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Adapting the Border to Regional Realities: Observations on Exports at Buffalo and Blaine

Border Policy Research Institute

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Are we easing border bottlenecks?

What's heading north?

How important is Canada as an export market?

Are one-size-fits-all border policies appropriate?

BORDER BRIEF

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**BORDER
POLICY**

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Regional Institute

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Adapting the Border to Regional Realities

Observations on Exports at Buffalo & Blaine

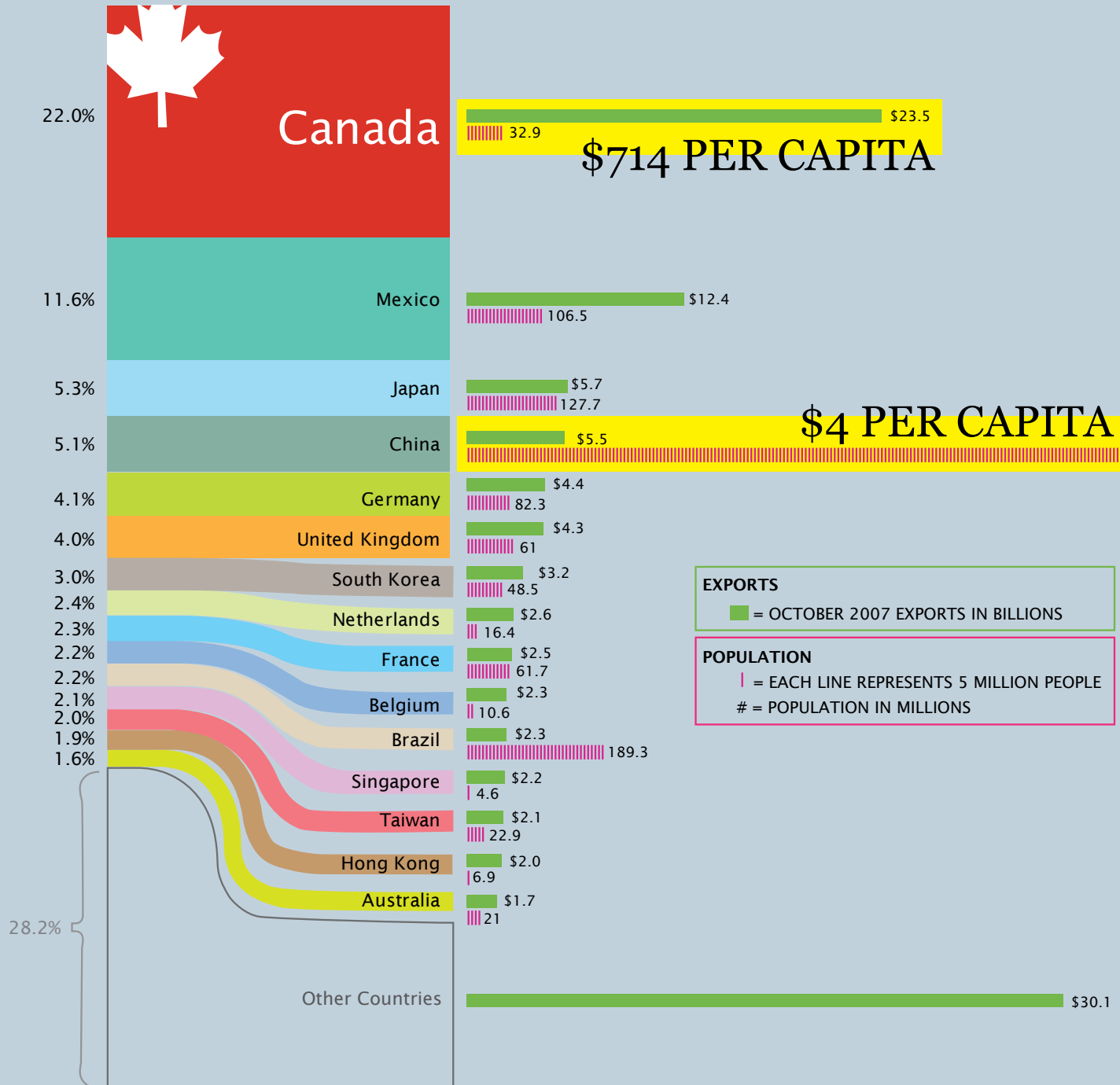
As the world's largest trading partners, Canada and the United States share a diverse and highly integrated economy. However, many North Americans are unaware of the depth and breadth of this interdependence and the importance of successful border management to both countries. Today, the complex flow of goods between the two, governed by fairly rigid federal policies, is funneled along a few major trade corridors. This Border Brief examines key border issues by looking at U.S. export activity in October 2007 through two of those corridors—Buffalo-Niagara Falls, NY, and Blaine, WA.

