Animal and Plant Health Inspection Service

Preliminary Economic Analysis for Significant Rulemaking and Initial Regulatory Flexibility Analysis

Interim Rule: Remove the inspection exemption for fruits and vegetables imported from Canada and remove the user fee exemption for commercial vessels, commercial trucks, commercial railroad cars, commercial aircraft and international passengers entering the United States from Canada.

Docket No. 06-096-1

8/10/06

Introduction

Historically, the United States Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) has performed limited inspections of commercial vessels, commercial trucks, commercial railroad cars, commercial aircraft, and international passengers entering the United States from Canada. Until recently, it was our understanding that such conveyances and passengers posed little risk of introducing plant or animal pests or diseases into the United States. Consequently, when APHIS established user fees for inspections of commercial conveyances and international air passengers, we exempted conveyances and passengers from Canada from those fees.

APHIS has reevaluated its agricultural quarantine and inspection (AQI) activities at the U.S./Canada border, given increasing levels of trade, particularly the re-export of third-country products from Canada to the United States. The need for a reevaluation was underscored by three extensive inspection operations along the U.S./Canada border (two in Buffalo, NY, and at Blaine, WA). These inspection "blitzes" resulted in

numerous interceptions of unauthorized material produced in regions other than the United States and Canada. Prohibited or restricted articles that were found included untreated Argentine citrus, mangoes, tropical fruits from Asia, and many other commodities of third-country origin such as meat, live birds, and plants in soil. Plant pests such as fruit flies, scales, and several species of mealy bugs were also intercepted.

Due to the quantity of prohibited material found during the inspection blitzes and the implied pest risks, APHIS is removing the exemption from inspection of fruit and vegetable products imported from Canada. APHIS is also removing the user fee exemption for commercial vessels, commercial trucks, commercial railroad cars, commercial aircraft, and international passengers entering the United States from Canada, so that APHIS can recover the costs associated with inspecting these conveyances and passengers. Thirdly, AQI inspections will be expanded at the U.S./Canada border.

Background

The U.S./Canada border stretches 3,985 miles from the Atlantic to the Pacific Ocean, and the two countries are the world's largest trading partners. In 2005, U.S. trade with Canada accounted for approximately 17 percent of total U.S. imports and 23 percent of total U.S. exports. The U.S. Bureau of Customs and Border Protection (CBP) estimates that over 200 million individuals crossed the U.S./Canada border in both directions during 2005. Products valued at more than $502 billion were traded between the United States and Canada, translating into over $1.3 billion in goods crossing the border every day on average.[1] The North American Free Trade Agreement (NAFTA) has contributed to a 75 percent increase in two-way agricultural trade between Canada and

[1] U.S. Census Bureau, as reported by the World Trade Atlas. In 2005, U.S. imports from Canada were valued at $290 billion and U.S. exports to Canada were valued at $212 billion.

the United States between 1994 and 2002.[2] The number of international air passengers arriving in the U.S. from Canada has increased dramatically as well, from 35 million in 1992 to a projected 60 million in 2006, over a 70 percent increase in 14 years.

A primary objective of NAFTA is the elimination of barriers to trade among the United States, Canada, and Mexico. Many tariffs have been removed and others are being phased out. Agricultural trade between Canada and the United States has always been relatively unrestricted by phytosanitary regulations due to the similar pest regimes that exist in the two countries. However, due to globalization and NAFTA, more goods are now being imported from Canada that are not produced in Canada and that may pose a risk to U.S. agriculture. From 1995 to 2006, fruit and vegetable exports to the U.S. from Canada increased 80 percent while re-exports have increased 336 percent (table 1). In 2005, Canada re-exported $18 million worth of vegetables and $9 million worth of fruits and nuts to the U.S.[3] In addition, opportunities to smuggle goods across the border have increased as the volume of commercial traffic and number of air passengers have increased. The incentive to commingle foreign goods with Canadian produced goods has increased due to reduced tariffs for Canadian produced goods.

[2] Barbara Wojcik-Betancourt, USDA-APHIS, "Ten Years of NAFTA have Changed the Face of U.S. Mexican Canadian Trade",2006.
[3] *Statistics Canada 2005*. Converted from Canadian dollars, using a conversion rate of 1 C$ = 0.826 US$.

