



Analysis of American and Canadian Cross Border Business Expansion in the Pacific Northwest

Presented by

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Removing Barriers

- Canada – U.S. Free Trade Agreement
 - Passed in 1989
- North American Free Trade Agreement
 - Passed in 1994
- Trade Tariffs Eliminated by 1998

Trade Partners

- Trade from Canada to United States in 2006
 - Exports: \$316.8 billion
 - Imports: \$191.8 billion

- Other Combined Trade Partners for Canada
 - Exports: \$71.3 billion
 - Imports: \$157.8 billion

Previous Research

- Increased border security results in increased delay and costs
- Subsidiaries bring employment and revenue to the host country
- Geographic proximity important to smaller firms
- No research done on the Pacific Coast

Neighboring Communities

- Whatcom County, WA and Lower Mainland, BC
- Similar culture and values
- No natural boundaries



Purpose of Research

- Identify initial reasons for expansion
- Determine obstacles to the expansion process
- Compile company demographics of businesses that have expanded and determine economic impact

Scope for Research

- Manufacturing, warehousing and wholesaling
- Significant presence in host country
 - Production facility or company owned warehouse
- Subsidiary located in Whatcom County or Lower Mainland

Methodology

- Compile list of eligible companies
 - 130 total companies
 - 64 American in Lower Mainland
 - 66 Canadian in Whatcom County
- Create survey tool
 - 36 question survey
- Create phone scripts



Make the Connection

- Administer Survey
 - E-mail
 - Phone
 - Personal interview
 - Mail
 - Fax

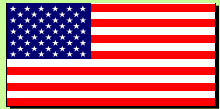


Survey Results



29 Canadian Companies

– 43.9% Response Rate



15 American Companies

– 23.4% Response Rate



Overall Response Rate: 33.8%

Canadian Subsidiaries

- Expansion through construction of bricks and mortar
- Expanding to:
 1. Access American market (23/29)
 2. Establish presence in the U.S. (10/29)
 3. Lower costs (8/29)

Canadian Subsidiaries

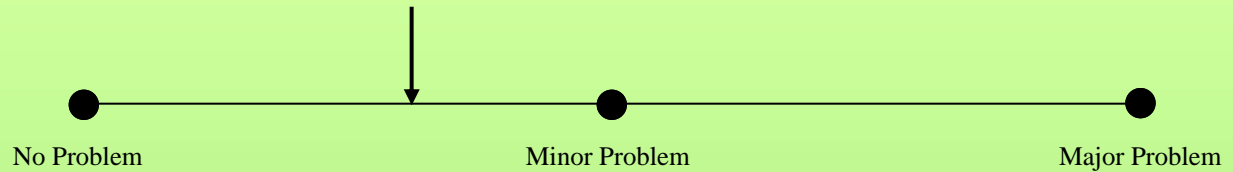
- Benefits to Expansion:
 1. Proximity to British Columbia (23/29)
 2. Strategic value (natural resources, local market access, product) (10/29)
 3. Labor and land availability (9/29)



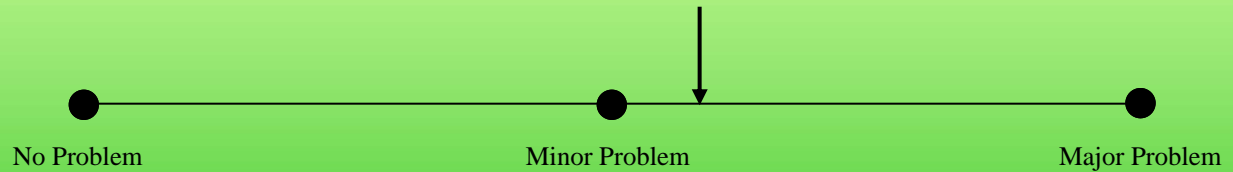
Border Crossing

- Border Delay for Employees

American:



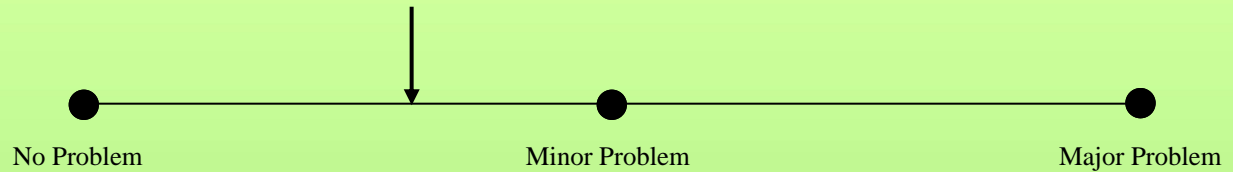
Canadian:



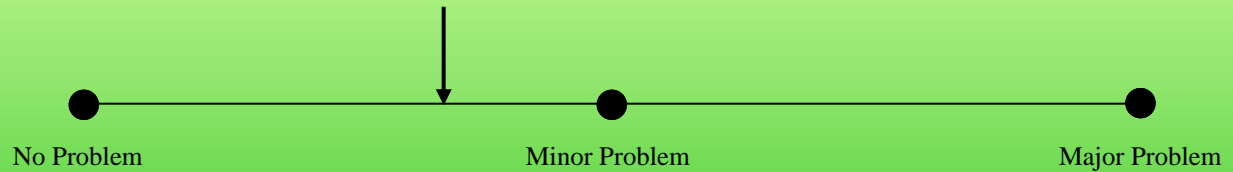
Border Crossing

- Border Delay for Cargo

American:



Canadian:

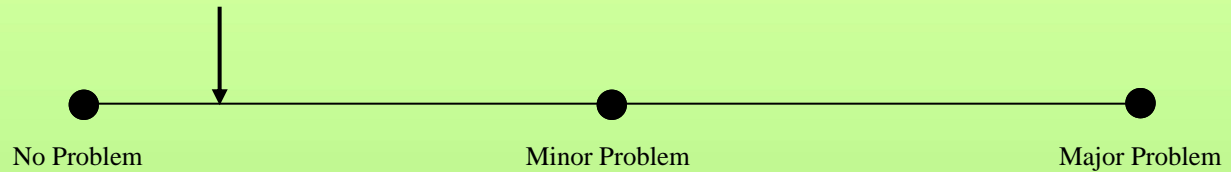




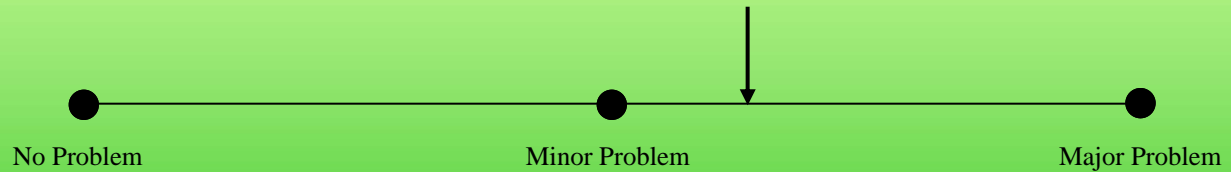
Border Crossing

- Border Documentation (Visa, Customs)

American:



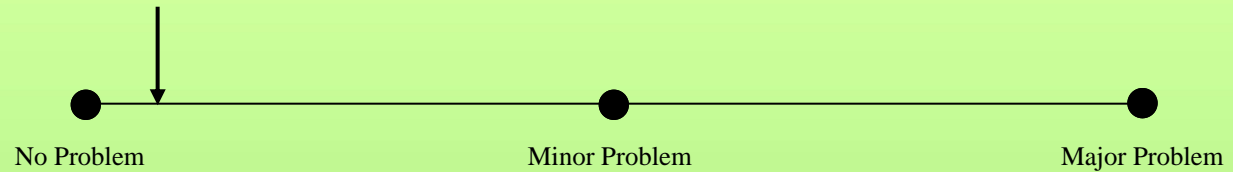
Canadian:



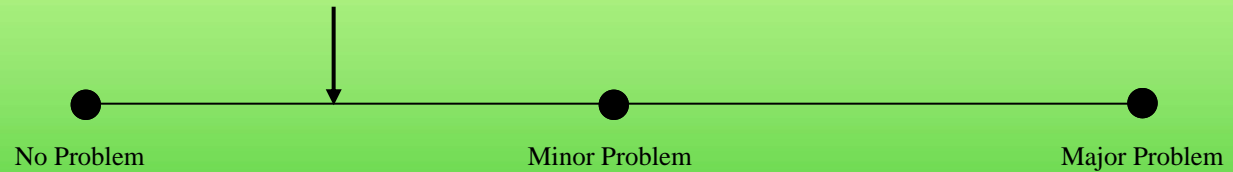
Recurring Challenges

- Labor Relations and Regulations

American:



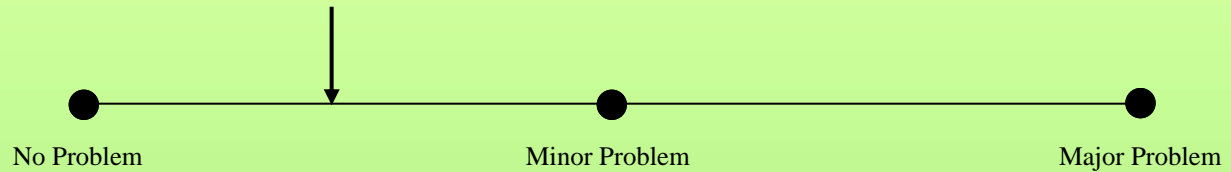
Canadian:



