

Bolstered by an updated trade deal, the longstanding partnership between Canada and the United States continues to thrive amidst challenging times, providing ample opportunity for companies that offer cross-border solutions.

CROSS-BORDER LOGISTICS:

SUPPLY

CHAIN

SYNERGY

A twist on the old French proverb “the more things change, the more they remain the same” applies to the realm of trade relations between Canada and the United States. The proverb is usually cited to lament problems that continue even amid progress, but the reverse also is true: Good things persist even amid uncertainty and change.

While North America continues to reel from the impact of COVID-19, many political and economic lessons of the past have been turned upside-down and inside-out. As a result, 2020 thus far has been marked by significant declines in exports and imports—a trend likely to last for months to come.

The pandemic has caused many businesses to operate at limited capacity or to cease operations completely, and the movement of travelers across borders has been restricted, notes The Bureau of Economic Analysis (BEA), part of the U.S. Department of Commerce.

Not surprisingly, the U.S. monthly international trade deficit has increased. As exports decreased more than imports, the deficit increased from \$49.8 billion in April to \$54.6 billion in May, the BEA reports.



But then another change occurred: The U.S.-Mexico-Canada Agreement (USMCA) went into effect in July 2020, replacing NAFTA and maintaining the three-nation free trade zone.

The agreement will strengthen and modernize the North American economic platform, say leaders of the Business Roundtable, an association of chief executive officers of leading companies working to promote the U.S. economy and expand opportunity for all Americans through sound public policy.

“USMCA can accelerate the North American economic recovery, in part by providing much-needed certainty for business,” note leaders of the Business Roundtable in a formal statement.

“This new enforceable trade deal will also promote modernized rules, foster digital trade and innovation leadership, facilitate trade and efficient border crossings, and improve regulatory alignment and competitiveness,” the statement says.

A REINVIGORATED RELATIONSHIP

All of this translates not only to maintaining the longstanding sense of partnership that has existed between the United States and Canada, but even more good things to come for those who provide solutions or services that empower Canada-U.S. commerce, co-production, collaborative manufacturing, and cooperation.

“The current environment is poised to make the U.S.-Canada trade relationship even stronger,” says Paul Tessy, senior vice president, Purolator International, the U.S. subsidiary of Ontario-based Purolator Inc., Canada’s leading provider of integrated freight and parcel delivery services.

“We have three ‘once-in-a-lifetime’ events happening at the same time, which will certainly affect both the U.S. and Canadian economies,” Tessy says. Those events are:

1. The reopening of each country following the COVID-19 shutdown.
2. Lingering uncertainty over trade



Logistics provider Purolator guarantees delivery of e-commerce shipments to the Canadian market generally within 2-4 days, making U.S. e-commerce sellers competitive with their Canadian counterparts.

relations with China, and the potential recalibration of supply chains away from China.

3. The newly implemented USMCA, which modernizes the trade relationship and opens many new doors for U.S. businesses.

“The United States and Canada are each other’s most important trade partner, and the USMCA reinforces that relationship,” Tessy says. “Given the global uncertainty right now, I expect a growing number of U.S. and Canadian businesses will look for opportunities closer to home. The new trade agreement will further incentivize them to do so. You could say the USMCA has come along at the exact right moment for U.S. and Canadian businesses.”

In 2019, \$612 billion in goods crossed the U.S.-Canadian border, which equates to roughly \$1.7 billion per day.

But the COVID-induced shutdown has negatively affected the cross-border relationship. At one point, truck crossings over the Detroit-Windsor Ambassador Bridge, the border’s busiest land crossing point, were down by 43%.

“Manufacturers and parts suppliers suddenly no longer needed the volume of parts that normally flowed each day between the United States and Canada,”

Tessy says. “As supply chains start to function again, we are already seeing an uptick in shipments crossing the border.”

E-COMMERCE BOOM

With USMCA in effect, Tessy believes U.S. businesses will find even greater opportunities in the Canadian market long-term. He says that e-commerce, for example, will benefit from a provision that allows Canadian consumers to avoid paying duties on express shipments valued up to C\$150, with taxes exempt on shipments valued below C\$40.

That’s a significant increase from the C\$20 threshold that had been in place for decades. E-commerce also will benefit from a USMCA provision that simplifies the customs clearance process for shipments valued at less than US\$2,500.

Arguably the USMCA’s most important benefits, Tessy says, are modernizing the trade relationship with new provisions for digital trade and intellectual property, and eliminating the uncertainty that has lingered for the past few years. “The United States and Canada have affirmed their commitment to growing and facilitating cross-border trade, and have laid out a path for moving forward,” he says.

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Tessy notes that any discussion of U.S.-Canada cross-border trade must highlight the tremendous opportunities for U.S. e-commerce retailers. “Canadian e-commerce is projected to increase at a double-digit rate for the next several years,” he says. “Sales from the United States account for more than half of all international transactions.

