

"That the City of Surrey undertake a thorough analysis of the needs for additional capacity for industrial land uses in this quadrant adjacent to the existing industrially zoned lands, and report further on the merits of minor exclusions from agricultural lands based on land use".

Pursuant to this resolution, staff engaged Coriolis to prepare a market and land use analysis of the Border Crossing, with the following objectives:

- To determine whether there is a need to accommodate additional business, commercial, industrial, governmental and/or other land uses or infrastructure in the immediate vicinity of the Border Crossing; and
- If such needs are determined to exist, to identify the area, suitable location and absorption timeframe for each such land use type and any other special considerations that should be taken in account in preparing a detailed land use plan for the area.

DISCUSSION

Context

There are 102 hectares (252 acres) of land within the study area illustrated on Appendix II. The area is generally flat, with the Little Campbell River and its tributaries flowing across the north-eastern portion. It contains four OCP designations: Agricultural, Commercial, Industrial and Urban. The Industrial and Commercial designations provide for the border-related businesses in the area. The current zones and uses in the study area are:

Zone	Current Uses on the Property(ies)
General Agriculture (A-1)	Single family dwelling, hobby farm, B&B, dairy, vacant, Canada Customs & Immigration facility
Comprehensive Development (CD)	Tudor Inn (currently vacant), Douglas Pointe Strata Townhomes (74 units), RV Park (120 pads), Campbell River Store, vacant land
Light Impact Industrial (IL)	Warehouses, parking facilities
One-acre Residential (RA)	Highway r-o-w, truck parking facilities
Community Commercial (C-8)	Pub (currently vacant), brokerage offices

Consultant's Findings

Goods Movement Across the Border by Trucks

Goods being transported from Canada by trucks to the US are not required to clear Canada Customs. The only facilities required for southbound truck traffic are parking lots to allow the orderly queuing of trucks in advance of US Customs during times of heavy traffic. There is an existing truck lot on the Surrey side to the west of the Pacific Highway.

Goods being brought in from the US must clear Canada Customs. In the past, this involved the filing and presentation of hard copies of shipping documents and examination of goods being imported. This required the location of certain government offices and private businesses at or near the border to assist in expediting the goods clearance through Customs. During the past 10 to 15 years, the process of Customs clearing has become increasingly dominated by electronic document filing. There continue to be a small number of transactions that require manual processing, but such transactions are proportionately small compared to those that are cleared through electronic processing. Since 2000, with the implementation of an action plan by the Canada Border Services Agency ("CBSA"), the movement of legitimate trade across the border has been streamlined. As a result, businesses providing services related to the movement of goods across the border by trucks are able to operate from locations removed from the border crossings. The Free & Secure Trade ("FAST") system, a joint Canada-US program, has allowed the export and import of pre-approved goods across the border quickly and verification of trade compliance away from the border, resulting in dedicated lanes for trucks using the FAST system.

After shipments into Canada are reported to Customs, they can be moved across the border without having cleared Customs, providing they remain under Customs control at a "Sufferance Warehouse", "Bonded Warehouse", or a Customs designated "place of safekeeping". Sufferance Warehouses are privately-owned and are typically located at border crossings. Goods may remain there for up to 40 days pending release from Customs.

Customs-cleared goods slated for import or export may be placed in a Bonded Warehouse for up to four years allowing importers/exporters to hold inventory of goods without having to immediately pay duties and taxes until they are ready to enter the market. Neither a place of safekeeping nor a Bonded Warehouse has to be located at or near the border.

Pacific Highway Border Crossing

The Pacific Highway Border Crossing is the only Lower Mainland crossing that is a Designated Commercial Office offering 24/7 reporting and clearing services under the FAST program for commercial goods. It also offers 24/7 traveller services and immigration services from 8:00 a.m. to 12:30 a.m. seven days a week.

The current land uses in the vicinity of the Border Crossing are illustrated on page 6 of Appendix I. Border-related development is clustered immediately east and west of Highway No. 15, between the border and 2 Avenue. Most land uses generally related to the north-bound commercial traffic are located fronting onto 1 Avenue on the east side of Highway No. 15. They consist of:

- A facility occupied by CBSA, Agriculture Canada, Immigration Canada and other government offices;
- A two storey office building occupied by several customs brokerage offices; and

- An office and warehouse facility occupied by small customs brokerage offices and the Canadian Food Inspection Agency. The warehouse is an authorized Sufferance Warehouse. The building is located next to a vacant IL zoned site, approximately half of which is used for storage and tenant parking.

The land uses on the west side of Highway No. 15, largely serving the south-bound traffic, consist of a duty-free shop and the Ministry of Transportation-operated truck holding lot just north of the border. The non border-related land uses, all located on the west side, include a commercial business with a second storey vacant office, a hotel with the ground floor space for lease and an RV Park.

A vacant CD zoned site, to the north of 2 Avenue and west of Highway No. 15, is under application (File No. 7905-0079-00) for a rezoning to permit a mix of commercial and business park industrial uses. The consultant's report notes that, while the site's location on the high-traffic corridor makes it attractive for the proposed uses, such uses do not specifically require a location near the border.

Demand for Additional Land or Facilities at the Pacific Highway Border Crossing

The consultant conducted interviews with a variety of agencies, groups and businesses involved in goods movement across the border by truck, to determine whether there may be a future need for additional land for businesses that need to be at this border crossing.

