

April 24, 2006

The Honourable James Flaherty  
Minister of Finance  
House of Commons  
Ottawa, ON  
K1A 0A6

Dear Minister Flaherty:

As President of I.E.Canada, the Canadian Association of Importers and Exporters, I would first like to thank you on behalf of our members for the opportunity to participate in your pre-budget consultations.

I.E.Canada has been a leading voice for the trade community since 1932, and serves small, medium, and large enterprises across Canada. Its membership comprises importers and exporters, as well as a range of service providers to Canada's trade community. We have a growing membership that today exceeds 750.

As you well know, Canada is a trading nation. In 2005, exports equaled nearly 38% of Canada's gross domestic product.<sup>1</sup> Exports account for approximately one in every three jobs in Canada.<sup>2</sup> Less well-recognized is that imports are also an important engine of the Canadian economy. Export Development Canada (EDC) recently reported that "the import content used to make Canadian exports has been growing steadily and now averages around 35%, and in many manufacturing industries the ratio is 50% or higher."<sup>3</sup> The import and export community thus represents the backbone of the Canadian economy, and helps provide a way of life that is the envy of the world.

As outlined by Carol Osmond, our Senior Policy Advisor, during the meeting in Ottawa on April 13, 2006, our members' priorities are essentially three:

- Funding for the Canada Border Services Agency (CBSA);
- Infrastructure, especially at border crossings and our principal maritime ports; and
- Programs to support both exporters and importers.

I will address each of these areas briefly in turn.

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<sup>1</sup> Department of Foreign Affairs and International Trade at [http://www.international.gc.ca/eet/tradeneg/pfacts\\_historical\\_2006-en.asp](http://www.international.gc.ca/eet/tradeneg/pfacts_historical_2006-en.asp)

<sup>2</sup> David Halabisky, Byron Lee and Chris Parsley, Small Business Policy Branch, Industry Canada, *Small Business Exporters: A Canadian Profile*, August 2005, at [http://strategis.ic.gc.ca/sbexporters\\_profile](http://strategis.ic.gc.ca/sbexporters_profile) (last accessed April 24, 2006).

<sup>3</sup> EDC Economics, Canadian Benefits Scorecard – 2004, Todd Evans Director Economic Analysis and Forecasting, February 18, 2005.

## Funding for CBSA

Customs processes and requirements and delays at the border directly impact our members' bottom lines, and delays at the border – whether actual or potential – as well as the potential for a border shutdown affect Canada's ability to attract investment.

Customs services around the world are becoming increasingly automated as they attempt to balance the challenges associated with heightened security concerns with the imperative of facilitating ever expanding volumes of trade. Given that Canada is one of the largest trading nations in the world, this challenge of balancing security and trade facilitation is particularly acute. With international trade being so important to our economy, Canada needs to be at the forefront in the use of innovative technology in customs. In this regard, there are a number of initiatives of the CBSA that are of particular interest to our members, but I will focus on one that is a key priority of both CBSA and the trade community: implementation of Advance Commercial Information (ACI), currently being referred to as eManifest. Clearly CBSA cannot physically examine all shipments that come into Canada, or even a significant portion, without serious detrimental impact on our economy. Thus ACI involves the advance electronic transmission of cargo and other data so that shipments can be risk assessed before they reach Canada, thus allowing CBSA to focus its attention on high or unknown risk shipments while facilitating the movement of those that are considered low risk.

CBSA began implementation of ACI in April 2004 for marine mode and is currently implementing ACI air. There have been repeated delays in implementing ACI for land-based carriers and currently no target dates have been established as CBSA does not have the necessary funding. ACI will require substantial investment because of the large IT component required to process the huge volumes of data that CBSA will receive from carriers, freight forwarders and importers.

These players will also need to make significant investments of their own in order to comply with the requirements under ACI. What we are hearing from our members – who are generally those responsible for customs compliance within an organization - is that they are having great difficulty in getting their senior management to commit to investing in customs initiatives and projects, such as ACI, when they cannot provide an "Impact Statement" or timeline as to when they will be in place. In other words, businesses require greater certainty and significant lead times in order to plan and make the substantial investments required to implement customs programs.

In the recent Speech from the Throne, tackling crime, including "improving the security of our borders" was identified as one of your top 5 priorities. Enhancing border security and ensuring that agencies, such as the CBSA, have the resources they need, was also part of the Conservative Party's election platform. Advancing our relationship with the United States was also highlighted in the Speech from the Throne. Clearly addressing the United States' heightened concerns over security and the threat of global terrorism is essential to our economic and diplomatic relations with that country. Our members live with this new business reality every day.

