



Easing the Chokepoints

A Plan for an Efficient Canada-US Border

August 2007



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As the most diverse and most influential business group in the province, the Ontario Chamber of Commerce works closely with governments, labour, academia and various other groups to create a stronger and more vibrant economy in Ontario and the surrounding regions.

The OCC represents 57,000 members through 160 independent chambers of commerce and boards of trade throughout the province. The OCC has worked on behalf of business since 1911.

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Executive Summary

Ontario's transportation and border system is a growing concern for the business community. Almost 90 percent of Ontario's exports were transported to the US in 2006, while 65% of imports came from south of the border.¹ Government regulations and deteriorating infrastructure have made shipping goods across the province and to the US a significant challenge to businesses. All of this in turn affects Ontario's productivity and economic growth.

Consider that, in 2006, Ontario contributed nearly 40 percent to Canada's total GDP.² Ontario is Canada's US trade leader with 135 percent more exports, and 719 percent more imports than any other province. On a whole, Ontario exports support one in four jobs³ while Canadian exports support one in three.⁴

The transportation challenges are not sectoral, as all industries are affected. The Ontario Chamber of Commerce (OCC) stated in its 2004 report, *Cost of Border Delays to Ontario*, that delays at the border are costing Ontario and US economies \$13.6 billion (CDN) annually, with Ontario capturing 38 percent, or \$5.25 billion (CDN), of this cost.⁵

While border delays are a significant drain on the economy, other challenges have arisen which threaten the success and profitability of businesses and the province of Ontario. This report identifies these challenges, and offers potential solutions that will mitigate their effect:

- Cross-border operations on both sides of the border are faced with overlapping powers among government agencies, contradictory rules, and increasing regulations. At least 44 different Canadian and US agencies have jurisdiction over border operations.⁶ There are also over 4,500 new or revised regulations introduced by the federal and

¹ Industry Canada, Trade Data Online, http://strategis.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html.

² Ontario Economic Development www.2ontario.com

³ Industry Canada, Trade Data Online, http://strategis.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html.

⁴ Ontario Ministry of Economic Development and Trade "Ontario Business Report," April 2002.

http://www.ontario-canada.com/ontcan/en/PDF_HTML/Priority-1/OBR-2002-April.htm

⁵ Ontario Chamber of Commerce, *Cost of Border Delays to Ontario*, Prepared by the OCC Borders and Trade Development Committee, May 2004, pg 4.

⁶ Coalition for Secure and Trade-Efficient Borders, "Rethinking our borders: A New North American Partnership", July 2005, pg 2.

provincial governments every year (comparable numbers exist in the US).¹ These factors have created confusion among travellers and business owners, and increased costs to business.

- Government agencies and their trade policies require streamlining and more coordination within Canada, and greater compatibility with the US.
- Recent breakdowns in Canada-US negotiations concerning shared border management and the possible withdrawal of funding for a much needed new crossing in the Windsor-Detroit region raises concerns about the future of Canada-US relations.
 - Despite legal and operational differences, Canadian and US authorities must continue to meet and negotiate solutions for our shared border.
- The current transportation infrastructure requires improvement for present and future growth. With \$300 million (CDN) worth of just-in-time deliveries passing through the Detroit-Windsor region everyday, border delays are costing Ontario businesses.² The environmental assessment (EA) process, while a very important step in infrastructure development, can unnecessarily delay the construction of needed transportation infrastructure.
 - To expedite construction and to ensure a streamlined and efficient process, the EA process requires more clearly defined and structured roles. Ontario and the federal government need to increase harmonization of their processes to achieve this goal.
- The absence of a long-term multi-modal transportation plan further reduces border efficiency. To date, transportation plans have been piecemeal and short term in scope (e.g. five years). This approach, along with under-investment has contributed to the \$100 billion (CDN) transportation infrastructure deficit in Ontario.³

¹¹ Hart, Michael, Steer or Drift? Taking Charge of Canada-US Regulatory Convergence, C.D. Howe Institute March 2006, pg 2.

² Ontario Economic Development www.2ontario.com

³ TD Economics: Topic Paper – *A Public-Private Fix: Ontario's \$100B Infrastructure Needs are too Rich for the Public Purse*. May 2005. pg. 2.

- To address Ontario's present and future transportation needs, the results of a comprehensive multi-modal goods and people movement study is required to create a 30-year multi-modal strategy for more efficient transportation, intra and inter-provincially, and throughout strategic regions in the US.
- The rail and marine industries are valuable assets to Ontario's economy and long-term transportation needs. They are however, struggling with inadequate infrastructure and burdensome taxation.
 - The Detroit Windsor Tunnel requires funding to upgrade its infrastructure. The Ontario rail rights-of-way property tax needs to be removed, as it hinders industry growth.
 - The marine industry requires a ferry truck service with the US and an extension of the shipping season. Ontario also needs to encourage the US to eliminate the Harbor Maintenance Tax.
- Lack of sufficient and sustainable support for cross-border trade and travel programs is an obstacle for business. The use of resources currently available (staffing, funding and infrastructure) requires better allocation.
 - To better implement border policies and infrastructure programs, a Borders Advisory Council is needed to bring together and coordinate all levels of government.
- Programs such as FAST & NEXUS are designed to allow shippers and travellers faster customs clearance. However, they face challenges with low participation rates and underutilization. Only 35 percent of cross-border trade is FAST or C-TPAT certified.¹ This has led to decreased effectiveness of these programs. Businesses need to be better informed about the programs and their benefits.
 - In coordination, the Canadian and US governments need to host aggressive multi-regional marketing campaigns about

¹ Location Canada, "Three years later do we have a smarter border?"
<http://www.locationcanada.com>

cross-border programs. These programs also require greater flexibility for new and small-to-medium sized businesses.

- The Western Hemisphere Travel Initiative has the possibility of costing Ontario \$700 million (CDN) and the loss of 7,000 jobs due to the US restricting entry to those carrying approved documentation.¹ To date, a passport or NEXUS card (for air travel only), are the only acceptable forms of identification.
 - Canadian and US governments need to work together to develop affordable, accessible, and approved documents for travel.
 - Canadian and US governments need to develop a comprehensive coordinated marketing campaign to inform travellers of border crossing requirements, and existing border crossing documents.

As regions around the world are looking to decrease trade and travel barriers (e.g. the European Union, Asian emerging markets) the Canada-US relationship seems to be heading in the opposite direction. Both governments and businesses need to work towards reducing restrictions and the promotion of more secure and efficient cross-border people and goods movement.

* All dollar amounts are in Canadian dollars unless otherwise noted.

¹ Ontario Ministry of Tourism, 2005 Report, "The Impact of the Western Hemisphere Travel Initiative on Travel to/from Ontario" pg. 8

INTRODUCTION

Ontario's border with the United States is one of the most valuable, significant and equally complicated international crossings in the world. From border delays, administrative costs and complex regulations, there are many issues for the business community to confront. As each country's biggest trading partner and the world's largest trading partnership, the economies of both nations are truly integrated:

- More than 7.1 million US jobs depended on this trading relationship in 2006,¹ up from 5.2 million in 2001;²
- Canadian exports support one in three jobs and account for about 41 percent of the country's GDP;³
- Ontario exports support one in four jobs, and in 2005, total exports accounted for 61 percent of the province's GDP;⁴
- In 2006, 82 percent of Canada's exports (\$358.7 billion) went to, and 55 percent of imports (\$217.6 billion) came from, the US (See Figure 1);
- Ontario-US trade is greater than US-Japan at \$324 billion and \$236 billion, respectively. (See Figure 2);⁵
- \$627 billion in goods crossed the Ontario-US border in 2005; and

¹ Canadian Embassy in the US, Trade and Investment, "State Trade Fact Sheets 2006," <http://geo.international.gc.ca/can-am>.

² According to a 2003 study commissioned by the Canadian Embassy, based on 2001 data. <http://www.canadianembassy.org/ca/news/map-en.asp>

³ Industry Canada www.strategis.gc.ca

⁴ Ontario Economic Development, An export-driven economy Exports as a share of GDP, http://www.2ontario.com/welcome/ooit_314.asp.

⁵ Industry Canada, Trade Data Online, http://strategis.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html.

- In 2006, 86 percent of Ontario's exports (\$172 billion) went to, and 65 percent of imports (\$152 billion) came from, the US (See Figure 3 and Figure 4).¹
- Employment by US majority-owned nonbank Canadian affiliates totaled over 1 million in 2004.² (See Figure 5 & 6)³

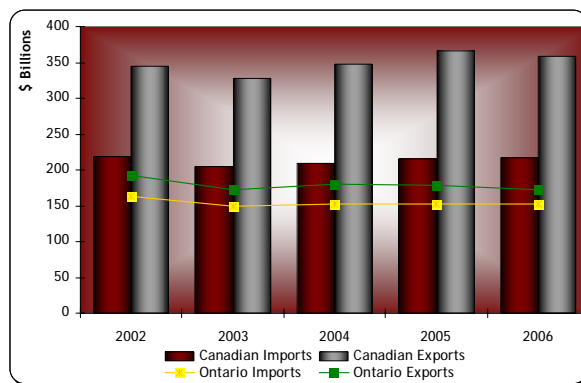


Figure 1: Trade with the US, Canada vs. Ontario

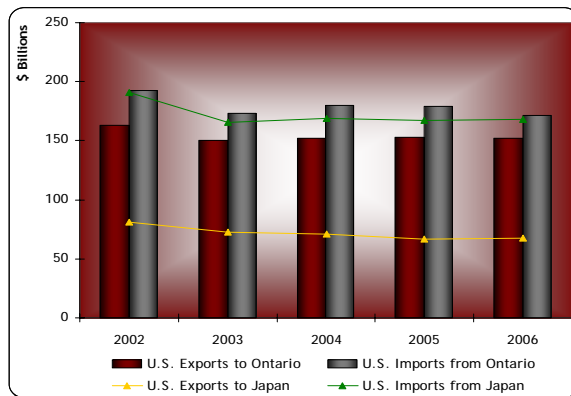


Figure 2: US-Ontario Trade Vs. US-Japan Trade

Source: Industry Canada: Strategis.gc.ca

¹ Industry Canada, Trade Data Online, http://strategis.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html.

² Mataloni, Jayomd J.; Yorgason, Daniel R. *Operations of U.S. Multinational Companies Preliminary Results From the 2004 Benchmark Survey*, US Bureau of Economic Analysis, November 2006 pg 66. http://www.bea.gov/scb/pdf/2006/11November/1106_mncs.pdf

³ Mataloni, Jayomd J.; Yorgason, Daniel R. *Operations of U.S. Multinational Companies Preliminary Results From the 2004 Benchmark Survey*, US Bureau of Economic Analysis, November 2006 pg 66. http://www.bea.gov/scb/pdf/2006/11November/1106_mncs.pdf

In the next 30 years, US-Canada trade is expected to rise dramatically. Cross-border trade by truck could increase by 128 percent and vehicle traffic could climb by 57 percent.¹ With 130 border crossings across Canada, 14 land crossings in Ontario alone, it is in Ontario's economic interests to ensure there is both a secure, yet efficient border (See Appendix C for a list of Ontario border crossings).

Managing border activities, however, is not an easy task. And since the terrorist attacks on September 11, 2001, the US-Canada relationship has continued to evolve.

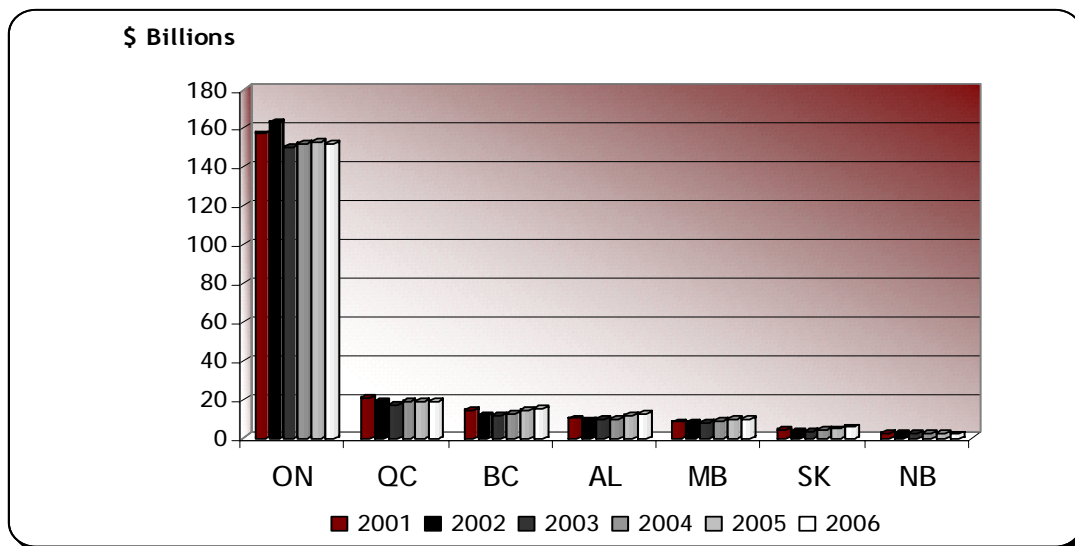


Figure 3: Exports to the US, Top 7 Provinces

¹ Partnership Border Study, "Border Transportation Partnership Why a New crossing in Detroit-Windsor?", November 14, 2005 page 1.
http://www.partnershipborderstudy.com/pdf/051114_JointEcBkgrounder.pdf

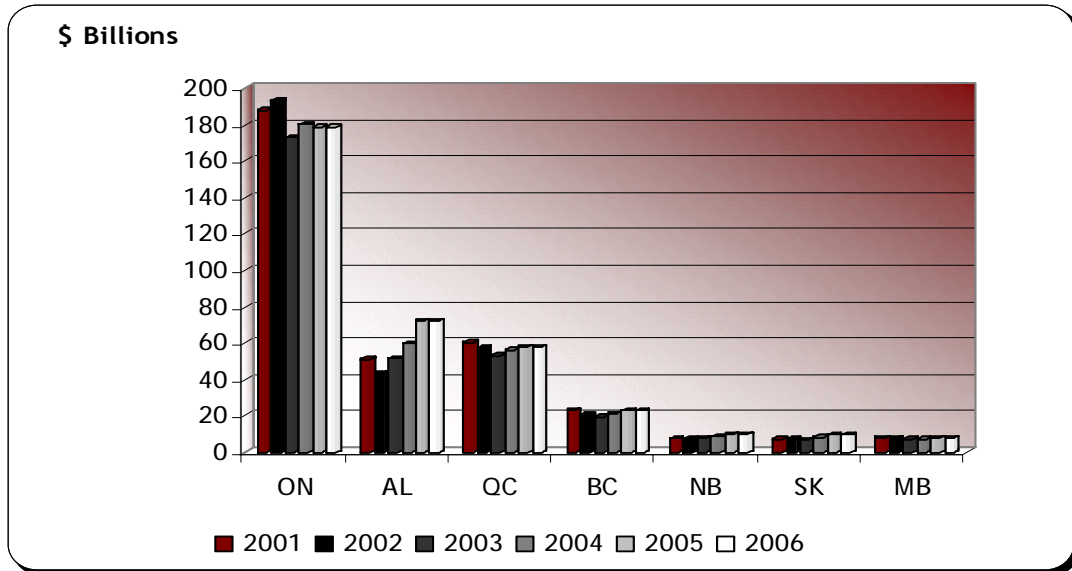


Figure 4: Imports from the US, Top 7 Provinces

Source: Industry Canada: Strategis.gc.ca

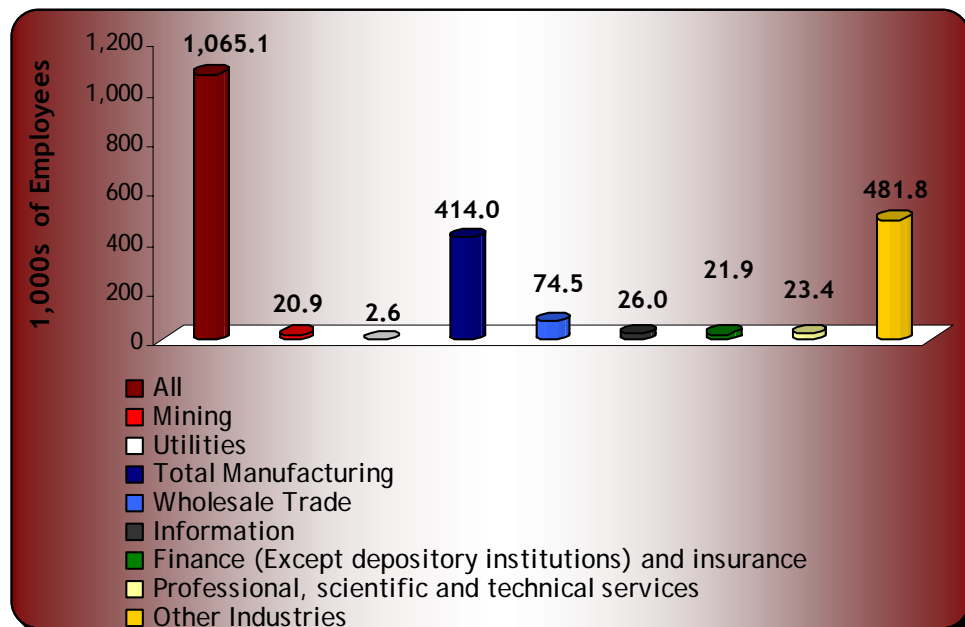


Figure 5: Canadian employment by US majority owned nonbank Canadian affiliates by Industry

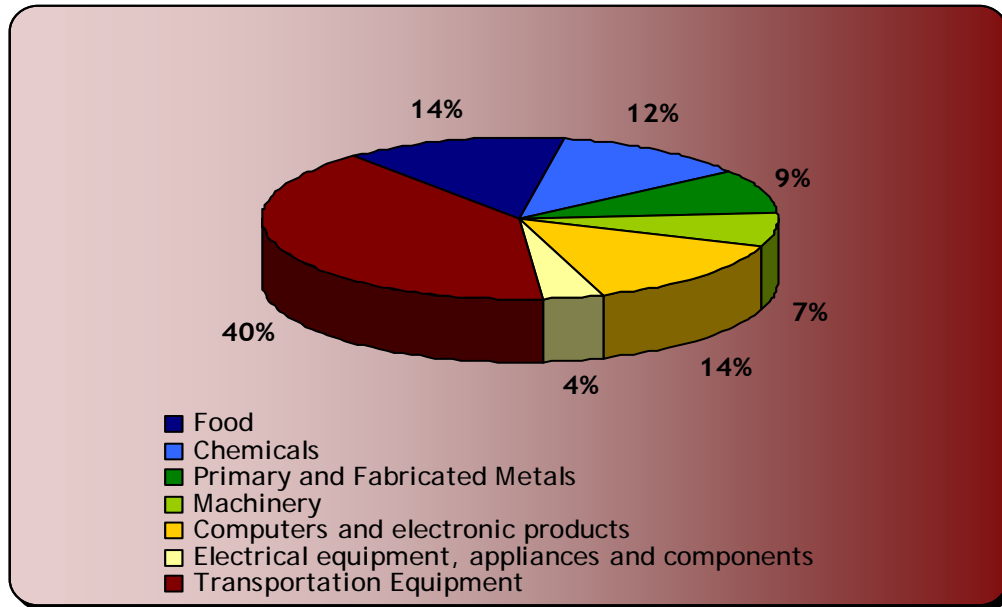


Figure 6: Manufacturing industry breakdown of Canadian employment by US majority owned nonbank Canadian affiliates

Source: US Department of Commerce, Bureau of Economic Analysis

Border Delays

Border delays caused by increased regulations, security, insufficient infrastructure, and other difficulties are taking its toll on our economy. From the 2004 Ontario Chamber of Commerce (OCC) report, *Cost of Border Delays to Ontario*, delays are costing the Canadian and US economies over \$13.6 billion annually, with Ontario absorbing about \$5.25 billion, or 38 percent of this cost.¹ These numbers, however, exclude the costs associated with late deliveries, tourism or the environment, and therefore may be much greater. Both the US and Canadian governments have tried to address these concerns. They have created programs such as Free and Secure Trade (FAST), which is designed to facilitate secure cross-border trade; and the \$600 million federal Border Infrastructure Fund (BIF), which funds the construction of US-Canadian border infrastructure (see Appendix I A & B for more information on these and other programs).