Table 1. Canadian Export and Re-export of Fruits and Vegetables to the United States, Comparison of 1995 and 2005

Commodity (Harmonized Schedule Code)	Canadian Exports to U.S		Canadian Re-Exports to U.S.	
	1995	2005	1995	2005
	Million KG	Million KG	Million KG	Million KG
Vegetables (07)	582.8	1,111.2	1.6	8.4
Fruits & Nuts (08)	115.1	146.2	1.2	3.8
Total	**697.9**	**1257.4**	**2.8**	**12.2**
Percentage Increase	80%		336%	

Source: *Statistics Canada*

Along the U.S./Canada border, 82 ports are staffed by a total of 700 CBP inspectors, which is 200 fewer inspectors than 20 years ago despite a 252 percent increase in trade with Canada between 1985 and 2000. As a consequence of this decline in staffing, half of the primary inspection booths in the states of Washington, Montana, North Dakota, Minnesota, Michigan, New York, Vermont, and Maine are kept closed. CBP currently staffs only 14 U.S./Canada border ports with a total of 65 officers and supervisors. Nearly one-half of these individuals are stationed in Blaine WA, which leaves a mere 34 persons to cover the remaining border ports. In many cases this leads to the necessity of assigning a single officer to several ports, and requires these officers to spend the majority of their time traveling rather than doing inspections. Moreover, the majority of CBP personnel stationed along the U.S./Canada border work between the hours of 8:00 am and 4:30 pm, although most agricultural products enter the U.S. during the night.

This analysis examines expected benefits and costs of three objectives of the interim rule:

- Closing the inspection exemption loophole for fruits and vegetables entering the United States from Canada;
- Recovering the costs of AQI services we are already providing at the U.S./Canada border; and
- Recovering the costs of new, expanded AQI services at the U.S./Canada border.

We include in the analysis projected Federal expenditures to employ inspectors along the border and at Canadian airports for preclearance inspections. Benefits and costs are examined in accordance with Executive Order 12866. Possible impacts for small entities are considered in an Initial Regulatory Flexibility Analysis.

Benefits of the Rule

The amended regulations will decrease the risk of harmful plant and animal pests and diseases entering the U.S. from Canada, as well as enable the Federal government to recover through user fees the costs of doing inspections. While instances of pest and disease establishment in the United States cannot usually be readily traced to their sources, the large number of regulated fruits and vegetables found to enter from Canada that are potential hosts, and the potential for infestation of conveyances and cargo containers, support the need for strengthened AQI inspection activities at the U.S./Canada border. CBP officers along this border, for example, have confiscated Asian fruit which has been infested with the Mediterranean fruit fly, and Argentine citrus, plums and other fruits that can harbor potential pests and diseases. While Canada is legally required to label the origin of re-exported fruits and vegetables to the United States, occasionally these commodities are misrepresented to CBP as having a Canadian origin. Interception of such infested commodities helps to minimize the chances that the pests or diseases will

become established in the U.S., and thereby helps prevent costs associated with agricultural damage and pest control and eradication programs.

One plant disease recently introduced into the United States is plum pox. It is a devastating viral disease stone fruit, such as peaches, apricots, plums, nectarines, almonds, and cherries. It is transmitted within an orchard by aphids and over long distances through the movement of infected nursery stock, propagative material and fruit. The plum pox virus first appeared in the United States in Pennsylvania in October 1999. In July 2006, it was detected in New York State. Plum pox infestations have also been detected in Ontario and Nova Scotia, Canada. We do not know whether plum pox was introduced form Canada, but the disease exemplifies the type of invasive pest that additional resources for AQI inspections at the U.S./Canada border will help to prevent.

Costs of the Rule

The amended regulations will impose a direct fee on all commercial conveyances crossing the U.S./Canada border. The user fees that will be charged are described below by mode of transportation. We project user fee revenues, based on average import and passenger volumes for fiscal years (FYs) 2003 through 2005. We note the possibility of shipping delays. We then discuss projected Federal expenditures for inspection personnel at the border ports and Canadian airports.