- Canada Border Services Agency - CBSA initiatives, described earlier in this report, has reduced the need for customs-related businesses to be located at or near this border crossing. There are no plans for improvements to or expansion of their facilities at this crossing.
- RCMP - The RCMP detachment responsible for policing South Surrey, situate at 1815 – 152 Street, is well located to service both the Douglas/Peace Arch crossing and this Border Crossing. The RCMP has other units that are involved in border-related policing. There was no need identified for land or facilities for policing purposes at this Border Crossing. Further information on future needs in the vicinity of this Border Crossing was sought by the consultant, but was not available within the timeline of their report.
- BC Ministry of Transportation - The Ministry is in the process of widening Highway No. 15 to provide a dedicated FAST truck lane. Currently, they have no plans for facilities in addition to the existing truck holding lot.
- Canadian Customs Brokers Association (CSCB) - Due to the increasing reliance on electronic processing for the movement of goods, the current supply of land and facilities at the border crossings for the customs brokerage businesses appears adequate.
- BC Trucking Association (BCTA) - BCTA provides the voice of the commercial road transportation industry in BC. The responses from individual members suggest that they want to get through the border as quickly as possible. The longer they have to

wait, the more services they tend to need, such as washroom facilities, food service and a full-service truck stop with fast food and truck service (i.e. tire shop) facilities.

- Customs Brokers - The consultant also interviewed custom brokers who maintain offices at this border crossing. In summary:
 - With the increasing electronic processing, the main offices can be located elsewhere;
 - There will always be a need for a presence at the border for competitive purpose, to maintain a corporate image and to deal with out-of-ordinary problems and situations;
 - While the office space at the border is at a premium, most brokers are happy with the space they have;
 - There is some concern about the inadequacy of tenant parking at one of the office facilities; and
 - The Sufferance Warehouse space appears to be adequate.

Summary of Consultant's Findings

- There is not likely to be significant growth in the demand for office or warehouse space that must be located at or near the Pacific Highway Border Crossing. The need to deal with occasional "problem" shipments means there will always be a need for some office space for customs brokerage businesses, the preferred location being on the east side of Highway No. 15. The available office and warehouse space (Sufferance Warehouses) that must be at this location, appears to be adequate. There is approximately five acres of vacant land available to the east of Highway No. 15 should there be a need to respond to future demand. Also, on the west side of Highway No. 15, although less preferable, there are older commercial developments, which are partially vacant and which could satisfy some demand for office space, or could be redeveloped. The vacant site on the west side of Highway No. 15, currently under application, could fulfil some of the future needs.
- Given that this is a high volume 24/7 truck crossing, there is some potential for businesses along Highway No. 15 that serve the trucking industry, such as truck-stops or truck servicing facilities. However, there is no border or customs-related reason that they have to locate at or near the border. They might be better located at major intersections in South Surrey.
- The consultant has concluded that there does not seem to be a compelling reason to make any large tracts of land available for border-crossing related commercial and industrial uses. That is not to say that there is not demand for these uses, but these uses do not require proximity to the border and could readily locate on suitably zoned sites elsewhere in South Surrey.
- Staff will be able to work with the owners of existing properties to resolve issues and work toward the more efficient functioning of parking and circulation on some sites, to provide for infill and expansion within the area currently outside of the ALR, at the time of development applications.

CONCLUSION

It is recommended that Council receive this report as information. The findings of the "Pacific Highway Border Crossing Study", prepared by Coriolis, dated March 2006 and attached Appendix I to this report will be used by staff as a basis for reviewing any future applications for exclusion of land from the ALR in the vicinity of the Pacific Highway Border Crossing.

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BP/kms/saw

Attachments:

Appendix I Pacific Highway Border Crossing Study, Coriolis Consulting Corp, March 2006

Appendix II ALR Boundary and Recent Applications in the Study Area

PACIFIC HIGHWAY BORDER CROSSING STUDY

PREPARED FOR:

CITY OF SURREY

CORIOLIS CONSULTING CORP.

MARCH 2006

TABLE OF CONTENTS

<u>1.0 INTRODUCTION</u>	<u>1</u>
<u>2.0 GOODS MOVEMENT ACROSS THE CANADA – USA BORDER BY TRUCK</u>	<u>2</u>
2.1. OVERVIEW	2
2.2. CURRENT FRAMEWORK OF PROGRAMS AND FACILITIES	2
2.3. CANADIAN CUSTOMS CLEARANCE AND RELEASE PROCEDURES	4
<u>3.0 HIGHWAY BORDER CROSSINGS</u>	<u>5</u>
3.1. LOWER MAINLAND BORDER CROSSINGS	5
3.2. PACIFIC HIGHWAY BORDER CROSSING	5
3.2.1. <i>LAND USE PATTERN AT THE PACIFIC HIGHWAY BORDER CROSSING</i>	6
3.2.2. <i>INVENTORY OF BORDER-RELATED USES AT PACIFIC HIGHWAY BORDER CROSSING</i>	7
<u>4.0 INDICATORS OF DEMAND FOR ADDITIONAL LAND OR FACILITIES AT THE PACIFIC HIGHWAY BORDER CROSSING</u>	<u>9</u>
4.1. CANADA BORDER SERVICES AGENCY	9
4.2. RCMP	9
4.3. BC MINISTRY OF TRANSPORTATION	10
4.4. CANADIAN CUSTOMS BROKERS ASSOCIATION	10
4.5. BC TRUCKING ASSOCIATION	11
4.6. CUSTOMS BROKERS	11
4.7. EXPERIENCE OF EXISTING PRIVATELY OWNED FACILITIES	13
4.8. DEVELOPMENT APPLICATIONS IN PROCESS (MARCH 27, 2006)	13
4.9. SUMMARY AND IMPLICATIONS FOR DEMAND	15
4.9.1. <i>DEMAND FOR OFFICE SPACE</i>	15
4.9.2. <i>DEMAND FOR WAREHOUSE SPACE</i>	15
4.9.3. <i>DEMAND FOR OTHER COMMERCIAL SPACE</i>	15
<u>5.0 CAPACITY FOR ADDITIONAL DEVELOPMENT AT THE PACIFIC HIGHWAY CROSSING</u>	<u>16</u>
<u>6.0 IDENTIFICATION OF POTENTIAL GAPS IN SUPPLY OF LAND OR FACILITIES</u>	<u>17</u>
<u>7.0 CONCLUSIONS AND RECOMMENDATIONS.</u>	<u>18</u>