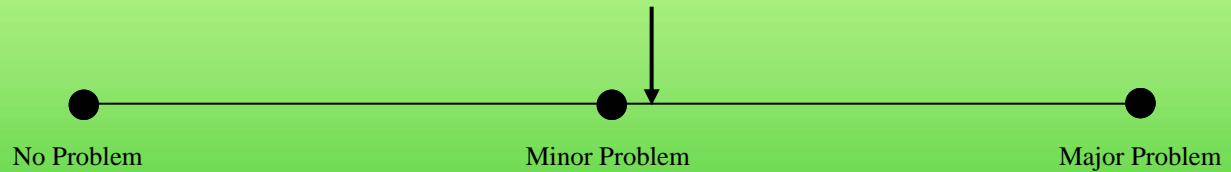
Recurring Challenges

- Hiring and Retaining Employees

American:



Canadian:

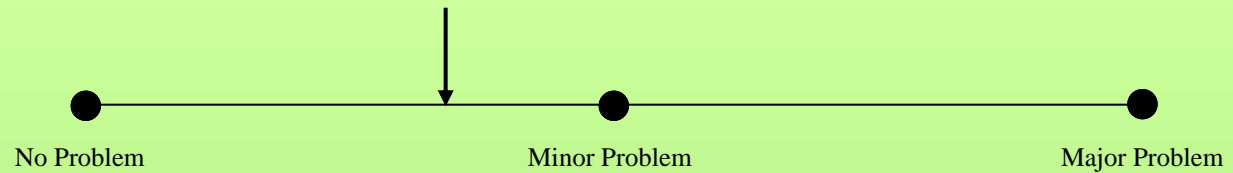
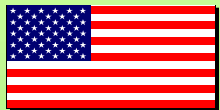




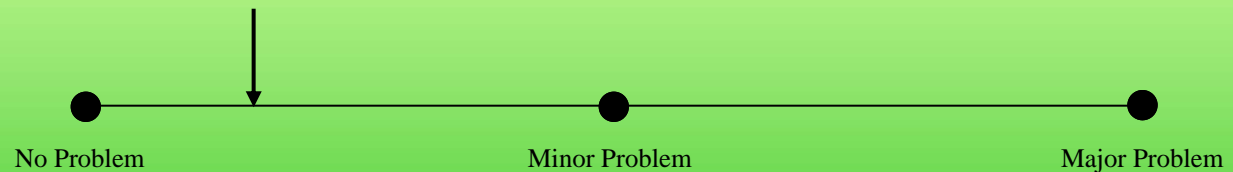
Recurring Challenges

- Federal Government

American:



Canadian:

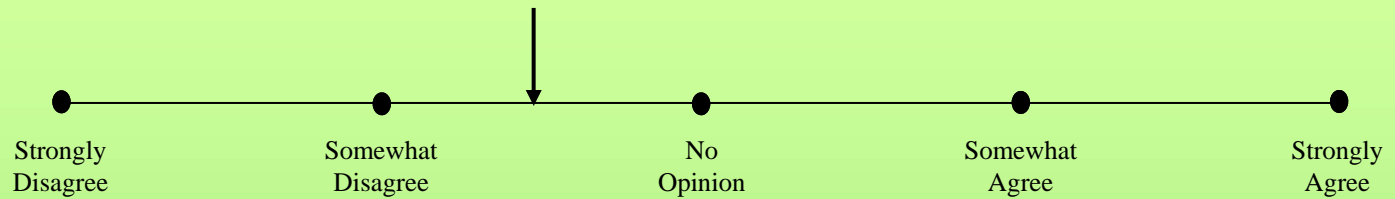




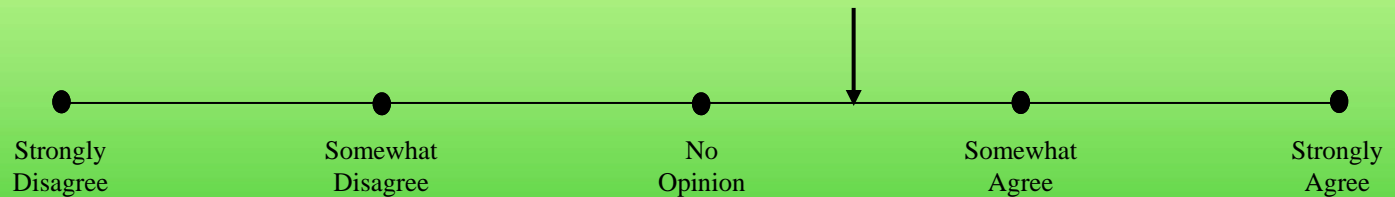
Perceptions

- Tax structure of host country is preferable to that of the home country.