“U.S. e-commerce sellers got a big boost from the USMCA, which allows Canadian consumers to avoid paying duties on express shipments valued at less than C\$150 (C\$40 for taxes),” he adds. “The U.S. International Trade Commission projects this provision to result in \$332 million in additional U.S. e-commerce-related exports to Canada.”

Another bright spot, he says, is the ability of logistics providers such as Purolator to guarantee delivery of those e-commerce shipments to the Canadian market. Purolator can generally have an e-commerce shipment delivered within 2-4 days, which is on par with Canadian consumer expectations.

“This level of service puts U.S. e-commerce sellers on an equal footing with Canadian businesses that do not

have to factor in an international border crossing,” Tessy says.

Purolator is so committed to e-commerce, he adds, that in 2019 the company announced a \$1-billion investment in its Canadian distribution capabilities. This includes construction of a Toronto “super hub” that will serve as “command central” in routing shipments arriving from the United States, along with investments in delivery vehicles, including environmentally friendly electric bikes and scooters for urban deliveries.

AN ESSENTIAL PARTNERSHIP

Regardless of how products are ordered and purchases are made, trade relies on getting shipments from here to there.

“Trucking is an essential service,” says Dave Cox, president of Polaris Transportation Group. “Cross-border traffic is important for both countries to support their industries.”

Polaris, which specializes in the shipment of dry goods, is best known for its scheduled LTL service between Canada and the United States. Based

in Toronto’s neighboring city of Mississauga, Ontario, Polaris delivers industry-leading transit times to and from the United States, including Alaska. The company maintains U.S. headquarters for Polaris Motor Freight, Inc., in Willoughby, Ohio, just outside Cleveland.

STAYING SEAMLESS

Even amid the challenges of COVID-19, Cox says, cooperation between the two countries has enabled seamless border transfers without undue congestion. “It’s a joint effort of both governments,” he says. “It feels like a partnership.”

The important thing is that all the shipment documentation required is in its proper order. “Typically, when delays occur it has to do with paperwork,” he says. “We help make sure there is rock-solid information on all commercial invoices and processes.”

Polaris utilizes up-to-date technology specifically designed for this purpose to ensure everything is in place. “We use so much technology in processing documents,” Cox says, adding that the company’s subject matter experts are easily able to address anything that may pop up as needing correction or clarification.

With this ideal blend of artificial intelligence (AI) and human intervention, issues are identified prior to border arrival. “Polaris engineers get involved and resolve matters quickly,” Cox says. “We move a lot of cargo, and that’s how we manage to keep everything running smoothly. When equipment leaves our yard, we are comfortable in the fact that all the i’s are dotted and the t’s are crossed.”

This attention to detail also figures prominently in addressing any potential security concerns. “We take border security very seriously,” Cox says. “It’s extremely important to Polaris. We make sure we work with reputable clients.”

To that end, clients are put through a security audit and shipments are examined with X-ray equipment. In this



U.S. shippers trust Polaris Transportation Group to move their LTL freight to Canada. The company's expertise assists with security, customs clearance, and documentation.



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realm, too, he says, cooperation between the two governments is essential. “We work very closely with Canadian and U.S. customs to be sure there is no contraband in shipments. We help our clients protect their supply chains.”

To ensure safe and secure transit, Polaris participates in every border security program—C-TPAT (Customs Trade Partnership Against Terrorism), PIP (Partners in Protection), CSA (Customs Self-Assessment), and FAST (Free and Secure Trade).

Polaris also offers full-service short- and long-term warehousing solutions. The company's approach to those solutions is to adapt existing systems to fit the systems of its clients. With a quarter-century of experience in logistics, it is fitting that the company uses the hashtag #CrossBorderPros.

“We have a track record of creating efficiencies and driving costs out of customers' supply chains, which has helped to maintain strong customer relationships with companies big and small,” Cox says.

Leveraging an expedited LTL network, Polaris connects every U.S. ZIP code to every Canadian postal code. All of these efforts help Polaris

remain at the cutting edge as clients expand their business across the U.S.-Canadian border.

UNIQUE AND POSITIVE

Despite shifts in the global political landscape, the long history of cooperation in cross-border trade between the United States and Canada continues.

“Canada and the United States have one of the world's most unique and positive relationships,” says Ray Ramu, executive vice president and chief customer officer for American LTL trucking company Saia Inc.

“We are two sovereign states that occupy the majority of North America and share the world's longest undefended border,” Ramu says. “We are reliant on each other for both security and trade. None of this has changed. Through April 2020, the United States exported more to Canada than to any other country in the world.”

Georgia-based Saia maintains 169 terminals that provide service across the country as well as to Puerto Rico, Mexico, and Canada. The company provides complete transportation and logistics solutions and maintains its

headquarters in the Atlanta suburb of Johns Creek.