APPENDIX 1: List of Interviews

1.0 Introduction

The City of Surrey has been contacted by land owners and developers who have expressed interest in applying for approval for light industrial zoning for sites in the vicinity of the Pacific Highway border crossing. The land in this area, outside of a small commercial and light industrial concentration right at the border, is in the Agricultural Land Reserve (ALR). The city would not likely support the exclusion of land from the ALR for typical light industrial or commercial uses that could readily locate at appropriately designated lands in other parts of Surrey, but it might consider supporting ALR exclusion if there is a demonstrable need for additional lands to accommodate businesses that are involved in the movement of goods across the border and who require a location at or very near the border crossing. The City has asked Coriolis Consulting Corp. to provide an analysis of supply and demand conditions for businesses that must be located at or near the border in order to determine if there is a good case for approving land for additional development in this area.

Our work begins with a review of regulatory procedures and new initiatives related to the movement of goods by truck across the border. We evaluate likely future demand through:

1. interviews with government agencies, industry associations, customs brokerage businesses, and landlords of existing facilities, and
2. a review of current applications for new development and rezoning.

We compare demand with existing capacity for additional supply, and then summarize our conclusions and recommendations.

2.0 Goods Movement Across the Canada – USA Border by Truck

2.1. Overview

Goods being exported by truck from Canada to the US have no requirement to clear Canada Customs, so the only facilities required to deal with southbound traffic are holding lots to allow the orderly queuing of trucks during times of heavy traffic. Such a lot was recently created at the Pacific Highway border crossing to hold trucks that would otherwise cause congestion along Hwy 15 as they wait to clear US customs.

Goods being imported by truck from the US to Canada must clear Canada Customs. Historically, the process of clearing customs involved the filing and presentation of hard copy shipping documents. There was also a requirement for facilities that could be used for the examination of goods being shipped. This resulted in the need for certain government offices and private sector businesses such as customs brokers to be located at or near border crossings so that they could assist in the expediting of import shipments.

During the past 10 to 15 years, the process of clearing goods through Customs has become increasingly dominated by electronic document filing. There continue to be transactions that require the manual filing or presentation of hard copy documents at the border, but these are an increasingly small proportion of all transactions.

Since 2000, The Canada Border Services Agency (CBSA) has been working to implement its strategic action plan "Investing in the Future: The Customs Action Plan 2000 – 2004". Much of the plan has now been implemented and one of its principal purposes has been to streamline the movement of legitimate trade in a way that allows for better protection from threats and illegal activity.

As a result of these recent changes, it is now possible for businesses providing brokerage and other services related to the movement of goods across the border by truck to conduct business from locations that are not located in the immediate vicinity of the border crossing.

2.2. Current Framework of Programs and Facilities

Exports have been streamlined through Canadian Automated Export Declaration (CAED), which is a service that allows registered exporters, brokers, and freight forwarders to report their exports electronically.

The Accelerated Commercial Release Operations System (ACROSS) uses electronic technology to streamline the way goods are brought into Canada by importers and brokers. The Customs Automated Data Exchange (CADEX) system enables importers to file their Canada Customs Coding Forms electronically.

The Free and Secure Trade (FAST) program is a joint Canada – US commercial system to move pre-approved eligible goods across the border quickly and to verify trade compliance away from the border. This has involved the construction of dedicated lanes for trucks using the FAST system.

After shipments have been reported to Customs, goods can be moved beyond the border or an airport without having cleared customs providing they remain under customs control at a "Sufferance Warehouse", "Bonded Warehouse", or a Customs designated "Place of Safekeeping"

Sufferance Warehouses, which are located at commercial vehicle border crossings, are privately owned and operated facilities licensed by the CBSA for the short-term storage and the examination of imported goods pending release from customs. Sufferance warehouse operators charge a fee to their clients for storage and handling. Goods may remain in a Sufferance Warehouse for up to 40 days. If goods are not claimed or removed from a Sufferance Warehouse within 40 days, CBSA will transfer them at the owner's expense to a place of safekeeping. Goods not formally released and accounted for, or exported within 30 days from the date of notification of removal to a place of safekeeping are forfeit to the federal government to dispose of accordingly.

A Bonded Warehouse is privately owned and operated and may be located "inland" (i.e. does not have to be at the border). Goods slated for import or export may be placed in a Bonded Warehouse for up to four years. Goods stored in a bonded facility enjoy complete deferral of all duties (including GST). This allows importers and exporters to hold inventory that has cleared customs without having to immediately pay duty and tax on the entire shipment. Duties are payable only on the portion of the goods that enter into the Canadian economy. Bonded Warehouse facilities offer these value-added services:

- Labeling and marking,
- Packaging and repackaging,
- Testing and separating defective from prime quality goods,
- Diluting, cutting, slitting, trimming, and filing, and
- Disassembling or reassembling goods that have been disassembled for packing, handling, or transportation.