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In October 2007, Canada was the U.S.'s largest export market...

% OF TOTAL U.S. EXPORTS (\$106.8 BILLION)



\$714 PER CAPITA

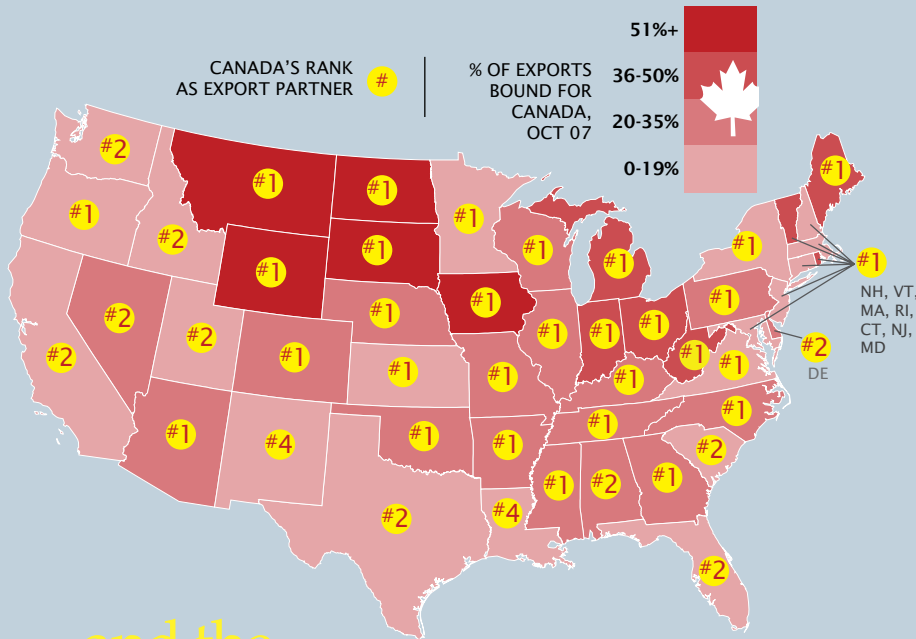
\$4 PER CAPITA

EXPORTS
■ = OCTOBER 2007 EXPORTS IN BILLIONS

POPULATION
| = EACH LINE REPRESENTS 5 MILLION PEOPLE
= POPULATION IN MILLIONS

Sources: (Left) U.S. Census Bureau, Foreign Trade Statistics, October 2007 U.S. exports; Population Reference Bureau, 2007 population estimates; (Right, Top) U.S. Census Bureau, Foreign Trade Statistics, October 2007 state exports; (Right, Bottom) U.S. Department of Transportation, Bureau of Transportation Statistics, Transborder Surface Freight Data

How important is Canada as an export market?

