report post importation
- Most importantly must be implementing of a single window reporting process across all other government departments in Canada and other government agencies in the United States. Companies must be able to report all importation and exportation requirements electronically and through one source in each country. This would also support government needs for security as they would be able to view importation and exportation data holistically in order to make effective and efficient determinations on potential threats.

### **4. Implement coordinated Canada/U.S. perimeter border security and processing requirements:**

If the internal border is to work more efficiently, Canada and the United States need a cooperative approach to external border security. This should be accomplished via:

- Identical data requirements and reporting timeframes for external shipments for customs release
- Identical data requirements for regulatory compliance for other government department requirements
- Integration of threat analysis processes and joint decisions on inspection
- Implementation of identical export processes for reporting of all goods, including those subject to controlled goods regulations
- Harmonization of enforcement authority to prevent proliferation of third-country counterfeit products including active prevention, targeted oversight; and rapid response.

## **5. Expand and improve the existing trade infrastructure:**

Most of the trade infrastructure that carries the majority of Canada/U.S. trade, and supports our integrated industry was built in the 1920s and 1930s and was designed for a completely different economic reality. In fact, two weeks of automotive trade alone today is roughly equivalent to an entire year's worth of all trade between Canada and the United States when the Ambassador Bridge was built. With technology improvements and investments in traffic streaming through the ports, governments and bridge operators have maximized the potential of these crossings. However those crossings, especially the bridges and tunnels between southern Ontario and New York and Michigan, are not equipped to handle modern integrated supply chain necessities, trusted trader programs and security requirements. While understanding that these are longer term in nature, infrastructure investments should be focussed on:

- The highest priority is a new international crossing in Detroit/Windsor that will complement the existing crossings with dedicated lanes from highway to interstate for CSA/FAST qualified shipments, PILs for PIP/CTPAT qualified shipments, and separate PILs for unknown imports.
- Plans for an additional span (to double capacity from three to six lanes) between Buffalo and Fort Erie must be accelerated
- When demand and infrastructure allows, introduce enhanced traffic streaming at all crossings that split shipments into CSA/FAST, PIP/C-TPAT. The Blue Water Bridge between Sarnia Ontario and Port Huron Michigan would likely provide an opportunity for a test pilot project
- Technology used by customs agencies for capturing and processing data must be synchronized and harmonized.

## **6. Reduce barriers to the movement of business personnel:**

In today's global marketplace, and especially within integrated Canada/U.S. industries, companies do not operate independently in each market; rather they operate as part of a broader corporate enterprise with employees and suppliers having responsibilities in both countries. Integrated companies require staff to travel across the Canada/U.S. border frequently in the support of company operations, including product development, equipment installation, maintenance and emergency repairs, and product launches. Recent documentation and visa requirements in both Canada and the United States have made cross border travel difficult for all personnel, including those that have proper travel documentation, such as passports and NEXUS certification. Declaring someone is travelling for business immediately begs a line of questioning of why someone from one country needs to enter the other country for work and why the company couldn't hire locally. Requests for additional documentation, such as academic credentials, letters from employers, etc. at the border crossing are becoming more frequent while at the same time increasingly inconsistent, thus making timely business travel increasingly difficult and uncertain, especially on short notice.

Governments must strive to immediately introduce a coordinated and simplified border crossing processes for business travellers between the countries, including:

- Provide plain language detailed requirements to businesses
- Educate all officers on current requirements
- Eliminate visa requirements for Canada/U.S. citizens and permanent residents traveling for business purposes