American:



Canadian:

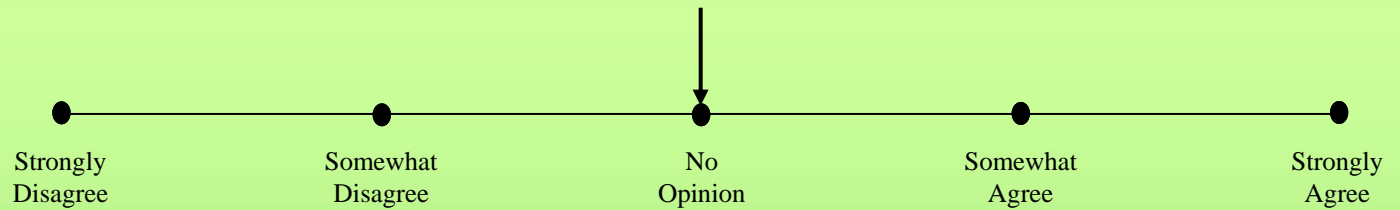
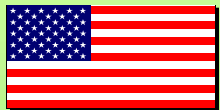




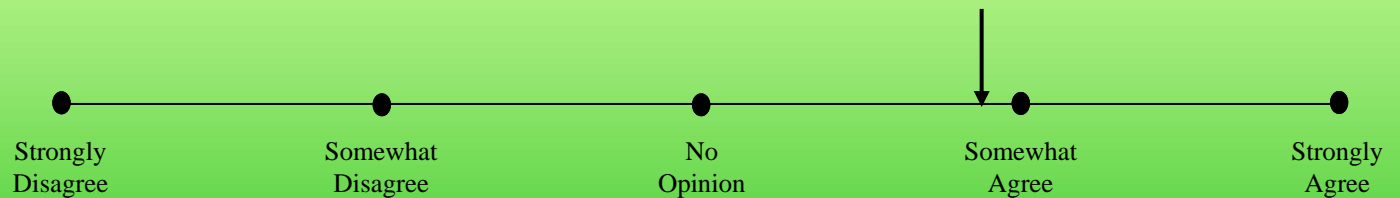
Perceptions

- Proximity to home county/province is important.

American:



Canadian:

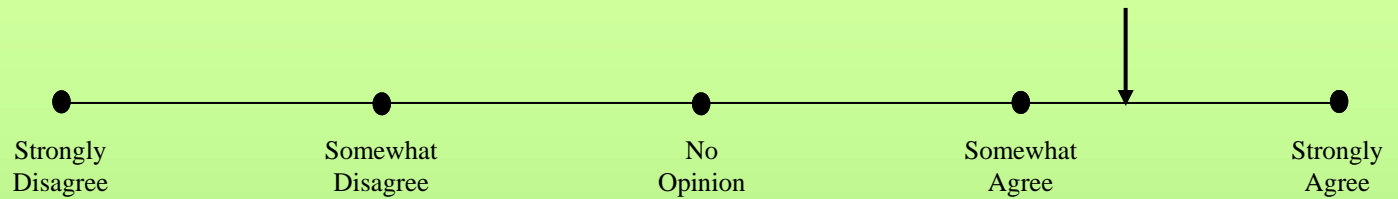




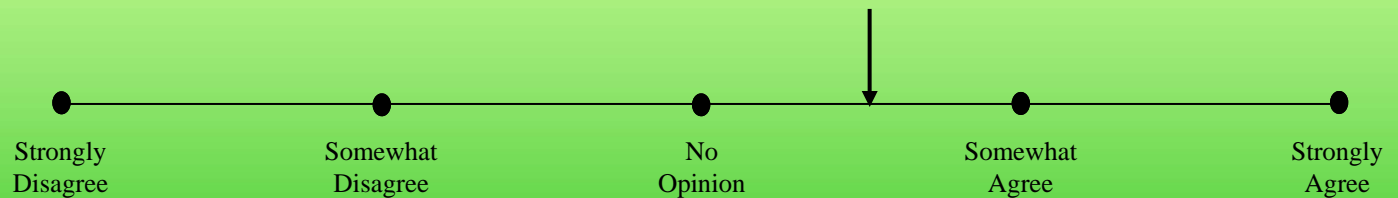
Perceptions

- Currency exchange rate greatly affects the company.

American:



Canadian:

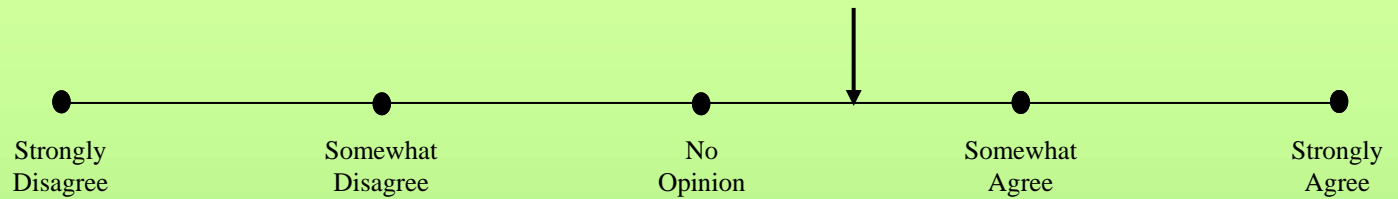




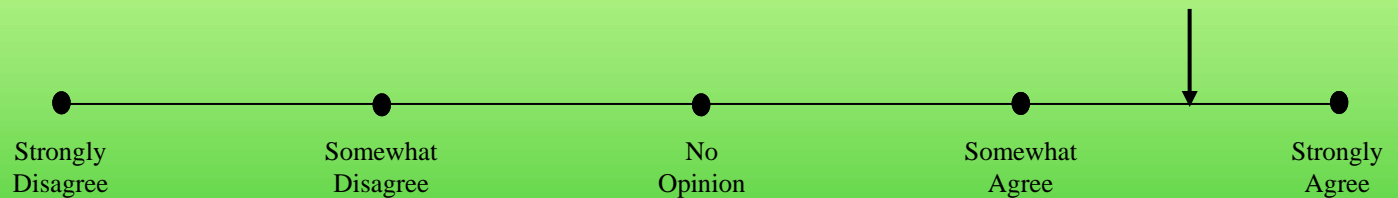
Perceptions

- Border crossing programs are important for smooth business operations.

American:



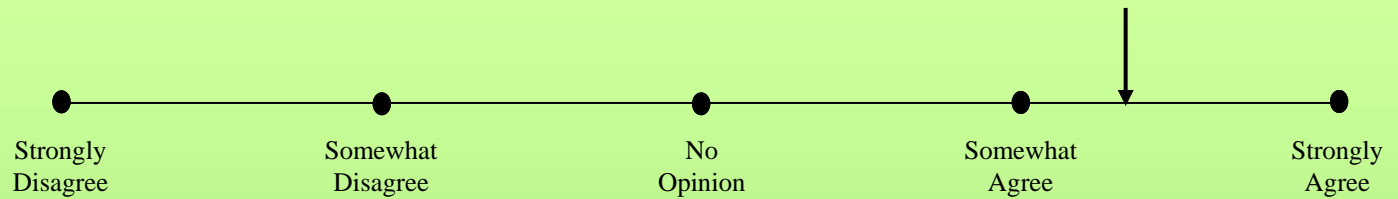
Canadian:



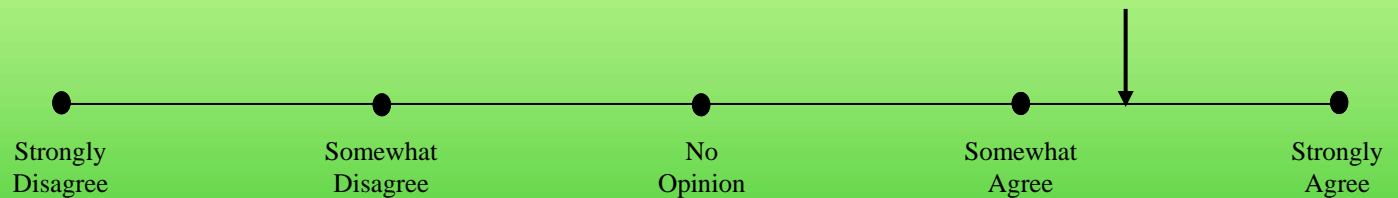
Perceptions

- Quick border crossing is vital to business activities.

American:



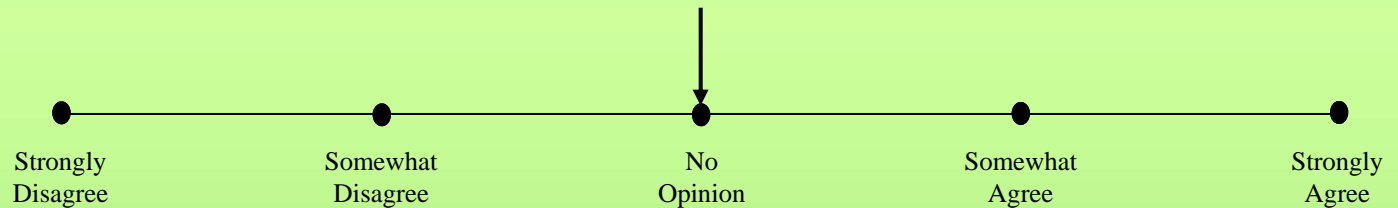
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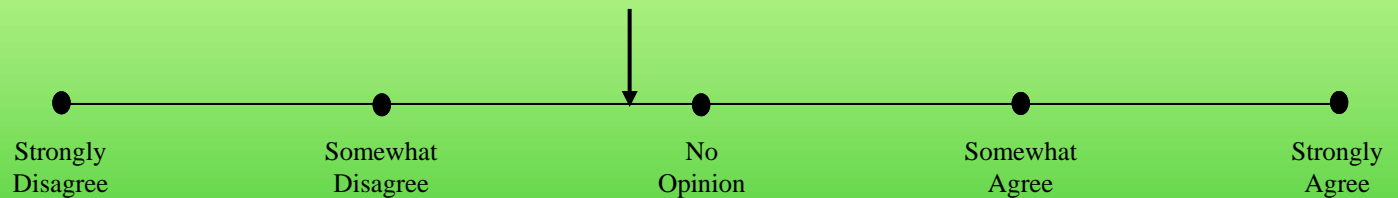
Perceptions

- Border security at U.S./Canada border is unobtrusive and operates efficiently.