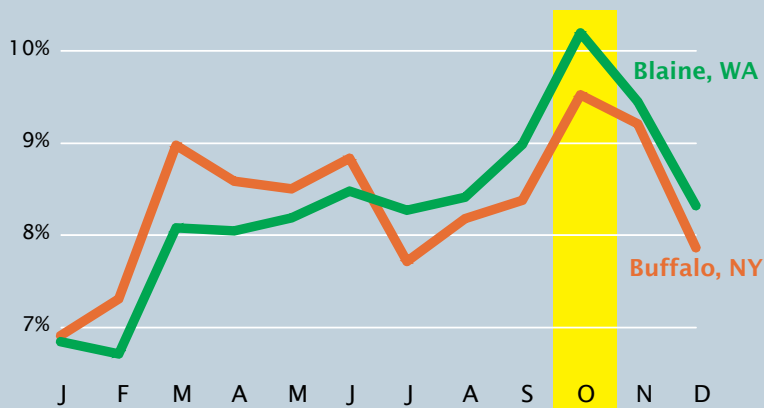


...and the largest export market of 36 states.



October was the peak export month in 2007 at two of the border's busiest crossings.

Monthly Share of Annual Exports to Canada through Blaine and Buffalo, 2007



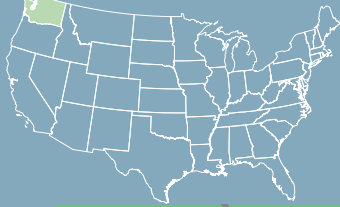
The simple answer: *No country is more important.* Canada is the largest export market for U.S. goods and has been for years. Last October—the peak month for U.S.-Canada trade in 2007, as in most years, due to pre-holiday stockpiling—Canada accounted for \$23.5 billion of the U.S.'s \$106.8 billion export tally. With its 21.9 percent market share, Canada loomed twice as large as second-place Mexico and exceeded China's market share by a factor of four. On a per-capita basis, this equated to \$714 of U.S. goods for every Canadian resident, compared to just \$4 for every Chinese.

While Canada's sizable market share clearly merits the attention of U.S. trade officials and policymakers, a majority of states have even greater reason to keep Canada at the forefront of their economic outlooks. Five states (Montana, Wyoming, South Dakota, North Dakota and Iowa) depended on the Canadian market for more than 50 percent of their international exports in October 2007 and were among the 29 states exhibiting a level of dependence at or above the national average.

Even in states that depend on Canada for less than 20 percent of their exports, Canada often figures as the single largest export partner. In October 2007, Canada was the number one export market for 36 of the 48 contiguous states and the second largest market for ten others. Only in Louisiana and New Mexico did Canada rank as a lesser export destination.

Given the scale and geographic diversity of the U.S.-Canadian border, trade is accomplished by a variety of modes—truck, train, air, pipeline—but the bulk of trade is funneled through a mere handful of major ports. Of the \$19.1 billion exported to Canada by truck or train in October 2007, 23.7 percent traveled through Blaine, WA, and Buffalo-Niagara Falls, NY (referred to hereafter as Buffalo)—two border regions that demonstrate the breadth, complexity and functional challenges of the U.S.-Canada trade relationship.

Blaine, WA

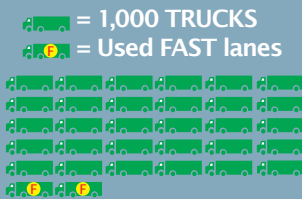
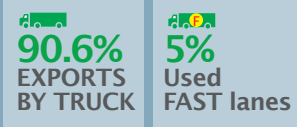


Land Crossings

- 2 motor vehicle crossings
- 1 truck/car
- 1 car-only
- 1 rail crossing



Freight Crossings Oct 07



31,559 TOTAL CANADA-BOUND TRUCK CROSSINGS

84 CANADA-BOUND TRAINS CARRIED 9.4% OF EXPORTS

Are we easing border bottlenecks?

Goods from across the U.S. converge at Blaine and Buffalo en route to Canada, with nearby regions well represented. At Blaine, 60% of the \$1.01 billion in goods entering Canada in October 2007 came from Washington, Oregon and California, with substantial sums also originating in intermountain and southeastern states. At the Buffalo border, Ohio, Pennsylvania and New York contributed 40% of the \$3.5 billion in October 2007 exports, though goods from many other eastern, Midwestern and even western states gained entry there to the Golden Horseshoe of Ontario—Canada’s industrial engine and most populous region.

