Global Standards Adoption at Canadian Borders:
Recommendation to the Standing Committee on Finance
August 12, 2011

Executive Summary

- Harmonized Commodity Description and Coding System (HS) codes provide customs officials with insufficient information about most products for accurate admissibility assessment.

- Electronic commerce data, based on GS1 standards, currently used by businesses can be leveraged by government to create a "smarter", more efficient and secure cargo admission process.

- Over 1.5 million companies around the world use GS1 standards to identify their products. The most widely used product identification standard – the Global Trade Item Number (GTIN) – is commonly known as "the bar code". The GS1 bar code accounts for more than 6 billion trade transactions per day.[1]

- The US government, through the International Trade Data System, is looking to leverage existing e-commerce data, based GS1 standards. The US has conducted pilots to demonstrate value to industry and government and will release a report of findings in fall 2011. [2]

- A clear opportunity exists for the Canadian government to leverage existing e-commerce data, based on GS1 supply chain standards.

Recommendation

- **To acquire better information about incoming products and create a smarter, more efficient and secure cargo admission process at the Canadian border, GS1 Canada recommends that the Government of Canada build on the pilot projects completed by the ITDS in the US and invest in similar measures and implementation in Canada.**

- **GS1 Canada will be advancing a proposal to government in Fall 2011 that outlines these proposed investments in greater detail.**

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[1] GS1 global. What is GS1? p.7 http://www.gs1.org/docs/what_is_gs1.pdf
[2] Leveraging E-commerce Product Data for Smarter Cargo Management: A Recommendation Report for the International Trade Data System Board of Directors." ITDS Product Information Committee Report. April 2009. http://www.itds.gov/linkhandler/itds/news/ecommerce_product_data.ctt/ecommerce_product_data.pdf

Issue

- Harmonized Commodity Description and Coding System (HS) codes provide customs officials with insufficient information about most products for accurate admissibility assessment.

- Electronic commerce data, based on GS1 standards, currently used by businesses can be leveraged by government to create a "smarter", more efficient and secure cargo admission process.

- With increasingly stringent reporting requirements for cross-border trade resulting from a focus on security, current clearance processes can cause Canadian businesses to face delays, numerous and often redundant reporting requirements to multiple government departments, and uncertainty when importing goods to Canada.

- The US government, through the International Trade Data System (ITDS), is looking to leverage existing e-commerce data, based GS1 standards. The US has conducted pilots to demonstrate value to industry and government and will release a report of findings in fall 2011. [3]

- A clear opportunity exists for the Canadian government to leverage existing e-commerce data, based on GS1 supply chain standards, to support smarter, more efficient decision-making at the border.

Background

- Over 1.5 million companies around the world use GS1 standards to identify their products. The most widely used product identification standard – the Global Trade Item Number (GTIN) – is commonly known as "the bar code". The GS1 bar code accounts for more than 6 billion trade transactions per day.[4]

- Product data associated with the GTIN, including attributes and classification information, is currently exchanged between private sector trading partners through GS1 Canada ECCnet Registry and GS1's Global Data Synchronization Network (GDSN).

- By integrating existing e-commerce data into border infrastructure and processes, the government will expedite the evaluation and release of cross-border shipments, and streamline and simplify reporting requirements for Canadian businesses of all sizes. Results will benefit both government and industry, including:

  - Faster cargo clearance through customs;
  - Reduced container holds/higher confidence in product admission;

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[3] Leveraging E-commerce Product Data for Smarter Cargo Management: A Recommendation Report for the International Trade Data System Board of Directors." ITDS Product Information Committee Report. April 2009. http://www.itds.gov/linkhandler/itds/news/ecommerce_product_data.ctt/ecommerce_product_data.pdf
[4] GS1 global. What is GS1? p.7 http://www.gs1.org/docs/what_is_gs1.pdf

- o Cheaper importation costs, as only containers with high-risk GTINs would be detained/fewer container inspections to pay for;
- o Reduction in administrative (filing) burden for industry, making the process less costly and more efficient;
- o Better cargo management with existing resources as participating government agencies target inspections on high-risk products; prohibited products are never shipped.

- The Canada Border Services Agency (CBSA) is leading the Single Window Initiative (SWI) to provide integrated border services that support national security and public safety priorities and facilitate the free flow of persons and goods. Existing standardized Business-to-Business e-commerce data can be used to enable the SWI mandate and assist Other Government Departments in achieving regulatory objectives as goods move into their jurisdiction.

- The US International Trade Data System (ITDS) is a "single-window" system that aims to simplify cross-border trade. In its 2009 report, the ITDS Product Information Committee (PIC) committee found that HTS codes – commonly used by customs authorities and other government departments to identify incoming products – provide insufficient information about most products to achieve an accurate admissibility assessment.[5] The Committee thus recommended leveraging e-commerce data already used by global industry for the electronic identification of products at US borders. This data would be submitted to US Customs and Border Protection through a single electronic filing system for industry – rather than separate filings to multiple agencies – ultimately making the borders both safer and more efficient.