¹ Ontario Chamber of Commerce, *Cost of Border Delays to Ontario*, Prepared by the OCC Borders and Trade Development Committee, May 2004, pg 4.

Campbell Soup Company, a multinational US firm, purchases ingredients in both Ontario and Michigan, and produces over 90 percent of its products in Listowel, Ontario. The Listowel facility employs over 500 people and the company has invested \$1 million in new technology. The company also has a Toronto facility that supports over 400 jobs. Those ingredients bought in Ontario may cross the border only once. However, considering Canadian-made soup contains about 60 percent of US ingredients, it is common for the product to cross the border twice, if not three times.

Ontario, however, continues to face challenges. In an October 2006 survey of OCC members, respondents indicated that compared to the previous two years, border delays for those entering Ontario from the US were the same (36 percent), if not somewhat worse (27 percent).¹ Likewise, compared to the previous two years, respondents indicated border delays for those travelling from Ontario to the US were the same (30 percent) if not somewhat worse (34 percent).²

As an example, the Campbell Soup Company has experienced both increased transportation costs, as well as an increased number of secondary inspections. Over the past four to five years, the company reports that their costs have increased by 15-25 percent due to increased congestion at ports of entry, and a decreased number of truckers who are willing to cross the border. Many drivers refuse to cross due to the additional costs and delays.

Just-in-time Logistics

Just-in-time logistics has become the way of doing business for many companies, as identified in the 2004 OCC report, *Cost of Border Delays to Ontario*. By reducing the amount of on site inventory, costs are reduced and companies gain a competitive advantage. Border delays, however, cause business uncertainty and reduce these advantages. Not knowing if the necessary inputs will arrive on schedule forces businesses to keep more inventory on hand. Some businesses have resorted to stocking inventory on both sides of the border to hedge against the risk of delays. Other US companies have chosen to use inputs from their domestic producers, instead of Canadian producers, thereby avoiding the border and any added uncertainty.³

¹ 2006 Borders Survey. Ontario Chamber of Commerce. October 2006.

² *ibid.*

³ Ontario Chamber of Commerce, *Cost of Border Delays to Ontario*, Prepared by the OCC Borders and Trade Development Committee, May 2004, pg 17-18.

For some Canadian companies, they are not only faced with border uncertainty and the substitutable nature of the Canadian and US goods, they must also combat the tendency for investors to choose the US market. As a result, they are forced to absorb the extra fees themselves. This is according to a report by the Conference Board of Canada, *Reaching a Tipping Point? Effects of Post-9/11 Border Security on Canada's Trade and Investment*. If this behaviour continues, it could lead to a significant competitive disadvantage for Ontario, and for Canada as well.¹

This 2007 report builds on two previous reports by the OCC, *Cost of Border Delays to Ontario* (2004), and *Cost of Border Delays to the United States Economy* (2005). It examines the current state of cross border activities, the effect they have on Ontario businesses, and provides several recommendations for improvement.

Federal, local, provincial and state governments, in partnership with the private sector, all have a vital role to ensure border issues are effectively addressed. This involves a two-stage process. The first stage is overcoming the volume of often contradictory Canadian and US regulations. Canada and the US need to enhance cooperation with the development of cross-border rules and regulations. Our two countries also need to remain committed to developing solutions to improve border operations.

The OCC strongly believes that the environmental assessment process and cross-border trade and travel requirements need to be streamlined as well. The implementation of a long-range multi-modal plan for more efficient integration and coordination of Ontario's transportation system is also required.

¹ Goldfarb, Danielle, *Reaching a Tipping Point? Effects of Post-9/11 Border Security on Canada's Trade and Investment*, Conference Board of Canada, June 2007 pg 13.

The second stage requires that our two countries ensure programs such as FAST, Customs-Trade Partnership Against Terrorism (C-TPAT), and Customs Self Assessment (CSA) have the necessary resources to be successful (i.e. funding, staffing and proper implementation guidelines). Businesses also require greater information about these programs. They are seemingly not well informed and can find the application processes complex. These concerns in turn translate into low participation rates and less effective programs.

One of the most significant and troubling issues is the Western Hemisphere Travel Initiative (WHTI) as it affects land crossings. The passport, or approved document(s) requirement for US entry has the potential to affect thousands of jobs and involve the loss of hundreds of millions of dollars in Ontario. It is imperative that Canada's governments aggressively engage this issue by seeking and implementing sound, reasonable and affordable strategies that will satisfy the US requirements.

SUMMARY OF RECOMMENDATIONS

Assessment & Study

- The provincial and federal governments to assess the cross-border system to determine:
 1. Where actions can be streamlined and coordinated within Canada, and across all levels of government; and
 2. How best to enhance compatibility with the US.
- The provincial government to proceed with a comprehensive goods and people movement study that:
 1. Coordinates with federal, provincial and local government agencies in Canada, and US, and key stakeholders;
 2. Evaluates goods and people movement in 10, 20 and 30-year timeframes, translating into short, medium and long-term objectives;
 3. Reviews the work of previous and existing relevant goods and people movement studies and initiatives;
 4. Reviews existing and proposed border crossing processing techniques;
 5. Focuses on present and future intra and inter-provincial trade and travel trends within the province and into key regions in the US;
 6. Evaluates regional demographics, economies, freight and traffic movements, highway performance and border crossing conditions for all modes of transportation—air, truck, rail marine and multi-modal terminals;
 7. Quantitatively identifies the regions of significant importance to obtain an overview of the businesses that generate freight flows;
 8. Identifies the present and future issues and challenges to commercial and passenger travel;
 9. Develops policy options to address needs; and

10. Identifies options for sustained government funding and investment.
- The provincial government to use the comprehensive goods and people movement study to develop a long-range 30-year transportation plan that:
 1. Promotes greater integration of all modes of transportation throughout the province and into key economic regions in other provinces and the US;
 2. Emphasizes the preservation and enhancement of Ontario's transportation system;
 3. Makes greater use of Intelligent Transportation Systems; and
 4. Increases coordination and consistency among land-use planning and investment by all levels of government and other transportation stakeholders.

Legislation

- The provincial and federal governments to harmonize the EA process by reviewing the Environmental Assessment Act to streamline legislation, avoid duplication, and speed up the planning and design of transportation infrastructure projects.
- The provincial government to revise the EA process to streamline the process and speed up the planning and design of transportation infrastructure projects with the following guidelines:
 - a. The consultation process must be clearly stated so the public is aware of its role far in advance. This will limit stakeholders from voicing new concerns at the middle or end of a project and unduly delaying completion.
 - The range of public input needs to be clearly defined at the beginning of a project.
 - All public concerns need to be voiced at the beginning of a project.

- b. Projects in progress can only be revisited for new concerns if there is a major change in project scope or a new science developed that would have an impact on the outcome of the environmental assessment.

Funding

- The Canadian and Ontario governments to allocate increased funding to upgrade infrastructure on the Detroit Windsor Tunnel to support double stacked containers.
- The federal and provincial governments to encourage the Michigan Department of Transportation to continue to support and fund the Detroit River International Crossing project.

Taxation

- The provincial government to eliminate railway rights-of-way property taxes for active rail corridors.
- The Canadian government to encourage the US to eliminate the Harbor Maintenance Tax.

Capital Policy

- The provincial government to work with the Ontario and US marine industries to create a ferry truck service with the US and extend the ferry truck season.

Advisory Council

- The provincial government to create a Borders Advisory Council composed of representatives from the provincial, federal, and border-contiguous municipal governments, as well as key stakeholders in the private sector to provide strategic recommendations on how to better coordinate and implement multi-jurisdictional cross-border policies and infrastructure initiatives.

Marketing: Public & Private Outreach

- Provincial and federal governments to aggressively engage in a multi-regional/location marketing campaign to inform the business community about cross-border trade programs.

- Provincial and federal governments to work with stakeholders in the private sector to streamline the application processes for cross-border trade programs and include flexibility for new and small to medium sized businesses.

Joint Cross-Border Projects

- The provincial and federal governments to encourage the US Department of Homeland Security to re-engage with Canada about smart border management at the Peace Bridge and Thousand Islands border.
- The Canadian government to work towards a formal Canada-US pre-clearance agreement, contingent upon legislative amendments.
- The Canadian government to:
 1. Work with the US to fully test and develop accessible and affordable document(s) that will comply with US requirements (i.e. an enhanced driver's license);
 2. Immediately develop a strategy to mitigate anticipated impacts of WHTI; and
 3. Investigate opportunities to link into the same technology used by the US government to make a continental passport card.
- The Canadian government to encourage the US government to:
 1. Perform a pilot program to fully test the proposed passport card before implementation and establishing the deadline for WHTI land and marine entry requirements;
 2. Explore and legislate other secure identification options as an acceptable document(s) under the WHTI (e.g. enhanced driver's license, SENTRI, NEXUS and FAST cards)
 3. Exempt travellers who are minors from WHTI requirements; and
 4. Encourage demand by persuading the US Department of State to consider decreasing passport fees for one or two years, or for northern border residents.

STAGE 1: STREAMLINING & COORDINATING

Red Tape: Regulatory & Agency Entanglements

One of the most significant obstacles to safe, efficient, trade and travel, is its multi-jurisdictional nature-involving every level of government, on both sides of the border. And while the North American Free Trade Agreement (NAFTA) has done a great deal to help increase trade between the US and Canada, the liberation of trade regulation has, unfortunately, not progressed as rapidly.

The Canada Border Services Agency (CBSA) and the United States Department of Homeland Security (DHS) were created in 2003 by merging several departments within their respective federal governments. However, there are still at least 44 different US and Canadian agencies responsible for protecting the border.¹ This amount has led to an abundance of procedures governing border activities that in turn directly contributes to increased administrative costs and business uncertainty (See Figure 7). These also undermine our economic potential. As was identified in the OCC reports, *Cost of Border Delays to Ontario* (2004) and *Cost of Border Delays to the United States Economy* (2005), border delays and trade policies cost the Canadian and US economies close to \$14 billion a year. Ontario itself captures about 38% of this cost, or more than \$5 billion. It was also determined that border delays required automotive manufacturers, as an example, to increase inventory at a cost of more than \$1 million per hour. Additionally, Ontario taxpayers face added charges of more than \$1,100, annually.²

¹ Coalition for Secure and Trade-Efficient Borders, "Rethinking our borders: A New North American Partnership", July 2005, pg 2.

² Ontario Chamber of Commerce, *Cost of Border Delays to Ontario*, Prepared by the OCC Borders and Trade Development Committee, May 2004, pg 4.

Figure 7 below, summarizes the annual cost burden on the Canadian trucking industry from US security measures, determined by a 2005 Transport Canada report.

Cost Impact Item	Annual Minimum Cost \$ Millions	Annual Maximum Cost \$ Millions
Truck delay	231	433
Driver compliance	3.4	6.8
C-TPAT compliance	5	10
Computer systems	2.5	5
Administration	14	28
Cost impact sub-total	255.9	482.8
Less: Border surcharges	77	77
Net cost impact	178.9	405.8

Figure 7: Cost Impact Summary

Source: Transport Canada

Numerous and complex regulations governing the Ontario-US border is the top ranked border concern from a 2006 survey of Ontario Chamber of Commerce members.¹

Numerous and complex regulations governing the Ontario-US border is the top ranked border concern from a 2006 survey of Ontario Chamber of Commerce members.² There are over 4,500 new or revised regulations introduced by the federal and provincial governments every year, according to the C.D. Howe Institute.³ Annually, Canadian businesses spend \$33 billion, or 2.6 percent of Canada's GDP complying with these changes.⁴ The US has similar output levels.

¹ Transport Canada, "The Cumulative Impact of U.S. Import Compliance Programs at the Canada/U.S. Land Border on the Canadian Trucking Industry", prepared by DAMF Consultants Inc. in association with L-P Tardif & Associates Inc., May 24, 2005, pg. 37.

² 2006 Borders Survey. Ontario Chamber of Commerce. October 2006.

³ Hart, Michael, *Steer or Drift? Taking Charge of Canada-US Regulatory Convergence*, C.D. Howe Institute March 2006, pg 2.

⁴ Ibid, a 2005 estimate by the Canadian Federation of Independent Business.

The volume of regulations and overlapping jurisdictional powers causes a great deal of confusion and delay for the private sector. The changes and other requirements at times contradict inter- and intra-government rules and regulations. For example, when the US Food and Drug Administration (FDA) introduced new rules on border notification, Canadian exporters noted that some aspects were not consistent with the policies of the DHS.¹ As another example, Transport Canada's added requirements for vehicle immobilization systems are not mirrored in the US. This regulation contains performance requirements, but there is no test method or procedure to show compliance, which is contrary to government policy. Transport Canada has also added new requirements to the final regulation that is inconsistent with regulatory process requirements.

Other examples of Canada-US divergence were pointed out in a 2006 report by the C.D. Howe Institute:

- Canada: anti-theft immobilizers are required on all new vehicles;
US: lower cost entry-level vehicles are exempt.
- Canada: cheese-flavoured popcorn must contain no more than 49 percent real cheese;
US: cheese-flavoured popcorn must have no less than 53 percent.
- Canada: fortified orange juice is classified as a drug;
US: fortified orange juice is classified as food.
- Canada: deodorants containing aluminum require a Drug Identification Number;
US: deodorants do not require a Drug Identification Number.²

Inconsistent regulations governing border activities waste resources, reduce productivity, and increase costs for consumers and manufacturers. Maximum gross vehicle weight (the combined weight of a commercial vehicle and its load)

¹ North American Security and Prosperity, "New Frontiers Building a 21st Century Canada-United States Partnership in North America", Prepared by the Canadian Council of Chief Executives, April 2004, pg. 21.

² Hart, Michael, *Steer or Drift? Taking Charge of Canada-US Regulatory Convergence*, C.D. Howe Institute March 2006, pg 3.

In one year, a small-business owner in the manufacturing industry reported \$300,000 in losses because of new security requirements.

varies by jurisdiction in both Canada and the US, posing challenges for businesses. In fact, Ontario weight restrictions differ from all its contiguous border states. Overweight vehicles are not allowed to proceed until the load is within limits. Any additional charges or costs due to delays are incurred at the carrier's expense. In 2005, there were 300 cases of gross vehicle weight violations in Ontario, and 240 cases in 2006.¹ Overall for Ontario, there were 2,799 offences due to overweight vehicles in 2005, and 2,146 in 2006.²

Red Tape and Rising Business Costs

A strong automotive sector is important to the province. Motor vehicles, parts and accessories are consistently Ontario's top US export. Differences in the North American motor vehicle safety standards create significant challenges for the auto industry. Unique requirements can lead to structural or other changes that increase production costs for businesses and/or even restrict trade by excluding vehicles from the market. For this reason, the Mercury brand from Ford Motor Co. is not sold in Canada.

When business owners are confused or ignorant about trade regulations, their operations are not able to function as efficiently as they should. Resources must be diverted to adjust to the requirements. Job cuts due to lost revenue, purchasing new technology, outsourcing transportation needs and other challenges are all costing Ontario businesses. For example, the production of 4,000 vehicles could incorporate 28,200 customs transactions and add an estimated \$800 per vehicle, according to the Coalition for Secure and Trade-Efficient Borders in North America.³ Clearly, regulatory burdens and their inherent costs could have negative implications for future job creation and the growth of our economy.

Increased costs incurred from cross-border security requirements and border delays are of particular concern for small to medium sized businesses. They comprise 99 percent of all Ontario businesses, employing more than 50 percent of the province's workforce. In one year, a small-business owner in the manufacturing industry reported \$300,000 in losses because of new security requirements. Due to this, the business was forced to close. A medium sized

¹ Ontario Ministry of Transportation, July 9, 2007.

² *ibid.*

³ "Rethinking our Borders: A new North American Partnership", Prepared for the Coalition for Secure and Trade-Efficient Borders, July 2005, pg 2. http://www.cme-mec.ca/pdf/Coalition_Report0705_Final.pdf

business in the arts, entertainment and recreation industry indicated that the border system and policies forced staff cuts, and as a result, revenue dropped by 60 to 70 percent.

Security and Prosperity Partnership

The Security and Prosperity Partnership (SPP) is currently working to increase regulatory coordination between the North American countries. It was formed in 2005 by the US, Canada, and Mexico, as a trilateral effort to increase security and enhance prosperity. SPP working groups comprising of Ministers, officials and key stakeholders are charged with enhancing and streamlining regulatory processes in North America. One goal is to create a trilateral Regulatory Cooperation Framework by 2007 to enhance existing regulations and promote increased cooperation among regulators. Additionally, it will encourage compatibility in order to decrease excessive and redundant testing and certification requirements. A North American Competitiveness Council has also been formed to allow private industry more involvement.

SPP's goals are encouraging. However, the SPP is a dialogue, not an agreement. It is important, therefore, that all three governments remain dedicated to SPP. To this end, the Ontario government must take on the responsibility of ensuring the province's priorities are addressed through this forum. Specifically, the Ontario and federal governments need to assess cross-border activities to determine how best to streamline and coordinate these processes within Canada and the US.

