

## PROPOSED APHIS FEE INCREASES

### PROPOSED APHIS FEE INCREASES WOULD DISPROPORTIONATELY IMPACT CANADA-U.S. TRADE

The U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) has proposed changes to fees for Agricultural Quarantine and Inspection (AQI) services at U.S. ports of entry.

While Canada supports cost-recovery for AQI services, the proposed fee structure would negatively impact our highly integrated economies.

### NORTH AMERICAN GOODS WOULD BEAR GREATER COSTS THAN PRODUCTS IMPORTED FROM OVERSEAS

#### TOTAL APHIS FEE (USD)

Commercial Aircraft

Base Fee	Proposed Fee	Change
\$71	\$225	218% increase

Commercial Truck (transponder)

Base Fee	Proposed Fee	Change
\$105	\$320	205% increase

Commercial Maritime Cargo Vessel

Base Fee	Proposed Fee	Change
\$496	\$825	66% increase

#### IMPACT ON THE COMMERCIAL TRUCKING SECTOR

Nearly 60% of Canada-U.S. trade travels by truck, a transportation sector that could see an **increase of up to 205% in inspection fees**. Our highly integrated trucking sector could face more than **\$15 million in additional fees** per year.

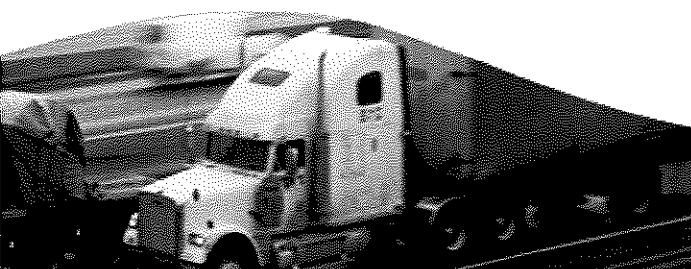
The fee increases to transponder trucks would create a disincentive for firms to use transponders, resulting in **longer wait times** at the Canada-U.S. border.

With the proposed fee increases, a forty-foot truck container from Canada would be charged an \$8.00 inspection fee, while the same container imported from overseas by ship would only be charged \$0.50.

#### IMPACT ON COMMERCIAL AIRCRAFT & MARITIME CARGO VESSELS

The proposed fee structure does not reflect the actual resources required to inspect smaller, lower-risk commercial aircraft and cargo vessels originating from Canada. Further, the removal of the 15-trip cap for cargo vessels may have a disproportionate economic impact on vessels that never leave Canadian and U.S. waters.

Canada requests that the U.S. **consider the impact of proposed fees on North American competitiveness and on existing bilateral initiatives such as the Beyond the Border Action Plan.**



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Canada

## **The Effect of U.S. Border Fees Increases on Canada's Trade with the United States**

Office of the Chief Economist  
Department of Foreign Affairs, Trade and Development

In 2013, Canadian enterprises paid approximately U.S. \$ 55.6 million of APHIS fees (combination of air, rail, road and water transportation modes) to the United States. The estimated cost under the proposed fee is U.S. \$68.9 million, or a 24% increase.

The proposed fee increases would create an artificial market distortion that favours countries that rely on commercial maritime cargo versus those that use commercial trucking more intensively. The border fees for products shipped by road rise from U.S. \$0.12 for every \$1000 of U.S. imports to U.S. \$0.18; on the contrary, the fees for products shipped by water increase only by U.S. \$0.02. With these increases, the result is that the Canadian commercial trucking sector would face an additional U.S. \$15.5 million in border fees, while all combined foreign maritime imports to the United States (which account for more than 50% of U.S. imports) would face only a substantially lower U.S. \$9 million in new fees. The new fee schedule disproportionately penalizes the country such as Canada in which nearly 60% of its exports to the United States are shipped via road.

To assess the potential effect of U.S. border fees increases, we use the computable general equilibrium model to assess the effect of fees increases on U.S. trade with Canada and the rest of the world. The specific general equilibrium model that has been used for this analysis is the GTAP, which is maintained and supported by Purdue University, USA (<https://www.gtap.agecon.purdue.edu>).

Our modelling results show that U.S. imports from Canada and the rest of the world would be negatively affected by the increase in border fees, but Canada would be disproportionately affected more relative to other countries. The U.S. imports from Canada are expected to decline by U.S. \$31.8 million with products under the categories of machinery and equipment, electronic equipment, transport equipment and other manufacturing products affected most as these products relies more on commercial trucking than others. The U.S. imports from the non-Canadian market would drop by U.S. \$116 million. In other words, Canada accounts for only about 14 percent of total U.S. imports from the world, but would absorb 21 percent of total U.S. import losses due to the proposed new border fee setting.

**Canada**