American:

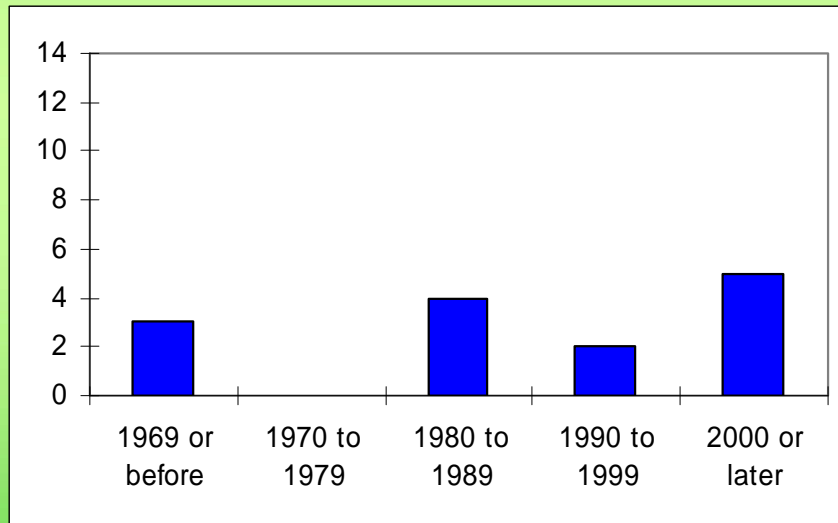


Canadian:

