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Chair: The Honourable Judy A. Sgro



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• (1715)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): We'll come to order.

This is meeting number 117 of the international trade committee.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, February 6, the committee is resuming its study of the CBSA assessment and revenue management system, or CARM, as we all refer to it.

We have with us today, from the Canada Border Services Agency, Ted Gallivan, executive vice-president, and Mike Leahy, director general, commercial projects.

We apologize for starting late, but you understand how that is.

Welcome.

With the agreement of the committee, given the time constraints and given that we have the written submissions from the two witnesses, we'll go straight into the questions from the members.

We'll start with Mr. Baldinelli for five minutes, please.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Madam Chair.

Thank you to the witnesses for being with us today.

Mr. Gallivan, last March the committee heard that CBSA is approved to spend up to \$526 million on CARM. About \$438 million had already been allocated and spent to date. Of that, you said that about \$182 million had gone to Deloitte Canada. Are these numbers still accurate at this point in time?

Mr. Ted Gallivan (Executive Vice-President, Canada Border Services Agency): The numbers at that point in time remain accurate. Obviously time has passed, so the numbers would have increased proportionately. I can confirm to the committee that we remain under the envelope of \$526 million.

Mr. Tony Baldinelli: Do you know what that number is at this point in time?

Mr. Ted Gallivan: We recently updated figures up until December 2023. We are in the process of bridging the remaining nine months. We'll be updating that similarly to our website as soon as our CFO has a chance to validate them.

Mr. Tony Baldinelli: It's kind of disappointing, Madam Chair, that we're here today and.... I mean, Deloitte has been provided with \$182 million by the Government of Canada. It would have

been beneficial for them to be here because, for one, I would like them to have been here to hear CBSA testimony. When we met in March, there seemed to be some discrepancy over the ownership of the portal.

On March 19, at this committee, my colleague Kyle Seeback asked you about it directly. He said, "So the Government of Canada is going to own this IT solution."

Your response was that "we, too, have been investigating the question of what aspects of IT people own." You further stated, "We have asked lawyers who are experts in IP to give us advice."

Mr. Gallivan, would it not have been prudent on behalf of taxpayers to do that work before concluding a contractual relationship determining ownership before signing the contract?

• (1720)

Mr. Ted Gallivan: I think there are two parts to the intellectual property.

First, will Canadians continue to get value from the funds they've invested? I think the answer has always been clear in relation to the CBSA being able to use the intellectual property created through these investments. Deloitte confirmed that in testimony at this committee, saying that the contract does allow for a transfer of all of the functionality back to the CBSA.

The more esoteric question was whether Deloitte could resell this intellectual property to another government. I think I used Argentina as an example. That was the question that required the intervention of lawyers, and that was a question that had been raised in the process of consultation. I think there has never been a question of the Government of Canada getting value for its investment. There was a question of whether or not Deloitte could, if somebody was interested, resell this product to another government.

Mr. Tony Baldinelli: In essence, you're comfortable with the fact that the government has spent half a billion dollars and doesn't own the portal.

Mr. Ted Gallivan: Madam Chair, that wasn't my testimony, nor was it the testimony of Deloitte. Deloitte has been very clear that should the CBSA exit the contract for any reason, they will transfer back the intellectual property, the programs, to the CBSA.

Mr. Tony Baldinelli: When you look at the contract, section 1.7 says:

Ownership of Intellectual Property for Contractor-Furnished Software

Canada acknowledges that Intellectual Property ownership of the Contractor-Furnished Software incorporated into the CARM Phase 2 Solution belong[s] to the Contractor or its licensor and is not transferred to [the government] under the Contract.

Deloitte owns the IP.

Mr. Ted Gallivan: Again, Madam Chair, if we're talking about IP in relation to the ability of the Government of Canada to have a portal serving Canadian businesses, the answer is, we own that aspect of the IP and can continue to provide the excellent services of CARM in perpetuity if we walk away from the Deloitte contract—

Mr. Tony Baldinelli: Do you mean that under section 1.4, which says, “The Contractor grants to Canada the right to access and use...the Solution”, they've created it, but they're giving you the right to use it, and you're paying \$500 million for that right?

Mr. Ted Gallivan: That was Deloitte's testimony before this committee, that the government has bought—

Mr. Tony Baldinelli: No, that's the contract. That's the actual contract.