2.3. Canadian Customs Clearance and Release Procedures

There are four steps in Canada Customs' clearance procedure.

1. Reporting – All shipments entering Canada must be reported to Canada Customs at the time of their arrival. In most cases, contracted carriers submit a Cargo Control Document (or waybill) at the point of entry. Usually these are submitted electronically to a customs broker who handles the clearance procedure on behalf of the carrier. In cases when the Cargo Control Document is submitted in paper form, the carrier will usually work with a broker who has an office at the point of entry.
2. Releasing Goods – Customs brokers are licensed by Canada Customs and act on behalf of the carrier to secure the release of the goods through Canada Customs. Some goods are subject to the requirements of other government departments and may require permits (e.g. textiles, clothing, steel products, poultry, some meat products, controlled drugs). The Customs broker arranges for proper permits.
3. Canada Border Services Agency (CBSA) offers two electronic systems to allow for the efficient release of goods:
 - a. Pre-Arrival Review System (PARS) – This is a release system that allows highway carriers to fax or transmit documents to brokers, who then submit the documents to CBSA in advance of the shipment's arrival at the border. Upon arrival, the carrier provides the original PARS bar-coded document to customs. If there is a match in the system from the broker's transmission, and if Customs does not have any questions and doesn't examine the shipment, the goods are released. This has reduced the need for brokers to have a presence at the border.
 - b. Frequent Importer Release System (FIRST) – This is similar to PARS but applies to frequent bulk loads of non-sensitive materials (e.g. lumber, gravel). Both the importer and the carrier must apply for authorization through CBSA. Approved shippers are given pre-printed bar-coded documents which are presented upon arrival at the border. If everything is in order, the goods are released and the form is forwarded to the broker for accounting after the release.
 - c. Examinations – Shipments are randomly examined to verify compliance. Problems such as incomplete documentation may result in goods being detained in a sufferance warehouse.
 - d. Accounting for Duties and Taxes – The customs broker submits a final accounting package to Customs and pays the appropriate duties and taxes on behalf of the carrier.

3.0 Highway Border Crossings

There are currently nineteen Land Border Crossings in BC. Three of these are Designated Commercial Offices which offer 24/7 commercial services for the reporting and clearing of commercial goods: Pacific Highway in Surrey, Osoyoos in the Okanagan, and Kingsgate in the Kootenays.

3.1. Lower Mainland Border Crossings

There are five land border crossings in the Lower Mainland: Boundary Bay, Douglas (i.e. Peace Arch), Pacific Highway, Aldergrove and Huntingdon.

- Three of these crossings (Boundary Bay, Douglas, and Pacific Highway), are open 24/7 and during peak hours offer NEXUS service, which is a joint Canada-US system designed to simplify crossing the border for pre-approved, low risk non-commercial travelers.
- Boundary Bay also offers commercial service M-F 8:00 a.m. to 4:00 p.m.
- The Douglas (i.e. Peace Arch) crossing does not offer commercial services (these are directed to the Pacific Highway crossing) but it is a designated Railway Depot for the reporting of passengers and freight arriving by rail.
- The Pacific Highway crossing is the only Lower Mainland crossing that is also a Designated Commercial Office (i.e. truck crossing) offering commercial service 24/7 with the FAST program.
- The Huntingdon (Sumas at Hwy11) crossing offers traveler (i.e. non-commercial) services 24/7, and commercial services M-F 8:00 a.m. to 5:00 p.m. Huntingdon is also a Designated Export Office for the reporting of exports; a Railway Depot for the reporting of passengers and freight arriving by rail; an Electronic Data Interchange office for the electronic transmission of cargo, release and accounting data; and offers a Duty Free outlet.
- The Aldergrove (Hwy 13) crossing offers non-commercial traveler services seven days a week 8:00 a.m. to 12:00 a.m. It offers commercial services M-F 8:00 a.m. to 4:00 p.m. Aldergrove is a designated Export Office and provides a Duty Free outlet.

3.2. Pacific Highway Border Crossing

The Pacific Highway Border Crossing (Hwy 15 or 176th Street) offers the most comprehensive array of services of any land crossing in the Lower Mainland. It provides traveler and commercial services 24/7, and Immigration services from 8:00a.m. to 12:30 a.m. 7 days a week. Services offered include:

- Designated Commercial Office (DCO) providing 24/7 services for the reporting and clearing of commercial goods.

- Designated Export Office (EXPORT) for the reporting of exports.
- Duty Free Shop (SHOP)
- Electronic Data Interchange (EDI) providing for the electronic transmission of cargo, release, and accounting data.
- Free and Secure Trade (FAST) providing FAST clearance procedures.
- Highway – Land Border Office (HWY/B)
- Immigration (IMM) office providing a full range of immigration services.
- NEXUS Highway (NEXUS/HWY) - Nexus lanes into Canada are open 2:00 p.m. to 6:00 p.m. 7 days a week. Nexus lanes into the US are open 12:00 p.m. to 3:00 p.m. 7 days a week.

3.2.1. Land Use Pattern at the Pacific Highway Border Crossing

Current land use in the vicinity of the Pacific Highway Border crossing is illustrated on Figure 1.

Figure 1: Pacific Highway Border Crossing - Current Land Use (February 2008)



Border-related development is clustered immediately west and east of Hwy 15, between the border and 2nd Avenue. Most land uses related to commercial border traffic (e.g.

customs brokers and a sufferance warehouse) are located east of Hwy 15, fronting on 1st Avenue, opposite the government Canada Border Services Agency (CBSA) facility.