User Fees

Surface conveyances. Under rule changes to 9 CFR 319, all trucks and trains transporting goods from Canada to the U.S. will be subject to border inspection. A user fee of $5.25 per crossing or $105 for the year will be charged to each truck in FYs 2006

and 2007 (table 2). A user fee of $7.50 per crossing will be charged to each loaded rail car in FY 2006; in FY 2007, the fee will be $7.75.

Trucks, trains and all other surface modes of conveyance transported approximately $458 billion worth of goods across the U.S./Canada border in 2005.[4] While agricultural shipments are expected to be the focus of border inspections, all commercial conveyances crossing the border will be subject to inspection and user fees.

Waterborne conveyances. Under the interim rule, commercial vessels transporting goods from Canada to the United States (100 net tons or more) will be subject to inspection and charged a user fee of $488 per crossing in FY 2006. In FY 2007, the user fee will be $490. All waterborne trade with Canada was valued at $14 billion in 2005.[5] As with surface conveyances, the focus of inspections is expected to be transported agricultural commodities. A total of approximately 1,895 vessels were used to move cargo from Canada to the United States in 2005. It is not known how many of these vessels carried agricultural goods.[6]

Air conveyances. All air cargo from Canada to the U.S. will be subject to inspection and commercial aircraft will be charged a user fee of $70.25 per arrival in FY 2006 and $70.50 per arrival in FY 2007. All air passengers arriving in the U.S. from Canada (10.1 million in FY 2005) will be charged a user fee of $5.00 in FYs 2006 and 2007.

[4] Source: Bureau of Transportation Statistics, U.S. Surface Transportation Trade with Canada, 2006.
[5] Ibid.

Table 2. AQI User Fees for Conveyances entering the United States from Canada, FYs 2006 and 2007

Conveyance	User fee, FY 2006	User fee, FY 2007
Maritime Vessels	$488 per crossing	$490 per crossing
Trucks*	$5.25 per crossing or $105 per year	$5.25 per crossing or $105 per year
Railroad Cars	$7.50 per crossing	$7.75 crossing
Aircraft	$70.25 per arrival	$70.50 per arrival
Air Passengers	$5 per passenger	$5 per passenger

Source: Federal Register 7 CFR Part 354, User Fees for Agricultural Quarantine and Inspection Services: Interim Rule, USDA-APHIS December 9 2004.
* Truck operators will have a choice paying per crossing or per year (decal).

Projected User Fee Revenues

Regardless of what goods they carry, unless exempt, commercial trucks, vessels of 100 net tons or more, railroad cars, and aircraft are subject to inspection and will be charged a user fee. Table 3 shows projected revenues that will be generated, based on the FY 2006 and FY 2007 user fees for conveyances and air passengers arriving from Canada and assuming import and passenger volumes similar to the averages recorded for FYs 2003 through 2005. We estimate that maritime vessel entities will be required to pay about $925,000 in user fees in FY 2006 and $938,000 in FY 2007; commercial truck entities, about $14.6 million in FY 2006 and $14.8 million in FY 2007; rail entities, about $6.2 million in FY 2006 and $6.5 million in FY 2007; and commercial air cargo entities, about $4.9 million in each of the fiscal years. Projected revenue from user fees for air passengers from Canada would total approximately $50.4 million in FY 2006 and $50.9 million in FY 2007.

Of the projected total user fee revenues, about $77 million in 2006 and $78 million in 2007, about 65 percent would come from air passengers. The doubling of

international passengers from 1990 to today has significantly increased the risk of air passengers intentionally or unintentionally introducing pests into the United States.