It is crucial that a more coordinated and compatible system be created for both countries. Processes and regulations need not be identical, but must be acceptable and easily recognized. The US exported to Ontario \$152 billion in goods in 2006. In that same year, however, the US exported \$63 billion in goods to China, and only \$11 billion to India (See Figure 6). The Canada-US market, and in particular, the Ontario-US market is a key demographic. The necessary tools must be given to support secure and efficient cross-border activities. Cooperation and communication with US governments and businesses need to increase to ensure regulations are approved with an emphasis on streamlining and coordination. As the country's trade leader, Ontario also has a leading role in the SPP discussions.

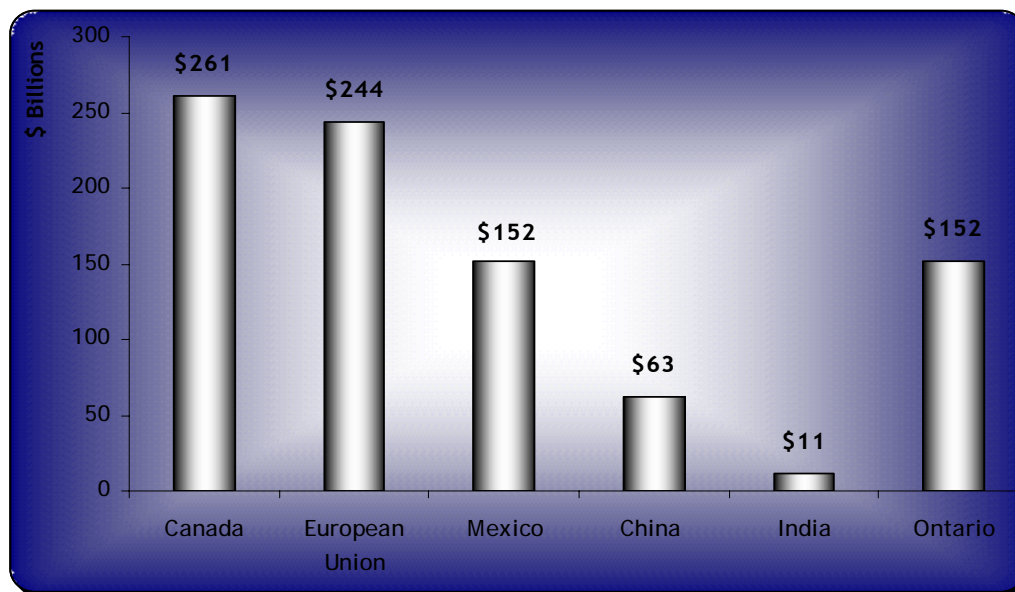


Figure 6: US Exports, 2006 Data

Source: Industry Canada: Strategis.gc.ca

Recommendations: The provincial and federal governments to assess the cross-border system to determine:

1. Where actions can be streamlined and coordinated within Canada, and across all levels of government; and
 2. How best to enhance compatibility with the US.
-

Smart Border Management & Joint Cross-Border Projects

Smart border management (SBM) is one opportunity to increase security and prosperity between countries. SBM allows some or all border inspection operations to occur on one side of the border providing flexibility to create borders that are efficient for travellers, and practical for border communities.

SBM is in line with SPP goals of streamlining the secure movement of low-risk traffic across shared borders. It also conforms to the Smart Border Action Plan which was an outcome of the 2001 Secure Border Declaration by the US and Canada.

The OCC is therefore extremely concerned that the Department of Homeland Security abandoned negotiations with Canada for the bi-national pre-clearance project at the Peace Bridge and Thousand Islands Canada-US border. The Peace Bridge in particular, is the third busiest commercial crossing and the second busiest passenger vehicle crossing between the US and Canada. It handles \$20 billion worth of trade annually.¹ This SBM project would move all inspections to the Canadian side where more land is available to build a customs plaza. All cleared vehicles, exiting Ontario, would then proceed without stopping on the New York State Thruway after crossing the bridge. Implementing the pre-clearance project would facilitate legitimate cross-border travel, thus benefiting both economies by attracting and retaining jobs and investment.

Canadian and US authorities had been negotiating the pre-clearance project for three years. The main obstacle was the US insistence on the right to fingerprint travellers at the secondary preclearance stage at the Peace Bridge, but who then decide for whatever reason not to enter the US. Canadian law prohibits fingerprinting unless the person voluntarily agrees or has been charged with a crime.

Cooperation and progress made by the Canadian and US governments should not be set aside. Our governments can overcome legal and operations issues related to sovereignty and information sharing *only* if they continue to meet and negotiate solutions. A successful Peace Bridge pilot project would have lead to further expansion of smart border management to other crossings. It is a significant stepping-stone to ensuring the future of safe and efficient cross-border trade and travel.

¹ October 25, 2005 letter from Anthony Masiello, mayor of Buffalo; Wayne Redekop, mayor of Fort Erie; and John Lopinski, Chairman of the Buffalo & Public Bridge Authority to Michael Chertoff, secretary of the US Department of Homeland Security pg 1.

Recommendation: The provincial and federal governments to encourage the US Department of Homeland Security to re-engage with Canada about smart border management at the Peace Bridge and Thousand Islands border.

Recommendation: The Canadian government to work towards a formal Canada-US pre-clearance agreement, contingent upon legislative amendments.

The OCC is also concerned that the proposed amendment to the Michigan Department of Transportation budget to withdraw state support for the Detroit River International Crossing (DRIC) project reverses the significant steps forward to resolve congestion and security issues at the Windsor-Detroit crossing. The DRIC project works towards constructing a new crossing in the Windsor-Detroit region, a region which is recognized as the busiest international crossing in the world.

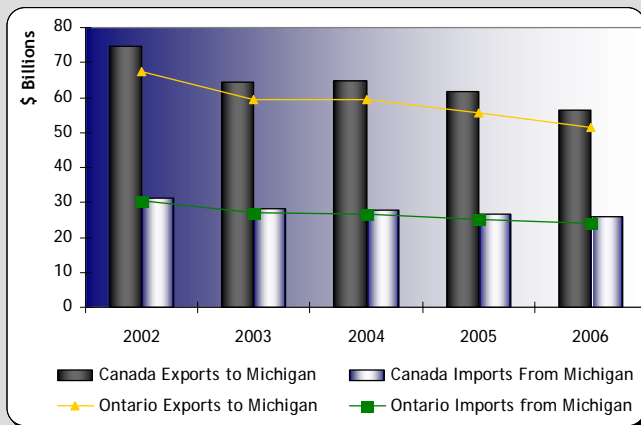


Figure 8: Trade with Michigan: Canada Vs. Ontario

Source: Industry Canada: Strategis.gc.ca

Last year:

- Canadians made more than 1,239,000 visits to Michigan, spending \$208 million (USD).¹
- Michigan residents made 1,688,200 visits to Canada, spending \$486 million (USD).¹
- Canada trades more with Michigan than with any other US state, \$56.5 billion in exports and \$55.9 billion in imports in 2006.¹ (See figure 8)
- Ontario alone traded \$51.2 billion in exports and \$24.2 billion in imports also in 2006.¹ (See Figure 8)

Removal of state funding for the DRIC process will not likely stop the project, but will definitely remove Michigan's government from the decision-making process. Michigan plays a significant role in management of the international border with Canada — whether through purely government funded efforts or public-private partnerships. Continuation of the DRIC process, with Michigan at the table, is critically important to employers throughout the Detroit region. Efforts to slow down this process will be interpreted by business as efforts to limit our ability to compete globally.

Recommendation: The federal and provincial governments to encourage the Michigan Department of Transportation to continue to support and fund the Detroit River International Crossing project.

US-Canada border crossings are struggling with pre-NAFTA designed and built facilities that cannot sustain future growth in this post-NAFTA world.

Transportation Infrastructure

On average, there are about \$1.2 trillion of goods transported on Ontario's highways every year.¹ In 2006, the warehousing and transportation industry contributed \$17.8 billion to Ontario's GDP.² Over the next 30 years, US-Canada trade by truck is expected to increase by 128 percent and vehicle traffic by 57 percent.³

Efficient transportation infrastructure to and from the border is an important factor that businesses consider when investing in the province. However, US-Canada border crossings are struggling with pre-NAFTA designed and built facilities that cannot sustain future growth in this post-NAFTA world. Traffic congestion caused by insufficient infrastructure reduces Ontario's competitive advantage. It leads to lost trade opportunities, and impacts employee recruitment and retention. This can have serious repercussions on the economy.

¹ Ontario Economic Development, Ontario Canada, http://www.2ontario.com/welcome/ootr_704.asp.

² Ontario Economic Development, Ontario Canada, http://www.2ontario.com/welcome/bcei_205.asp.

³ Partnership Border Study, "Border Transportation Partnership Why a New crossing in Detroit-Windsor?", November 14, 2005 page 1. http://www.partnershipborderstudy.com/pdf/051114_JointEcBkgrounder.pdf

Ontario exports support one in four jobs.¹ Canada on a whole could lose up to 70,000 jobs and the US up to 80,000 jobs if our border infrastructure deficit is not addressed.² For both countries, there could be a combined \$13.6 billion a year in lost production³.

Environmental Assessment Process

The federal government has created the Transport, Infrastructure and Communities Portfolio to further link urban, interprovincial and international infrastructure development. This portfolio brings together issues of economic productivity, transportation safety and security, and environmental sustainability. But for Ontario businesses and residents to truly benefit from this coordinated approach, it is essential that the current Environmental Assessment (EA) Act be reviewed and the EA process streamlined to ensure that cross-border infrastructure projects proceed in a more timely fashion.

The EA process is a vital instrument for assessing the impact of activities on the environment. Public consultations are an important part of this process. Meeting Ontario's infrastructure needs and allowing for public input requires a balance. However, delays in improving Ontario's infrastructure jeopardizes the efficient movement of traffic, and may impede business investment in the province.

The Ontario Ministry of the Environment plans to expedite decision-making and ensure sound environmental planning for waste, energy, and transit projects. It also plans to improve education and guidance about the EA process. While these are important goals, simplifying the process for all aspects that serve the public good must be included. The province, along with the federal government, needs to create a more streamlined EA process for transportation infrastructure.

¹ Ontario Ministry of Economic Development and Trade "Ontario Business Report," April 2002.

http://www.ontario-canada.com/ontcan/en/PDF_HTML/Priority-1/OBR-2002-April.htm

² Final Recommendations from the U.S. Section of the North American Competitiveness Council (NACC), 2006, pg 14. Planning Need and Feasibility Study, by URS Corporation, in association with The Corradino Group, IBI Group and FLB Decision Economics, Inc., January 2004.

³ Ontario Chamber of Commerce, *Cost of Border Delays to Ontario*, Prepared by the OCC Borders and Trade Development Committee, May 2004, pg 4.

Under present practice and where feasible, the Ontario and federal governments do harmonize EA processes. The OCC further encourages Ontario to incorporate aspects of the federal model into their EA in order to streamline and speed up approval processes. Business investment in the province could be deterred if the EA process is not improved. It is also required that the province identify and build closer relationships with the public and key stakeholders. This will allow the public to voice their concerns at an early stage so that lengthy delays at later stages are reduced. An ongoing dialogue is vital to assure the public that their concerns are being heard.

Highway 402

It is projected that future traffic growth along Highway 402 leading to the Blue Water Bridge will be at, or exceed capacity, in the next 30 years.¹ The Blue Water Bridge connects Port Huron, Michigan to Sarnia/Point Edward, Ontario. This six-lane bridge is the second busiest commercial border crossing in Canada with roughly 4,900 trucks and \$127 million worth of goods crossing the border every day. The bridge facilitates about \$46 billion in imports and exports every year.² The Ontario Ministry of Transportation (MTO) has developed plans to expand the highway, after almost two years of study following the approved planning process for Group 'B' projects under the Class Environmental Assessment for provincial Transportation Facilities. Over 40 Environmental Assessment and Preliminary Design projects were also undertaken. Four parties however, are lobbying the provincial government to perform a full EA before proceeding, which will lead to lengthy delays. Such delays could jeopardize \$26 million in government funding, which is set to expire in 2010.

The Niagara Frontier

The Niagara region is facing similar challenges. Next to the Detroit-Windsor region, the Niagara Frontier is the second busiest commercial border crossing in the country. It carries about 16 percent of all Canada-US trade, which is about

¹ Transport Association of Canada, *How Sault Ste. Marie can make a difference in addressing the multimodal challenges of finding fast and reliable transportation alternatives that will ensure the smooth and efficient flow of goods between Canada and the U.S.*, prepared for presentation at the Geometric Design for Better Border Crossings Session of the 2006 Annual Conference of the Transportation Association of Canada, April 2006.

² Ontario Ministry of Transportation, Media Release, "Canada and Ontario Improving Highway 402 Leading to Sarnia, Aug. 23, 2006.

\$92 billion annually.¹ The initial EA Terms of Reference (EA ToR) for the Niagara-GTA Corridor was first submitted in 2003. However, in response to comments from stakeholders, a new EA ToR was submitted in October 2005. Current estimation for the EA's completion is 2015 — 12 years after the EA was drafted.

Detroit-Windsor Region

The Detroit River International Crossing (DRIC) Project is another example of undue delays of the EA process. The busiest international crossing in the world is estimated to exceed capacity by 2015. Specifically, there will not be enough operational lanes, operational booths and updated infrastructure to handle the expected added volume of traffic. This is a concern, as more than 40 per cent of US-Canada truck traffic crosses the Ambassador Bridge.

The Border Transportation Partnership submitted an EA ToR for the construction of a new crossing by 2013, in September 2004. The partnership includes the Michigan Department of Transportation, the US Federal Highway Administration, MTO, and Transport Canada.

The partnership has since narrowed the new crossing location to the Delray region. In September 2006, the government announced the commencement of a new foundations investigation study for the area. Previously a salt mine, officials were concerned whether the underlying bedrock would be able to support a bridge. The foundations study is broken down into two parts, drilling — expected to cost \$5.4 million — and documentation. It is unknown if, and how long this could delay the process. The final environmental impact statement is expected September 2008.

Toyota Woodstock Auto Plant

In October 2005, Toyota Motor Corporation announced that it would invest \$800 million to build a new automotive plant in Woodstock, Ontario. Toyota needed assurances the plant would be operational by 2008. For this to happen, an EA had to be performed so that Canadian Pacific Railway (CPR) could build five kilometers of new track. This was a very short timeframe.

¹ Ontario Ministry of Transportation, Bi-national Transportation Strategy for the Niagara Frontier, December 2005, page 4.

CPR's EA fell under federal jurisdiction and took approximately nine months from application to approval. There were no objections from the community, which led to a very smooth process. Based on previous experience, CPR believes that if the EA had been governed by provincial legislation, the project would not have proceeded under its original timeline. This could have impacted Toyota's investment, as virtually all finished vehicles (more than 95%) move by rail.

When completed, the Woodstock plant will create 1,300 permanent jobs and is expected to create many more jobs in the supplier, auto parts and aftermarket industries. The plant will have the capacity to build annually 150,000 units of Toyota's sport utility vehicles. CPR will be the primary rail carrier providing transportation for the finished vehicles to markets throughout North America.

Recommendations:

1. The provincial and federal governments to harmonize the EA process by reviewing the Environmental Assessment Act to streamline legislation, avoid duplication, and speed up the planning and design of transportation infrastructure projects.
 2. The provincial government to revise the EA process to streamline the process and speed up the planning and design of transportation infrastructure projects with the following guidelines:
 - a. The consultation process must be clearly stated so the public is aware of its role far in advance. This will limit stakeholders from voicing new concerns at the middle or end of a project and unduly delaying completion.
 - The range of public input needs to be clearly defined at the beginning of a project.
 - All public concerns need to be voiced at the beginning of a project.
 - b. Projects in progress can only be revisited for new concerns if there is a major change in project scope or a new science developed that would have an impact on the outcome of the environmental assessment.
-

Long Range Transportation Planning

Decades of under-investment combined with sporadic policy initiatives have resulted in an estimated \$100 billion transportation infrastructure deficit in Ontario.¹ As international trade and travel continues to grow, the province must prepare a comprehensive multi-modal study to fully assess Ontario's current and future transportation needs.

Understanding the movement of goods and people within Ontario and the US is essential for sustainable development. In 2005, \$627 billion in goods crossed the border, with \$300 million in just-in-time deliveries passing through the Detroit-Windsor area daily.² Checkpoints at the New York and Michigan borders experienced 33.4 million cars and 8.3 million trucks, for a total of 41.7 million vehicles in 2006.³

Transportation needs vary across the province. Communities in Northern Ontario require additional transportation capacity to attract much broader and diversified business investment. Other areas, such as the Greater Toronto Area (GTA), face challenges to accommodate and manage development and population growth. To most effectively address these concerns, an Ontario-wide goods and people movement study is needed. It is vital that other jurisdictions such as Quebec (which leads Ontario's interprovincial trade) and those parts in the US that are an integral part of the trade and travel system (e.g. Buffalo, Port Huron, Niagara, and Detroit) are studied as well.

While there are infrastructure programs such as the Southern Ontario Highway Program (SOHP), Northern Highways Program, and the Border Infrastructure Fund (BIF), (see Appendix I B for more information) these programs require a long-range comprehensive assessment of all of Ontario's infrastructure needs.

There have been goods movement studies for the Niagara Frontier (December 2005), Central Ontario (December 2004), Hamilton (June 2005), Peel (August 2004), and Sarnia (January 2007). There is a Growth Plan for the Greater Golden Horseshoe as well (June 2006). Corridor studies to assess cross-border regions, such as New York-Quebec (Interstate 87, April 2006) and British Colombia-Washington State (West Kootenay-Northeast Washington, March

¹ TD Economics: Topic Paper – *A Public-Private Fix: Ontario's \$100B Infrastructure Needs are too Rich for the Public Purse*. May 2005. pg. 2.

² Ontario Economic Development www.2ontario.com.

³ Bridge And Tunnel Operator's Association

2005) are also very informative. They evaluate the demographics and economy, freight and traffic movements, highway performance, border crossing conditions, funding sources, and include all modes of transportation.

Mining the relevant data from these reports will serve as a good basis for a much more comprehensive, province-wide study. A provincial goods and people movement study can then be used as a solid foundation for the provincial government to develop policy options and a long-range (30 year) multi-modal transportation strategy. It will coordinate efforts to effectively connect and enhance existing corridors, create future infrastructure and better utilize existing transportation. It will also support the safe, efficient and balanced use of all transportation options and ensure proper infrastructure, resources, predictable funding, and land use planning.

The integration of Intelligent Transportation Systems (ITS) is essential to this strategy. ITS integrates computers, communications and sensor technologies with vehicles, users and infrastructure to improve transportation. Its use with border operations and intermodal applications is also key to addressing the long-range needs of the province.