Land use on the west side of Hwy 15, south of 2nd Avenue includes: a large Duty Free shop and surface parking; a holding lot operated by the Ministry of Transportation to allow for the orderly queuing of southbound commercial truck traffic waiting to clear US customs; and some small, older commercial properties not directly related to cross border goods movement (e.g. commercial with second floor office space for lease, hotel with ground floor space for lease).

Land use to the north of this cluster on the east side of Hwy 15 is primarily agricultural. Immediately north of this cluster on the west side of Hwy 15, there is a vacant CD zoned site which is bounded by Hwy 15 and a relatively new 38 unit townhouse project immediately to the west. Land use to the north and west of the townhouse project is mainly agricultural.

3.2.2. *Inventory of Border-Related Uses at Pacific Highway Border Crossing*

The border-related uses at the Pacific Highway Crossing include:

- A large facility occupied by CBSA, Agriculture Canada, Immigration Canada and other government offices. This is on the east side of Hwy 15, immediately north of the border.
- A two storey wood frame office building (120 – 176th Street) occupied by the building owners (A&A Contract Customs Brokers) as well as several other customs brokerage offices.
- A large office and warehouse facility located at 17637 - 1st Avenue occupied by the owners, ABC Customs Brokers and the Pacific Group of Companies head offices, as well as 28 additional office tenants. Most tenants are small customs brokerage branch offices and there is one government tenant (Canadian Food Inspection Agency). The warehouse facility is an authorized Sufferance Warehouse operated by the facility owner. This complex is adjacent to a vacant site that is zoned IL. Approximately half of this vacant site is used for surface storage and tenant parking and half is unused.
- A large Duty Free shop on the west side of Hwy 15 with surface parking.
- A surface parking holding lot on the west side of Hwy 15 immediately north of the border, operated by the Ministry of Highways to allow for the orderly queuing of south bound commercial truck traffic during periods of heavy volume.

Other (non-border related) land uses in the vicinity include:

- An older two storey hotel structure at the south west corner of 2nd Avenue and Hwy 15. The pub space on the ground floor of this structure is currently for lease.

- A small two storey building on Hwy 15 with second storey office space for lease and a bar on the ground level.
- An RV park located immediately west of the Ministry of Highways truck holding lot.
- A vacant site and relatively new townhouse project located west of Hwy 15, opposite the weigh scales.
- Agricultural properties.

4.0 Indicators of Demand for Additional Land or Facilities at the Pacific Highway Border Crossing

Following is a summary of the results of interviews with a variety of agencies, groups and businesses involved in the movement of goods by truck across borders at highway crossings. Appendix 1 contains a full list of interviewees. Our interviews addressed these questions:

- Is it essential or important for businesses involved in the movement of goods by truck through customs to have a physical presence at border crossings?
- What type and amount of space is required at the border?
- Is the current supply of border-related facilities and land adequate at the Pacific Highway Crossing?
- Are there services that are not currently located at or near the Pacific Highway border crossing that should be there now or in the future?
- Are there any emerging technologies or regulation changes that will affect the need for a physical presence at the border?
- During the next few years, will the customs clearing industry as a whole likely need more, less, or about the same amount of space in the vicinity of the Pacific Highway crossing?

4.1. Canada Border Services Agency

As outlined in Section 2.0, the federal government, through its Canada Border Service Agency (CBSA) has been working to complete the implementation of its action plan aimed at improving the efficiency and security of the movement of goods across the border. Many of the initiatives have been aimed at reducing congestion at border entry points and allowing goods to move across the border to be released from Customs when they arrive at inland locations. This has generally reduced the need for customs-related businesses to be located in the immediate vicinity of the border.

The CBSA is in the process of replacing its office facility at the Douglas Border Crossing. The new facility will fit on the footprint of the old facility. During construction, offices normally located at the Douglas crossing have been temporarily relocated to the CBSA facility at the Pacific Highway crossing. The CBSA has no plans for improvements to, or expansion of, the facilities at the Pacific Highway facility.

4.2. RCMP

The RCMP detachment responsible for policing in the South Surrey area is District 5 (South Surrey) of the Surrey Detachment. The District 5 offices at 1815 – 152nd Street

are well located to service the South Surrey community and the Douglas and Pacific Highway border crossings. The RCMP also has other units that are involved in border related policing. As of April 11, 2006, we were awaiting a response from the Regional Manager, Strategic Investments Pacific Region, regarding whether the RCMP requires additional land or facilities in the immediate vicinity of the Pacific Highway border crossing.

4.3. BC Ministry of Transportation

The BC Ministry of Transportation is responsible for approving applications for use and access along Highway 15. It also provides a truck queuing facility to reduce southbound traffic congestion. The Ministry is in the process of widening Highway 15 to provide a dedicated truck lane for carriers using the Free and Secure Trade (FAST) program. The Ministry currently has no plans for additional facilities or further road improvements in the immediate vicinity of the Pacific Highway Crossing.

4.4. Canadian Customs Brokers Association

The Canadian Society of Customs Brokers (CSCB) includes approximately 160 corporate members, over 1900 Certified Customs Specialists, and more than 550 students. The society's roles include:

- representing the interests of customs brokers to government departments and agencies involved in regulating international trade;
- working with government and the private sector to develop solutions to issues identified by members;
- ensuring that members have access to up-to-date information on technical, operational, and management issues;
- supporting the educational needs of members.

The Manager of Member Services indicated that historically, before the electronic era, customs brokers needed to be physically close to border entry points because all transactions involved the manual movement and processing of paper shipping documents. During the past 10 to 15 years, the process of clearing goods through customs has become increasingly electronic. As a result, customs brokers now only need a presence at the border to deal with problems that arise, or with the small percentage of shipments that require onsite paperwork.

