

Submission by the

**Canadian Association of Importers and Exporters  
(IE Canada)**

to the

**Standing Committee on International Trade (CIIT)**

concerning the implementation of the

**Canada Border Services Agency (CBSA)  
Assessment and Revenue Management (CARM) system**

*March 19, 2024*



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The Honourable Judy A. Sgro  
Chair, Standing Committee on International Trade  
Sixth Floor, 131 Queen Street  
House of Commons  
Ottawa ON K1A 0A6

via email: [CIIT@parl.gc.ca](mailto:CIIT@parl.gc.ca)

**Re: THE CBSA ASSESSMENT AND REVENUE MANAGEMENT SYSTEM (CARM)**

Dear Ms. Sgro,

IE Canada is pleased to submit our comments to the Standing Committee on International Trade (CIIT) study on the Canada Border Services Agency (CBSA) CARM project - Canada's new revenue management system. IE Canada serves businesses who depend on the movement of goods across Canada's international borders. We offer an informed perspective with over 85 years of engagement and advocacy in Canada. Our membership is comprised of multinational global companies, both Canadian resident and non-resident importers, manufacturers, and exporters of all sizes.

We are writing to inform the CIIT that CARM is not ready. At this late stage, we lack the very basic necessities for a successful launch of CARM including a production release that is broadly certified and adopted and performs its primary functions correctly, is open to all registrants to test with a limited number of open tickets and final regulations and guidance with adequate time for users to adapt their systems and processes. Our comments detail several concerns that a "big bang" is coming with no parallel path with increasing workarounds, declining benefits, and increasing costs to business and the Government of Canada.

## CONTEXT

IE Canada supports the original vision and necessity to update Canada's aging information technology (IT) systems. As per CBSA, "CARM is a multi-phase project to modernize the collection of duties and taxes for commercial goods imported into Canada. CARM will help to protect and grow over \$750 billion in trade and \$30 billion in revenue collected at the border each year by providing Canadian businesses an online self-service tool and simplified importing processes." According to the CBSA January monthly electronic data interchange (EDI) statistics, there were over 2 million release requests were received at Canada's borders - 99% of which were EDI. CARM fundamentally removes importers' ability to calculate duties and taxes and shifts that responsibility solely to CBSA/CARM. On May 13, 2024, CARM must immediately and correctly process to this level of scale, or it will have significant negative ramifications for both government and industry. We note several large-scale IT implementations that have failed to perform calculations properly including:

1. Canada's Phoenix pay system originally intended to save the Government of Canada \$70 million by consolidating pay systems across the government. It has since cost more than \$2.2 billion to implement with over 219,000 transactions due over 1 year past date received<sup>1</sup>.
2. Canada's ArriveCan application (APP) originally budgeted to cost \$80,000 is now estimated to cost \$59.5 million according to a recent Auditor General's report<sup>2</sup>, released 177 versions of the APP and wrongly instructed 10,000 travellers to quarantine.
3. United Kingdom's Horizon post office IT implementation resulted in more than 900 sub-postmasters and postmistress being wrongly prosecuted for system calculation errors. As of February 1, 2024, approximately £160 million has been paid to over 2,700 claimants for wrongful convictions.

IE Canada and its members have spent over 10 years consulting with CBSA and have invested significant financial and technical resources in preparation for the launch CARM. As early as April 26, 2024, Canada will turn off its legacy accounting systems committing Canada's entire trade community into uncharted territory with at least \$526.8 million<sup>3</sup> in sunk government costs.

Regrettably, we find ourselves in the unenviable position to highlight several large-scale issues that indicate to us that CBSA is not ready to implement this next phase of CARM (R2). IE Canada submits the following observations and recommendations to the CIIT for its consideration.