Recommendations: The provincial government to proceed with a comprehensive goods and people movement study that:

1. Coordinates with federal, provincial and local government agencies in Canada, and US, and key stakeholders;
2. Evaluates goods and people movement in 10, 20 and 30-year timeframes, translating into short, medium and long-term objectives;
3. Reviews the work of previous and existing relevant goods and people movement studies and initiatives;
4. Reviews existing and proposed border crossing processing techniques;
5. Focuses on present and future intra and inter-provincial trade and travel trends within the province and into key regions in the US;

6. Evaluates regional demographics, economies, freight and traffic movements, highway performance and border crossing conditions for all modes of transportation—air, truck, rail marine and multi-modal terminals;
7. Quantitatively identifies the regions of significant importance to obtain an overview of the businesses that generate freight flows;
8. Identifies the present and future issues and challenges to commercial and passenger travel;
9. Develops policy options to address needs; and
10. Identifies options for sustained government funding and investment.

Recommendations: The provincial government to use the comprehensive goods and people movement study to develop a long-range 30-year transportation plan that:

1. Promotes greater integration of all modes of transportation throughout the province and into key economic regions in other provinces and the US;
 2. Emphasizes the preservation and enhancement of Ontario's transportation system;
 3. Makes greater use of Intelligent Transportation Systems; and
 4. Increases coordination and consistency among land-use planning and investment by all levels of government and other transportation stakeholders.
-

Sector Concerns

Integration and cooperation among all modes of transportation is currently in use.

Rail - Canadian railways gain more than two-thirds of their revenue from cross-border and international traffic movements.¹ They are essential to international import and export trade. The Detroit River Rail Tunnel (DRRT) supported freight movements of over \$20.9 billion USD in 2005.² The Canadian rail industry had a 10.9 percent increase in freight revenue in 2005, surpassing its record-breaking levels in 2004. Average annual wage per employee has steadily increased since 1996, with a marked increase from 2004 to 2005.

For example, to produce newspaper, a logging truck brings timber to a dock, where it is floated to a barge. The barge carries the timber to a newsprint producer, which sends it to the paper mill by rail. It is then printed and flown to the distributor. The future of transportation will only deepen and produce more relationships of this kind. Implementing ways to more effectively employ transportation options will reduce the costs of congestion and help provide a balanced and sustainable transportation network. The removal of certain obstacles will help the rail and marine transportation industries better achieve this goal.

The mining, chemical, forestry and auto industries all depend on rail transportation. Its importance is long-standing and fundamental. There is a concern however, that the DRRT is becoming obsolete. Its intermodal trains cannot support innovations such as double stacked containers, or the new multilevel rail cars. These improvements are vital for economic and industry growth. As it is one of the most capital intensive industries, with about 18 percent of revenues being reinvested in plant and equipment,³ ensuring this industry is supported by modern infrastructure is a priority.

¹ The Railway Association of Canada, *Policy Directions*, October 2002, pg. 30.

² United States Department of Transportation, Bureau of Transportation Statistics, "Transborder Surface Freight Data" http://www.bts.gov/cgi-bin/tbsf/tbdr/by_port_can.pl

³ Canadian Class 1S Capital Expenditures per Revenues, The Railway Association of Canada; CN & CPR Annual reports for 2005.

Recommendation: The Canadian and Ontario governments to allocate increased funding to upgrade infrastructure on the Detroit Windsor Tunnel to support double stacked containers.

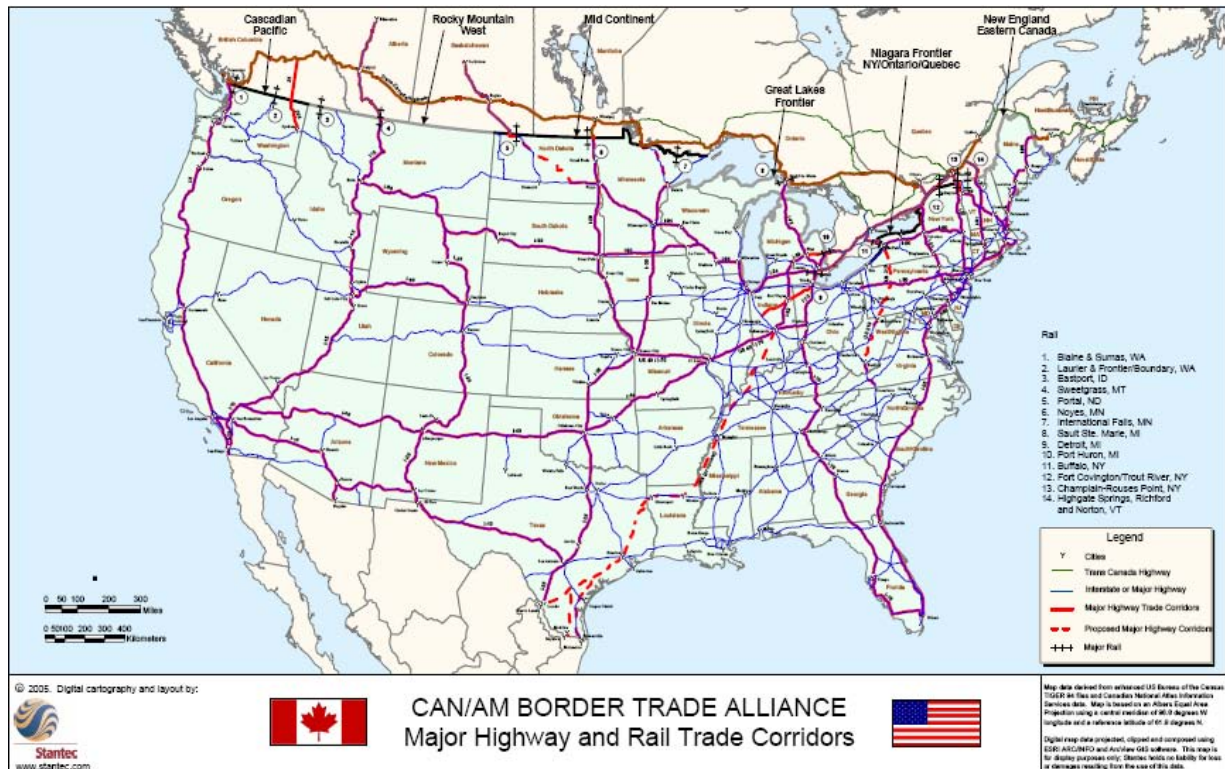


Figure 9: Major Highway and Rail Trade Corridors

Source: Canadian/American Border Trade Alliance, 2005 Trade Corridor Map

Ontario has the highest rail tax bill and rail property taxes in Canada (see Figure 10). This is a concern, considering the rail industry builds, owns, finances, maintains and polices its own transport system. Canadian rail pays about 2.3 percent of its revenue on property taxes, but US rail only pays 1.3 percent.¹ The removal of the Ontario railway right-of-way property tax for active rail corridors

¹ KPMG, *The Tax Burden of Canadian Railways: A Comparison with Other Modes and Industries*, June 7, 2001.

is needed. The tax is not imposed on other land transportation. It therefore makes it difficult for rail to compete for cargo shipments. And since the tax is not based on volume, short line railways are especially affected as they typically service marginal routes or smaller communities. In 2000, Ontario received \$32 million from rail rights-of-way and yard taxes.¹

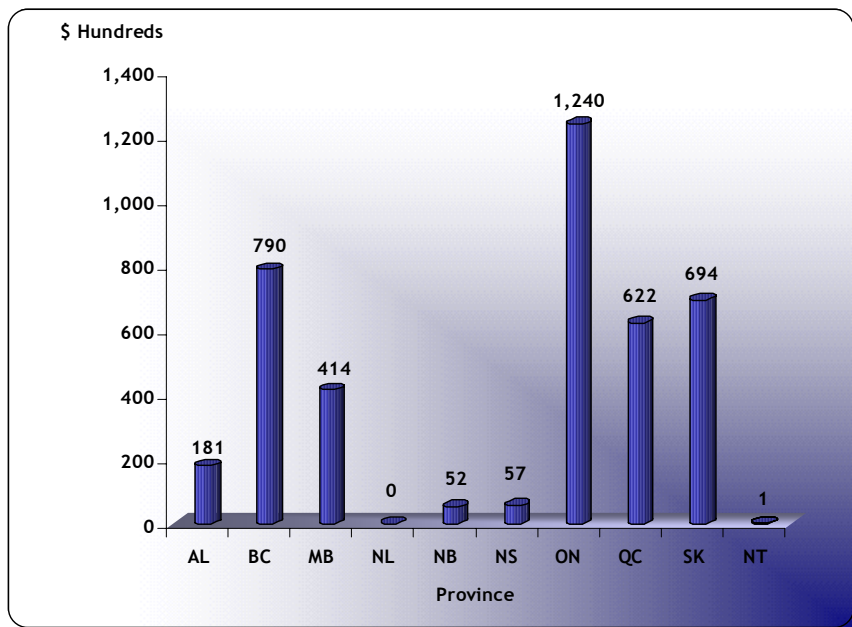


Figure 10: 2005 Rail tax bill

Source: The Railway Association of Canada, 2006 *Railway Trends*, December 2005, page 31.

Recommendation: The provincial government to eliminate railway rights-of-way property taxes for active rail corridors.

¹ The Railway Association of Canada, *Policy Directions*, October 2002 pg. 31

Marine - Enhancing marine transportation is an important part of multi-modal transportation. The St. Lawrence Seaway supports almost 400 million tonnes of cargo each year with a value of about \$80 million, and estimations suggest that in the next 20 years, marine traffic volumes could triple.¹

Developing a ferry truck service between countries and extending the ferry truck season will further strengthen this industry. In 2004, marine transportation contributed more than \$175 billion to the Canadian economy. The marine industry also supports about 36,000 direct and indirect jobs in Canada and 150,000 in the US.²

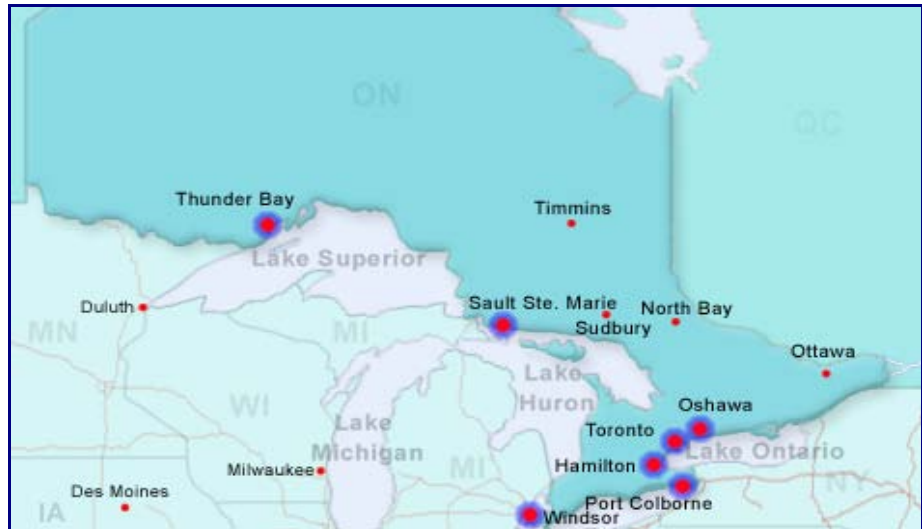


Figure 11: Ontario's Waterways

Source www.2ontario.com

Recommendation: The provincial government to work with the Ontario and US marine industries to create a ferry truck service with the US and extend the ferry truck season.

¹ Great Lakes and St. Lawrence Seaway system, "Competitiveness", accessed May 2006, <http://www.greatlakes-seaway.com/en/aboutus/competitiveness.html>.

² *ibid*

Encouraging the US to eliminate the Harbor Maintenance Tax (HMT) will also promote industry growth. This US tax deters companies from utilizing marine transportation. For example, in testimony before the US House Committee on Ways and Means, a Canadian steel producer wanted to ship 360,000 tons of cargo, but realizing the HMT tax would cost \$270,000 USD, the producer instead chose truck transportation.¹

Harbor Maintenance Tax is intended to generate revenue for port maintenance. The receipts are placed in a trust fund for the Army Corps of Engineers' dredging budget. This fund has collected in excess of more than \$3 billion USD as of the 2006 fiscal year.² Removal of the tax is not expected to impact the dredging projects.³

If the HMT were to be eliminated, marine transportation could remove as much as 40,000 vehicles from the road, and reduce travel time.⁴ A truck must travel more than five and a half hours (466 km) from London, ON to Cleveland, Ohio because it must go around Lake Erie. A ferry on the other hand, only requires about two hours and need only cover 105 kilometres.⁵

Recommendation: The Canadian government to encourage the US to eliminate the Harbor Maintenance Tax.

¹ Committee on Ways and Means: U.S. House of Representatives, "Hearing Archives: Statement of the Honorable Stephanie Tubbs Jones, Ohio Congresswoman Sept. 26, 2006", accessed November 21, 2006. <http://waysandmeans.house.gov/hearings.asp?formmode=view&id=5281>

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

STAGE 2: ENHANCING SUPPORT FOR CROSS-BORDER PROGRAMS

Resource Allocation

The federal government allocated \$404 million to aid border security programs over two years in the 2006 budget. It is important to ensure that these funds and other resources are used most effectively. A Borders Advisory Council is needed to coordinate and implement all policies and border infrastructure programs. To ensure coordination with federal and international efforts to improve border crossings, the council should be composed of representatives from the private sector and the provincial, federal and municipal governments.

Funding

There are numerous funding programs for infrastructure projects, and billions of dollars allocated. These funds however, are not always used. In the 2004-2005 fiscal year \$72.7 million was allocated under the Border Infrastructure Fund (BIF). Nearly \$34 million remained unused, with \$38.8 million actually spent. Other infrastructure programs have unused funds as well (see Appendix I B). Greater communication between governments is required and assurances made that allocated funding and resources to these priority projects are used on schedule.

Insufficient staffing at border crossings ranked number two, next to the onerous trade and travel regulations, in a survey of OCC members relating to main business concerns at the Ontario-US border.

Staffing

In the OCC reports, *Cost of Border Delays to Ontario* and *Cost of Border Delays to the United States Economy*, it was identified that "heightened security combined with less than adequate staffing, particularly at peak times, and infrastructure on both sides of the border have led to increased congestion and border delays."¹ Indeed, insufficient staffing at border crossings ranked number two, next to the onerous trade and travel regulations, in a survey of OCC members relating to main business concerns at the Ontario-US border.²

¹ Ontario Chamber of Commerce, *Cost of Border Delays to the United States Economy*, Prepared by the OCC Borders and Trade Development Committee, April 2005, pg 6.

² 2006 Borders Survey. Ontario Chamber of Commerce. October 2006.

Recently, the Campbell Soup Company has indicated that staffing challenges is still a contributor to their border delays, despite recent efforts to improve the situation. The company averages about four-hour delays at US entry ports.

Seven years before the scheduled opening of the new Detroit-Windsor crossing, project consultants have expressed concern whether there will be sufficient staffing to support a new crossing. They also indicate that there continues to be a great need for coordination at border crossings.¹ OCC member survey respondents also commented that information given by border officials about the rules and regulations is inconsistent and at times inaccurate.²

Cross-border programs such as FAST and NEXUS could better meet their potential if they were allocated sufficient resources to fund both staff and dedicated infrastructure. Unfortunately, such programs are under funded, which minimizes their advantage.

Staffing challenges are also present in other programs. From testimony before the US Committee on Homeland Security and Government Affairs in 2005, security initiatives Customs-Trade Partnership Against Terrorism (C-TPAT) and Containers Security Initiative (CSI) were cited for having insufficient staffing and funding to complete their duties. C-TPAT requires more resources to hire and train staff, and CSI has staffing imbalances.³

In testimony before the US House Armed Services Committee, it was said that C-TPAT needs at least 500 people to certify companies and their worldwide suppliers. US Customs Borders and Protection (CBP) also told Washington lawmakers that the government does not have enough inspectors to authenticate shipper security plans and is thinking about hiring private companies to help.⁴

¹ Private Sector Advisory Group (PSAG) Meeting Notes, Detroit River International Crossing, December 8, 2006.

² 2006 Borders Survey. Ontario Chamber of Commerce. October 2006.

³ United States Government Accountability Office, Statement of Richard M. Stana, Director, Homeland Security and Justice Issues before the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, United States Senate, "Key Cargo Security Programs Can Be Improved May 26, 2005", accessed February 14, 2006.

⁴ Strohm, Chris. "Customs bureau may seek private sector help." Goveexec.com March 17, 2006. March 20, 2006. <http://www.govexec.com/dailyfed/0306/031705cdam2.htm> .

As of March 2006, CBP had 80 inspectors to evaluate the over 10,000 companies that have applied for the C-TPAT program. Only 1,545 companies out of 10,000 had their security plans validated.¹ This is 15 percent of total applicants (the program began in 2002). CBP originally wanted 100 percent validation after three years. In March, it instead aimed to certify 65 percent of all C-TPAT applicants by January 1, 2007.²

DHS is having staffing concerns among its top leadership positions as well. As of May 1, 2007, there is a 24 percent vacancy among its top positions, that is 138 of 575 positions.³ This is according to a House Committee on Homeland Security report, *Critical Leadership Vacancies Impede United States Department of Homeland Security*. Committee chair, Representative Bennie G. Thompson, accounts that the vacancies have lead to an over-dependency on contractors and also weakened morale. House Representative Thomas M. Davis III, ranking member of the House Oversight and Government Reform Committee, adds that the vacancies have created internal problems within DHS. Of the 138 vacancies, 51 percent are vacant without an explanation, 44 percent are under recruitment, and five percent are tentative or pending appointees.⁴

Advance Commercial Information (ACI) and Customs Self Assessment (CSA) of the CBSA are also cited for having insufficient staffing. In August 2006, the federal government announced that 400 new border CBSA officers will be hired, trained and equipped so that they are no longer working alone. They are expected to be in place by September 2007.

¹ Committee on House Homeland Security, Combined statements of Jayson P. Ahern Assistant Commissioner, Office of Field Operations U.S. Customs and Border Protection and Captain Brian Salerno Deputy Director, Inspections and Compliance United States Coast Guard before the Subcommittee on Economic Security, Infrastructure Protection & Cybersecurity, March 16, 2006, accessed March 20, 2006.

² Strohm, Chris. "Customs bureau may seek private sector help." Goveexec.com March 17, 2006. March 20, 2006. <http://www.govexec.com/dailyfed/0306/031705cdam2.htm>.

³ U.S. House of Representatives, *Critical Leadership Vacancies Impede United States Department of Homeland Security*, prepared by the Majority Staff of the U.S. House of Representatives Committee on Homeland Security, July 2007, pg3.

⁴ U.S. House of Representatives, *Critical Leadership Vacancies Impede United States Department of Homeland Security*, prepared by the Majority Staff of the U.S. House of Representatives Committee on Homeland Security, July 2007, pg 4.