Mr. Ted Gallivan: Madam Chair, the CBSA's testimony and Deloitte's testimony have been clear. The half-billion dollar investment of Canadian taxpayers is secure. We can continue to own and operate that system. Deloitte testified to that in front of the committee.

The clause that is being referred to relates to Deloitte's ability to resell the intellectual property to other potential clients.

Mr. Tony Baldinelli: Mr. Gallivan, in your testimony in March, you spoke about the first delay that was implemented. You mentioned that it was done at the request of stakeholders. That request was in the fall retail season of 2023, and CBSA agreed to do that.

We're in the fall again. If stakeholders are still asking and stating that there are concerns with this portal, would you not agree that it should be delayed again as we head into the holiday season, for the same reasons? I don't think—

The Chair: I'll allow Mr. Gallivan to answer. You are out of time.

Mr. Tony Baldinelli: Thank you, Madam Chair.

Mr. Ted Gallivan: I have yet to hear of any stakeholder asking for further delay because of the holiday retail season in 2024.

The Chair: Mr. Sidhu, you have five minutes, please.

Mr. Maninder Sidhu (Brampton East, Lib.): Thank you, Madam Chair.

Thanks to our witnesses for being here.

We've heard from a variety of stakeholders, including CBSA, on the CARM launch. I wanted to follow up on the conversations that we had a few months ago in terms of readiness, and importers and custom brokers being ready for this.

Where are we? Are we seeing more of an uptick in terms of importers now registered? I know that by volume we had a big increase back then, but do we have more importers now on board?

Mr. Ted Gallivan: To start with, the CBSA has been using CARM since May 2024. That aspect of the launch has been quite successful. Maybe we'll come to that later.

This committee heard that only 1% of client software usage had been certified in the spring. I'm happy to say that we have 24 different software products certified to interact between the private sector and CARM. That represents 99% of all commercial imports in Canada. That was the metric that was appended to a letter of representation that this committee received. I would say that today, as we sit here, 99% of commercial imports have software ready to interact.

In relation to registration, 94% of the top 3,000 importers are registered. Of micro-businesses, 60% are already registered. We have additional measures in place to get additional micro-businesses over the line. In terms of software certification or business registration, we're largely there. We've also published six customs notices after consultation with stakeholders.

• (1725)

Mr. Maninder Sidhu: I'd like to hear about the 40% of micro-businesses that are left to come on board and what steps you are taking to get them on board.

Mr. Ted Gallivan: Sure. The first point on that is working with the CFIB through webinars, having a person on site, etc., to help get them in the door. They're largely cash importers anyway. They come into the customs office. They provide a cheque. They're not dependent on the portal, and they're not portal users today.

Second, because they do tend to come in and interact with our border officers, we have our ports of entry set up to register people on arrival. Should that not work, we also have the ability to allow them to do their importation without registering. We have the ability to allow people to do their importation without having a business number.

Mr. Maninder Sidhu: We heard some reservations in terms of the duties and tax calculation on CBSA's side, that it was not as perfect as it could be a few months ago. Where are we with those calculations now?

Mr. Ted Gallivan: We have had the benefit of using this tool over the summer. I would say that there are two parts to the calculation. There's the math and the accuracy.

On the math, we ran 2,000 transactions that went through legacy systems and through CARM 2.0. Of the 2,000 transactions or submissions that we ran through, only two had a discrepancy. In terms of a mathematical calculation, they're identical.

In terms of interpretation of the Excise Tax Act and the Customs Act, we're finding significant discrepancies. Our estimates show that in the range of \$200 million in discrepancies will be identified by CARM each year. We have a detailed list of recurring errors that are being made. We've already launched dozens of compliance campaigns through which we're contacting businesses and alerting them to these interpretive errors.

I would say that the concerns around calculations fall into two camps—the legislative interpretation of the correct coding and treatment of the acts, and the math. Our experience over the summer shows that the math is identical between CARM 2.0 and legacy, but CARM does have better analytics to flag compliance issues.

Mr. Maninder Sidhu: We heard about ticketing issues, contacting CBSA's help desk if a retailer or an importer had some issues. The response time wasn't as quick as we had hoped. Where are we in terms of response times when someone raises an issue with duties, taxes or calculations?

Mr. Ted Gallivan: This goes back to the registration question. We've registered 35,000 people in the last few months, and we've had a 500% increase in the calls. People have, I think, been a little frustrated with the response time.