Table 3. Projected User Fee Revenues Collected from Commercial Conveyances and Air Passengers entering from Canada, FY 2006 and FY 2007

Conveyance	User Fee Rate, FY 2006	User Fee Rate, FY 2007	Assumed Volumes*	Projected Revenue, FY 2006	Projected Revenue, FY 2007**
Vessels	$488	$490	1,895	$924,760	$937,836
Commercial Truck (per crossing user fee)	$5.25	$5.25	982,765	$5,159,516	$5,211,111
Commercial Truck (per year user fee)	$105	$105	90,256	$9,476,880	$9,571,649
Commercial Rail Car	$7.50	$7.75	827,793	$6,208,448	$6,479,550
Commercial Aircraft	$70.25	$70.50	69,398	$4,875,210	$4,941,485
International Airline Passengers	$5.00	$5.00	10,078,551	$50,392,755	$50,896,683
Total Revenue				**$77,037,569**	**$78,038,314**

**Estimated volumes for FY 2006 are based on the average of FYs 2003-2005 border crossings.*
***FY 2007 projected revenue is based on an increase in trade and passenger volumes of 1% .*

Potential for Border Crossing Delays

CBP inspectors will be required to inspect commercial trucks while maintaining a steady traffic flow. Currently, CBP performs inspections based on risk and available resources as well as randomly. CBP does not foresee this interim rule leading to additional border delays, given the additional employees and resources that will be available. The public is invited to comment on the extent to which border delays may result and their cost for affected commercial transportation entities.

Federal Expenditures

Staffing and support costs. To reduce the risk of pests entering the United States, 136 full-time employees will be deployed along the U.S./Canada border to inspect ground conveyances.[7] Staffs stationed at the land border ports are responsible for inspecting passenger vehicles, trucks, and trains. The annual expenditure for 136 staff along the U.S./Canada border is expected to be about $22.45 million.

To minimize the risk of pests arriving on air flights from Canada, CBP has estimated that 65 full-time employees will be required at 7 Canadian airport locations to inspect air passengers and cargo.[8] These 65 inspectors will be responsible for preclearing air passengers and commodities that arrive in the United States by air from Canada. The annual expenditure for the 65 AQI airport staff will be approximately $46 million.[9] The total direct cost to the Federal government of providing inspection services associated with this rule, based on the estimated cost of 136 positions on the U.S./Canada border and the 65 airport preclearance positions is $68.5 million.

Indirect costs associated with the AQI program include support costs (e.g., expenses of maintaining regional and headquarters staff and offices, developing detection methods, preparing risk assessments, enforcing the regulations, and providing communications, budget, and accounting services); administrative costs of developing, collecting, and monitoring AQI user fees; APHIS' share of the costs incurred by USDA in providing centralized services (e.g., telephone and mail service) to its agencies. The

[7] Eastern Region Staffing Plan and Western Region Staffing Plan for Canadian Border, October 26th 2001.
[8] PPQ preclearance AQI staffing report for 7 Canadian airport locations, April 9, 2003. (To be consistent with the eastern and western land border staffing reports, salaries and benefits are based on the 2006 general Federal pay rate for airport staff.)
[9] The $46 million will cover Foreign Services allowances and benefits plus certain infrastructure expenditures at the airports.

indirect expenditures associated with the rule are estimated at $6.3 million, as shown in table 4. The annual cost of providing AQI services along the U.S./Canada border is $74.8 million, assuming full implementation of the program. Any amounts collected in excess of actual expenditures would remain in a no-year account as a reserve until expended on AQI services in future years.

Table 4. Projected One-year Federal Expenditures for Staffing at U.S./Canada Border Ports and at Canadian Airports

Cost of positions	$68,466,469
Indirect costs:	
Agency support (7.47%)	$5,114,445
Departmental charges (1.52%)	$1,040,690
Administrative costs (0.26%)	$178,013
Total indirect costs	$6,333,148
Total costs	**$74,799,617**

Other Staffing and infrastructural costs. In addition to the above estimated costs, APHIS may incur costs for additional staff required at U.S. maritime ports and airports to inspect waterborne cargo and air cargo arriving from Canada. Since vessels and aircraft arriving from Canada can use any U.S. maritime port or airport, it is not yet clear whether additional positions may be needed at these locations and, if so, how many.

Along with costs of hiring additional inspectors, the current infrastructure including inspection bays will need to be expanded to accommodate the additional workers and the larger number of inspections. APHIS at this time has not determined the cost of these additional infrastructural requirements. Also, overtime will be paid to CBP

personnel who inspect conveyances that enter the U.S. other than during normal business hours.