- The report noted that the GS1 GTIN, currently used by industry for precise identification of products in the supply chain, and information associated with this GTIN available from industry through the GDSN, would provide government departments and regulatory agencies with "an efficient, trusted source of…granular…product information."[6] This information could then be used for risk assessments and to enhance decision-making about product jurisdiction and admissibility.[7]

- More broadly, adoption and use of GS1 standards and registries will establish a foundation for enhanced product traceability measures, creating opportunities for improved product identification and authentication in support of CBSA/RCMP anti-counterfeit and anti-piracy efforts, product safety and recall activities linked to public health and emergency management priorities, as well as standardized Importer of

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[5] "Leveraging E-commerce Product Data for Smarter Cargo Management: A Recommendation Report for the International Trade Data System Board of Directors." ITDS Product Information Committee Report. April 2009. http://www.itds.gov/linkhandler/itds/news/ecommerce_product_data.ctt/ecommerce_product_data.pdf
[6] ITDS Product Information Committee Report. April 2009. p.2. http://www.itds.gov/linkhandler/itds/news/ecommerce_product_data.ctt/ecommerce_product_data.pdf
[7] Ibid.

Record identification and linkage to related products, generating improved supply chain visibility.

- The integration of GS1 standards and e-commerce data into border management processes will support CBSA efforts to establish compatible requirements for the exchange of data with industry and government partners worldwide, in alignment with World Customs Organization (WCO) frameworks.

  - *MOU with WCO:* In November 2007, the WCO and GS1 Global signed a Memorandum of Understanding in recognition of the wide range of business interests shared by the two organizations and to provide a framework for further cooperation.

  - *WCO/GS1 Unique Consignment Reference (UCR) pilot:* [8] In 2004 the WCO, manufacturers of wine and spirits, customs authorities of participating countries and GS1 Member Organizations (GS1 global, GS1 UK and GS1 Australia) successfully undertook a pilot to prove that the GS1 Serial Shipping Container Code (SSCC) ID Key is suitable for use as the WCO's UCR in international trade transactions.

Recommendation

- **To acquire better information about incoming products and create a smarter, more efficient and secure cargo admission process at the Canadian border, GS1 Canada recommends that the Government of Canada build on the pilots projects completed by the ITDS in the US and invest in similar measures and implementation in Canada.**

- **GS1 Canada will be advancing a proposal to government in Fall 2011 that outlines these proposed investments in greater detail.**

Appendix: The GS1 System of Global Supply Chain Standards

- GS1 Canada is the Canadian Member Organization of GS1 – the leading global, neutral, not-for-profit organization dedicated to the development, implementation and maintenance of global standards to improve the efficiency and visibility of supply chains. GS1 standards are used by more than 1.5 million organizations in over 20 sectors worldwide, such as retail, agriculture, healthcare, pharmacy, transport and logistics, consumer products and defence.

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[8] "The World Customs Organization completes successful pilot project with GS1 and industry partners for the wine and spirits supply chain between Australia and the UK."
http://www.gs1.org/docs/media_centre/gs1_pr_120907_WCO_Pilot.pdf

- The GS1 System is an industry-developed system of voluntary global supply chain standards. These standards include an array of Identification (ID) Keys: special numbering systems used by millions of manufacturers, producers, retailers, logistics companies and other businesses around the world for unique identification of items, locations, assets, logistics units and more, as well as the electronic sharing of this information between organizations.

- Specifically, GS1 standards work is focused in four streams:
  - GS1 BarCodes: Global standards for unique, automatic item, asset or location identification;
  - GS1 eCom: Global standards for electronic business messaging, such as purchase orders, ship-to notices and payment confirmation information;
  - GS1 EPCglobal: Global standards for Radio Frequency Identification (RFID)-based identification and tracking of items through the global supply chain;
  - GS1 GDSN: Global standards for the secure and continuous electronic exchange of accurate, standardized data – such as product and location data – between trading partners through data synchronization, using national registries such as GS1 Canada's ECCnet Registry as well as the GS1 Global Data Synchronization Network (GDSN).

- GS1 national registries and the GDSN provide a powerful environment for secure and continuous exchange of accurate, standardized, trade-related data between organizations. Through the GDSN, any changes made to the information in one company's database – such as product descriptions or packaging specifications – are automatically and immediately provided to all of the other companies that do business with them. When a supplier and its customer know that they are looking at the same accurate and up-to-date product data, the business relationship is less costly and more efficient.

- GS1 Canada's ECCnet Registry is a national registry for product information that is based on the GS1 System of standards. It was developed in conjunction with industry in order to meet the trade requirements of Canadian-based organizations. Created to support trade within the grocery sector, ECCnet Registry has since evolved to become a standard *Term and Condition of Trade* within the Canadian grocery, pharmacy and foodservice sectors, with activities underway to expand use by sectors such as general merchandise, hardlines and medical devices.

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