VOLKSWAGEN

GROUP CANADA INC.

April 08, 2024

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

RE: THE CBSA ASSESSMENT AND REVENUE MANAGEMENT SYSTEM (CARM)

Dear Ms. Sgro,

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Volkswagen Group Canada Inc. (VGCA) is thankful for the opportunity to submit comments to the Standing Committee on International Trade (CIIT) study regarding the Canada Border Services Agency (CBSA) CARM initiative. VGCA has participated in the Customs Self-Assessment (CSA) trusted trader program for over a decade and is one of Canada's largest automotive importers of both parts and vehicles.

VGCA has valued and continues to value the long and collaborative partnership shared with CBSA and wholly supports the Government of Canada's objective to modernize its aging trade management and accounting systems. VGCA acknowledges the significance and complexity of these changes and the impact they will have on the trade community. Thus, the readiness of the trade community for changes of this magnitude needs to be appropriately assessed with comprehensive care.

CBSA has noted that members of the community who have registered on the CARM Client Portal (CCP) have had access to explore the functionality of the portal and begin to adopt their internal processes accordingly. Unfortunately, to date, there has only been limited functionality available on the portal and new functionality will only be accessible on the go-live date, May 13, 2024. Importers will be seeing this functionality for the first time in a live environment and, despite best efforts to prepare, do not have the hands-on exposure to adopt new processes or modify existing methods due to the limited functionality available.

VGCA has significant concerns regarding their ability to adjust and correct pre-CARM transactional data. The current CARM design requirement of converting B3 accounting documents to Commercial Accounting Document formatting poses significant challenges for high-volume importers that do not exist in the current environment. This challenge exists due to the lack of functionality and the requirement to manually convert each transaction, one-by-one, on the portal. This is a cumbersome and unpractical solution for importers that have hundreds of thousands of lines of transactional data to be converted, spanning many years. CBSA has acknowledged that a practical solution is required; however, they were unable to commit to providing it before Release 2, scheduled on May 13. This limitation restricts the importer's ability to adjust and correct high-volume pre-CARM transactions to allow for the posting of duties and tax to or from CBSA.

CBSA is poised to include the addition of GST, an input tax credit, into the calculation of the Release Prior to Payment bond. This inclusion is not required today, and it will significantly increase the cost to importers to secure surety—many of whom have not been provided with the justification for the necessity of this change.

CBSA has noted that businesses have had several years to prepare the readiness of their systems and processes and that a go-live date was originally scheduled for the Fall of 2023 and was deferred at the request of the trade community to not release during the busy Autumn commercial season. This statement does not address the readiness of CBSA itself or their readiness to provide finalized information which businesses could, with confidence, secure funding and invest in required changes without concern of changes, revisions, and further unnecessary costs. The finalized technical documentation and draft D-Memorandum changes were available for review in Q1 of 2024. Considering the scope of changes, cost, and potential impact, it is proposed by VGCA that a go-live date of May 13, 2024 is unreasonable and creates clear concerns for operational disruption for Canadian importers, service providers, and border operations.

CBSA has inadequately assessed the readiness of trade chain partners and the scope of requirements outside of the particularly limited CES testing. CBSA has not accounted for the time required to not only adapt systems to meet new requirements, but the resources available for service providers to communicate to their clients and map those changes between various systems. There has also not been consideration allowed for the required time to review documentation, adapt process changes, and provide training to staff.

VGCA has been pleased that CBSA has relaxed its position on noted topics to accommodate border flow at go-live and provided certain temporary flexibilities regarding bond requirements; however, there is sensible concern that these efforts are not sufficient to allow for uninterrupted trade and seamless and compliant accounting. Giving the option of importers using the broker BN to facilitate trade is likely to cause more issues than it temporarily tables. CBSA's proposed contingency plan of 'rollback to the status quo' has not been communicated with the trade community and has not addressed concerns regarding the trade community's ability to facilitate a rollback after investments have been made to the commitment of the 'big bang' approach to release. The logistics of how the requirement will be communicated or executed has not yet been provided by CBSA. Given the limited timing before go-live, this creates further challenges to implement.

Providing for the above concerns, it is VGCA's recommendation that CBSA does not pursue the proposed 'big bang' approach to release on May 13. If service providers are able to functionally support both the new and existing processes and trade environments, VGCA proposes that CBSA allow for an 'opt in' approach on May 13 so that those importers who are ready and whose business needs are fully met by the limited CARM functionality can fully participate in the CARM program. This phased approach would allow CBSA test the CARM framework in a live environment on a smaller, manageable scale. If service providers cannot accommodate both functional mechanisms, CBSA should postpone CARM Release 2 for a period of at least 12 to 18 months until, at minimum, the program can offer the same functionality that exists today. Once CBSA has a proven system with necessary functionality and resources to effectively communicate the complexities of the functionality, the 12-to-18-month period will allow a gradual approach for Canadian business to adopt to the requirements as existing systems run in parallel without disruption to critical business functions. It is imperative that importers have a clear transition plan communicated with enough time to accommodate the updates as well as any contingency efforts that our systems and staff need to be ready to execute.

While VGCA is eagerly committed to adopting all required changes, we are concerned that CSA accounting processes will have added burden in the CARM environment, affecting the ability to account for goods timely and compliantly. The CARM program was proposed as a modernization and simplification; however, many privileges that Trusted Traders utilize today in the CSA program will be removed, and existing processes will have increased complexity, fewer resources, less functionality, and greater costs to maintain standard compliant operations. The methodology to complete certain business operations, due to the limitations of the CCP and the CARM program, will require cumbersome and manual outdated solutions. It is recommended that CBSA fully and responsibly consider the scope of business requirements and functionality required to seamlessly resume international trade as we collaborate towards a modern, industry-leading solution while protecting Canadian interests.

Respectfully,

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Customs Manager	Sr. Manager Vehicle & Parts Logistics