Initial Regulatory Flexibility Analysis

The Regulatory Flexibility Act requires that agencies specifically consider the economic effects associated with their rules on small entities, which include small businesses, small not-for-profit organization, and small governmental jurisdictions. Section 603 of the Act requires agencies to prepare and make available for public comment an initial regulatory flexibility analysis (IRFA) describing the impact of rules on small entities, and specifies the content of an IRFA. In this section, we address these IRFA requirements:

- Reasons why action by APHIS is being taken
- Objectives of, and legal basis for, the rule
- Description of and, where feasible, an estimate of the number of small entities to which the rule will apply
- Description of the projected reporting, recordkeeping and other compliance requirements of the rule, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record
- Identification, to the extent practicable, of all relevant Federal rules that may duplicate, overlap or conflict with the rule
- Description of any significant alternatives to the rule that accomplish the stated objectives of applicable statutes and that minimize any significant economic impact of the rule on small entities

Reasons why action by APHIS is being taken.

We are amending the agricultural inspection and quarantine regulations and user fee regulations by removing the exemptions from inspection for imported fruits and vegetables grown in Canada and the exemptions from user fees for commercial vessels, commercial trucks, commercial railroad cars, commercial aircraft, and international air passengers entering the United States from Canada. As a result of this action, all agricultural products imported from Canada will be subject to inspection, and commercial conveyances, as well as airline passengers arriving on flights from Canada, will be subject to inspection and user fees.

We are taking this action in part because we are not recovering the costs of our current inspection activities at the U.S./Canada border. In addition, our data show an increasing number of interceptions on the U.S./Canada border of prohibited material that originated in regions other than Canada and presents a high risk of introducing animal and plant pests and diseases into the United States. These findings, combined with additional Canadian airport preclearance data on interceptions of ineligible products approaching the U.S. border from Canada, strongly indicate that we need to expand and strengthen our pest exclusion and smuggling interdiction efforts at that border. In order to do this and to recover the costs of our existing inspection activity, we need to collect user fees for inspection of commercial conveyances and international air passengers entering the United States from Canada.

Objectives of, and legal basis for, the rule.

The objectives of this action are: (i) to lessen the risk of introduction of agricultural pests and diseases from Canada by removing Canada's exemption from AQI

inspections for fruits and vegetables, (ii) to provide for adequate funding of inspection activities by removing Canada's exemption from user fees charged for AQI inspection services, and (iii) to ensure sufficient staffing by increasing the number of inspectors along the U.S./Canada border and at U.S. airports and maritime ports of entry, and by stationing preclearance inspectors at certain Canadian airports.

The legal basis for the rule may be found in the Plant Protection Act (7 U.S.C. 7701 *et seq*.) and the Animal Health Protection Act (7 U.S.C. 8301 *et seq*.), which authorizes the Secretary of Agriculture to implement programs and policies designed to prevent the introduction and spread of plant pests, diseases, and noxious weeds, and pests and diseases of livestock. Also, under the Food, Agriculture, Conservation, and Trade Act of 1990 (21 U.S.C. 136a), as amended by sec. 917 of the Federal Agricultural Improvement and Reform Act of 1997 (Pub. L. 104-127), the Secretary of Agriculture is authorized to prescribe and collect user fees for AQI inspection services.

Description of and, where feasible, an estimate of the number of small entities to which the rule will apply

Surface Conveyances

For commercial trucking, the Small Business Administration (SBA) defines a small entity as one having not more than $23.5 million in annual receipts. According to the 2002 Economic Census (the most recent available), there were 29,321 general long-distance freight trucking establishments in the United States (North American Industry Classification System [NAICS] code 484121). A total of 403 of these establishments, or less than 2 percent, had annual receipts of $21.5 million or more, the largest revenue category identified. Thus, more than 98 percent of trucking establishments in the United

States are small entities. We do not know the number or size of trucking establishments that transport products across the border from Canada, but can reasonably assume that they are also mostly small entities.