We created a four-hour emergency service for businesses because we didn't want to hamper trade in this country. Actually 10,000 of the BNs that we have issued happened under this four-hour express service; we just don't want fruit to be rotting at the border. There has been a 500% increase in our call volumes. I think we've been bent but not broken. We have 55 staff on strength, and we're bringing another 75 surging. There has been a rush because people left their registration to the last minute, and we're scaling up to address it.

Mr. Maninder Sidhu: What is the response time now when someone raises a ticket?

Mr. Ted Gallivan: Last week, for people asking for a four-hour service, they got in within four hours, 80% of the time.

The Chair: Thank you very much

Mr. Barsalou-Duval is subbing in.

You have five minutes, please.

[Translation]

Mr. Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ): Thank you, Madam Chair.

I thank the witnesses for joining us.

At the committee's meetings on March 19 and 21, a motion was moved asking the Canada Border Services Agency, or CBSA, to provide us with a list of documents. We did receive documents, but the agency did not necessarily send them to us. We received them through Deloitte.

Did the agency coordinate with Deloitte at all concerning the documents that were sent?

Mr. Ted Gallivan: I wouldn't say there was coordination. The agency received nine separate information requests and three information orders, totalling 37,000 pages of documentation.

We have responded to seven of the nine requests. What's taking a bit longer is the 31,000 technical documents. I can confirm that all the requested documents have been sent to the Translation Bureau. As soon as they are available in both official languages, we will send them to the committee.

• (1730)

Mr. Xavier Barsalou-Duval: Okay.

We have received so many documents that it's becoming a bit difficult to make sense of everything. Has the list of detailed technical specifications been provided to us?

What about all of the CBSA's comments with respect to those specifications?

Mr. Ted Gallivan: Madam Chair, in each draft in April, when we provided the requested documents, we opened the door to prioritizing any of the documents. We would be happy to do so for any document. We actually sent a written request to the committee about that.

We acknowledge that it takes a long time to respond to requests for information, but that delay is due to the volume of documents requested.

That said, we will be happy to prioritize the documents that were just mentioned.

Mr. Xavier Barsalou-Duval: If I understand correctly, these documents were not part of the list you submitted.

Is that correct?

Mr. Ted Gallivan: I'm not in a position to answer your question, but perhaps Mr. Leahy can confirm that.

Mr. Mike Leahy (Director General, Commercial Projects, Canada Border Services Agency): I don't know if the documents have been sent, but they are on the list.

Mr. Xavier Barsalou-Duval: I guess it's the same thing in terms of deliverables linking the detailed technical functional specifications of the system to the needs of the organization.

Is that correct?

Mr. Ted Gallivan: Madam Chair, since we sent our first response to the committee, we have made a request for prioritization. We would be happy to prioritize the documents based on the wishes of committee members and provide any information requested in a timely manner.

As has already been mentioned, all the documents are already at the translation stage, and all that remains to be done is to put them on top of the pile.

Mr. Xavier Barsalou-Duval: Okay.

I would like to discuss something else.

I would like to talk about two other documents—the documents that show which organizational needs of the agency's scope of work are considered to be met by the current solution.

Although we have received some information on the needs that have not yet been met, there was no mention of the scope of work. So I'm not sure it was a complete list.

Mr. Ted Gallivan: We've had a number of reports done by third parties, which should properly document this issue of needs and value added for Canadians. One of the reports was done by our independent internal audit team. If this document has not already been provided to the committee, I think that's because it was produced by an independent group. That would be one of the best documents to answer your question.

Mr. Xavier Barsalou-Duval: The last document I want to talk to you about is the internal final report of the most recent experience simulation, last spring. We received a document, but it does not contain the participants' comments.

Did you document the participants' comments?

Mr. Ted Gallivan: I think these numbers and data bring us back to an issue we were just talking about. In the experience simulation, we heard concerns from the private sector. A lot of those concerns were deliberately aimed at getting us to reject a certain calculation or a certain bid.

In this regard, I think the difference in opinion between the agency, which enforces the act, and some private sector companies can be explained by one of the findings of the Auditor General's 2017 report on customs duties. The Auditor General indicated at that time that there was a 20% error rate—

Mr. Xavier Barsalou-Duval: Since I don't have a lot of time left, I just want to—

[*English*]

The Chair: Mr. Barsalou-Duval, I'm sorry, but your time is up.