Program Implementation & Business Uncertainty

The implementation of advance cargo notification programs and other border security policies has raised concerns among the Ontario business community. Deadlines for compliance and rule implementation are often rescheduled and delayed. Such change leads to business uncertainty about current and future regulations, and leaves businesses at a risk of non-compliance. This uncertainty can in turn increase business costs by impeding trade and increasing border delays. It also leaves those companies that absorbed these added costs and made adjustments to adhere to new rules (i.e. extra security measures, retraining staff, employee awareness, assessing security requirements, and purchasing new technology) at a competitive disadvantage. (See Figure 7, pg 19)

As an example, implementation of the CBP's Automated Customs Environment (ACE) has been the subject of criticism. It was scheduled for full compliance in February 2006. After several deadline changes, it was implemented but the necessary technology was not operational at all the required crossings. Therefore some companies that took the time and money to adjust to the new requirements could not benefit.

In a letter to the Chairman of the Senate finance Committee, ACE is stated to be costly, have software glitches/anomalies and ambiguous direction from the CBP.¹ Mentioned during the 2005 CBP Trade Symposium: "ACE is currently unreliable for line detail & missed entries, etc."² A major concern is that for non-ACE carriers, their data are typically sent via a third party with no guarantee that the information was properly sent. A carrier would arrive at the border and be delayed because they were not aware their information was incomplete.

Similar challenges with the CBSA's ACI program have also contributed to increased business uncertainty. A May 2005 deadline for US harmonization was interrupted for marine and air. Marine harmonization was postponed indefinitely. Air carriers were given an extra six months, which was then further extended. Policymakers can reduce overall business uncertainty by initiating programs only when the resources are put in place and properly functional.

Policymakers can reduce overall business uncertainty by initiating programs only when the resources are put in place and properly functional.

¹ March 29, 2006 letter from the Import-Export Policy and Processes Committee of the Border Trade Alliance to Chairman of the Senate Finance Committee and the Ranking Member, pg 2.

²US Customs & Border Protection, Trade Symposium: November 2-4, 2005, http://www.cbp.gov/linkhandler/cgov/import/communications_to_trade/trade_2005/answers_qcards.ctt/answers_qcards.doc.



Figure 12

Source: US CBP ACE Exchange Conference, November 2006

Recommendation: The provincial government to create a Borders Advisory Council composed of representatives from the provincial, federal, and border-contiguous municipal governments, as well as key stakeholders in the private sector to provide strategic recommendations on how to better coordinate and implement multi-jurisdictional cross-border policies and infrastructure initiatives.

Participation in Cross-Border Programs

Low participation rates in cross-border facilitation programs are another challenge for Ontario-US trade. OCC members have consistently noted that they are insufficiently informed about federal programs needed for cross-border travel. Fifty-five percent of our members do not participate in FAST, NEXUS, or C-TPAT.¹

The US reports only 26 percent of their total imports are C-TPAT compliant (See Figure 13)². Only 35 percent of cross-border shipping companies are C-TPAT or FAST certified.³ This will be problematic if the border is restricted due to an emergency, as DHS has stated only FAST shippers will be allowed to cross. Increased participation rates would increase the effectiveness of these and other trade and travel programs.

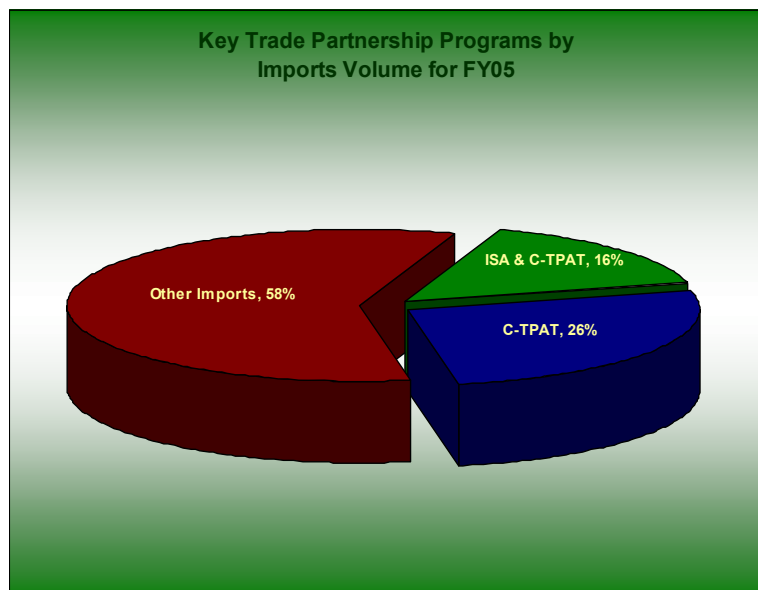


Figure 13

Source: 2005 CBP Trade Symposium¹

The federal government needs to engage in an aggressive marketing campaign to inform the business community of the benefits and importance of these

¹ 2006 Borders Survey. Ontario Chamber of Commerce. October 2006.

² According to data from the United States Custom Border Protection Symposium, November 2005.

³ Location Canada, "Three years later do we have a smarter border?." <http://www.locationcanada.com>

programs. This is especially the case for small to medium sized businesses, where participation is more of a challenge. From the 2006 survey respondents, 98 percent of which are small to medium sized business owners, 34 percent say they didn't participate in these programs because they do not see any benefit.¹

Lack of Resources

Participation rates in these programs are also low because for some, the requirements and approval processes are viewed as elaborate and burdensome. This is particularly a concern for new and small businesses that have a lack of resources to properly obtain and send the required information. FAST requires the shipper, driver and all in the supply chain to be approved. Difficulty particularly arises for those carriers that transport goods from several different owners in one shipment, and, if they do not have regularly occurring shipments. Both of these scenarios result in increased costs of compliance. The requirements for importer certification can be onerous as well, as the integrity and security of all of their facilities and transportation partners must be ensured. The C-TPAT process also has similar challenges.

CBSA's Customs Self Assessment (CSA) has raised business concerns as well. CSA is needed for clearance in the FAST program. A carrier must also be a member of Partners in Protection (PIP) and carry CSA-approved loads from CSA-approved importers. In the three part certification process, a company's process, books and records must demonstrate that their linkages, controls and audit trails are compatible with CSA. Collecting and sending such data for approval is a major concern. In a one-week period, some companies would need to obtain information on over two million loads, and emailing this data is not feasible. As of January 2005, only 19 out of 164 Canadian importers have been accepted, or 11.6 percent.² One customs broker commented to the OCC, "if the program is too complex or too costly it will not be accepted by the importers or carriers, therefore little or no participation."

In a one-week period, some companies would need to obtain information on over two million loads.

FAST, CSA and other similar programs are most effective when each level in the supply chain is certified. Participants will realize a greater value when more businesses are involved in these programs. It is vital that the government stress

¹ 2006 Borders Survey. Ontario Chamber of Commerce. October 2006.

² PBB Global Logistics, Spring/Summer 2005, "The Case for CSA" June 2005

the importance of these programs. OCC members say they require more direct, one-on-one instruction on why and how to apply. Introducing some flexibility for new and small-to-medium sized companies is also needed.

Recommendation: Provincial and federal governments to aggressively engage in a multi-regional/location marketing campaign to inform the business community about cross-border trade programs.

Recommendation: Provincial and federal governments to work with stakeholders in the private sector to streamline the application processes for cross-border trade programs and include flexibility for new and small to medium sized businesses.

Western Hemisphere Travel Initiative

One of the most important issues facing Ontario and the US today is the Western Hemisphere Travel Initiative (WHTI). As of January 23, 2007, anyone entering the US by air must have a passport or NEXUS card. In a proposed US rule anyone entering via land and marine ports could need a driver's licence and birth certificate to enter by January 2008. Travellers could eventually have to show a passport or another approved document(s) by summer 2008.

From the outset, businesses and communities on both sides of the border have been troubled over the impact of such an initiative. Overall, only 40 percent¹ of Canadians have a passport, compared to about 27 percent² of Americans. From a February 2006 Zogby International poll, one-third of American non-passport holders and almost one-third of Canadian non-passport holders indicated they will be less likely to cross the border if they need a passport or another secure document.³ This represents lost revenue and jobs on both sides of the border, particularly for those sectors (such as tourism) that rely on spontaneous cross-border visitors.

¹ Passport Canada, July 24, 2007.

² U.S. Consulate General, Toronto, U.S. Passport Office, July 24, 2007.

³ Survey of U.S. Border State Voters and Canadians about New Border Regulations. Zogby International February 2006.

- Tourism is Ontario's seventh largest export industry with over 156,000 businesses related to tourism products and services, representing over 18 percent of all business in Ontario;¹ and
- In 2004, 48 percent of visitors to Canada came to Ontario generating \$21.8 billion in annual revenues for the province, accounting for approximately 486,000 Ontarian jobs, and contributing 34 percent of Canada's total tourism revenues.²

Adding to WHTI fears is the confusion surrounding this law. A public awareness campaign, in cooperation with the US, is a necessary strategy. In 2005, the Ontario Ministry of Tourism reported:

- Awareness of WHTI requirements in Ontario was 48 percent; only 35 percent of US adults in Ontario's near and mid-US travel markets were aware of the rules;³ and
- 33 percent of US adults in the same geographic area thought the requirement was already in effect; 42 percent of adults in Ontario thought the same.⁴

The Tourism Industry Association of Canada argues that publicity surrounding WHTI has deterred American tourists and business people from travelling. The Conference Board of Canada estimates that 366,000 fewer Americans visited the country in 2005. There have also been numerous announcements about deadline changes and new proposed rules, which add to the confusion.

From January to February 2007, travel to and from the US dropped by 7.4 percent and 4.7 percent.⁵ In February, after air travel restrictions were enacted, travel between Canada and the US declined as well. Statistics Canada indicates that it is "possibly the result of new passport requirements for air travel" into

The Ontario Ministry of Tourism estimates that by 2008, Ontario will have a cumulative loss of about 3.5 million US visitors.

¹Ontario Economic Development, "Ontario Tourism Overview", <http://www.2ontario.com/tourism/overview.asp>

² Ontario Economic Development, "Ontario Tourism Overview", <http://www.2ontario.com/tourism/overview.asp>

³ The Impact of the Western Hemisphere Travel Initiative on Travel to/from Ontario, Ontario Ministry of Tourism, October 2005.

⁴ ibid.

⁵ Statistics Canada, The Daily, "Travel between Canada and other countries" April 19, 2007. <http://www.statcan.ca/Daily/English/070419/d070419c.htm>

the US.¹ The Ontario Ministry of Tourism estimates that by 2008, Ontario will have a cumulative loss of about 3.5 million US visitors. Overall, Ontario's tourism industry could lose 7,000 jobs and \$700 million by 2008 (See Figure 14). Ontarians' travel to the US is projected to decline by 842,000 visits through 2008, causing the US economy to lose \$200 million.²

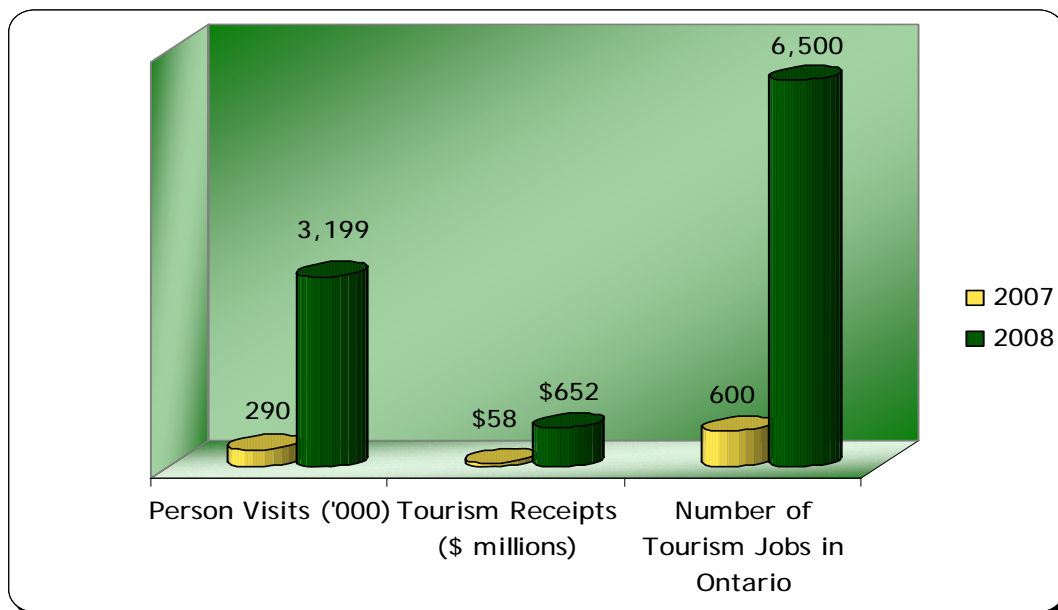


Figure 14: Estimated loss due to the WHTI for Ontario's Tourism Industry

Source: Ontario Ministry of Tourism, 2005 Report, "The Impact of the Western Hemisphere Travel Initiative on Travel to/from Ontario" pg. 8

The US has proposed the passport card as an alternative secure document. Only available to US citizens, it is a credit-card sized picture identity card for land and marine travel, priced at \$45 USD for an adult and \$35 for a child (both including a \$25 USD execution fee for first-time applicants and those that must apply in person). The card is equipped with Radio Frequency (RF) technology to store and transmit a unique number linked to personal information held by CBP. US

¹ Statistics Canada, *The Daily*, "Travel between Canada and other countries" April 19, 2007. <http://www.statcan.ca/Daily/English/070419/d070419c.htm>.

² Ontario Ministry of Tourism, 2005 Report, "The Impact of the Western Hemisphere Travel Initiative on Travel to/from Ontario" pg. ii.

adult and child passports are \$97 USD and \$82 USD (both including a \$30 USD execution fee). The NEXUS card, which is valid for five years, costs \$80 and is free for children.

Cost and time needed to successfully implement this new passport card system has raised concerns by OCC members and other Canadian and US businesses. The technology, infrastructure, procedures, and required training are possible challenges:

1. The passport card is less expensive than the US passport, but it is more than what participants in the Zogby poll indicated they would pay. Thirty percent of Americans were willing to pay USD \$25 or less, 49 percent wanted the card for free.¹
2. Concerns about proper implementation are heightened in light of the backlog of passport applications. The US government has stated that it would take four to six weeks to process a passport card application. Processing time for US passports has been increased from six to 10-12 weeks. The Department of State (DOS) reports 500,000 pending applications. Canada is also experiencing longer passport processing times. It is a concern that this would impede cross-border trips. To better accommodate those air travelers that have not yet received their passports due to longer-than-expected processing times, through September 30, 2007, the US government is allowing its citizens to travel with a government-issued photo I.D. and DOS proof of application.
3. In the FY2007 US Homeland Security Appropriations bill, funding was granted for border security enhancements, namely \$1.2 billion for border fencing, vehicle barriers, technology and tactical infrastructure. DHS however has not clearly stated if, or how much of these funds will be dedicated to WHTI implementation.

The DHS has also proposed that children age 15 and below, will need either (1) an original or a certified copy of a birth certificate, (2) a Consular Report of Birth Abroad issued by DOS, or (3) a Certificate of Naturalization issued by U.S. Citizenship and Immigration Services, as long as they have parental consent.

¹ Survey of U.S. Border State Voters and Canadians about New Border Regulations. Zogby International February 2006.

Those under 19 years of age travelling with school, religious, cultural or athletic groups and under adult supervision will also be allowed to enter with either of the above three documents.

The Canadian government needs to develop affordable alternatives that will comply with US requirements. Canadian officials have speculated that the federal government is contemplating a secured driver's license as an alternative document to satisfy WHTI requirements. For an additional fee, people who renew their license could opt to use it as the secure travel document. A pilot project between British Columbia and Washington state is underway. The Ontario government is working towards this as well. Currently however, a passport, and NEXUS card (for air only) are the only options available for Canadians. Relying on these options alone poses challenges for those who find a separate travel document inconvenient and will not travel.

Recommendations: The Canadian government to:

1. Work with the US to fully test and develop accessible and affordable document(s) that will comply with US requirements (i.e. an enhanced driver's license);
2. Immediately develop a strategy to mitigate anticipated impacts of WHTI; and
3. Investigate opportunities to link into the same technology used by the US government to make a continental passport card.

Recommendations: The Canadian government to encourage the US government to:

1. Perform a pilot program to fully test the proposed passport card before implementation and establishing the deadline for WHTI land and marine entry requirements;
 2. Explore and legislate other secure identification options as an acceptable document(s) under the WHTI (e.g. enhanced driver's license, SENTRI, NEXUS and FAST cards)
 3. Exempt travellers who are minors from WHTI requirements; and
 4. Encourage demand by persuading the US Department of State to consider decreasing passport fees for one or two years, or for northern border residents.
-

ACKNOWLEDGEMENTS

The Ontario Chamber of Commerce would like to thank and acknowledge the tremendous help and participation of the following organizations and individuals, without whom this report would not have been possible:

Ontario Chamber of Commerce Borders and Transportation Infrastructure Committee:

Bob Armstrong (Chair)

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Armstrong Trade & Logistics Advisory Services Inc.

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Executive Vice President - General Manager
St. Catharines - Thorold Chamber of Commerce

Ryan Stein

Research Analyst – CSC
Canadian Chamber of Commerce

Doug Switzer

Manager of Government Relations
Ontario Trucking Association

Pamela Waeland

Business Manager
Government Markets & Public Affairs
Provincial Markets
3M Canada Company

The Ontario Chamber of Commerce would also like to thank:

Canada Border Service Agency

Canadian Embassy in the US

Ford Motor Company of Canada

Jack Stuempel & Associates Ltd.

Ontario Ministry of Economic Development and Trade

Ontario Ministry of the Environment

Ontario Ministry of Transportation

The Railway Association of Canada

2006 Ontario Chamber of Commerce Borders Survey Respondents

United States Consulate General Toronto

United States Passport Office

APPENDIX I

The following is a description of certain:

- A. US & Canadian Trade/Travel Programs
- B. Ontario Infrastructure Programs
- C. Ontario Border Crossings

A. US & Canadian Trade/Travel Programs

ACE - Automated Commercial Environment - A US CBP electronic data processing system that will eventually replace the present Automated Commercial System (ACS) for truck transportation. ACE provides support for enforcing trade and contraband laws, ensuring trade compliance, and providing service and information to the international trade community.

ACI – Advanced Commercial Information - A CBSA program which requires certain cargo, conveyance and importer information before the goods arrive into the country. It will become mandatory that this data be transmitted electronically in order to ensure proper processing for all modes of transport. It is currently mandatory for marine and air cargo. Rail and truck cargo are scheduled for 2012.