For commercial railroad transportation, the SBA defines a small business entity as one having not more than 1,500 employees for long-haul railroads (NAICS code 482111) and not more than 500 employees for short line railroads (NAICS code 482112). Of the 571 firms operating as railroad transportation companies in the United States, 18 firms employed more than 500 workers. Therefore, approximately 97 percent of commercial railroad companies in the United States are considered small entities. We can reasonably assume that this percentage applies to railroad companies that transport products into the United States from Canada.

Waterborne Conveyances

For commercial water transportation, the SBA defines a small business entity as one having not more than 500 employees. According to 2002 U.S. Census data for Transportation and Warehousing, there were 1,334 firms that operated in the United States for the entire year providing "deep sea, coastal, and Great Lakes water transportation" (NAICS codes 483111 and 483113). Twelve of these firms employed 500 to 999 workers and 10 firms employed 1,000 or more workers. Thus, over 98 percent of water transportation firms in the United States employed fewer than 500 workers and can be considered small.

A total of approximately 1,895 vessels were used to move cargo from Canada to the United States in 2005. We can assume that most if not all of the firms owning these vessels are small entities.

Air Conveyances

For commercial air transportation, the SBA defines a small business entity as one having not more than 1,500 employees. According to the 2002 U.S. Economic Census for Transportation and Warehousing, there were 1,674 firms in the United States classified under "scheduled freight air transportation" (NAICS code 481112), of which only 13 firms employed more than 1,000 workers. Thus, over 99 percent of all air transportation firms in the United States are small.

Clearly, most of the surface, waterborne, and air conveyance entities that will be directly affected by the rule are small. APHIS welcomes information from the public that will enable us to more closely approximate their numbers.

<u>Description of the projected reporting, recordkeeping and other compliance requirements of the proposed rule, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record.</u>

The compliance requirements of this rule will be the AQI inspections and associated user fees to which commercial conveyances and air passengers entering the United States from Canada will be subject. The user fees, as shown in table 2 for FYs 2006 and 2007, are based on expected costs of maintaining and supporting AQI activities at U.S./Canada border ports and Canadian airports.

This interim rule does not establish any new user fees. Rather, the same AQI user fees that apply to commercial vessels, commercial trucks, commercial railroad cars, commercial aircraft, and international air passengers from every other nation arriving at ports in the customs territory of the United States will now apply to Canada as well.

While agricultural shipments are expected to be the AQI focus, all commercial conveyances crossing the border will be subject to inspection and user fees. APHIS welcomes information from the public that would enable us to assess expected impacts of the rule on U.S. small entities. In particular, we invite information on the average revenues earned and costs borne per crossing by representative firms operating commercial conveyances that transport products from Canada to the United States.

Conveyances may also be affected by border-crossing delays because of the inspections. We welcome information that the public may provide that would enable us to approximate costs that could be incurred because of the delays, including information on border-crossing delays at the U.S./Mexico border.

Identification, to the extent practicable, of all relevant Federal rules that may duplicate, overlap or conflict with the proposed rule.

APHIS has not identified any duplication, overlap, or conflict of the interim rule with other Federal rules.

Description of any significant alternatives to the proposed rule that accomplish the stated objectives of applicable statutes and that minimize any significant economic impact of the proposed rule on small entities.

Four possible alternatives to the rule are identified, none of which would accomplish the objectives of the rule or minimize effects for small entities.

One alternative would be to make no changes to the current regulations. However, inspections along the U.S./Canada border have resulted in an increasing number of interceptions of unauthorized material that originated from regions other than Canada. The growth in imports and in the number of air passengers arriving from

Canada has placed increased demands on an overstretched CBP staff at U.S./Canada border ports and airports. This rule is necessary in order to strengthen our AQI activities and lessen the risk of introduction of plant and animal pests and diseases. Removing the Canadian exemption from AQI user fees is necessary to recover the costs of our existing inspection activities and to implement an expanded inspection program.