[*Translation*]

Mr. Xavier Barsalou-Duval: It would have been interesting to hear the participants' comments.

[*English*]

The Chair: We'll go to Mr. Cannings for five minutes, please.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you.

I wanted to go to these differences, I guess, in opinion—you might want to say what CARM says and what the importers and exporters are saying. I'm assuming you feel that CARM is always right.

How are these differences of opinion dealt with at the moment and over the course of time? How does that affect the numbers that you report in terms of savings?

• (1735)

Mr. Ted Gallivan: I'll use a couple of quick examples.

The first is that a large retailer may import flowers and trees and code them as groceries, and just because those things are sold in a grocery store doesn't make them sales tax-exempt.

A second example might be marshmallows. Marshmallows are basic groceries. You might think they're exempt from GST, or, as a snack, that they are subject to GST. There are actually details around the chemical ingredients that will decide that.

Our approach has been consultative and educational. We have been reaching out to the businesses where we flag those discrepancies and telling them what we think is wrong. We've been open to dialogue. In the examples I gave you, there has been a dialogue and, in the marshmallow case, representation the other way.

Our plan is to nudge businesses into what we believe to be compliance, with open ears to feedback from the private sector. We're not trying to tie up or gum up Canada's trade, but we are trying to move people into compliance. We have something called the culpability framework. I guess the root of my answer is we're leading with education and asking questions as opposed to issuing bills.

Mr. Richard Cannings: Reading your notes here, it sounds like you used data from the last two years to come up with these calculations. Were you comparing a before-and-after scenario?

Mr. Ted Gallivan: I'll talk about the \$200 million in discrepancies that we're identifying. We used a 31-month period to say the annual range of discrepancies would be \$200 million.

Some of those would have self-corrected. Businesses would have figured it out or their accountant or somebody might have figured it out. We might have figured it out through audit. I think getting it right from the start is important, and it's important for there to be a level playing field among Canadian businesses and between Canadian businesses and international competitors. By having an automated tool, our sense is that people are going to get it right from the start.

Mr. Richard Cannings: Again, to clarify, are most or all of the discrepancies related to GST situations, or is it tariffs? What's the main cause of those discrepancies?

Mr. Ted Gallivan: Certainly, the \$200 million in GST was the most obvious. It's the biggest number. However, a policy choice on something like ball gowns and dresses.... That's where there's an 18% lift applied. The analytics from CARM are letting us figure out that some businesses aren't paying this, so I would say no.

CARM is also identifying people abusing most favoured nation status. The Government of Canada and this Parliament make choices about which countries get or don't get most favoured nation status. We're finding examples of people, mistakenly or otherwise, coding goods as coming from a most favoured trade nation, when, in fact, they're not.

Mr. Richard Cannings: Are these savings happening under CARM because, before, it was a lot laxer? I guess I'm puzzled about why there was so much missed before.

Mr. Ted Gallivan: There are a few things.

CARM provides an enhanced dataset, so we have an additional line of sight. It also digitizes the information and passes that on to our compliance folks more quickly. We're weaning ourselves off paper. We are asking for a broader dataset. That's feeding our analytics, because it's a digitized record.

Mr. Richard Cannings: Quickly, what are the concerns you're hearing? When I talk to business groups in general, they're very concerned about this. What are you hearing about their concerns, and what do you look for in the immediate future?

Mr. Ted Gallivan: I think one of the biggest concerns for our own employees and business groups is that CARM is not ACROSS. ACROSS is the system that manages actual traffic, real time, at the border. That's not CARM, and we're not touching the system that does this.

The second concern is that CARM 2.0 isn't one and done. People think we're done. That's not the case. We're going to have two updates a year, indefinitely.

I think those are the two biggest issues. If you can talk to people and say, "This isn't the system we use to clear goods at the border—it's the back-end accounting system," it takes down the temperature. Telling people, "When we go live on October 21, it's the start, not the end," takes down the temperature.

The Chair: Thank you very much.

Mr. Martel, you have four minutes.

We're going to try to do one more round. We have several witnesses in the waiting room for the next panel, so let's try to do another round.

You have four minutes.

• (1740)

[Translation]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you, Madam Chair.

Mr. Gallivan, how does the CBSA intend to compensate for the potential loss of business partners' confidence, given that many have already expressed their frustrations about the system's reliability?