ACS - Automated Commercial System - A US CBP electronic data system for tracking, controlling, and processing commercial importations. It will be replaced by ACE for truck transportation.

CANPASS - A CBSA and Citizenship and Immigration Canada program designed to streamline customs and immigration clearance for low-risk, pre-screened travellers coming into Canada. The program is available at air, boat and select land border crossings from the US

CBP - United States Customs and Border Protection - See Department of Homeland Security

CBSA - Canada Border Service Agency - The CBSA is responsible for providing integrated border services that support national security and public safety priorities and facilitate the free flow of persons and goods, including animals and plants, that meet all requirements under the program legislation.

CSA - Customs Self Assessment – A CBSA accounting and payment process for all imported goods. The CSA program will allow the importer to submit payments once a month compared to numerous single transactions. All entities in the clearance process, i.e. importer, carrier, driver must be accepted into the program and be approved in order to participate. The full program, including the CSA clearance option, became available to approved clients beginning December 3, 2001.

C-TPAT - Customs-Trade Partnership Against Terrorism - A voluntary US program designed to aid international supply chain and US border security for cargo security for importers, carriers, consolidators, licensed customs brokers and manufacturers. It works in conjunction with FAST and PIP and developed under the 2001 Smart Border Declaration. The program was initiated in July 2002.

DHS - United States Department of Homeland Security - This department leverages resources within federal, state, and local governments, coordinating the transition of multiple agencies and programs into a single, agency focused on protecting the US.. More than 87,000 different governmental jurisdictions at the federal, state, and local level have homeland security responsibilities.

The following list contains the major components that currently make up the Department of Homeland Security:

Directorate for National Protection and Programs - works to advance the Department's risk-reduction mission. Reducing risk requires an integrated approach that encompasses both physical and virtual threats and their associated human elements.

Directorate for Science and Technology - the primary research and development arm of the DHS. It provides federal, state and local officials with the technology and capabilities to protect the homeland.

Directorate for Management - responsible for DHS budgets and appropriations, expenditure of funds, accounting and finance, procurement; human resources, information technology systems, facilities and equipment, and the identification and tracking of performance measurements.

Office of Policy - the primary policy formulation and coordination component for the DHS. It provides a centralized, coordinated focus to the development of Department-wide, long-range planning to protect the United States.

Office of Health Affairs - coordinates all medical activities of the DHS to ensure appropriate preparation for and response to incidents having medical significance.

Office of Intelligence and Analysis - responsible for using information and intelligence from multiple sources to identify and assess current and future threats to the US.

Office of Operations Coordination - responsible for monitoring the security of the US on a daily basis and coordinating activities within the Department and with governors, Homeland Security Advisors, law enforcement partners, and critical infrastructure operators in all 50 states and more than 50 major urban areas nationwide.

Federal Law Enforcement Training Center - provides career-long training to law enforcement professionals to help them fulfill their responsibilities safely and proficiently.

Domestic Nuclear Detection Office - works to enhance the nuclear detection efforts of federal, state, territorial, tribal, and local governments, and the private sector and to ensure a coordinated response to such threats.

Transportation Security Administration (TSA) - protects the US transportation systems to ensure freedom of movement for people and commerce.

United States Customs and Border Protection (CBP) - responsible for protecting US borders in order to prevent terrorists and terrorist weapons from entering the US, while facilitating the flow of legitimate trade and travel.

United States Citizenship and Immigration Services - responsible for the administration of immigration and naturalization adjudication functions and establishing immigration services policies and priorities.

United States Immigration and Customs Enforcement (ICE) - the largest investigative arm of the Department of Homeland Security. It is responsible for identifying and shutting down vulnerabilities in the US border, economic, transportation and infrastructure security.

United States Coast Guard - protects the public, the environment, and US economic interests—in the country's ports and waterways, along the coast, on international waters, or in any maritime region as required to support national security.

Federal Emergency Management (FEMA) - prepares the US for hazards, manages Federal response and recovery efforts following any national incident, and administers the National Flood Insurance Program.

United States Secret Service - protects the President and other high-level officials and investigates counterfeiting and other financial crimes, including financial institution fraud, identity theft, computer fraud; and computer-based attacks on US financial, banking, and telecommunications infrastructure.

DOS - United States Department of State - This department is the lead US foreign affairs agency, and the Secretary of State is the President's principal foreign policy adviser. The Department advances US objectives and interests in shaping a freer, more secure, and more prosperous world through its primary role in developing and implementing the President's foreign policy. The Department also supports the foreign affairs activities of other US Government entities including the Department of Commerce and the Agency for International Development. It also provides an array of important services to US citizens and to foreigners seeking to visit or immigrate to the US.

FAST - Free and Secure Trade- A voluntary joint US and Canadian harmonized commercial process offered to pre-approved importers, carriers and registered drivers. Shipments from approved companies transported by approved carriers using registered drivers should be cleared into either country with greater speed and certainty, and a reduced cost of compliance. It was developed under the 2001 Smart Border Declaration and implemented in November 2004.

FAST is available at the following locations in Ontario:

- Cornwall Traffic Office (Cornwall-Massena Bridge)
- Ambassador Bridge/Detroit-Windsor Tunnel
- Peace Bridge- Fort Erie
- Fort Francis Bridge
- Thousand Islands Bridge
- Massena, New York

- Niagara Falls
- Ogdensburg, New York
- Prescott
- Queenston-Lewiston Bridge
- Sarnia
- Sault Ste. Marie Bridge /International Bridge

MTO - Ontario Ministry of Transportation - This ministry is responsible for driver licensing, vehicle licensing, traveller's information, road safety, trucks and buses, highways.

NEXUS – A joint US and Canadian customs and immigration family of programs for frequent travellers. The programs are designed to simplify border crossings for pre-approved, low-risk travellers. It encompasses highway, air, and marine (pilot program) travel. It has been operational at land borders since 2002. Air travel at Vancouver International Airport has been available since November 2004, and at Toronto's Pearson International Airport since February 2007. NEXUS is available at the following locations in Ontario:

- Pearson International Airport, Toronto, Ontario
- Macdonald-Cartier International Airport, Ottawa, Ontario
- Robert L. Stanfield International Airport, Halifax, Nova Scotia
- Ambassador Bridge/Detroit-Windsor Tunnel
- Peace Bridge, Rainbow Bridge, Whirlpool Bridge-Fort Erie Region
- Port Huron- Blue Water Bridge

PIP – Partners in Protection - A CBSA program, similar to C-TPAT, where partnerships are developed with private industry to secure the flow of low-risk legitimate goods and travelers. Through a goodwill agreement with the CBSA business or organization agrees to develop a joint plan of action, conduct security assessments, participate in awareness sessions, and consult with the CBSA. The agreement aims to enhance the security of the partner business or organization, facilitate the exchange of information between partners, and develop joint awareness and information initiatives. It works in conjunction with FAST and C-TPAT.

SENTRI - Secure Electronic Network for Travelers Rapid Inspection - A voluntary US program that provides expedited CBP processing for pre-approved, low-risk travelers. The online enrollment system allows SENTRI applicants to apply online from home, the office or any public-access computer, rather than presenting a hard copy of the application to an enrollment center.

Transport Canada - The federal government department is responsible for most of the transportation policies, programs and goals set by the Government of Canada to ensure that the national transportation system is safe, efficient and accessible to all its users.

B. Ontario Infrastructure Programs

BIF - Border Infrastructure Fund - A federal program created in 2001 to support the Canada-US Smart Border Declaration. It was initiated in 2003 and will end in 2013. The fund will assign \$600 million for improvements at the Canada-US border crossings. The fund works with provinces and municipalities and partners from both Canada and the US. BIF is based on four pillars:

- the secure flow of people
- the secure flow of goods
- secure infrastructure, and
- information-sharing and co-ordination in the enforcement of these objectives.

The Fund is a complement to Canada Strategic Infrastructure Fund (CSIF) and Strategic Highway Infrastructure Program (SHIP). Areas of particular focus in Ontario are Niagara, Sarnia Fort Erie and Niagara Falls.

Project categories must address the:

1. Reduction of Congestion;
2. Enhancement of capacity;
3. Co-ordination with an adjacent US border facility and road access network;
4. Support for the implementation of the Smart Borders Action Plan;
5. Enhancement of safety and security at the border crossing; and/or
6. Financial participation of other public and private sector partners.

In the 2004/2005 fiscal year, \$133 million was given to Ontario Highways, and \$21 million to improvements at Peace Bridge. In total, \$72.7 million were allocated, but just \$38.8 million were actually spent.

For the 2005/2006 fiscal year, \$119 million has been allocated.

Visit the Treasury Board of Canada for more information:

http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/bif-fif/description_e.asp

Border Transportation Partnership - This alliance is between the Canadian and United States governments, and the government's of Ontario and Michigan. It is a 30 year strategy for the Detroit-Windsor Gateway including free and secure trade, security, environmental concerns and community impacts. The Detroit River International Crossing and the Border Transportation Partnership is slated to identify a location for a new crossing connecting Detroit, Michigan and Windsor Ontario by mid-2007. The deadline for environmental documentation, including preliminary design, to be submitted for approvals is by the end of 2007. Construction is expected to begin in 2010, with a new crossing to open for traffic in 2013.

Visit their for more information:
<http://partnershipborderstudy.com/>

CSIF - Canada Strategic Infrastructure Fund - A federal program created in 2001 to fund large scale federal and regional projects of significance in areas that are vital to maintaining economic growth and enhancing Canadian's quality of life. It was initiated in 2003 and will be active until 2013. The total expenditure is \$4 billion; \$2 billion was set aside in the 2001 federal budget and the remainder in the 2003 budget. The categories for funding are highway and rail infrastructure; local transportation infrastructure, tourism or urban development infrastructure, water or sewage infrastructure; and other categories approved by regulation, e.g. advanced telecommunications and high speed broadband. The fund's aim is to bring together provincial, territorial and municipal governments, and businesses for projects of major national and regional significance, and are to be made in areas that are vital to sustaining economic growth and supporting an enhanced quality of life for Canadians. BIF works as a complement to this program. Project categories must address:

1. Highway and railway infrastructure;
2. Local transportation infrastructure;
3. Tourism or urban development infrastructure;
4. Water or sewage infrastructure; and/or
5. Broadband (telecommunications connectivity)

Eligibility for CSIF funding also depends on the populations of the province or territory. Eligible costs for projects in provinces and territories with populations of 750 000 or less must be at least \$10 million. For provinces with populations between 750 000 and 1.5 million, the threshold is at least \$25 million. For provinces with populations exceeding 1.5 million, eligible project costs must be at least \$75 million.

- As of March 31, 2004 \$25 million was allocated for wastewater treatment project in Thunder Bay, \$25 million for Kingston wastewater treatment plant upgrades, \$50 million York region Transit, \$320 million for GO Transit, \$25 million for Ontario Canadian Opera Corporation.
- In 2004, federal and Ontario governments gave \$300 for the Windsor-Detroit Gateway in the Let's get Windsor-Essex Moving for environmental assessments and designs.

Ontario projects:

Niagara People Mover Project (announced commitment of \$25 million)

Niagara Falls is one of Canada's premier tourist destinations. Effective inner-city transportation not only add to the attractiveness of this city for visitors, but also eases and improves navigation downtown for residents.

Ottawa Light Rail Transit Expansion (announced commitment of \$200 million)

This investment in the expanded Light Rail Transit system in Ottawa helps reduce gridlock, provides cleaner air and improves the overall quality of life the city offers.

Toronto Transit Commission (announced commitment of \$350 million)

This project helps to modernize and expand bus, streetcar and subway services in the Greater Toronto Area (GTA) through the acquisition of new vehicles and through improvements such as dedicated transit rights-of-way, transit priority measures, and subway improvements. It also includes investments in new technologies to support the TTC's transition to new, lower emission buses and the TTC's participation in an integrated fare system for all GTA transit users.

York Region Transit Network Improvements (announced commitment of \$50 million)

This improved systems provides convenient, reliable and fast public transit service for commuters. Key stations of the York Region Rapid Transit Plan, such as the Langstaff station are designed as intermodal terminals, creating links to GO's rail network and the Toronto Transit Commission's subway network.

For the 2005/2006 fiscal year, \$636 million has been allocated.

Visit Infrastructure Canada for more information:

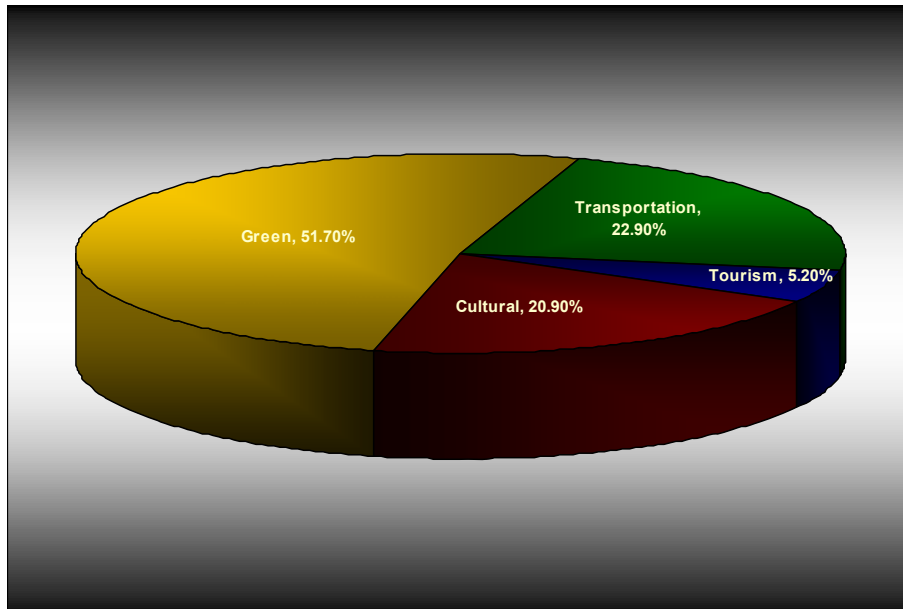
http://www.infrastructure.gc.ca/csif/index_e.shtml?menu3

or

Visit the Treasury Board of Canada for more information:

http://www.tbs-sct.gc.ca/rma/epi-ibdrp/hrdb-rhbd/csif-fcis/description_e.asp

ICP - Infrastructure Canada Program – A federal program created in 2000. It was initiated in 2000-2001 and will end on March 31, 2007. It has allocated \$2.05 billion for Canada's local municipal infrastructure projects. ICP partners with municipal, territorial and provincial governments. About 3419 projects have been approved. Industry Canada is responsible for the projects in Ontario.



Infrastructure Canada Program Funding

Source: Infrastructure Canada, 2006-10-02

For the 2004/2005 fiscal year, \$376.4 million was allocated and \$256.4 million spent. For 2005/2006, \$702.5 million have been allocated. This may be adjusted as plans are being made to extend ICP.

Visit the Treasury Board of Canada for more information:

http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/icp-pic/description_e.asp

Infrastructure Ontario - Created in November 2005 as an arms-length agency responsible for the project and contract management of projects identified by the Ontario government as being delivered through its Alternative Financing a Procurement model. Forty projects have been allocated ranging in size. A complete list of each project can be found at www.pppcouncil.ca/pdf/tracker.pdf.

Visit their website for more information:

<http://www.infrastructureontario.ca/en/about/index.asp>

Let's Get Windsor-Essex Moving Strategy - Announced in March 2004 as a federal-provincial joint \$300 million investment for the implementation of short and medium term projects to improve traffic flows to existing crossings and address congestion and security issues. Six projects were planned at \$82.25 million as part of Phase One. In April 2005, \$129 million in new projects were announced under Phase Two of the Strategy.

Completed Projects:

- Huron Church Pedestrian Bridge
- Intersection improvements on Highway 3 at Outer Drive and Walker Road

- Intersection improvements on Huron Church Road at Industrial Drive
- Intelligent Transportation Systems (ITS) cameras:
- Closed Circuit TV (CCTV) monitoring cameras Highway 3 and Highway 401
- CCTV monitoring cameras in four locations along Highway 3/Talbot Road and E.C. Row Expressway

Projects Under Construction:

- Walker Road/CPR Grade Separation
- Manning Road improvements from County Road 22 north to the VIA Rail line

Other Projects:

- Truck Ferry Road signage and infrastructure improvements
- Howard Avenue/CPR Grade Separation
- Windsor-Detroit Tunnel Canadian Plaza master plan and improvements
- Highway 401 widening from Manning Road to Highway 3
- Intelligent Transportation Systems (ITS)
 - Monitoring Cameras Windsor-Detroit Tunnel Approach
 - Monitoring Cameras Highway 401 east to Concession 10
 - Changeable Message Sign Highway 401west at the Highway 402 split
- Manning Road improvements from Highway 401 to County Road 22
- Truck Marshalling Yard

As of August 2007

Move Ontario - Established in the 2006 provincial budget. It is to be an immediate one-time \$1.2 billion in the province's public transit systems, municipal roads and bridges. Specifically, \$838 million is allocated for public transportation in the Greater Toronto Area, and \$400 million is allocated to help municipalities, primarily outside the GTA, with special emphasis on rural and northern communities, invest in municipal roads and bridges (already underway). Each municipality will decide their own priorities for road and bridge construction. For a complete list of programs visit: <http://www.ontariobudget.ca/english/table1.html>.

MRIF - Municipal Rural Infrastructure Program - A federal program created in 2003. It was initiated in 2004 and will end in 2011. The Programs intends to support smaller scale municipal infrastructure in urban and rural areas; a total

of \$1 billion has been allocated. Communities targeted are those with less than 250,000 residents and First Nation communities. MRIF partners with municipal, territorial and provincial governments.

In 2004/2005, \$125 million was planned and \$0.418 million was spent. For 2005/2006, \$150 million has been allocated.

Visit Infrastructure Canada for more information:

http://www.infrastructure.gc.ca/mrif-fimr/index_e.shtml?menu3

Specifically for Ontario:

Canada-Ontario Municipal Rural Infrastructure Fund (COMRIF)- It was announced in November 2004. It is a merit based program where applicants apply to receive funds. In June 2006 that they will begin Intake Three. COMRIF is a trilateral partnership with the federal, provincial and municipal governments. This Third intake will help to address municipalities' local bridges and roads, solid waste management, water and wastewater; the same as the previous two intakes.

