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**U.S. Customs and
Border Protection**

MAY 30 2013

Ms. Sharon Anglin Treat
Citizen Trade Policy Commission
State House Station #13
Augusta, ME 04333

Dear Ms. Treat:

Thank you for your recent letter to Secretary Napolitano concerning the Land Border User Fee Study in President Obama's fiscal year (FY) 2014 Budget to Congress. After consideration of the concerns you raise about the study, I would like to share more information regarding U.S. Customs and Border Protection's (CBP) reasoning and intentions.

First, it is important to note that CBP's Land Border User Fee Study, is only a study, and; not a proposed fee for FY 2014. As referenced in your letter, many northern border states and local communities have an integral travel and commerce cross-border relationship with Canada. The intention with any fee is to improve that throughput, not to dissuade it.

Consideration will be given to any potential economic benefits resulting from a fee. The additional revenue generated through reasonable land border fees would allow for more CBP officers at our ports and result in decreased wait times.

CBP's intent is to develop a full economic and cost benefit analysis, then conduct an assessment of logistics and steps involved in collection, and finally conduct a pilot that will test all steps involved in land border user fee collection without actual collections. CBP will follow the pilot by analyzing options for land border pedestrian and passenger vehicle fees.

CBP is committed to facilitating and securing lawful travel and trade through U.S. Ports of Entry. Recent years have seen historic travel volumes -- with privately owned vehicle traffic up 4.7 percent since FY 2011 and projected to rise in future years. Truck volume has been increasing since the economic downturn, and is also up by 14 percent since FY 2009. Inbound trade volume overall has recovered with import values growing by 5 percent, reaching \$2.3 trillion in FY 2012, and expected to exceed records in the air, land, and sea environments this year. We recognize the importance to our economy that a secure, streamlined border management process has on growing volumes of trade and travel.

There is currently a disparity in user fee collections between air, land, and sea ports of entry, because of the existing statutory framework and the long established collection mechanisms through air carriers and cruise lines. Currently, CBP incurs costs for inspecting pedestrians, bus passengers, vehicle passengers, and rail passengers, yet for the bulk of these activities, there are no fees in place to recover the costs. Therefore, the costs must be offset by taxpayer-funded

appropriations. In FY 2012, the portion of costs supported by appropriation totaled over \$1.2 billion dollars.

<i>In thousands</i>	FY 2010	FY 2011	FY 2012
Total Land environment costs	\$1,282,591	\$1,253,938	\$1,351,974
Land environment fee collections ¹	\$67,226	\$73,817	\$78,550
Fee recovery level of all costs	5%	6%	6%
Land environment costs funded by appropriations (Total costs minus fee collections)	\$1,215,366	\$1,180,121	\$1,273,423

Collections on the land border would likely be very different than current collection methods, and CBP will examine multiple methods and systems for actual collections and remittances. A few of the focus areas for the study may include (but will not be limited to) commercial bus and rail passengers, existing toll facilities, and penalties for Western Hemisphere Travel Initiative (WHTI) non-compliance.

In the course of the Land Border User Fee Study, CBP will explore the economic impact of increasing wait times at the border and lost opportunity costs versus a potential fee to determine which is potentially more harmful to cross-border travel and commerce. CBP recognizes the difference between daily land border commuters and international air and sea passengers, and will pursue a full understanding of any potential economic disincentive to cross-border trade and travel. CBP recognizes many northern border states and local communities have an integral travel and commerce cross-border relationship with Canada, and the intention with any fee, would be to improve throughput, not dissuade it.

Wait times, and their effect on the local and national economy, has been researched extensively. In February 2013, the National Center for Risk and Economic Analysis of Terrorism Events (CREATE) released a report regarding wait times titled, *The Impact on the U.S. Economy of Changes in Wait Times at Ports of Entry*. CREATE's analysis found that an increase or decrease in staffing at the Ports of Entry has a tremendous impact on wait times and the U.S. economy. The impacts begin with changes in tourism, business travel expenditures, and freight costs affecting not only local communities, but eventually the overall U.S. economy.

In summary, CREATE found that the impacts on the U.S. economy of adding 33 CBP officers are a \$65.8 million increase in Gross Domestic Product (GDP), \$21.2 million in opportunity cost savings, and employment gains of 1,094 annual jobs. The U.S. Travel Association found that every 33 overseas travelers creates one new American job, CREATE's findings equate to 33 American jobs per CBP officer added. In addition to economic benefits, greater law enforcement presence will result in increased security and enforcement effectiveness.

¹ CBP collects a small amount of fees through the CBP Trusted Traveler programs (NEXUS, FAST, SENTRI, Dedicated Commuter Lane (DCL)), I-94 entries, I-68 entries, I-190 entries, rail and truck (COBRA), and agriculture which are then applied to CBP's land environment costs.

As an example of the potential economic and enforcement benefits, CBP reported that for every 1,000 CBP officers hired, the following estimated outcomes could be expected:

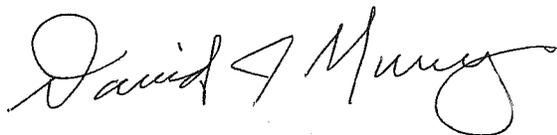
- \$2 billion increase in GDP
- \$642 million in opportunity costs saved
- 33,148 annual jobs added
- 23,000 more enforcement actions
- \$40 million drug seizure value increase
- \$2.75 million currency seizure value increase
- \$7.85 million trade penalty assessment increase
- \$2.5 million Intellectual Property Rights seizures increase
- \$42 million liquidated damage assessment increase

As we address expanded mission requirements, evolving threats, and increasing workload volumes, it is imperative that CBP explore alternative sources of funding in order to support national security and trade and travel facilitation missions that are vital to this nation. The study of a potential land border user fee² is just one of many options CBP is exploring as a way to maintain funding for existing capabilities, and provide better security and services to the trade and travel communities in the future.

The FY 2014 Budget also includes a series of legislative proposals to identify alternative sources of funding to provide for additional CBP officers and infrastructure requirements. These proposals complement the Resource Optimization Strategy and Workload Staffing Model, also released with the FY 2014 Budget, by creating a mechanism for CBP to engage in public-private partnerships to fund enhanced CBP services, support port improvements that would better facilitate flows of international trade and travel, and allow CBP to fund additional CBP officers.

Thank you again for your letter, CBP's study will thoroughly investigate all possible outcomes and will not propose any fee that may have negative consequences on cross-border economic activity. If I may offer further assistance, please contact my office at (202) 344-1620.

Sincerely,



David J. Murphy
Acting Assistant Commissioner
Office of Field Operations

² It should be noted that land border user fee refers to possible fees assessed on pedestrians, bus passengers, vehicle passengers, and rail passengers.