During the Cancun Summit at the end of March, the leaders of the three NAFTA countries agreed to advance the agenda of the Security and Prosperity Partnership (SPP) by focusing on five high priority areas, one of which is "Smart, Secure Borders." Within

this priority area, several specific initiatives were identified including advance electronic cargo information, or eManifest.

It is noteworthy that of the 300 deliverables identified under the SPP, CBSA is the lead for 44 deliverables and is implicated in a total of 102.

While the need to address security concerns is recognized, I would like to emphasize that we cannot focus on security at the expense of our economic prosperity. It is essential that we balance security with trade facilitation and that the new tools being implemented are indeed used to focus on high risk or unknown risk shipments so that the movement of legitimate shipments is facilitated.

In sum, we ask that as you consider requests for funding from CBSA, you bear in mind the critical role CBSA plays in ensuring the security as well as the prosperity of our country, and also in fostering our relationship with the United States.

### Infrastructure

Together with modernizing and improving customs processes, we must ensure that we have the physical infrastructure in place at our border, as well as our principal maritime ports, to move goods efficiently into and out of Canada. For most importers and exporters, the current concern is not customs release times, but the time it takes to get to customs inspection booths due to inadequate infrastructure at and leading up to major ports of entry. The problem will only be exacerbated in coming years as trade volumes increase. An estimated 58,000 crossings occur in the Detroit/Windsor region every day. By 2020 the number of daily crossings could exceed 90,000.<sup>4</sup> The Port of Vancouver anticipates that by 2020, it will need to handle three times the volume it does currently. With current infrastructure, most North American ports will not be able to handle projected 2010 volumes.<sup>5</sup>

We applaud the government's commitment to the Pacific Gateway Initiative, and also urge the government to move forward with the commitment made in the Conservative Party platform to establish a stable, permanent Highways and Border Infrastructure Fund.

Because of the long lead times, investment in infrastructure requires vision and boldness. Our continued competitiveness and economic prosperity depend on investments being made now to meet anticipated needs sometimes decades into the future. To ensure that investments are made on a timely basis, more resources need to be dedicated to environmental assessment and other approval processes.

### Support for Canadian Traders

As noted above, there is an inter-relationship between imports and exports. Most importers are also exporters, and imports make up an increasingly higher proportion of

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<sup>4</sup>Detroit Regional Chamber and Windsor & District Chamber of Commerce, *Common Border Crossing Policy*, approved by the Windsor & District Chamber of Commerce on October 24, 2005.

<sup>5</sup>Schenker of Canada, *Best Practices for Ocean and Air Freight in a Global Sourcing Strategy*, a presentation prepared for the I.E. Canada. Canadian Association of Importers and Exporters, 15<sup>th</sup> Annual Conference and Trade Show: Emerging Issues in Customs, Toronto, Ontario, April 10-12, 2006,

our exports. In other words, imports help to ensure the competitiveness of the Canadian economy. Governments, federal and provincial, have traditionally done an excellent job promoting exports. More needs to be done to assist importers in identifying low cost sources of supply especially in emerging markets. Canadian companies must be strategic in their use of global supply chains to ensure they are able to maintain their position in the global economy.

This is an area where member-based organizations, such as I.E.Canada and others, can assist government in helping Canadian companies identify both export and import opportunities in international markets, and to educate businesses about the regulatory and other requirements relating to importing and exporting.

Companies involved in international trade are also being continually challenged to meet ever more stringent supply chain security requirements under programs such as the Customs Trade Partnership Against Terrorism (C-TPAT) in the United States. CBSA is currently proposing to strengthen our own Partners in Protection Program (PIP) to make it compatible with C-TPAT and compliant with Canada's obligations under the World Customs Organisation Framework of Standards to Secure and Facilitate Global Trade. With this continual raising of the bar, Canadian companies are increasingly investing in costly upgrades to their physical, personnel and procedural security programs with limited return in terms of customs benefits for these security-related investments. Export Development Canada is to be commended for the support it is offering to Canadian exporters to the U.S. in the form of a new Security Compliance Loan (announced April 11, 2006) to assist such companies interested in joining the C-TPAT program. We would like to see additional support for Canadian companies investing in security programs and encourage the Department of Finance to explore the introduction of tax incentives, such as a tax credit, for security-related investments.

Once again, I would like to thank you for the opportunity to share the priorities and concerns of our members. I.E.Canada staff and members will be available to you and your officials and staff to answer any questions or provide additional information with respect to the areas addressed herein.

Yours very truly,



Mary Anderson  
President

- cc. The Honourable Stockwell Day, Minister of Public Safety
- The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities
- The Honourable David Emerson, Minister of International Trade
- Ms. Diane Ablonczy, Parliamentary Secretary to the Minister of Finance