Mr. Ted Gallivan: First, a number of stakeholders in the private sector are very enthusiastic about this new audit. We have testimonials, which we have made public on our website, from companies that no longer have to use brokers. A lot of people are very happy to have more transparency and to have access to their own data.

Second, as I mentioned, the Office of the Auditor General of Canada, or OAG, reported a 20% error rate. The office asked us to impose fines and to cancel certain brokers' licences. It's not surprising, then, that some brokers are concerned about being targeted by this 20% error rate. If they did not code the imports properly or if

they did not pay the tax due, it is perfectly normal for them to have concerns.

Mr. Richard Martel: What will be the economic and administrative consequences of frequent delays in the implementation of the CBSA's assessment and revenue management system, or CARM, for businesses and importers?

Mr. Ted Gallivan: First, I would say that Canadian businesses will have transparent access to all their interactions with the agency, like they do for their bank account or the Canada Revenue Agency. This will promote greater transparency for the entire industry.

Second, to answer the question about compliance, any errors will be detected at the beginning, not during an audit, two years later, which would result in fines and penalties. If detected, the error will be raised with the stakeholder. We can tell them that we are not sure of their calculation and ask them to check it and correct the error.

We believe that this electronic tool will make the work of businesses easier. Employees of small businesses will no longer be required to report to the customs office at the border. Enabling them to settle their excise duties electronically before arriving at the border will save them paperwork.

Mr. Richard Martel: What are the main risks for the CBSA after October 4?

Mr. Ted Gallivan: That's a great question.

One of the risks is the screw being overtightened, through things like all the controls that will be put in place. If the entire machine comes to a halt, we will have concerns. I mentioned that audits will be done and that some bids will be rejected. We worked with the system over the summer, and about 1% of the transactions were rejected.

What I was concerned about was the risk of introducing a compliance system that would have affected 50% of transactions, which would have had a punitive effect on the private sector.

Mr. Richard Martel: Can the system guarantee that the \$40 billion in expected gains for Canada will be achieved, despite the current delays and shortcomings?

Mr. Ted Gallivan: Forty billion dollars is the overall amount of revenue that we assess every year. I can guarantee that the amount assessed will certainly increase. As for errors, we have employees on site, as well as a contract with Deloitte. Under this contract, Deloitte will address any shortcomings at no cost to the taxpayer.

So I think we have a system in place to deal with any issues that may arise.

[English]

The Chair: Mr. Martel, I'm sorry, but you have seven seconds. It's not enough time.

Mr. Miao, please go ahead for four minutes.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair.

Thank you to the witnesses for being here today.

Since the last time, are there any big finds or updates that you have experienced over the summer when working with stakeholders to implement CARM? As we know, the October 4 date is coming. How ready is CARM for the importers?

Mr. Ted Gallivan: I already talked a bit about the compliance approach, where we're seeing early success. That makes us comfortable that there'll be a revenue lift.

I mentioned that 99% of Canada's commercial trade has software certified that's compatible with CARM. I mentioned the number of people who are registered. We have 8,000 of our own employees now equipped with access to CARM. I think we've largely de-risked it as much as we can ahead of the October 21 launch date.

I'll turn to Mr. Leahy for some specifics.

• (1745)

Mr. Mike Leahy: You mentioned certification. We were here in the spring, and the certification numbers were not strong. There's been a lot of dedicated outreach between Shared Services Canada, industry and us, spending time together to say, "Let's get through this process."

There are 30 digital tests they have to go through, and we went through them. We spent enough time, and there was enough commitment. There were four companies left, and we're expecting them to be done by October 21 as well. It was a real push from many sides.

Mr. Wilson Miao: I had the chance to be shown the demo and to see CARM by itself. Have you found any significant user experience over this past summer, through working with the stakeholders and seeing how the new CARM is coming in, that will be much better than what we have been expecting?

Mr. Mike Leahy: I think, for the user community we're talking about that got access in May, the lights came on. Here is a tool that they haven't had previously. CARM scores information and says, "Look at this. Somebody may be doing something that you're interested in," and then an officer gets a chance to dig in and say, "Yes, that commodity should attract duty at this rate, and look what's happening." Maybe it's not being remitted, or maybe there's something there they should explore further.

It gives decision support to people who have been looking for that kind of support from a tool for years. That part of our organization said that CARM really works.

