

new time requirements for filing will be met.

#### Truck

The analysis estimated costs and cost savings for inbound trucks from Canada, and inbound and outbound trucks to Mexico. Although the rule will impose costs on trucks that are not currently filing electronically, the analysis estimates that these costs are offset by the savings that will result from faster movement across the border. Overall, the analysis estimates that the rule will impose new costs of \$91 million on trucking, which will be offset by savings of \$142 million.

#### Air

The analysis indicates that the rule will impose substantial costs on the 39 U.S. air carriers currently certificated for foreign operations as well as more than 100 foreign carriers that fly cargo into the U.S. These costs arise from three factors: the need to implement electronic filing systems and improve existing systems; delays and service degradation that will result from the requirement to file information at wheels up from airports north of the equator in the western hemisphere; and the requirement to file detailed information on all cargo including documents. Because passenger-carrying carriers cannot easily delay operations to complete cargo information, the analysis assumed that these carriers would limit cargo and reduce revenues rather than delay flights. Comments on the proposed rule cited other changes that could result from the rule and impose costs: diversion of air cargo to trucks, diversion of in-transit cargo to other carriers who do not fly through the U.S., and targeting of shipments, delaying unloading of the aircraft. Because CBP has no basis for estimating the degree to which diversion or targeting may occur, the analysis did not quantify costs for these impacts. The analysis examined four options for air:

(1) The proposed rule, which required information on all cargo including documents;

(2) An option that required information on all cargo except documents that weigh less than one pound (16 ounces);

(3) An option that required information on all cargo except documents; and,

(4) An option originally recommended by the Treasury Advisory Committee on the Commercial Operations of the U.S. Customs Service (COAC), but modified by CBP, that would require no detailed information on documents and filing an hour before

arrival for flights into the U.S. from airports north of the equator in the western hemisphere.

The options allow an examination of the impact of varying requirements on cargo and filing times. The CBP has elected option three above because the proposal to cover advance electronic cargo information on letters and documents will be the subject of a separate **Federal Register** publication. However, the RIA for this final rule document will cover the other publication as well. As noted, the RIA is available on the CBP Web site, <http://www.cbp.gov>.

Because of the considerable uncertainty that exists about the impacts on delays and service degradation as well as about the number of air bills that will need to be filed under the rule, the analysis examined each of these impacts across a range of scenarios from low impacts (e.g., 30 minute delays, 10 percent loss of revenues, twice as many air bills) to high impacts (2 hour delays, 40 percent loss of revenue, 8 times as many air bills). The analysis indicated that the total annualized cost to the air carriers could range from \$345 million for the low impact COAC option to \$4.7 billion for the high impact proposed rule option. Table 1 presents the costs for the four options, annualized over five years (7 percent discount rate).

TABLE 1.—ANNUALIZED TOTAL COST TO AIR CARRIERS [MILLIONS]

	Low	Me- dium	High
All Documents ..	\$2,914	\$3,652	\$4,736
Large Docu- ments .....	930	2,177	3,770
No Documents ..	422	1,160	2,244
COAC Option ....	345	994	1,889

As can be seen from Table 1, the degree to which detailed information is required for documents drives the cost of the rule. Overall, the requirement for filing house bill rather than master bill information electronically imposes the greatest cost. The costs of delays and service degradation, although significant to a few carriers, are limited because only about 25 percent of inbound air cargo on U.S. carriers and 10 percent of inbound cargo on foreign carriers is Canada, the Caribbean, and Latin America north of the equator.

#### Benefits

Examination of the benefits was largely qualitative because the most significant benefits are essentially unquantifiable. The most important benefit of the rule will be the improvement in national security, an

issue that is difficult to measure in monetary terms. However, there are some additional benefits expected that were quantified. Most of the incremental quantifiable benefits are expected from changes taking place at the northern border crossings for inbound truck traffic. The rule is expected to streamline the process for checking inbound trucks at Canadian border crossings, leading to benefits from time savings due to reduced congestion that are in addition to the time savings realized by trucks that change their border-crossing procedures under the rules. The analysis estimated the value of the time savings at \$18 million. Additionally, reduced congestion would lead to less truck idling (or moving at very slow speeds) and consequent reductions in air pollution and fuel costs. The fuel savings were estimated at \$4 million. Because of the lack of data on how congestion reductions for commercial traffic can affect non-commercial traffic at the border (e.g., cars), the analysis did not quantify this benefit. Finally, trucks leaving the country through the Mexican border are expected to provide some qualitative benefits through improvements in data collection.

#### Summary

Combining the costs, cost savings, and monetized benefits, the analysis estimates that the rules produce net savings to the trucking sector of \$78 million, and net costs to U.S. air carriers of \$345 million to \$4.7 billion.

#### Regulatory Flexibility Act

Under the Regulatory Flexibility Act of 1980, as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 601 *et seq.*), Federal agencies must evaluate the impact of rules on small entities and consider less burdensome alternatives. As discussed in the previous section, CBP has conducted a cost benefit analysis on this rule. As part of that analysis, CBP evaluated the impact on small entities. The CBP has determined that this rule could have a significant economic impact on a substantial number of small air carriers. Companies in the other modes are unlikely to incur substantial costs to comply and may benefit from the rule.

For air, the lowest cost option would impose costs in excess of one percent of operating revenues for 7 of the 19 small carriers. The high cost options would impose significant costs on 12 of the 19 small carriers; four of the carriers could have costs in excess of 10 percent of their operating revenues. Seven of the 19 carriers operated at a loss in 2002.