Visit their website for more information:

www.comrif.ca/eng/default.asp

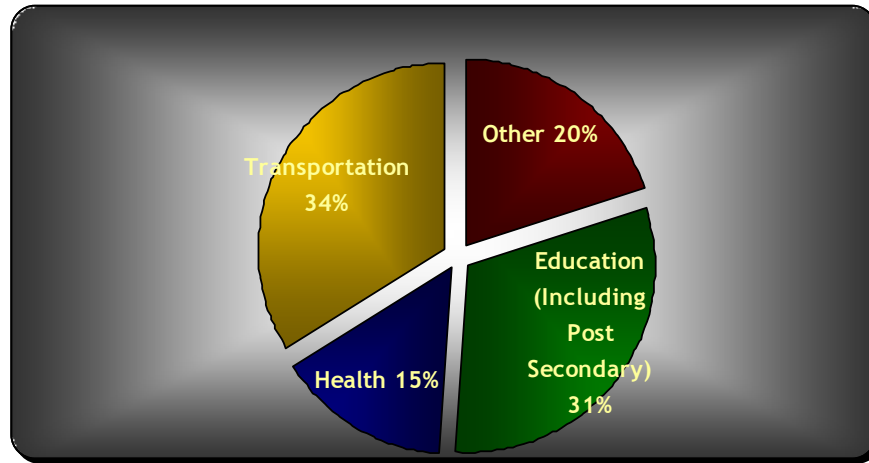
Northern Highways Program - Announced in June 2006 by the Ministry of Northern Development and Mines to allocate funding and establish program priorities with the Ministry of Transportation for rehabilitation and widening of Northern Ontario Highways. The program fall under Move Ontario.

In 2006/2007, \$3.7 million has been allocated.

ReNew Ontario - Created in May 2005 as a five year \$30 billion investment plan for infrastructure development and will run until 2010. It is a long-term plan to construct highways, hospitals, classrooms and public transit. About \$6.9 billion is to be spent on improving border crossings, highways, and other transportation systems and \$4.5 billion for public transit. Also acknowledged is the need to "get a better use of the existing facilities, and to ensure new projects are completed on time and on budget." The five projects include:

- The Four-laning of Highway 69 between Parry sound and Sudbury and Highway 11 between Huntsville and North Bay.
- 22 new highway projects on areas with high traffic volumes and significant safety issues.
- \$638 million to relieve congestion at the border, \$300 million to help the Detroit-Windsor gateway project and \$323 million for border projects in the Niagara and Sarnia regions.
- \$3.1 billion to improve and expand public transit, such as GO, TTC and Ottawa's north-south light rail transit system.
- \$1.4 billion to improve 83 transit systems in 110 municipalities through the provincial gas tax.

In the 2006 provincial budget, ReNew Ontario is expected to receive \$3.4 billion to improve the provincial highway network in southern Ontario and \$1.8 billion for highways in northern Ontario.



Five Year Infrastructure Investment by Sector

Source: ReNew Ontario Publication pg 4

SOHP - Southern Ontario Highways Program - Announced June 2006 as a five-year \$3.4 billion program for highway construction. This programs fall under ReNew Ontario's \$30 billion plan. It is designed to reduce the congestion on southern Ontario's roadways, improve pavement and bridge conditions and provide smoother and safer driving conditions. The programs plans to build 130 km of new highway, 64 new bridges, repair 1,600 km of highway and repair 200 bridges. Key projects include:

- Four to six-lane widening of Highway 401 from Woodstock to Cambridge to improve traffic flow;
- Four to six-lane widening of Highway 401 from Windsor to Tilbury to ease traffic flow and improve safety (this is partly funded by the federal government);
- Planning for High Occupancy Vehicle (HOV) lanes on the Queen Elizabeth Way from Oakville to Burlington pending environmental approval and along Highway 417 from Highway 416 to Palladium Drive in Ottawa to reduce congestion and cut commuting times;
- Widening Highway 7 between Highway 417 and Carleton Place to ease congestion and improve safety;
- Extending Highway 410 from Bovaird Drive to Highway 10 in Brampton to reduce commuter time; and
- Extending Highway 404 from Green Lane to Ravenshoe Road in York Region to reduce travelling time to recreational destinations.

SHIP - Strategic Highway Infrastructure Program - Created in April 2001 as a five year federal program running until April 2006, the federal and provincial government have pledged a total of \$336 million. It gave \$500 million

for strategic highway construction program on the National Highway System, and \$100 million for national system integration initiatives. Of the \$100 million, \$65 million went towards improvements at or near the border crossings, \$30 million for Intelligent Transportation System (ITS) initiatives, and \$5 million will go to modal integration studies. In the 2004 Ontario budget, \$168 million was given by the province. BIF works as a complement to this program.

Ontario programs include:

Sault-Ste-Marie Int'l Truck Route -Two lane section of the Trans-Canada Highway 11/17 extending on a new alignment from the intersection of the Thunder Bay Expressway (TBE) and the Harbour Expressway (HE) westerly 13 km to Vibert Road. Work started in 2004 and is estimated to be completed by 2008.

Highway 17 / Echo River to Bar River Rd. -The proposed project is to construct a new 7.3 km section of 4-lane divided highway on Hwy 17 between the Lower Echo River and Bar River Road as part of a broader plan to construct a by-pass between Sault Ste. Marie and Bar River. Work started in 2004 and is estimated to be completed by 2008.

Windsor-Detroit Bi-National Partnership Study- Windsor-Detroit Bi-National Partnership Study - one project at Federal contribution of \$1.2 million.

Highway 69 / South of Highway 17 - The proposed project is to construct 0.6 km of new 4-lane highway 11.2 km south of Highway 17, near Sudbury. This project is entirely on new alignment and will bypass existing Highway 69 to the east. Work started in 2004 and be is estimated to completed in 2005.

Highway 69 / South of Highway 124-The purpose of this project is to improve safety and operations on Highway 69 north of Parry Sound, by creating a 4-lane controlled access freeway from 3.5 km south of Highway 124 northerly 6.3 km. Work is estimated to start in 2005 and be completed in 2008.

Highway 69 / North of Highway 537-The proposed project is to construct a 2 km section of new 4-lane highway south of the existing 4-lane highway, 9.2 km south of Sudbury. Work started in 2004 and is estimated to be completed in 2005.

Highway 69 / Musquash River to Tower Rd- The proposed project is to twin 8 km of Highway 69 from two to four lanes between Musquash River and Tower Road. This is the last 2-lane section of Highway 69 between Toronto and Parry Sound. Work started in 2005 and is estimated to be completed by 2006.

Highway 400-69 / Interchange at Muskoka Rd. 32/38- This project is for the construction of an interchange and associated ramps on Highway 400 (previously Highway 69) at Muskoka Road 32 and 38. Currently, an at-grade intersection is in place, which poses numerous safety issues on a fully divided highway. Work started in 2004 and is estimated to be completed by 2006.

Highway 401 / Salmon River Bridge (near Belleville)- The Salmon River Bridge is a 4-lane facility located on Highway 401 between Kingston and Belleville. The project will include a major rehabilitation including deck replacement and widening up to 6 lanes. Work started in 2004 and is estimated to be completed by 2005.

Highway 401 / Regional Rd. 38 to Sydenham Rd.- The proposed project is to expand Highway 401 from 4 lanes to 6 lanes from 3 km west of Regional Rd. 38 to Sydenham Rd. This project is part of a plan to allow for the

future expansion of Highway 401 from 4 to 6 lanes between Kingston and Belleville. Work started in 2004 and is estimated to be completed by 2007.

Highway 401 / Windsor to Tilbury- The proposed project is to expand 46 km of Highway 401 from 4 lanes to 6 lanes between Windsor and Tilbury. This section of Highway 401 is a crucial route for trade within Ontario and for international trade crossing at the Canada-US border at Windsor-Detroit. Work started in 2004/2005 and is estimated to be completed by 2007/2008.

In June 2006 Phase 3 began. The two levels of government are investing more than \$61 million to improve a 10-kilometre stretch of Highway 401 between Highway 77 and Essex Road 27.

In 2005 Ontario allocated \$1.4 billion.

Visit Transport Canada for more information:

<http://www.transport-canada.org/ship/menu.htm>

C. Ontario Border Crossings

Ambassador Bridge - Connects Detroit, Michigan with Windsor, Ontario. It is privately owned and the busiest vehicle border crossing in the world. Improvements has been proceeding in stages. In 2003, US \$45 million was given for funding. In March 2004, a \$300 million federal-provincial investment was announced to improve infrastructure in the *Let's Get Windsor-Essex Moving Strategy*. In October 2005, the first two phases were completed with road and bridge improvements. The third phase will construct a new eastbound Interstate 96 in Michigan and should be finished in 2006. A pedestrian bridge will also be built. Overall, construction is running over budget due to various changes and delays. As of Oct. 2005 the improvements are said to cost \$150 million.

Baudette-Rainy River International Bridge- Connects Baudette, Minnesota (Highway 11 and 2) with Rainy River, Ontario (Highway 11).

Blue Water Bridge - Connects Port Huron, Michigan (interstate 69) with Sarnia/Point Edward, Ontario via Highway 402. It is Canada's second busiest and fastest growing truck crossing. It will receive \$110 million from the BIF, \$55 million will come from the federal government. The funding is intended to be used to upgrade a 20 km stretch on Highway 402. The Michigan Department of Transportation had planned, by June 2006, to decide between two options as to where to build a new bridge; a) expand the plaza in Port Huron from 15 acres to 80 acres, and as a result, relocate Pine Grove and 10th avenues and razing 151 houses and 36 businesses; or b) build a plaza in Port Huron Township which could occupy 120 acres. It is said however, that the US CBP is going to submit a third alternative for the Blue Water Bridge plaza expansion, reportedly because of federal security concerns. This is expected to delay progress but it is yet unknown by how much. FAST and NEXUS are available.

This region also contains two ferry systems: Marine City, Michigan to Sombra, Ontario; and Algonac, Michigan to Walpole Island, Ontario. These are the only US-Canada border crossings that allow people to cross on foot or on bicycle.

Fort Frances-International Falls International Bridge - Connects Fort Frances, Ontario (Highway 11) with International Falls, Minnesota (Highway 53).

Horne's Ferry - Connects Cape Vincent, New York with Point Alexandra/Wolfe Island, Ontario across the St. Lawrence River. It is the only privately owned international ferry. From Wolfe Island, there is a connecting ferry to Kingston, Ontario.

International Bridge - Connects Sault Ste. Marie, Michigan with Sault Ste. Marie, Ontario. In June 2005, construction began on a \$12.6 million project under the borders component of SHIP for a new truck route to link Highway 17 and the International Bridge. Ontario has committed \$5.6 million the federal government \$5.6 million, and the remaining \$1.4 million will come from Sault Ste. Marie, Ontario. The City also intends buy \$6.3 million worth in property for the route. The new route to open by fall 2006. The government of Ontario has pledged to give \$11.2 million.

Lewiston-Queenston Bridge - Connects Lewiston, New York (Interstate 190) with Queenston, Ontario (Highway 305). It is the Fourth busiest crossing and is controlled by the Niagara Falls Bridge Commission. A pledge of \$51 million from the BIF was announced in May 2003 to build a new lane on Highway 405 entirely dedicated to commercial traffic registered in programs such as FAST. The construction of the fifth lane was completed and opened in November 2005 with a cost of \$45 million. FAST and NEXUS are available.

Ogdensburg-Prescott Bridge - Connects Ogdensburg, New York with Prescott, Ontario across the Saint Lawrence River and Saint Lawrence Seaway.

Peace Bridge - Connects Buffalo, New York with Fort Erie Ontario and was originally a three lane bridge. It is the third busiest crossing for trucks and passenger vehicles. The Peace Bridge falls under the BIF and will get \$42 million for four projects. Security and technology will be improved and there will also be a revamped commercial vehicle processing center. FAST and NEXUS are available.

The Buffalo and Fort Erie Public Bridge Authority announced plans in 1997 for the construction of a second three lane bridge to be placed to the north of and beside the existing Bridge. Included in this are also improvements to the US plaza. The design was permitted and ready to begin construction in spring 1999, but was halted because Buffalo did not grant the land easements. The public wanted a signature span design and reclamation of Fort Porter and Front Park for the US side. There were also concerns about air quality. In November 2000 plan was formally rescinded and in December of that year a bi-national environmental review began.

The elimination of eight toll lanes, canopy, and the relocation of toll booths has reportedly decreased traffic delays on the US approach;

Three new lanes have been added and has reportedly increased CBP processing capacity by 75 percent.

A second NEXUS line has been which helps in traffic management, improved throughput during peak commute periods.

The new US plaza has been completed; the Canadian plaza is scheduled to be finished in 2007.

Customs and immigration facilities will also be relocated from the Canadian side to improve traffic flow and reduce congestion.

Pigeon River Bridge - Connects Duluth, Minnesota with Thunder Bay, Ontario, via Highway 61.

Rainbow Bridge - Connects Niagara Falls, N.Y. with Niagara Falls Ontario. It is mainly used for passenger traffic and not much commercial cargo. NEXUS is available.

Seaway International Crossing - Connects Cornwall, Ontario with N.Y. Route 37 near Massena, New York, which is across the St. Lawrence River to Cornwall Island.

Thousand Islands Bridge - Spans over the St. Lawrence River in the Thousand Islands region. It is actually a series of bridges connecting New York Interstate 81 with Ontario's Highway 401.

Whirlpool Rapids Bridge - Connects Niagara Falls, N.Y. (Route 182 and Route 104) with Niagara Falls Ontario (Highway 8, Queen Elizabeth Way; and River Road). This bridge is solely for NEXUS travellers.

Windsor-Detroit Tunnel - The tunnel connects Detroit, Michigan with Windsor, Ontario. There were five projects announced in 2004 to the Tunnel:

- Improvements for a more effective traffic management, including the implementation of the NEXUS program;
- The construction of a pedestrian overpass near the intersection of Huron Church Road and Girardot Street by Assumption High School intended to improve the safety and convenience of residents and children in the community;
- The final design and construction of the Walker Road rail grade separation at Grand Marais Road and the completion of an Environmental Assessment for the Howard Road rail grade separation to reduce traffic congestion and support the efficient movement of goods by rail and trucking modes;
- Improvements to the Industrial Drive/Huron Church Road intersection to support the development of a pre-processing facility on Industrial Drive; and
- The implementation of intelligent transportation systems along transportation corridors leading to the border crossings (e.g. changeable message signs) in order to maximize the efficient operation of the network.

APPENDIX II: ONTARIO BRIDGES: COMMERCIAL AND PASSENGER TRAFFIC

Bridge and Tunnel Operator's Association

Select New York/Michigan to

Ontario Border Crossing Traffic Data		2005	2006	Change	Percent
Ambassador Bridge	Passenger Cars	5,865,633	6,113,114	247,481	4.22%
	Trucks	3,445,585	3,498,127	52,542	1.52%
	Buses & Misc.	76,660	68,991	-7,669	-10.00%
	TOTAL	9,387,878	9,680,232	292,354	3.11%
Blue Water Bridge	Passenger Cars	3,714,729	3,686,528	-28,201	-0.76%
	Trucks	1,790,673	1,636,520	-154,153	-8.61%
	Buses & Misc.	8,407	8,703	296	3.52%
	TOTAL	5,513,809	5,331,751	-182,058	-3.30%
Detroit-Windsor Tunnel	Passenger Cars	5,774,705	5,269,959	-504,746	-8.74%
	Trucks	148,065	127,433	-20,632	-13.93%
	Buses & Misc.	59,117	59,772	655	1.11%
	TOTAL	5,981,887	5,457,164	-524,723	-8.77%

Lewiston-Queenston Bridge	Passenger Cars	3,094,617	3,124,068	29,451	0.95%
	Trucks	962,162	941,520	-20,642	-2.15%
	Buses & Misc.	12,046	11,718	-328	-2.72%
	TOTAL	4,068,825	4,077,306	8,481	0.21%

Ogdensburg Bridge	Passenger Cars	408,422	414,364	5,942	1.45%
	Trucks	96,670	95,922	-748	-0.77%
	Buses & Misc.	558	518	-40	-7.17%
	TOTAL	505,650	510,804	5,154	1.02%

Peace Bridge	Passenger Cars	5,606,260	5,151,865	-454,395	-8.11%
	Trucks	1,288,296	1,191,955	-96,341	-7.48%
	Buses & Misc.	31,252	28,046	-3,206	-10.26%
	TOTAL	6,925,808	6,371,866	-553,942	-8.00%

Rainbow Bridge	Passenger Cars	3,373,332	3,314,279	-59,053	-1.75%
	Trucks	137	121	-16	-11.68%
	Buses & Misc.	41,890	37,634	-4,256	-10.16%
	TOTAL	3,415,359	3,352,034	-63,325	-1.85%

Sault St. Marie Bridge (Int'l Bridge)	Passenger Cars	1,735,373	1,731,325	-4,048	-0.23%
	Trucks	132,172	122,804	-9,368	-7.09%

Easing the Chokepoints

	Buses & Misc.	59,115	57,210	-1,905	-3.22%
	TOTAL	1,926,660	1,911,339	-15,321	-0.80%

Seaway International Bridge	Passenger Cars	2,387,626	2,432,589	44,963	1.88%
	Trucks, Buses & Misc.	124,547	111,015	-13,532	-10.86%
		0	0		
	TOTAL	2,512,173	2,543,604	31,431	1.25%

Thousand Islands Bridge	Passenger Cars	1,608,844	1,592,472	-16,372	-1.02%
	Trucks, Buses & Misc.	459,670	461,356	1,686	0.37%
	TOTAL	2,068,514	2,053,828	-14,686	-0.71%

Whirlpool Rapids Bridge	Passenger Cars	206,555	197,238	-9,317	-4.51%
	Trucks	0	0	0	0.00%
	Buses & Misc.	0	0	0	0.00%
	TOTAL	206,555	197,238	-9,317	-4.51%

TOTALS	Passenger Cars	33,776,096	33,027,801	-748,295	-2.22%
	Trucks	8,447,977	8,186,773	-261,204	-3.09%
	Buses & Misc.	289,045	272,592	-16,453	-5.69%
	GRAND TOTAL	42,513,118	41,487,166	-1,025,952	-2.41%

APPENDIX III: ONTARIO BORDER STATE FACT SHEETS

Illinois

Michigan

New York

Ohio

Pennsylvania

Illinois/Canada Trade Information

Employment & Tourism (\$USD)

Source: Canadian Embassy in the US, Trade and Investment, "State Trade Fact Sheets 2006," <http://geo.international.gc.ca/can-am>.

Top Canadian Employers	
Canadian Parent company	Illinois Subsidiary
Bank of Montreal	Harris Bankcorp Inc.
Canadian National Railway Company	Illinois Central Railroad Company
Quebecor Inc.	Quebecor World (USA) Inc.
Alcan Inc.	Pechiney Plastic Packaging Inc.