Mr. Wilson Miao: I'm sorry to interrupt. With my limited time, I want to ask about how many transactions you are expecting once CARM goes live on October 4. If there are any incidents or issues with regard to transactions, what kind of response, time-rate response or procedure implementation do you have so that you can resolve those issues?

Mr. Mike Leahy: That's a good question.

There's been outreach to industry. During the cutover process, we're taking down.... We're deferring the accounting obligation, so we're going to accumulate information.

When we start up on the 21st, we're going to process the backlog and then everything that's new, concurrently. Orchestrating that and having CARM ready to deal with the 16 days' worth of volume has been planned. It's been tested. We tested performance at double what we see currently. If we're looking at 30 million accounting documents, we looked at double the impacts to get ready for that initial spike. For the solution, it's been planned to deal with what's coming, starting up on the 21st.

Mr. Wilson Miao: Can you estimate how many transactions per month will be going through CARM?

Mr. Mike Leahy: On a monthly basis, we're looking at.... Annually, we're looking at 30 million entries. The breakdown by month or by minute should.... It will flow based on the month, but I don't have an exact number, as you can tell. I'll get you one.

The Chair: I need some direction from the committee.

It's a quarter to six. In the waiting room we have the Canadian Association of Importers and Exporters, the Customs and Immigration Union, Federal Express and UPS Canada. We would have 45 minutes with these witnesses.

I was trying to do another round so that the Bloc would have two minutes and Mr. Cannings would have two minutes, but that's going to take us up to five minutes to six.

Is it best that we let these witnesses go and that we bring in our other witnesses who are waiting?

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): If possible, I would like to take the floor for two minutes. It would be brief.

[English]

The Chair: It's going to cut into our time for the other....

Mr. Cannings says he's fine.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I'm asking. If the committee would prefer to move on, I'm fine with that, but I would love to have the floor, if possible.

[English]

The Chair: Okay, go ahead quickly.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Mr. Gallivan, we didn't have time to hear your remarks, but we do have your speaking notes, where it says that you've tested over 115 trade chain partners. It says that since May 2024 you've performed 333 test cases. We would like to have more details on that. Is there a report we can look at?

Honestly, I don't know if there's any point in—

Do you mind, Conservative Party folks?

They're not interested in this.

[English]

The Chair: Can we just be quiet for Mr. Savard-Tremblay?

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Mr. Gallivan, we asked you for documents in April. You told us that they could be sent within 20 days of the meeting, if I remember correctly. However, it has been months, and we have still not received everything.

Now you're telling us that we could prioritize documents. I don't know how many thousands of people work at the agency. If I ask you for something, will we really get documents in a timely manner this time?

• (1750)

Mr. Ted Gallivan: Madam Chair, as I mentioned, all of our responses to requests from this committee included a field that I had inserted personally so that you could add the priority documents that you wanted to receive first.

I will take note of the member's request, and we will process those documents as a priority.

Mr. Simon-Pierre Savard-Tremblay: This committee passed a motion asking for a particular set of documents. You had confirmed to us that we could receive them within 20 days of the meeting, but we haven't seen anything yet.

Mr. Ted Gallivan: In order to respond to that request, we have to provide you with 37,000 documents. I can confirm that all of these documents are at the translation stage. That's where the stumbling block is.

Mr. Simon-Pierre Savard-Tremblay: When did you send them?

Mr. Ted Gallivan: I don't have the details in front of me. I can assure you that we would like to provide you with all the documents requested and that we can do so in order of priority. However, translation is necessary to comply with the Official Languages Act.

[English]

The Chair: Thank you very much to the witnesses.

We will suspend while we quickly bring the other witnesses in.

Thank you very much for appearing today. You have our apologies for the lateness.

• (1750)

(Pause)

• (1750)

The Chair: I call the meeting back to order.

Thank you very much. I apologize for the delay.

The committee is anxious to start asking you questions immediately, so if you don't mind, we will forgo your written comments. I understand that we have them. They'll be distributed in both official languages to the committee following today's testimony.

We're on to Mr. Baldinelli, please.

Mr. Tony Baldinelli: Thank you, Madam Chair.

Thank you to the witnesses for being here.

I'll go to Ms. Campbell first.

On April 8, 2024, a written brief signed by 22 trade chain partners was submitted to the committee. It highlighted concerns about inadequate certification, accuracy and single source of truth, the lack of a transition plan, the lack of final policy or regulatory detail, and customs self-assessment degrading benefits and functionality.