The adequacy of the supply of land and facilities at highway border crossings has not been raised as an issue of general concern among the membership.

4.5. BC Trucking Association

The BC Trucking Association (BCTA) is a province-wide non-profit motor carrier association whose members include large trucking, courier and bus companies as well as medium and small size operators. The mandate of the association is to serve as the voice of the commercial road transportation industry in BC.

According to the BCTA web site, *"The Pacific Highway crossing is one of the busiest in the country with about a quarter of all goods entering or leaving the province moving through that port. The value of goods passing through the Pacific Highway port increased from \$7.5 billion in 1990 to \$19.1 billion in 2003. The substantial increase reflects the rising volume of truck traffic crossing the border in both directions"*.

The President/CEO of the BCTA thinks it is unfortunate that recent development along the Highway has restricted the establishment of a freight industry transportation corridor along Highway 15 in the vicinity of the Pacific Highway Crossing.

Responses to our request for input from individual association members suggest that most truckers want to get through the border as quickly as possible. The longer it takes to get across, the more services they tend to need. Examples of the sorts of services truckers would like to be able to access include washrooms and fast food near the south-bound staging area. Two association members indicated they would like to see a full-service truck stop with fast food and some repair facilities (e.g. tire shop) on the Canadian side.

4.6. Customs Brokers

Following is a summary of interviews with ten Customs Brokers that maintain offices on the Canadian side of the Pacific Highway Border Crossing.

- Two of the brokers have head offices at the Pacific Highway Crossing. These businesses regard the Pacific Highway border crossing as a good location because Canada Customs has centralized its border services operation there. Although both companies have had a long history of being at this location, both acknowledge that with the increasing use of electronic clearing procedures, their main office could locate elsewhere. Both occupy space in buildings they own.
- Most of the brokerage operations at the border are small branch operations with few employees. Most occupy less than 1000 square feet each in leased premises and do not offer 24/7 service.
- All of the brokers agree that even with the increased use of electronic clearing procedures, there will likely always be a need for at least one customs broker to be physically present at the border to deal with problems and situations that require manual filing of paper documents. In situations when a carrier has a problem at the

border, many of the brokers with offices at the border serve as agents for brokers who do not have a physical presence at the border.

- Customs brokerage is a competitive business and some brokers maintain an office at the border so that they do not have to use an agent who would then have access to their client names and contacts.
- Some brokers believe that having an office at the major border crossings contributes to corporate image and credibility which can be useful for marketing purposes.
- Most brokers think that office space is at a premium at the border but most are happy with the amount of office space they have. Some offices have closed and some have consolidated.
- There is some concern about an inadequate supply of tenant parking at one of the office facilities.
- All of the brokers felt that the supply of sufferance warehouse space at the border seemed to be adequate to meet the needs of their carrier clients.
- Most of the brokers with small branch offices at the border felt that during the next few years they would likely need about the same or possibly less office space at the border.
- Most brokers use bonded warehouses that are not located at the border. Bonded warehouses typically look for locations that are accessible to east/west and north/south traffic. There is no need for, or advantage to, locate these facilities right at the border.

Following is a summary of interviews with two brokers who have head offices elsewhere in the Lower Mainland. One of these has a small branch office at the Pacific Highway Crossing.

- The broker with a small branch office at Pacific Highway has established its head office in a location where it can also operate a bonded warehouse facility.
- The broker without a presence at the Pacific Highway crossing has adopted a corporate strategy of operating completely electronically. It has cultivated a clientele whose shipping needs rarely involve the need for manual intervention at the border. This broker uses an agent located at the border when necessary.
- Both of these brokers agree that there will always be a need for a limited brokerage presence at the border to deal with problem situations.
- Both of these brokers felt that there would probably not be a need for significantly more space at the border during the next few years.

4.7. Experience of Existing Privately Owned Facilities

There are currently two privately owned facilities that house almost all of the commercial customs-related businesses at the Pacific Highway crossing.

- 17637 – 1st Avenue – This project on a 10 acre site includes 113,000 sqft of office space and approximately 30,000 to 40,000sqft of warehouse space, as well as a secured open storage and parking lot. Part of this site remains undeveloped. The owner reports that there is no significant vacant space in the project at present. During the past few years, the demand for office space has been strong and some space originally constructed as warehouse space has reportedly been converted to office use. The owner does not want to reduce the amount of warehouse space any further and plans to accommodate further growth in demand for office space in new construction on the vacant portion of the site. The owner estimates that approximately 5 acres of the site are developable. The office space in this project reportedly achieves lease rates of \$20/sqft base rent plus \$13/sqft operating expenses.
- 120 – 176th Street (Hwy 15) – This is a two storey office building of approximately 18,000 square feet. There is reportedly 650 square feet vacant at present. This building is reportedly constrained by a shortage of onsite parking as well as access and circulation difficulties. The parking/access situation apparently became more difficult as a result of the recent adjacent widening of Hwy 15. Asking lease rates are \$15 to \$16/sqft base rent plus \$16/sqft operating expenses. The leasing agent indicated that demand for office space in the area is solely from customs brokers. There is reportedly no demand from other office users such as lawyers or accountants.
- Facilities west of Hwy 15 – There are two older commercial buildings with space for lease on the west side of Hwy 15. These spaces are not particularly attractive in their current form and could be viewed as potential redevelopment sites. Commercial customs-related businesses have generally not been attracted to the west side of Hwy 15 because most business for customs brokers comes from northbound traffic which is more easily served from the east side of Hwy15.