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<sup>1</sup> <https://www.tpsgc-pwgsc.gc.ca/remuneration-compensation/services-paye-pay-services/centre-presse-media-centre/mise-a-jour-update-eng.html>

<sup>2</sup> [https://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_202402\\_01\\_e\\_44428.html](https://www.oag-bvg.gc.ca/internet/English/parl_oag_202402_01_e_44428.html)

<sup>3</sup> Canada Gazette, Part II, Volume 158, Number 6 SOR/2024-41 March 1, 2024, CBSA - The CARM project history

## 1. CARM IS NOT READY

- There have been 3 phases of testing since 2021 including Deep Cycle Testing (DCT), CARM Experience Simulation (CES) 1.0 and CES 2.0. All were extremely limited in functionality testing and the number of participants. CES 1.0 had approximately 75 participants and CES 2.0 had approximately 40 participants. Many trade chain partners requested to participate but were denied because CBSA stated they could not support any more participants. We submit that if CBSA could not support more than 40 participants in the last few months, how will they support the remaining estimated 200,000<sup>4</sup> importers and their service providers on May 13, 2024, that have not had any access to the system?
- Testing results have clearly demonstrated that although CARM is improving, the system is not close to being production ready.
- The same issues are reoccurring in each test environment including the **inability of the CARM system to calculate duties and taxes properly**, even though industry has been informed the issues have been resolved. This state of readiness gives IE Canada and our members great concern that these issues are likely to reoccur again at “big bang” go live on May 13, 2024.
- IE Canada is concerned that CBSA’s help desk and management of tickets<sup>5</sup> is inadequate and must improve. IE Canada is concerned that CBSA does not have a clear understanding of the issues nor an efficient process to update tickets that have been submitted. Members report open (un-resolved) tickets dating back years. Members participating in the testing report having to reissue or resend open tickets. Help desk service gaps spanning from 7-14 days make it impossible to expect our members to implement the solution in a cost and resource efficient manner.
- In a revised CARM technical document released January 31, 2024, industry was required to implement coding changes to their systems to comply. We noted that no recertification was required for those who implemented the changes prior to the release.
- Many of the key issues identified in the Targeted Control Audit<sup>6</sup> of CARM business readiness January 27, 2023, remain a concern.
- We are pleased CBSA has recently proposed many recommendations put forth by our members as temporary measures to maintain the flow of goods at Canada’s borders during start-up<sup>7</sup>. However, these temporary measures do not resolve the “big bang” approach taken by CBSA or the long-term solutions to these issues.

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<sup>4</sup> CBSA Inquiry of the Minister Q-1537 to Mr. Seeback (Dufferin-Caledon) May 2023

<sup>5</sup> The submission of a HELP ticket logs the technical/systems issue with CBSA’s implementation team and requires resolution for the submitter to proceed.

<sup>6</sup> <https://www.cbsa-asfc.gc.ca/agency-agence/reports-rapports/ae-ve/carm-gcra/menu-eng.html>

<sup>7</sup> 180-day RPP (release prior to payment) privileges to CARM registrants to obtain financial security. Use of broker BN15 – for 1 year for the following scenarios: Submission of accounting – CADs, New non-resident importers (NRI), Non-commercial casual goods, first time commercial importers, One-time commercial importers, Trade shows and conventions, Auction house importations, V-type CADs for courier low value shipment (CLVS) goods released in error.