Ramu says the United States enjoys a symbiotic partnership with its northern neighbor. “Growth in the United States translates into growth in Canada and vice versa,” he says. “The United States and Canada both have top 10 worldwide economies and I expect that to continue into the future.

“Both Canadian and American businesses, in many ways, are an extension of one another with a border in between,” Ramu adds. “We see that in transportation, manufacturing, trade, e-commerce, and communication. The goods and services in both countries are very similar, as are the businesses.”

For example, he says, the automotive industry—a major market segment for both countries—is strongly interconnected. “There is significant trade happening in this industry with many major Canadian parts manufacturers feeding the supply chain of U.S. car makers,” he says.

SIMILAR BUT DISTINCT

While the similarities between the two countries create natural synergies, important distinctions between the two markets remain.

“One fundamental difference between Canadian and American consumers is that Canadians tend to be value shoppers, looking for the lowest price or the best deal as opposed to a particular brand,” Ramu says. “This emphasis on finding value stems from historically having less disposable income than Americans and a higher cost of living, among other factors.

“That's not to imply that American shoppers aren't searching for the best deal; Canadian consumers just have different approaches to finding and determining value,” he adds.

“Canadians, for example, tend to make an extra effort when it comes to finding the best deals as 87% will stock up on their favorite products when the products are on sale, 57% go to multiple stores to get the best prices on items, and



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Successfully shipping across the U.S.-Canada border, including the International Blue Water Bridge, which connects Port Huron, Michigan, and Sarnia, Ontario, Canada, involves diligent documentation and using a reliable service provider to expedite the process.

56% regularly participate in retail loyalty programs,” he says.

In spite of high internet usage rates, Ramu adds, Canadian consumers have been slower than Americans to embrace online shopping. As such, e-commerce in Canada represents about 10% of total retail sales compared to 12.8% in the United States.

Ramu says that many Canadians are still “touch-and-feel” shoppers who value traditional brick-and-mortar stores. However, he adds, this shopping approach has been rapidly decreasing over the past two years. E-commerce sales in Canada are expected to increase to more than 15% of total retail sales in the next three years.

CROSS-BORDER TIPS

Commerce and travel between the United States and Canada is less complicated than many other trade partnerships. However, Ramu recommends these tips for shipping to and from Canada and the United States:

Do your research. Make sure you have taken advantage of all available free resources. Both Canada and the U.S. trade embassies have made shipment

and border clearance requirements accessible online.

Remember the paperwork. Missing and incomplete documentation is among the top causes for border clearance delays. As such, shippers need to make sure they fill out all paperwork ahead of time and consult with a broker.

Consider insurance. If you ship high-value or fragile items, consider insuring your shipments.

Keep records. The Canadian Border Services Agency, for example, recommends you keep records of your exports and imports for six years.

Use a trusted service. Use a service with experience in cross-border shipments between the United States and Canada, and have a broker to assist.

Allow for extended transit time. In winter months, for instance, send out your shipment several days early, if possible, in case there are delays.

Finally, Ramu recommends that manufacturers talk to their service provider about shipping to and from Canada prior to shipping to best understand transit times and service expectations, and to clear up any questions they may have.

When it comes to U.S.-Canada trade, the best tips of all may be to know the landscape and be open to opportunities.

ECONOMIC RECOVERY

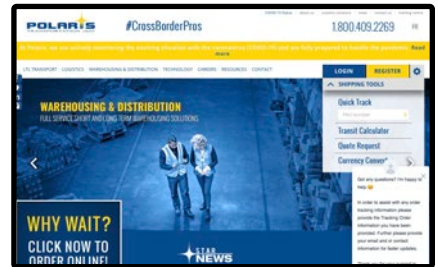
“Despite some uncertainty regarding future policy direction, the economic recovery is gaining traction and the American private sector is in great shape with corporate profitability at an all-time high and a record amount of cash,” says Export Development Canada (EDC), a Crown corporation dedicated to helping Canadian companies of all sizes succeed on the world stage.

“While it is always good to diversify, the United States is Canada’s number-one global customer, with a market 10 times the size of our own, conveniently located right next door,” the EDC explains in its analysis of the U.S. business environment.

In the end, logistics professionals say, success in the Canadian market depends on having a “uniquely Canadian” strategy. Success will come to those who work with logistics partners that understand the differences between the two markets and can effectively navigate through them. ■

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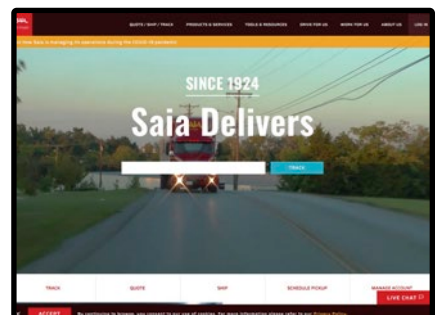


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