4.8. Development Applications in Process (March 27,2006)

As of March 27, 2006, there were three development applications proposed and being processed for sites in the vicinity of the Pacific Highway Border Crossing. This section describes the proposals and looks at whether the proposed uses are dependent on being near the border crossing.

1. 17565 – 2nd Avenue (#7905-0079-00) – This is the long rectangular vacant site on the west side of Hwy 15, just north of 2nd Avenue. It is immediately east of a recent townhouse project. The current zone (CD13488) is intended to accommodate a

community shopping centre and tourist accommodation. The applicant is proposing a revised concept to include a combination of commercial, retail, office, drive-through restaurant, and Business Park Industrial.

Its location on the west side of Hwy 15 makes this site less attractive for businesses that provide services (e.g. customs brokers) to northbound traffic at the border crossing. These businesses tend to prefer locations on the east side of the highway, near the Canada Border Services Agency facility. The site's frontage on a high traffic corridor makes it potentially attractive for retail, service commercial and business park uses, but these uses do not specifically require a location near the border. The fact that the developer is asking for a broadening of the approved land uses suggests that the market is not overly strong in this location for community commercial and tourist commercial uses permitted under the existing CD zone.

2. 17637 – 1st Avenue (#7905-0348-00) – This is a proposed addition to the existing multi-tenant office building located east of Hwy 15, opposite the Canada Border Services facility. The site is currently zoned C8 and the applicant is requesting a Development Permit and Development Variance Permit for the addition of space to accommodate a neighbourhood pub.

This site is in a very strong location to accommodate businesses that need to be located at the border to service north-bound traffic (e.g. customs brokers). The fact that this proposal would use development capacity in this location for a use that does not specifically have to be located at the border suggests that the developer expects the proposed use to support higher rents than office space at the same location. This suggests that there is not a large under-served market for well located office space at the border.

3. 796 – 176th Street (#05-220) – This site is located at the south east corner of Hwy 15 (176th Street) and 8th Avenue. The site is zoned CD 27 and currently allows gas station, corner store, restaurant, etc. on the northern portion of the site. The applicant is proposing to amend the permitted uses to also include currency exchange, tourist facility and parking. The applicant wants to extend these uses to a portion of the site that is ALR designated.

This site is far enough north of the border that it is not a likely to attract businesses that require a location at the border. The site is well located to provide commercial services for north bound traffic.

4.9. Summary and Implications for Demand

4.9.1. Demand for Office Space

The goods movement industry's increasing use of electronic document processing and CBSA initiatives aimed at reducing congestion at border crossings suggest that there is not likely to be significant growth in the demand for office space at the border. However, there will always be a need for some office space at the border, and as shipping volumes grow over time, there may be a need for incremental growth in the supply. There will also be a need to accommodate the parking needs of office tenants.

4.9.2. Demand for Warehouse Space

There is not likely to be dramatic growth in the amount of warehouse space that must be located at the Pacific Highway border crossing. CBSA programs are increasingly looking for ways to streamline the movement of goods through the border and allow the warehouse function to be provided at sites that are not at the border. Bonded warehouse operations prefer sites that are easily accessed by east/west and north/south highway traffic.

4.9.3. Demand for Other Commercial Space

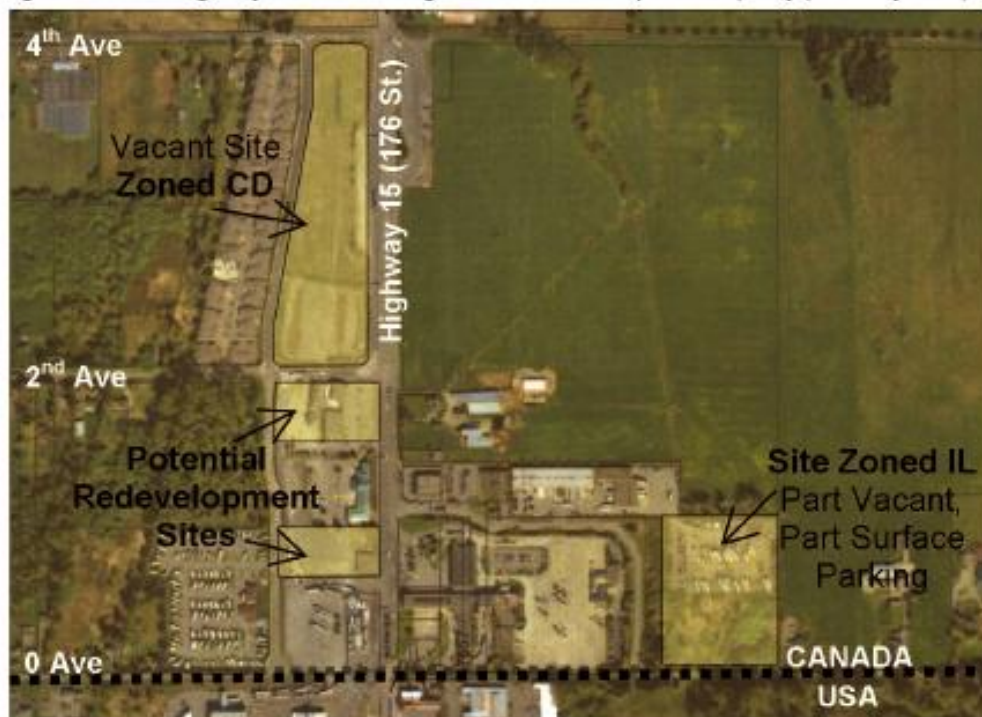
Given that the Pacific Highway border crossing is a high volume 24/7 truck crossing, there may be potential for commercial businesses along Hwy15 aimed at servicing the trucking industry. This could include truck stops or truck sales and service facilities. However, there is no border or customs-related reason why businesses of this sort would have to be located at or near the border. Such uses might be better located at major intersections in South Surrey.