Have these concerns been addressed by CBSA to your satisfaction and to that of the trade chain partners that you represent?

• (1755)

Ms. Kim Campbell (Past Chair, Canadian Association of Importers and Exporters): Thank you, Madam Chair.

I can easily just say no. CBSA has actually not consulted with trade since March 27, 2024. All of the outstanding issues that we have brought forward during that time remain.

Mr. Tony Baldinelli: Last March, CBSA testified that it has a rollback plan and layers of contingency plans.

However, your brief communicated that "Team CBSA has confirmed a rollback is not possible".

This is a stark contradiction. Has CBSA addressed this concern?

I mean, once that blackout period starts, we're into it.

Ms. Kim Campbell: We're into it, yes.

We can tell you that we have actually not received a contingency plan. We were also distressed to see that, because that was in the minister's comments that were provided to the committee last week. We're still waiting for the contingency plan.

We have been given some notification about what is going to happen during the cutover period. I think it's really important to point out that it's a 17-day blackout. We're in the year 2024. I've never heard of a system being blacked out for 17 days.

We do have some details around the blackout itself, but the standing up is still not clear.

I will say, they did advise us on the Friday that just passed that there will be a conversation with trade on Friday to ask questions about that, but we have not been given the chance to do so yet.

Mr. Tony Baldinelli: Mr. Weber, the union you represent submitted a scathing—to say the least—report to the committee concerning an overview of CARM concerns from the front line. It was dated April 18, 2024. The brief references a lack of consultation, a lack of training, health and safety concerns and design flaws about CARM, and says it was not designed with CBSA in mind; it also references a lot of general concerns.

How does the union representing CBSA workers on the front line today feel about CARM?

Mr. Mark Weber (National President, Customs and Immigration Union): Confused and worried would best describe the atmosphere amongst our membership. They have received very little training, just basic PowerPoint presentations; they have had no ability to test the system or use the system. The interface that our members see, as opposed to what travellers see, is different, and we'll be at the border expecting to help travellers while not really knowing what it is they are supposed to do.

In terms of the concerns and such that we raised, we received an answer yesterday at 4:46 p.m. to all the questions we sent back in May, and we have not had any consultation in between whatsoever.

Presumably, they found out we were testifying here, so they thought they would take away my ability to say that there has been no consultation. That was well played, but really there has been no consultation.

Mr. Tony Baldinelli: Would you agree that they are going to default to using Deloitte staff to assist with any concerns that are raised, instead of using CBSA officials, union workers and staff who should be trained, but have not been, to operate this system?

Mr. Mark Weber: The concern goes deeper than that. I really believe this should have been developed in-house. I think the expertise is there. I think you needed to talk to the people who use it every day. Those frontline officers have not been consulted at all.

It is, again, like we saw with ArriveCAN and like we have seen with other apps and ideas that CBSA has had. The people who use it are not consulted and don't have any involvement in the development whatsoever.

Mr. Tony Baldinelli: We're spending \$500 million; that's half a billion dollars. Would you suggest we have another ArriveCAN or Phoenix pay disaster just waiting to happen?

Mr. Mark Weber: I certainly hope not. We all lived through ArriveCAN. We're still living through Phoenix. They were absolute disasters. I hope this doesn't turn into that. Again, though, our members are worried that it is going to be that, because as of now—this is launching in about four weeks—we don't really know what we're doing with it.

After I got invited to this committee on Friday, I spent the last few days speaking to people to try to gain information so I could provide meaningful answers to the questions you have. No one seems to really know how to use the system, and we are going to be the ones on the line expected to help people using the system, so it's very concerning.

The Chair: Mr. Baldinelli, your time is up.

Mr. Sidhu, please go ahead.

Mr. Maninder Sidhu: Thanks to our witnesses for taking the time to be here today.

We did hear from FedEx and UPS way back in the spring, and I would like to follow up with Ms. Bilodeau about readiness and how many customers of yours are now on board. I think last time we heard that there weren't that many, or not enough for you to feel confidence.

Can I get an update now?

Ms. Tammy Bilodeau (Vice President, Customs Brokerage and Compliance, UPS Canada): From a UPS perspective, we are now fully certified, which we were not at that point in time. We have been fully certified on the 30 scenarios, but not a lot has changed, unfortunately, with respect to our commercial importers in terms of their registration. Only about 20% of our customers have registered in the CARM client portal at this point in time.