## 2. REGULATIONS AND POLICIES NOT IN PLACE, WORKAROUNDS ARE ADVERSELY IMPACTING BENEFITS

- From March 1 to March 13, 2024, CBSA have released 20 draft D-Memos for consultation, 19 CARM specific, with no more than 22-days for Trade Chain Partner (TCP) stakeholders to submit comments. These new 'DRAFT' proposed D-Memo's layer on top of approximately 60 other government manuals **all in DRAFT format** on a CBSA Google drive<sup>8</sup>. The balance of Canada's importers not participating in the TCP working group likely have little to no knowledge of these proposed changes until released as a final updated D-Memo<sup>9</sup>.
- On Wednesday March 13, 2024, 44 days prior to shut down, CBSA published certain regulations administered and enforced by CBSA in Gazette Part 2 with respect to electronic self-service access, security and simplified billing cycles and payment dates<sup>10</sup>.
- We are concerned the need for fundamental 'workarounds' in properly assigning direct accountability to the importer of record with CBSA, because of poor program design, will negatively impact the accuracy of Statistics Canada records. It will further impact the ability of the importer to have post audit adjustments filed in cases of misdeclaration as their imports may be erroneously assigned to multiple customs brokers and express couriers (who perform the same function as customs brokers).
- A blackout period where no registrations or transactions will be permitted is of great concern. Beginning as early as April 26 or April 29 to MAY 13, 2024 - SHUTDOWN OF CADEX<sup>11</sup> and Customs Commercial System (CCS) - the legacy accounting system will be implemented. How the new CARM system will startup has not been communicated.
- CARM mandates ALL importers must individually post security<sup>12</sup>. We estimate these new costs to non-registered CARM client portal (CCP) businesses to be at least \$48.8 million<sup>13</sup>. This does not include the costs to post security for other larger importers and registered CCP users.
- While duties require a bond, the Goods and Services Tax (GST) an input tax credit, need not require any form of security for resident Canadian importers. Placing GST on the cost of the bond increases costs to business by negatively impacting cash flow – a unique Canadian requirement in the construct of global trade. *"The new Release Prior to Payment (RPP) requirements would add to \$150 Million in additional fees for industry to secure against \$33 Billion in Division III GST – making Canada the only country in the*

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<sup>8</sup> [https://drive.google.com/drive/folders/1-ETg\\_wotdPp3U61hIS4wom61zDMasd5d](https://drive.google.com/drive/folders/1-ETg_wotdPp3U61hIS4wom61zDMasd5d)

<sup>9</sup> <https://www.cbsa-asfc.gc.ca/publications/dm-md/menu-eng.html>

<sup>10</sup> [Part II, volume 158, number 6](#)

<sup>11</sup> CADEX is a proprietary messaging format standard. It allows importers and customs brokers to file an electronic Form B3-3, Canada Customs Coding Form

<sup>12</sup> <https://www.cbsa-asfc.gc.ca/publications/forms-formulaires/d120-eng.html>

<sup>13</sup> Surety Association of Canada February 15, 2024, letter to the CIIT "our members inform us that the cost of the premium would typically fall between \$250.00 and \$400.00" SME non CCP registered businesses totals an estimated 150,000 importers @ \$325 avg. cost.

*world who require security against at Value Added Tax (VAT).*” IE Canada February 19, 2020, to the Honourable Minister Bill Blair

- Custom Self-Assessment (CSA) importers are losing existing features and benefits of the CSA program because of CARM. Canada's 100 most trusted, high-volume, just-in-time traders have invested many millions of dollars designing their business processes and systems to comply with CSA program requirements. These traders will be regressing in capability resulting in additional administrative and resources costs that likely will have to be passed onto consumers.
- The calculation and management of certain taxes such as the luxury tax<sup>14</sup> within CARM adds incremental burden and will ultimately raise the cost of subject vehicles for consumers.

### **3. A CONCERNING NUMBER OF IMPORTERS AND SOFTWARE PROVIDERS ARE NOT REGISTERED AND ON BOARDED**

- CBSA has had since May 2021 to onboard importers. Of the 200,000 importers reported to the CIIT in September 2023, 51,469 are registered effective February 21, 2024<sup>15</sup>. Based on current CARM adoption rates, we estimate that there will be approximately 56,000–58,000 registrants. This represents an estimated 28-29% of the total import community will be registered at launch. The latest TCP data projects an estimated 84-85% of volume and value respectively<sup>16</sup> of the top 3,000 importers is captured with portal registrants.
- According to Statistics Canada December merchandise trade data \$64.4B of merchandise imports was recorded<sup>17</sup>. Based on current projections, almost \$10B of goods were imported by non-registered CCP businesses.

### **4. INSUFFICIENT SCALE OF IMPORTER AND SERVICE PROVIDER TESTING**

- The CARM system remains untested by >90% of Canada's customs brokers and almost 100% of Canadian importers. In fact, many parties desiring to test CARM were turned away. Fundamentally, Canadian business has not had an equal and advanced opportunity to access the testing environment sufficient to understand how the system will perform within their own business environment.
- CBSA reported on February 28, 2024, that 3 of the 26 software companies transmitting data presently have been certified for CARM. There are 11 software companies that CBSA have no activity with.