To accommodate trade—involving tens of thousands of trucks and dozens of trains each month—significant border infrastructure has developed over time. Today, the Buffalo region has two functioning rail bridges and four vehicle bridges spanning the Niagara River. Though two public authorities and a private railroad operate these bridges, U.S. Customs and Border Protection (CBP) treats them as a single system to facilitate freight and passenger traffic, with two vehicle bridges off-limits to trucks and one accessible solely to pre-approved autos. Similarly, the crossings at Blaine comprise a system, with trucks restricted to one of two vehicle crossings.

To further expedite freight flows, CBP and its counterpart, the Canada Border Services Agency (CBSA), have developed pre-processing programs. At a minimum, both agencies require the filing of shipment manifests at least an hour prior to arrival at the border to aid pre-screening. Additionally, the agencies have developed voluntary freight-oriented programs. FAST (Free and Secure Trade) is a joint program that screens truck drivers, while C-TPAT (Customs – Trade Partnership Against Terrorism) is a CBP program that pre-screens trucking companies and manufacturers. Enrollment in C-TPAT is a substantial investment for companies, requiring secure facilities and employee screening. Parallel programs are implemented by CBSA: PIP (Partners in Protection) for trucking companies and CSA (Customs Self Assessment) for manufacturers.

For participating companies, the reward is access to dedicated FAST lanes at the border (two bridges in Buffalo and one crossing in Blaine). The payoff is only realized, though, if the entire assemblage of driver, truck, and freight are enrolled in FAST and the complementary programs. At present, relatively low percentages of northbound exports passing through these ports use FAST lanes – an estimated 5 percent at Blaine and 23 percent at Buffalo.

Buffalo, NY

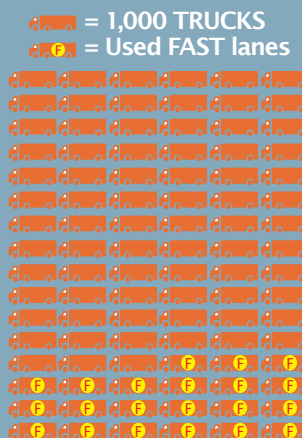
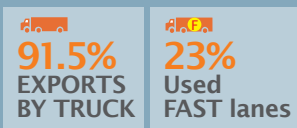


