

ALLIANCE TO KEEP U.S. JOBS

Resolving the NAFTA Trucking Trade Dispute

BACKGROUND: Mexico is the United States' third largest trading partner after Canada and China, but is our second largest export market after Canada. Trucks are essential to NAFTA, transporting 80% of the value of U.S.-Mexico trade and 65% of the value of U.S.-Canada trade.

Under NAFTA, foreign motor carriers operating in the U.S. must comply with all the regulations and requirements imposed on U.S. motor carriers. Similarly, U.S. motor carriers interested in establishing cross-border operations with Mexico must be treated in a fair and impartial manner when seeking operating authority from Mexican authorities. As the short-lived NAFTA Demonstration Project proved, NAFTA cross-border trucking can be implemented safely and securely.

NAFTA Trucking: Establishing more efficient border crossings. Without NAFTA's trucking provisions, a shipment traveling across the border requires three drivers and three tractors for a single international freight movement:

- U.S. motor carriers transport freight on the U.S. side;
- "Drayage" trucks move freight across the border to warehouses or yards; and,
- Mexican motor carriers transport freight within Mexico.

This process above applies both in north- and south-bound interchanges. Such operations also involve freight forwarders, customs brokers, and processing by government agencies.

NAFTA's trucking provisions would help reduce border congestion. Congestion increases under the present system because trailers often return empty after delivering freight across the border; "Bobtails" (tractors without trailers) deliver a trailer only one-way across the border and return solo; and, bobtails and empties are also required to be inspected at the port of entry just like loaded trailers. The additional unnecessary equipment increases congestion, delays, "over handling" of shipments, costs, and the potential for lost and damaged freight.

For the U.S. trucking industry, highway safety is paramount. All carriers operating in the U.S. – be they Canadian, Mexican or U.S. carriers – must comply with all U.S. safety and environmental standards, as well as financial and fiscal operational responsibilities. While operating in the U.S. all foreign carriers must abide by U.S. laws and regulations.

Thousands of "unsafe" Mexican trucks will NOT operate all over the U.S. when NAFTA trucking is fully implemented. NAFTA's "access" trucking provisions do not represent an "open door policy" for any Mexican carrier to operate into the U.S. Mexican motor carriers must first obtain U.S. operating authority before entering the U.S., which includes:

- Undergoing a thorough application process, including a Pre-Authorization Safety Audit (PASA) to be approved by the U.S. Department of Transportation (DOT).
- Demonstrating that they comprehend and have the ability to comply with all U.S. laws and regulations applicable to U.S. motor carriers.
- Receiving "conditional operating authority", which will not become permanent until they successfully undergo a comprehensive safety review within 18-months.

Mexican motor carriers must possess proper U.S. insurance coverage. Mexican carriers must obtain insurance from a U.S. licensed insurance company in order to operate in the U.S. Mexican carriers must provide insurance companies with information regarding, among other things, hiring and training practices, maintenance practices and overall safety management systems. In essence, Mexican trucking companies must undergo two thorough review processes: one by DOT and another review by insurance companies.

Mexican trucking companies operating in the U.S. have to comply with federal and state operational taxes and registration fees applicable to U.S. carriers. These taxes and fees specifically include the Heavy Vehicle Use Tax (HVUT), the International Registration Plan (IRP), the International Fuel Tax Agreement (IFTA), the Unified Carrier Registration Plan (UCR), and, depending on the type of operations, possibly local taxes.

NAFTA's trucking provisions will be evolutionary, not revolutionary: NAFTA allows motor carriers from both countries to enhance the flexibility of their cross-border operations. Such operations will not occur overnight, but will develop over time. In essence, the strong partnerships that have been created between U.S. and Mexican carriers to transport cross-border cargo will continue in the short and medium term and evolve slowly to eventually mirror U.S.–Canada cross-border operations.

It is important to note that under NAFTA, Mexican motor carriers are ONLY allowed to transport cargo that is international in nature (i.e. cargo with an international origin or destination), and are NOT allowed to transport U.S. domestic cargo.

Cross-border trucking and security: Cargo at rest is cargo at risk. Implementing NAFTA trucking will improve security by allowing shipments to move more efficiently across the border without stopping and transferring the trailer to a drayage carrier. By eliminating unnecessary stops, shipments can proceed straight to the port of entry once they've been assessed and cleared in advance by customs agencies. Keeping cargo moving and reducing the number of parties handling cross-border shipments actually improves security.

The trucking industry continues to be a strong partner in supply chain security. Motor carriers and other trade partners coordinate closely with government agencies in developing and strengthening the security of cross-border operations, participating in the Customs Trade Partnership Against Terrorism (C-TPAT), the Free and Secure Trade (FAST) Program, and the Automated Commercial Environment (ACE).

ATA CONTACT: Martin Rojas, Vice President, Security & Operations, (703) 838-7950