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<sup>14</sup> <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/lt2/subject-vehicles-under-select-luxury-items-tax-act.html>

<sup>15</sup> CBSA trade chain partner portal onboarding status updated February 21, 2024. Includes brokers and importers.

<sup>16</sup> CBSA trade chain partner portal onboarding status updated February 21, 2024

<sup>17</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/240207/dq240207a-eng.htm>

- CBSA issued a revised Electronic Commerce Client Requirements Document (ECCRD) on February 5, 2024. The ECCRD provides comprehensive information about business and system requirements of various electronic transactions for multiple import and export programs. It is unrealistic to expect industry to debug and re-program their systems in less than 90 days before the blackout period.
- IE Canada members remain concerned that their proprietary trade data is secure. CARM data resides on 3<sup>rd</sup> party servers outside the Government of Canada's control. There has been no guidance provided to industry what will transpire in the event of a breach.
- In 2018 Deloitte entered the CARM project with a promise of 'a collaborative environment' and shining the light on "big bang" deployment considerations and risks; yet 6 years later the questions surrounding "big bang" versus a phased approach; segmentation, readiness (pilot program), and timelines all remain unanswered and, in many cases, untested.

## 5. OVER BUDGET AND OVERDUE

- This iteration of CARM was initiated in 2014 with a planned go live in 2020/2021. CARM is very overbudget and at least 3 years behind its originally scheduled implementation. This has resulted in budget and resource overruns for both the Government of Canada and industry. IE Canada submits it is not in the best interest of Canadians to continue to fund a project and organizations that have not met expectations to date. It is not prudent to further fund<sup>18</sup> all the items that were not delivered and not working post R2 go live when they should have been delivered in the first place.
- We refer the CIIT to the Executive Vice-President's Transition [Binder](#) 2019 – “CARM December 4, 2019 R2 Go-Live date April 2021 July 31, 2021 - \$371.5 million and \$36.5 million ongoing maintenance including HST. Benefits to begin accruing August 2021 once implementation is complete.” The CARM project has not delivered any benefits up to this point as promised.

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<sup>18</sup> [Main Estimates](#), 2022 to 2023: Standing Committee on Public Safety and National Security—Supplementary Estimates (C), 2021 to 2022 and Main Estimates, 2022 to 2023 (May 19, 2022) “\$38.3 million for the CBSA Assessment and Revenue Management Project (CARM) due to scheduling delays and to the effects of the COVID-19 pandemic”

## RECOMMENDATIONS

IE Canada submits the following recommendations to the Standing Committee on International Trade for their consideration. IE Canada would be pleased to discuss our recommendations in more detail with any of the members of the Committee if they have any further question, clarifications, or requests for supporting documents.

1. CIIT recommend that the Government of Canada appoint an independent third party to oversee the project.
2. CIIT request that the Auditor General conduct a review and submit a report on CARM to the CIIT no later than October 1, 2024. The report should include details such as project management and execution, cost overruns and vendor management.
3. CIIT recommend that the Government of Canada and CBSA implement CARM responsibly by providing a parallel system allowing importers and service providers that are ready to proceed on May 13, 2024.
4. CIIT recommend to the Government of Canada to eliminate the GST for resident Canadian importers on the cost of acquiring a bond.
5. CIIT in conjunction with the Standing Committee on Public Safety and National Security (SECU) review CBSA's decision to have Canada's most sensitive Protected B trade data on a system outside of the Government of Canada and managed by 3<sup>rd</sup> party non-government vendors.
6. CIIT in conjunction with the Standing Committee on Public Accounts (PACP) review CBSA's decision to outsource and pay for the use of software the Government of Canada does not own and the government's ability to manage outcomes and control costs.

IE Canada would be happy to discuss our comments in more detail if any members of the CIIT Committee have individual questions, follow-up, or request for supporting documents. We look forward to assisting the Government of Canada in navigating CARM back on a path for success.

Respectfully submitted,

IE Canada



Cc:

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