- Canada-U.S. trade supported **304,500** Illinois jobs
- Canadians made more than **383,000** visits to Illinois, spending **\$141 million**
- Illinois residents made **477,500** visits to Canada, spending **\$255 million**

Leading Exports to Canada

(2005, in millions of U.S. dollars)

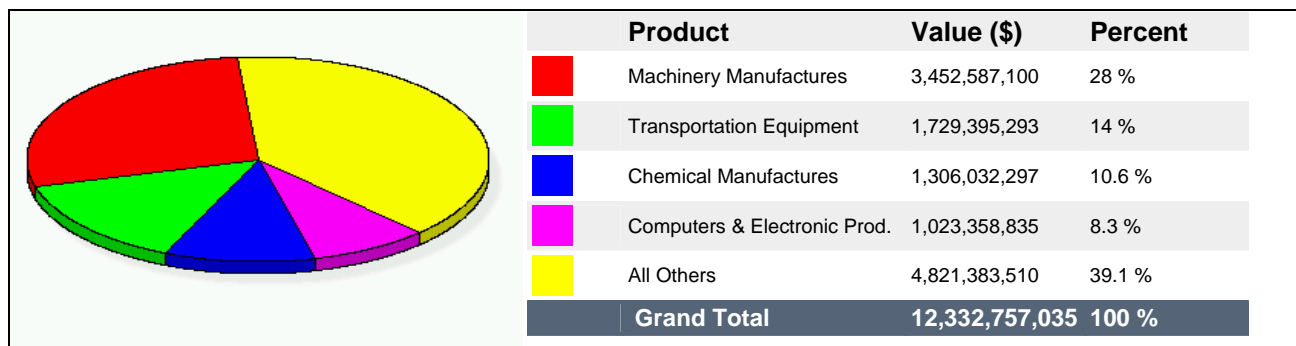
- Motor vehicle parts* (\$627)
- Automobiles (\$443)
- Motor vehicle engines (\$348)
- Railway rolling stock (\$306)
- Organic chemicals (\$217)
- Front end loaders (\$192)
- Unshaped plastics (\$179)
- Construction & maintenance machinery (\$174)

*not including engines

Illinois Trade	
Exports to Canada	\$11 billion
Imports from Canada	\$22.4 billion
Bilateral trade	\$33.4 billion
Exports to Ontario	\$7.6 billion
Largest export market	Canada

2006 Exports from Illinois to Canada (\$USD)

Source: Trade Stats Express. Trade Stats Express- State Export Data. <http://tse.export.gov>



Trade Relationship

- Canada remained Illinois' main trading partner in 2005 receiving more goods than the state's next five foreign markets combined - bilateral trade was **\$33.4 billion**, **22% greater than 2004**
- Illinois' exports to Canada totaled **\$11 billion**, led by the **transportation and machinery** sectors
- Canada is a net supplier of energy to Illinois which imported just under **\$6.5 billion** worth of crude petroleum and **\$5 billion** in natural gas - energy imports increased by **35%** from 2004
- Development of the Alberta oil sands has lead to Illinois manufacturers exporting over **\$192 million** worth of front end loaders to Canada, an increase of **25%** over 2004
- Illinois supplied Canada with track laying tractors and used tractors; increasing sales by **50%**, totaling **\$170 million**
- Construction and maintenance machinery, **\$174 million** worth, is an important export commodity for Illinois
- Illinois' equipment manufacturers facilitate Canada's infrastructure growth, while supporting native Illinois businesses.

Michigan/Canada Trade Information

Employment & Tourism (\$USD)

Source: Canadian Embassy in the US, Trade and Investment, "State Trade Fact Sheets 2006," <http://geo.international.gc.ca/can-am>.

Top Canadian Employers	
Canadian Parent company	Michigan Subsidiary
*Magna International Inc.	Magna Donnelly Mirrors North America LLC
Canadian National Railway Company	Grand Trunk Western Railroad Inc.
*The Thomson Company Inc.	Thomson Gale
Ballard Power Systems Inc.	Ballard Power Systems Corp.
*Guelph Tool Inc.	Guelph Tool Sales Inc.

* Headquartered in Ontario

- Canada-U.S. trade supported 221,500 Michigan jobs
- Canadians made more than 1,239,000 visits to Michigan, spending \$208 million
- Michigan residents made 1,688,200 visits to Canada, spending \$486 million

Leading Exports to Canada

(2005, in millions of U.S. dollars)

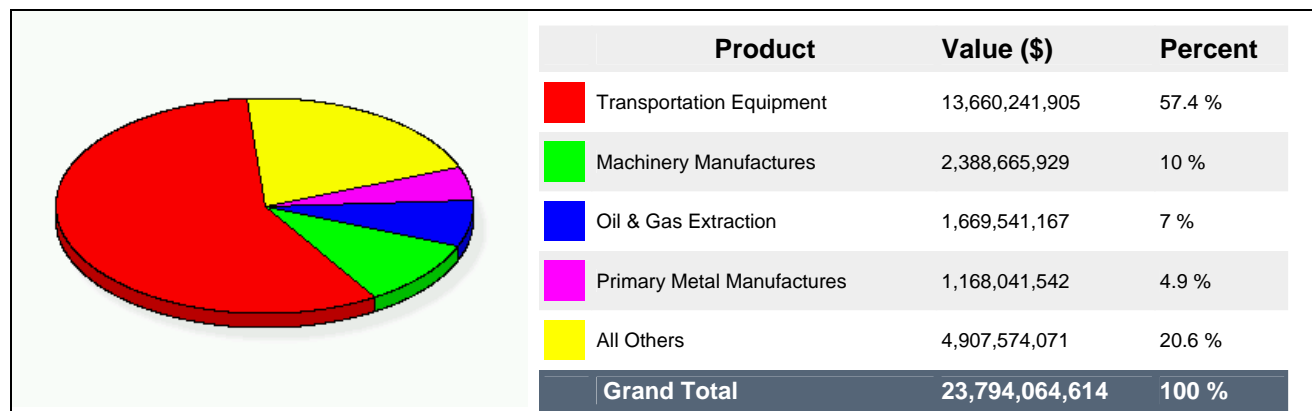
- Motor vehicle parts* (\$6,384)
- Automobiles (\$2,934)
- Trucks (\$1,945)
- Motor vehicle engines (\$1,483)
- Steel plate, sheet & strip (\$542)

*not including engines

Michigan Trade	
Exports to Canada	\$21.9 billion
Imports from Canada	\$49.9 billion
Bilateral trade	\$71.8 billion
Exports to Ontario	\$20.8 billion
Largest export market	Canada

2006 Michigan Exports to Canada (\$USD)

Source: Trade Stats Express, Trade Stats Express- State Export Data, <http://tse.export.gov>



Trade Relationship

- Michigan sold more merchandise to Canada than to all other foreign markets combined, with 60% of its exports sold to Canada
- Canada also traded more with Michigan than with any other U.S. state (\$71.8 billion in bilateral revenue in 2005)
- Transportation products make up the bulk of these sales
- Michigan exports to Canada totaled \$13.5 billion, representing 61% of its foreign sales.
- Michigan's top export was motor vehicle parts (excluding engines) \$6.4 billion, with \$2.9 billion in automobiles and \$1.9 billion in trucks taking second and third spots.
- Michigan's transportation purchases from Canada totaled \$38.9 billion, representing 78% of all state imports

New York/Canada Trade Information

Employment & Tourism (\$USD)

Source: Canadian Embassy in the US, Trade and Investment, "State Trade Fact Sheets 2006," <http://geo.international.gc.ca/can-am>.

Top Canadian Employers	
Canadian Parent company	New York Subsidiary
98362 Canada Inc.	Eckerd Corporation
*Canadian Imperial Bank of Commerce	CIBC of Delaware Holding Inc., Canadian Imperial Bank of Commerce
*George Weston Limited	Entenmann's Inc.
*The Toronto-Dominion Bank	TD Waterhouse Group Inc., TD Waterhouse Investor Services Inc.
*The Thomson Company Inc.	Thomson Financial Inc., The Thomson Corporation

* Headquartered in Ontario

- Canada-U.S. trade supported 468,750 New York jobs are supported by
- Canadians made more than 2,345,400 visits to New York, spending \$544 million
- New York residents made 1,771,500 visits to Canada, spending \$562 million

Leading Exports to Canada

2005, in millions of U.S. dollars

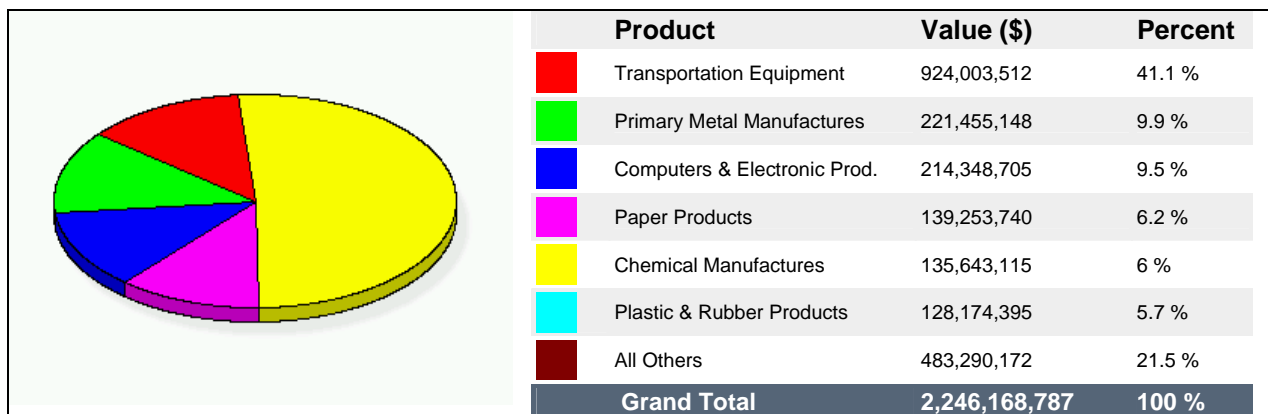
- Motor vehicle engines (\$872)
- Aluminum, including alloys (\$727)
- Motor vehicle parts* (\$477)
- Photographic film (\$318)
- Computers (\$260)

*not including engines

New York Trade	
Exports to Canada	\$10.9 billion
Imports from Canada	\$22.6 billion
Bilateral trade	\$33.5 billion
Exports to Ontario	\$8.4 billion
Largest export market	Canada

2006 Exports from New York to Canada (\$USD)

Source: Trade Stats Express. Trade Stats Express- State Export Data. <http://tse.export.gov>



Trade Relationship

- In 2005, Canada maintained its rank as New York's most important export market, with more trade northbound than to its next three foreign destinations combined
- New York sent one-fifth of its exports to Canada, worth \$10.9 billion; and \$6 billion more than it earned from its next largest trading partner - generated \$33.5 billion in bilateral revenue
- Transportation goods represented New York's largest export sector to Canada with sales generating \$1.7 billion
- Canadian purchases of motor vehicle engines brought \$872 million to the New York economy, an increase of 22% from the previous year.
- Exports of motor vehicle parts (excluding engines) contributed another \$477 million.
- The metals sector boasted two-way trade totaling \$5.1 billion

Ohio/Canada Trade Information

Employment & Tourism (\$USD)

Source: Canadian Embassy in the US, Trade and Investment, "State Trade Fact Sheets 2006," <http://geo.international.gc.ca/can-am>.

Top Canadian Employers	
Canadian Parent company	Ohio Subsidiary
*Extendicare Inc.	Extendicare Facilities Inc., Extendicare HealthServices Inc.
Alimentation Couche-Tard Inc.	LMC Inc., Mac's Convenience Stores LLC
*George Weston Limited	Interbake Foods Inc.
*Dofasco Inc.	Dofasco Tubular Products
*The Thomson Company Inc.	Thomson Learning Inc., The WoodbridgeGroup

*Headquartered in Ontario

- Canada-U.S. trade supported **276,500** Ohio jobs
- Canadians made more than **511,300** visits to Ohio, spending **\$96 million**
- Ohio residents made **698,400** visits to Canada, spending **\$235 million**

Leading Exports to Canada

2005, in millions of U.S. dollars

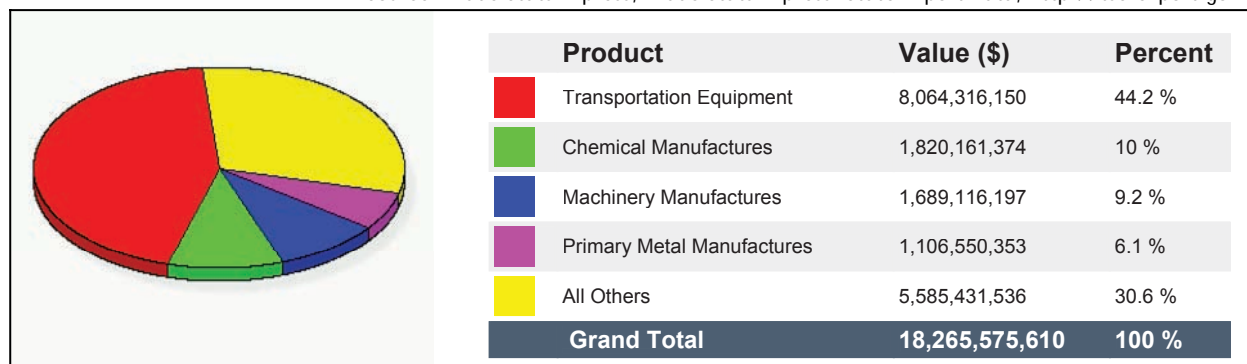
- Motor vehicle parts* (\$3,422)
- Automobiles (\$1,932)
- Motor vehicle engines (\$1,333)
- Trucks (\$593)
- Aircraft engines & parts (\$575)
- Steel plate, sheet & strip (\$440)
- Unshaped plastics (\$371)
- Containers (\$276)
- Air conditioning & refrigeration equipment (\$203)
- Motor vehicle engine parts (\$199)

*not including engines

Ohio Trade	
Exports to Canada	\$16.8 billion
Imports from Canada	\$13.7 billion
Bilateral trade	\$30.5 billion
Exports to Ontario	\$14.6 billion
Largest export market	Canada

2006 Exports from Ohio to Canada (\$USD)

Source: Trade Stats Express, Trade Stats Express- State Export Data, <http://tse.export.gov>



Trade Relationship

- Bilateral trade between Ohio and Canada generated **\$30.5 billion** in revenue in 2005 a 7% increase from 2004 - Canada is Ohio's most valuable export market - worth **\$17 billion**
- Ohio-Canada trade in the transportation sector reached **\$11.7 billion** in 2005
- Ohio exported **\$8.5 billion** to Canada - leading sale was **motor vehicle parts** (excluding engines), worth **\$3.4 billion**, followed by automobile and truck sales worth **\$2.5 billion**
- Exchange in transportation goods was beneficial to both partners, growing by **\$420 million** or 3.7% from the previous year.

Pennsylvania/Canada Trade Information

Employment & Tourism (\$USD)

Source: Canadian Embassy in the US, Trade and Investment, "State Trade Fact Sheets 2006," <http://geo.international.gc.ca/can-am>.

Top Canadian Employers	
Canadian Parent company	Pennsylvania Subsidiary
98362 Canada Inc.	Eckerd Corporation
*Cinram International Inc.	Cinram Manufacturing Inc., Cinram Inc.
MDS Inc.	MDS Pharma Services (US) Inc.
*George Weston Limited	Stroehamnn Bakeries Inc.
*Extendicare Inc.	Extendicare Facilities Inc., Extendiare Homes Inc.

* Headquartered in Ontario

- Canada-U.S. trade supported 295,250 Pennsylvania jobs are supported by
- Canadians made more than 645,900 visits to Pennsylvania, spending \$103 million
- Pennsylvania residents made 641,700 visits to Canada, spending \$298 million

Leading Exports to Canada

2005, in millions of U.S. dollars

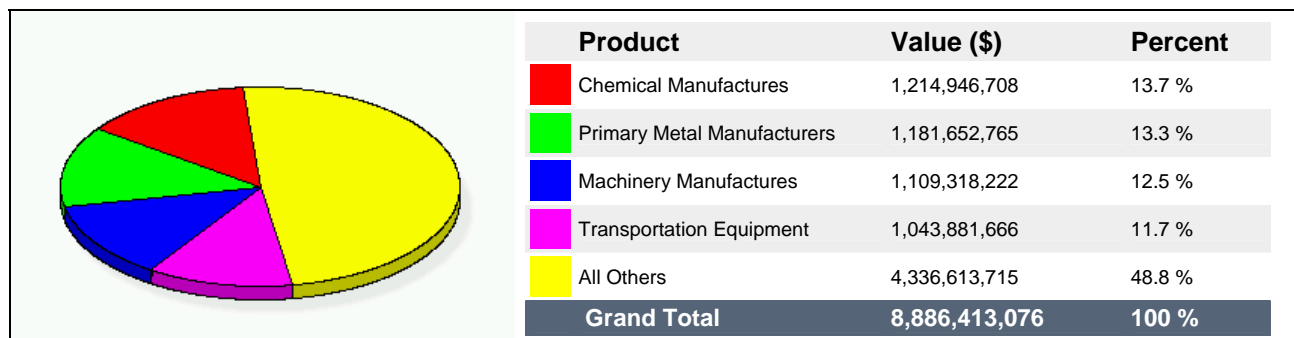
- Steel plate, sheet & strip (\$382)
- Organic chemicals (\$318)
- Motor vehicle parts* (\$241)
- Railway rolling stock (\$233)
- Unshaped plastics (\$211)
- Medicine, in dosage (\$206)
- Trucks (\$202)
- Coal (\$173)
- Iron & steel pipes & tubes (\$145)
- Newspapers, magazines & periodicals (\$131)

*not including engines

Pennsylvania Trade	
Exports to Canada	\$6.8 billion
Imports from Canada	\$10.9 billion
Bilateral trade	\$17.7 billion
Exports to Ontario	\$5.1 billion
Largest export market	Canada

2006 Exports from Pennsylvania to Canada (\$USD)

Source: Trade Stats Express, Trade Stats Express- State Export Data, <http://tse.export.gov>



Trade Relationship

- Bilateral Pennsylvania-Canada trade grew in 2005 to \$17.7 billion, increasing 12%, from 2004
- Pennsylvania imported \$10.9 billion of goods from Canada and exported \$6.8 billion to Canada
- The chemicals sector produces the greatest volume of bilateral Pennsylvania-Canada trade with \$2.9 billion in 2005 - Pennsylvania exported \$958 million, and imported \$1.9 billion
- The metals sector produced \$2.7 billion in cross-border trade in 2005, up 11% from 2004 - Pennsylvania exported \$1.1 billion and imported \$1.6 billion
- Bilateral trade in the transportation sector comprises 11%, or \$1.6 billion of total trade in 2005. Pennsylvania's exports increased by 14% to \$1.0 billion - Canada's automotive industry purchased \$241 million in motor vehicle parts (excluding engines)
- Purchases of Canadian forest products was the state's third largest import sector valued at \$1.5 billion