Another alternative to this rule would be to limit our inspections to commercial conveyances and not include international passengers entering the United States from Canada in the AQI inspection program. However, results of recent AQI preclearance activities at Canadian airports have demonstrated that air passengers from Canada represent an important pest pathway. Also, in surveys and blitzes conducted on passenger baggage at destination airports in the United States, significant amounts of prohibited agricultural materials were found, such as tropical and exotic fruits and vegetables purchased at Canadian markets, as well as prohibited animal products. We would not be able to prevent or control the movement of such regulated articles into the United States if we did not increase our passenger-inspection activities, along with our conveyance–inspection activities, at the U.S./Canada border. We would not be recovering the costs of passenger inspections if we did not charge passengers AQI user fees.

A third alternative would be to only charge AQI user fees for inspections of commercial conveyances transporting agricultural goods. This would lessen the inspection burden because only an estimated 5 to 20 percent of all conveyances are transporting agricultural goods, and would result in projected user fee revenues as shown in table 5. It would also eliminate impacts on conveyances that do not transport

agricultural goods by eliminating the need for them to pay user fees. APHIS experts familiar with the Canadian border crossings have determined that all conveyances need to be inspected. Solid wood packing material can be a pathway for the Asian and citrus longhorned beetles, pine shoot beetle, emerald ash borer, and other pests and diseases, and is estimated to be present in some 70 percent of all Canadian rail containers. Also, restricted non-agricultural products from third countries that pose a risk may be commingled with Canadian products that do not pose a risk.

Table 5. User Fees for FY 2006 and Projected Revenues, Assuming Only 5% to 20% of Conveyances would be Charged a User Fee

Conveyance	User Fee FY 2006	5%	10%	15%	20%
Vessels	$488.00	$46,238	$92,476	$138,714	$184,952
Commercial Truck	$5.25	$257,975	$515,951	$773,927	$1,031,903,
Commercial Truck Decal	$105	$473,844	$947,688	$1,421,532	$1,895,376
Commercial Rail Car	$7.50	$310,422	$620,844	$931,267	$1,241,690
Commercial Aircraft	$70.25	$243,760	$487,521	$731,281	$975,041
Total Revenue		**$1,332,239**	**$2,664,480**	**$3,996,721**	**$5,328,962**

We also considered developing user fees specific to inspections of air passengers and commercial conveyances from Canada. We chose not to do so because it is important that user fees be consistent for all users. Developing user fees for air passengers and commercial conveyances from Canada that would differ from user fees for air passengers and commercial conveyances from other places could be confusing for the public and commercial carriers.

Conclusion

This analysis has looked at economic impacts of removing the exemptions for inspections of fruits and vegetables entering the United States from Canada, charging a user fee to conveyances and air passengers arriving from Canada, and expanding the AQI program at U.S./Canada border ports and Canadian airports.. The direct costs of user fees for affected conveyances and air passengers are known. However, possible impacts of the user fees on business margins and air passenger traffic is not well understood. Expected benefits of the rule are much more difficult to quantify, although it is apparent that the current level of resources devoted to AQI inspection efforts along the U.S./Canada border do not sufficiently mitigate the risk of pest and disease introduction into the United States.

The amended regulations will decrease the risk of harmful plant and animal pests and diseases entering the U.S. from Canada, enable the Federal government to recover AQI costs through user fees, and expand AQI activities along the U.S./Canada border. The ultimate impact will be a lower likelihood of pest or disease introduction and establishment, and therefore a lower likelihood of crop losses and eradication costs associated with invasive pests and diseases. However, without additional information on pest risks posed by imports and air passengers arriving from Canada, we cannot quantitatively compare expected benefits and costs of this interim rule. As additional information is discovered regarding the risk of pests and diseases from Canada entering and becoming established in the United States, the net benefits of this action may become more definitive.

FF (Frank Fillo), 2/6/05
EH, 2/8/05
EH 3/22/05
EH 9/06/05
MS (Mark Smith) 9/08/05
EH 9/08/05
EH 10/06/05
MS 10/24/05
Eh 10/25/05
MS 11/07/05
EH 11/07/05
JS OCE(Jim Schaub) 12/14/05
KC FMD-APHIS(update employee #'s)
EH 4-18-2006
MM OMB (Margaret Malanoski) 07/06/2006
EH 07/20/2006
MO (Mike Olson) 7/20/2006
FF (Frank Fillo) 7/24/2006
EH 8/07/06
FF 8/10/06