Bridge Crossings

- 4 motor vehicle crossings
- 2 truck/car
- 2 car-only
- 2 rail crossings



Freight Crossings Oct 07



95,646 TOTAL CANADA-BOUND TRUCK CROSSINGS

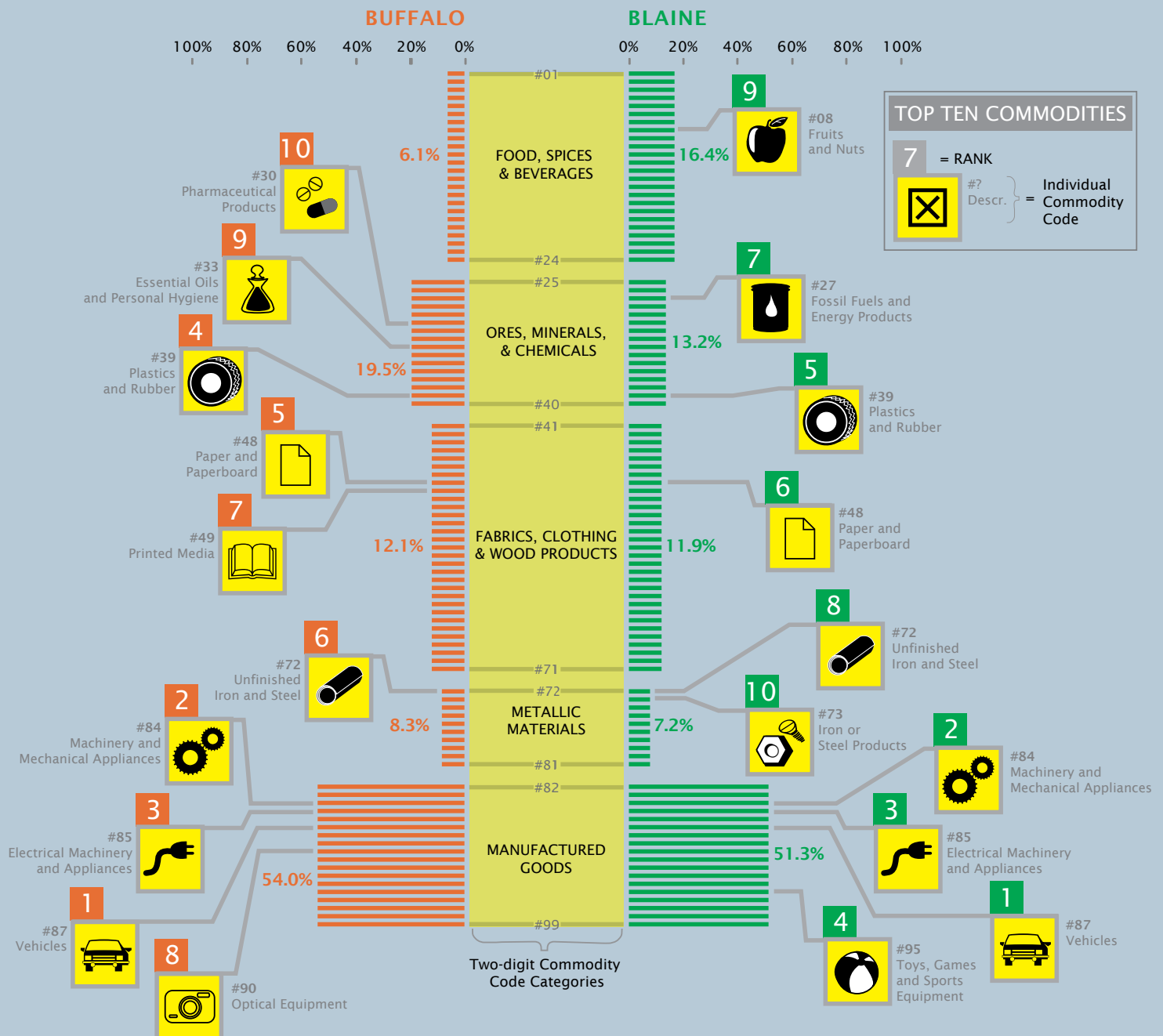
200+ CANADA-BOUND TRAINS CARRIED 8.5% OF EXPORTS

What's heading north?

Differences in the regional economies surrounding Buffalo and Blaine are reflected in the profile of commodities heading north through each port. With Canada's industrial heartland located in Southern Ontario, a greater proportion of goods passing through Buffalo are raw or semi-finished industrial materials (ores, minerals, chemicals, metallic materials). Blaine accommodates a higher proportion of foodstuffs and agricultural products, as befitting a port near major agricultural areas in Washington, Oregon, and California. These regional differences are not overwhelming, though, with both ports boasting the same top-three commodity codes—with motor vehicles ranking first for both—and sharing six of their top-ten codes overall.

While this commodity analysis reveals contents of north-bound loaded trucks, it fails to capture the overall nature of truck traffic, given that significant numbers of empty trucks cross the border. CBSA doesn't routinely tabulate the number of empty north-bound trucks, but surrogate data provide some clues. A 2006 study of south-bound trucks at Blaine revealed that 25 percent were empty. The same study revealed that empty trucks comprised the majority of the FAST lane traffic at that port. The large number of empty trucks crossing the border could be linked either to market-driven commodity flows or to policy-based flaws in the design of freight-inspection processes. This topic merits further attention.

Commodities Exported Through Buffalo and Blaine, Oct 2007



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Transborder Surface Freight Data

Are **one-size-fits-all** border policies appropriate?