5.0 Capacity for Additional Development at the Pacific Highway Crossing

There is capacity for some additional development or redevelopment on sites that are near the border and not currently in the ALR. These include:

- On the east side of Hwy 15, there are approximately 5 developable acres of a 10 acre site that is home to the largest multi-tenant office building and the only warehouse facility at the border. The owner has expressed plans to continue to develop additional space as the market warrants.
- On the west side of Hwy 15, there are two older commercial structures that could potentially be redeveloped. There is also a large vacant CD zoned site. The zoning is intended to accommodate a community shopping centre and tourist accommodation. The zone also allows office use and parking facilities.

Figure 2: Pacific Highway Border Crossing - Additional Development Capacity (February 2006)



6.0 Identification of Potential Gaps in Supply of Land or Facilities

On balance, there is enough development capacity to satisfy likely growth in demand over the next few years for uses that require a physical presence at the Pacific Border Crossing. However, it should be noted that virtually all of the capacity for additional development west of Hwy 15 is controlled by one property owner.

7.0 Conclusions and Recommendations.

1. Businesses involved in the movement of goods by truck across the Pacific Highway border crossing increasingly require a presence at the border only to deal with problem situations or particular shipments that require manual processing. Most transactions and shipments can be processed electronically from other locations.
2. The need to deal with occasional "problem" shipments means that there will always be a need for office space to house at least one customs broker at the border. Due to the competitive nature of the customs brokerage business, it is unlikely that the industry will evolve to the point any time soon where services needed at the border are provided by one office. Therefore, it is likely that there will continue to be demand for office space at the border. Most brokerage businesses prefer to be located on the east side of Hwy15, where it is easier to service north bound traffic clearing Canada customs.
3. During the next few years, it is not likely that the demand for office space will expand rapidly for branch operations. Demand for office space may continue to grow for brokerage businesses that have located their head offices at the border.
4. The process of clearing customs has evolved to allow for goods to be moved across the border and be released from customs at inland sites that are not at the border. Most industry participants think that the existing sufferance warehouse located at the Pacific Highway border will be able to service carriers' needs for such facilities for the foreseeable future. There is not likely to be significant growth in demand for warehouse space that must be at the border.
5. There will probably be a need to work with existing land owners to facilitate the redevelopment potential of existing underutilized sites.
6. There is a need to resolve parking and access problems at an existing office project (i.e. 120 – 176th Street). This may involve allowing a small amount of adjacent land to be used for surface parking.
7. Although the present supply of developable land seems adequate to meet foreseeable demand, it may be an issue that most of the developable land east of Hwy 15 and existing multi-tenant space is controlled by a single owner who also operates a customs brokerage business and the sufferance warehouse at the Pacific Highway crossing.
8. There does not seem to be a compelling reason to make any large tracts of land available for border-crossing related commercial and industrial uses. This is not to say that there is no demand for commercial or industrial sites. This is probably a

good location for some types of highway commercial and light industrial use, but these uses do not require proximity to the border and could readily locate at already-designated sites elsewhere in South Surrey. There does seem to be value in some detailed land use, development, parking, and circulation planning in the existing small development area, to allow infill, more efficient functioning, and expansion. A development concept for the border crossing precinct might consider identifying opportunities for adding limited (under 5 acres) expansion area, provided the land is made available exclusively for border-crossing related uses.

Appendix 1: List of Interviews

1. Canada Border Services Agency – Paula Shore, Communications manager
Pacific Highway District, 604-531-3644
2. RCMP – District 5 (South Surrey), Surrey Detachment, Cst. Marc Searle 604-592-3829; Brad Spencer, Regional Manger, Strategic Investments, RCMP Pacific Region, BRAD.SPENCER@rcmp-grc.gc.ca, (604) 264-2631 – pending
3. Ministry of Transportation – Gar Lee, Project Manager, 604-660-3624
4. Ministry of Transportation – Grant Smith, District Highways Area Manager - pending
5. Canadian Society of Customs Brokers – Kelsey Sterling, Manager Member Services, 613-562-3543
6. British Columbia Trucking Association – Paul Landry, President and CEO, 604-888-5319
7. A & A Customs Brokers – Graham Robins, President, 604-538-1042
8. ABC Customs Brokers, PCB Sufferance Warehouse – Glen Todd, President, 604-538-5777
9. UPS Supply Chain Solutions – Stacey, Branch Manager, 604-535-0911
10. Schenker of Canada Limited – Jim Hansford, Customs Manager, 604-538-1202
11. Russell A. Farrow Ltd. – Kathleen, Customs Broker, 604-535-5220
12. World Wide Customs Brokers Ltd. – Kerry, Customs Broker, 604-538-4763
13. FedEx Trade Networks – Mark, Customs Writer, 604-541-1990
14. KN Customs Brokers Division of Kuehne & Nagel Int. – Annette, Supervisor, 604-538-1166
15. DHL Danzas Air & Ocean (Canada) Inc. – Allison, Customs Writer, 604-538-8862
16. LEI Customs Brokers Inc. – Richard Payn, Vice President Customs, 604-523-5100
17. J.B. Ellis & Co. Ltd. – Glen Mullett, President, 604-408-7150
18. Colliers International – Wayne Lee, Property Manager, 604-662-2620

