

February 27, 2024

Standing Committee on International Trade
House of Commons
CIIT@parl.gc.ca

Re: Express Carrier Coalition Comments on Canada Border Service Agency's Assessment and Revenue Management Project

The Express Carrier Coalition is a network of express carriers and customs brokers that do business in Canada. Collectively, we employ thousands of Canadian workers and work closely with our customers to import and export millions of shipments each year in and out of Canada. We have a deep understanding of trade patterns, customs policies and processes and supply chain issues. As trusted trade chain partners, we are committed to working with all levels of government and its agencies to facilitate the efficient and secure movement of goods.

We welcome the opportunity to provide input into the Standing Committee on International Trade's study on Canada Border Service Agency's Assessment and Revenue Management (CARM) project. We write to raise our concerns on the implementation of phase two of the CARM project (Release 2), which is planned for May 13, 2024. While we support the federal government's policy objective to modernize a system to collect duties and taxes, significant problems persist which will cripple project execution, impact supply chains, government revenue streams and Canada's reputation as a viable global trading partner.

With only three months of lead time left to the "go-live" CARM2 date, Canada Border Service Agency (CBSA) has yet to provide industry with the necessary policies to guide the implementation process, adequately respond to risks and liability concerns, nor demonstrate a certain level of readiness in the new IT and accounting system, to gain the confidence from trade chain partners. The overall process and execution of the CARM project has been costly, complex, and confusing for industry partners that play an important part in cross-border trade and goods movement. Our top concern is that the CARM project sets out new unrealistic requirements and expectations for commercial importers that are unprecedented around the world. The increased complexities of importing will disproportionately impact small and medium-sized businesses that currently rely on the expertise of carriers and custom brokers to facilitate goods movement into Canada. Proceeding as planned without addressing mission-critical issues will result in delays at the border, abandoned shipments, warehousing capacity constraints, increased costs to importers and industry, and ultimately a reduction of goods being imported to Canada.

Recommendations to Address Mission-Critical Issues

We recommend that CBSA work with the Minister of Transport and its new National Supply Chain Office to examine the critical gaps and issues before the Release 2 launch on May 13,

2024. We recommend that the scope of CARM Release 2 be limited and the following solutions implemented to keep commercial shipments moving.

- 1. *Limit the Scope of Release 2 and Shift to an Opt-in Importer Registration System:*** Release 2 should be limited to the transition from the CBSA B3 (Custom Coding) accounting document to the Commercial Accounting Declaration (CAD). Further, we recommend that registration on the CARM Client Portal should be optional rather than mandatory for commercial importers. We understand that the importer registration rate for CARM is extremely low, at 30 per cent despite efforts made by trade chain partners to encourage registration through information sessions with businesses over the past two years. What we've learned is that the registration process itself and new requirements for businesses to obtain financial security to import goods is too difficult and complex, especially for small businesses. Mandatory requirements to register on the CARM portal will likely deter cross-border activity and result in abandoned shipments and wide-scale disruptions at the border. With goods being turned away at the border, this would negatively impact the level duties and taxes currently collected by CBSA on such imported goods.
- 2. *Continue use of Express Carrier/Broker Business Number:*** Under the new rules of CARM, CBSA requires all commercial importers (Canadian and non-residents) to obtain a business number (referred to as a BN15) and secure the appropriate bonds to conduct business with CBSA. Instead, we recommend that bond requirements should be deferred for all commercial importers regardless of registration status. Given the complexity for importers to register on CARM, we recommend that express carriers and custom brokers continue to be permitted to use their business number and broker bond to release commercial shipments. Secondly, this would require CBSA to exempt carriers and brokers from Importer of Record obligations and liabilities when they use their business number.
- 3. *Remove Unnecessary Barriers for Non-Resident Importers:*** Under CARM, a Non-Resident Importer is required to have an *Agreement to Maintain Records Elsewhere than the Place of Business in Canada* (BSF900) prior to registering on the CARM Client Portal. Non-resident importers that do not designate an agent to maintain their books and records nor receive approval from CBSA on their BSF900 form will be unable to complete their CARM registration and will not receive the proper documentation to import goods into Canada (e.g., BN9 or BN15). This would result in thousands of shipments to be abandoned, held in warehouses, or returned. We recommend that the Books and Records requirement be disconnected from requests from commercial importers for their BN15. We recommend working with industry on a path forward for Release 3.
- 4. *Clarify and finalize policies, regulations, and implementation guidelines, processes:*** There remain uncertainties and gaps in policy direction and processes. This includes the Courier

Low Value Shipment (CLVS) program and transition period and contingency planning between April 16 – May 13, 2024.

5. ***Demonstrate Technology Readiness:*** There remains outstanding concerns with the technology readiness of CARM. Over the years, changes to IT methodologies have resulted in unnecessary costs to businesses as express carriers, custom brokers and freight forwarders make internal systems changes to sync with CARM. To build industry confidence, we recommend that CBSA onboard more participants in the CES 2.0 program and ensure an efficient process for certification. CBSA should continue to operate the legacy systems in parallel to the new CARM system, as a contingency for one-two years.

Recommended Next Steps

In summary, the Express Carrier Coalition recommends limiting CARM Release 2 implementation to the technical transition from the CBSA B3 (Custom Coding) accounting document to the CAD until known IT deficiencies are corrected. We recommend that the CARM Client Portal registration be optional for commercial importers or at the very least exempt small and/or infrequent importers.

We recommend that CBSA, the Minister of Transport, and its National Supply Chain Office, and Minister of Export Promotion, International Trade and Economic Development coordinate and engage trade chain partners on a mutually agreeable, transition plan with strong contingencies and alternative processes to mitigate major border delays. A transparent plan is needed to allow industry to plan and allocate resources to prepare for potential risks. This will ensure successful implementation and help build confidence from trade chain partners.

We would be pleased to discuss our recommendations to get the CARM project back on track. We look forward to our continued partnership with the Government of Canada in supporting cross-border trade and economic growth and prosperity in Canada.

Sincerely,

UPS Canada

Purolator

DHL Express (Canada), LTD

FB Canada Express

Federal Express Canada Corporation

FedEx Logistics

cc:

Ms. Erin O’Gorman, President, Canada Border Services Agency

Honourable Pablo Rodriguez, Minister of Transport

Honourable Mary Ng, Minister of Export Promotion, International Trade and Economic
Development

Mr. Robert Dick, Transport Canada’s National Supply Chain Office