A quick glimpse of U.S. export activity at two of the busiest crossings on the U.S.-Canada border reveals the scale and complexity of the world's largest bilateral trade relationship, and its vital importance to the U.S.'s economic and employment outlook. It is a relationship far too complicated for simple reduction to a "security vs. economy" debate where one necessity wins at the other's expense. And it is far too complex for one-size-fits-all approaches to managing a geographically and economically diverse border of 5,500 miles.

Several major initiatives have been advanced in recent years with the intention of integrating security and economic priorities, such as infrastructure enhancements (new lanes and inspection booths) and programs such as FAST, C-TPAT, CSA, and PIP. Particular emphasis on such programs has occurred since 9/11 in an effort to prevent a slowdown of trade amid new security mandates. The new programs have been designed at the federal level and imposed in a uniform manner across the 49th parallel. Unfortunately, there is growing evidence that this approach is not providing the same benefits to all regions.

The region that makes best use of FAST is Detroit, home of the automobile industry and a highly integrated cross-border manufacturing sector. At the Detroit-Windsor crossings, 44 percent of shipments utilize FAST. The automobile manufacturing sector relies on "just-in-time" cross-border delivery of full truck loads of parts and sub-assemblies. These large, sophisticated companies, together with a small set of trucking firms that handle the bulk of the inter-firm traffic, have found it worthwhile to enroll in FAST. To an extent, this paradigm is evident in the freight flows handled at Buffalo. But as one looks further east or west along the 49th parallel, the utility of FAST is unclear. FAST works poorly for agricultural commodities, where securing the supply chain is problematic. It also works poorly for "less than truckload" (LTL) freight, where a single truck carries goods from several shippers. If just one of those shippers is not enrolled in C-TPAT, then the whole truckload is ineligible for the FAST lane.

At Blaine, close to \$50 million has been spent to rebuild Canadian and American roads approaching the border, providing dedicated FAST lanes that now receive relatively little use. It appears that the design of the program is not a good match to the mix of commodities, shippers, and traffic patterns operating in that region. Some thought should be given to making different use of the existing infrastructure to conform to regional conditions. For example:

- Individual port directors should be given more discretion about using idle FAST booth and lane capacity to handle non-FAST traffic. In a setting like Blaine, where 33 percent of the infrastructure capacity is dedicated to less than 5 percent of the traffic, overall throughput can be improved by opening all lanes to all trucks.
- Underutilized FAST lanes could be converted to toll facilities. A variable congestion-based toll could then be used to allow trucks to buy their way past lengthy queues. Such a scheme would be useful for LTL loads, as well as agricultural shippers.

- Federal authorities should revisit the FAST program model, developing variants that appeal to shippers other than the large integrated manufacturers of the auto-belt.

Measures that allow a greater degree of regional autonomy and permit timely responses to local conditions can help maximize border efficiency and facilitate trade without compromising security. Paradoxically, making the world's longest common border more seamless might require thinking at a regional, rather than a continental, scale.

For More Information

Bureau of Transportation Statistics' Transborder Surface Freight Data, online at <http://www.bts.gov/programs/international/transborder/>

U.S. Census Bureau's Foreign Trade Statistics, online at <http://www.census.gov/foreign-trade/www/>

"Cross Border Transportation Patterns at the Western Cascade Gateway and Trade Corridor" by Anne Goodchild et al. (BPRI Research Report No. 6—June 2008), online at <http://www.wvu.edu/bpri/>

The Region's Edge, a University at Buffalo Regional Institute research initiative, online at <http://www.regional-institute.buffalo.edu/research/research.cfm?ID=60>

The University at Buffalo Regional Institute and the Border Policy Research Institute are members of the Northern Border University Research Consortium (NBURC), a newly formed group of six U.S. universities that collaborate on research projects related to the Canada - U.S. border.

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BORDER BRIEF SEPTEMBER 2008

Trade with Canada is vital to the U.S. economy. Do one-size-fits-all border policies help or hinder our economic competitiveness?