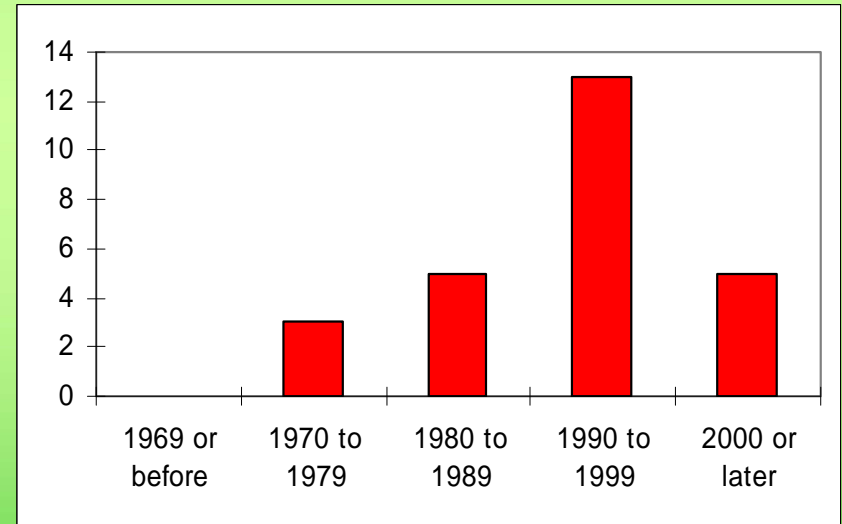


Company Demographics

- Expansion timeframe



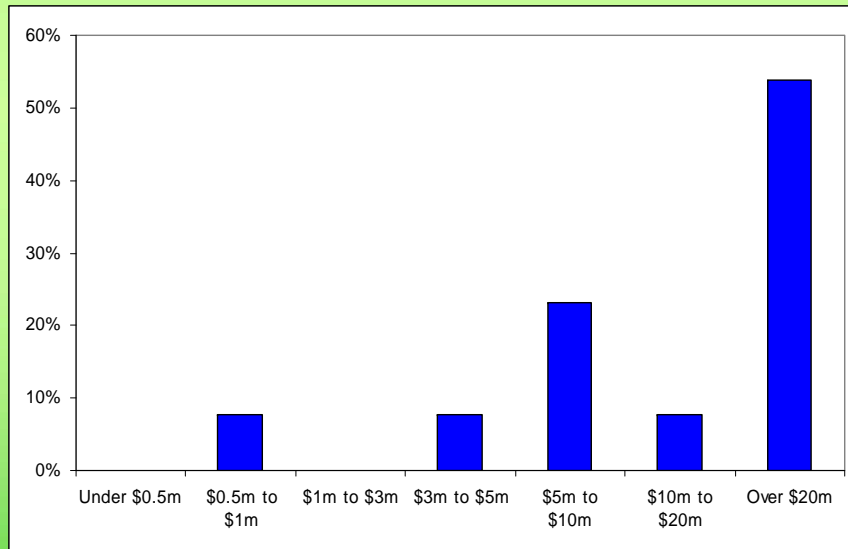
U.S. Subsidiaries



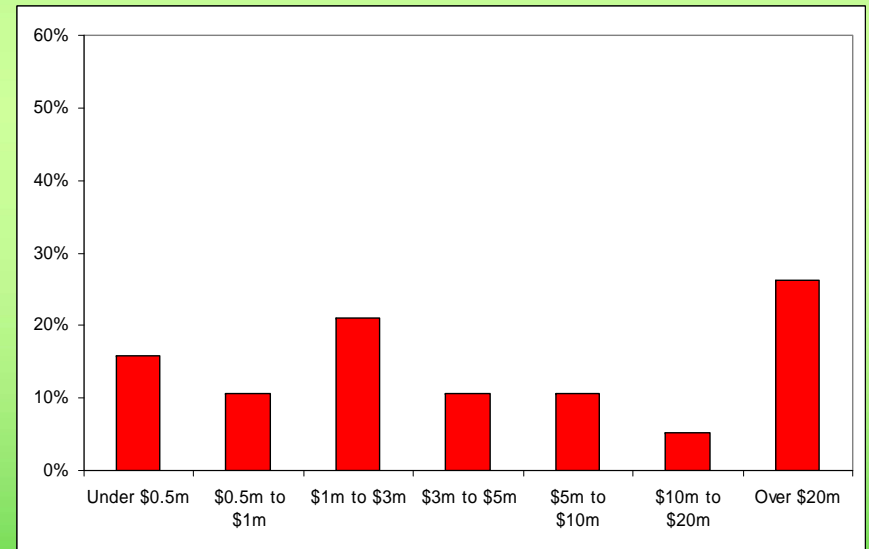
Canadian Subsidiaries

Company Demographics

- Gross Sales of Surveyed Companies



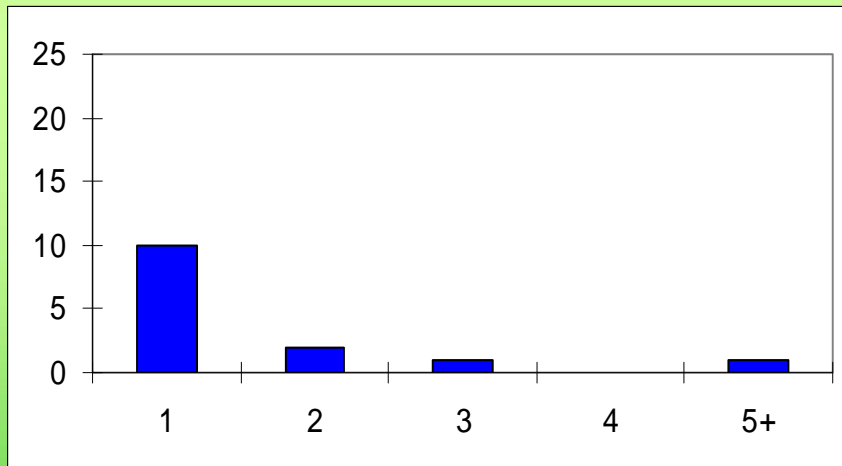
U.S. Subsidiaries



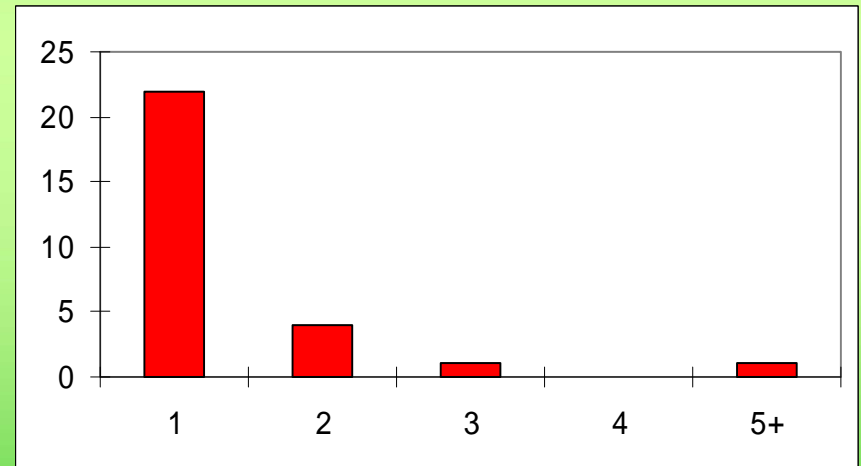
Canadian Subsidiaries

Company Demographics

- Number of subsidiary locations per company



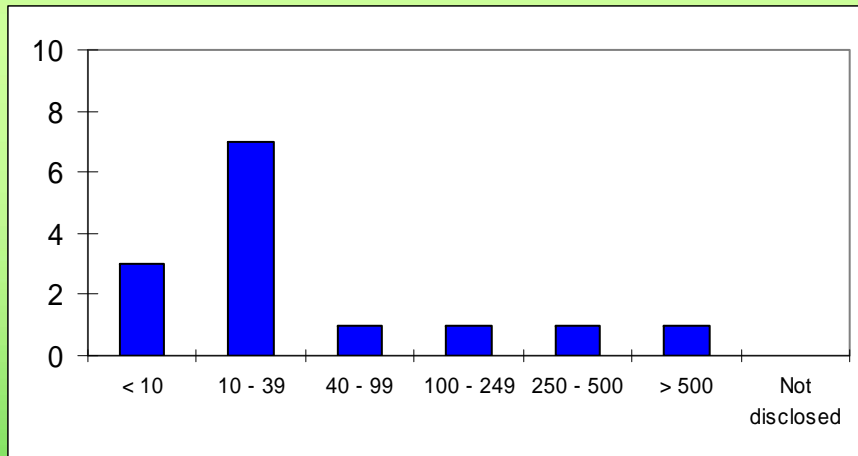
U.S. Subsidiaries



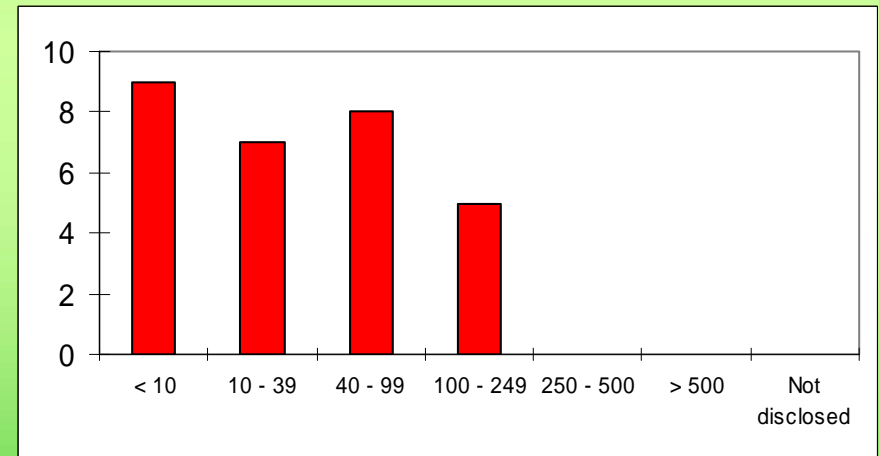
Canadian Subsidiaries

Company Demographics

- Subsidiary employment



U.S. Subsidiaries



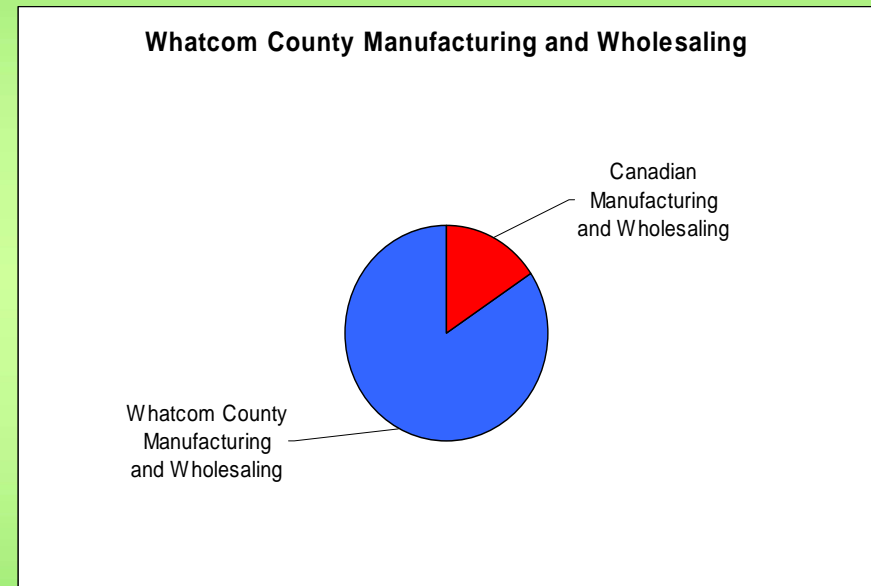
Canadian Subsidiaries

Economic Impact to Whatcom County

- Surveyed Canadian subsidiaries:
 - Employ between 900 and 2400 people
 - Generate approximately \$180 million in sales in 2006
 - (\$871,200 in B&O tax)
 - Account for 3.5% of manufacturing sales in Whatcom County
- All possible Canadian subsidiaries
 - Employ almost 4000 people
 - Account for approximately \$409 million in sales in 2006
 - (\$1,979,560 in B&O tax)

Economic Impact to Whatcom County

- Canadian Employment
 - 18.6% of Manufacturing, Warehousing and Wholesaling
 - 2.7% of Overall Whatcom County Business



Economic Impact to Whatcom County

- Top Employers as of February 2006:

Western Washington University	2109
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St. Josephs Hospital	2100
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Bellingham School District	1300
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Whatcom County	940
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Haggen	885
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Conclusion

- American and Canadian expansion bring significant employment and revenue to host country
- Reasons for expansion are the same
- Benefits derived from expansion are divergent
- Obstacles to expansion:
 - Whatcom County: Labor and border issues
 - Lower Mainland: Federal government



In Closing

“The art of progress is to preserve order amid change and to preserve change amid order.”

- *Alfred North Whitehead*