• (1800)

Mr. Maninder Sidhu: Okay.

Can I also get an update from FedEx, Ms. Jalbert?

Mrs. Renate Jalbert (Managing Director, Regulatory Affairs, Federal Express Canada Ltd.): The situation is similar to what Ms. Bilodeau stated for UPS. Federal Express is fully EDI-certified with the CARM program, but the uptake from the importers is very difficult. About 55% of our customer base of Canadian importers are registered, and less than 30% of U.S. importers and less than 20% of rest-of-world importers are registered.

It's very challenging for importers to manoeuvre within the portal and manage the different roles within the portal. There has been a great deal of outreach in communications and marketing in order to communicate globally with these customers.

Mr. Maninder Sidhu: What are some of UPS's and FedEx's apprehensions as regards the CARM launch date? What's hindering your ability to sign up more customers? What do you have in mind in terms of the launch date for CARM and the blackout period?

Mrs. Renate Jalbert: My concerns are not about the back end of the CARM process—I think the modernization was long overdue as far as the entry processing. They're all about the front end and the complications of the CARM portal. It's not that we're hesitant to onboard customers; customers are hesitant to onboard themselves. We have comments from importers who say they tried 10 times to get registered on the portal; they can't get the right documentation and there are issues with global customers, so it's just the challenge of the portal having security delegating the broker that makes it complex.

Mr. Maninder Sidhu: When [*Technical difficulty—Editor*] in terms of duties and calculations from your tests with CBSA, or with the customers that might be live on CARM, what's the response time like from CBSA when you raise an issue with calculations?

Mrs. Renate Jalbert: It's only been in tests at this point, and there's just one other point I'll make about that: The provincial taxes are not calculated or validated by CBSA; they're calculated by the brokers, so there's no validation of that number. However, for response times in the test scenarios, CBSA was very supportive in ensuring that everybody was onboarded.

Mr. Maninder Sidhu: I'll cede the rest of my time to Mr. Badawey on timelines.

Go ahead, Vance.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Madam Chair.

As just a quick question to that question, what are the turnaround timelines? What's the expectation on your end of what the turnaround should be, in comparison to what the turnaround timelines are for CBSA?

Ms. Tammy Bilodeau: We're experiencing a wide range of turnaround depending on what the issues are going to be. We're going to be dealing with thousands of transactions and importers in real time, so the four-hour turnaround time likely will be sufficient if we can get that 100% of the time. Our experience at UPS was not aligned with what Mr. Gallivan indicated—that 80% of the time they're responding within four hours. We still have several concerns that go several days without response.

Mr. Vance Badawey: With that said, number one, what has your experience been? Second, what implications will this have—how volatile can it be if it's taking that long—with respect to the margins and the expectations of what your returns are going to be?

Ms. Tammy Bilodeau: Certainly it's resulting in additional cost for industry, for business and for importers as well, as we're tying up their and our time in trying to resolve discrepancies. As Ms. Jalbert reported, there's a lot of time that has to be invested just to get onboarded onto the portal, calls to the CBSA helpline.... All of that is adding significant expense not only to industry trade chain partners but to commercial importers, most importantly.

The Chair: Mr. Savard-Tremblay, you have five minutes, please. [*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

Good afternoon, Ms. Campbell. Thank you for your testimony.

I am pleased to see you, as I have the impression that we are witnessing more or less the same scene as last spring. We hear officials tell us that everything is fine and dandy, that everyone has been consulted, that everything is ready, that everything is finely tuned, to the smallest detail, and that there won't be any problems. Then we hear from almost all the organizations affected that there was no consultation, that everything is not going well and that nothing is ready.

You said earlier that your organization had not been consulted on a potential emergency plan. Have you taken part in the tests and

simulations since your last testimony, that is, since your very critical brief was submitted last spring?

• (1805)

[*English*]

Ms. Kim Campbell: We have not. Many of our members have, but again, it's a very defined number of people. We don't disagree with the reflection in terms of those who are participating, but remember, they're only the certifiers of software. There were only 40 companies allowed to even test in the CES, so that means, on October 21, that around 200,000 people, importers and service providers are seeing this interaction for the first time—and not just the portal. I think we get very fixated on the portal from a CBSA perspective, but the vast majority of transactions are going to be going through the EDI processes, and we're all still learning about that.

I don't know whether I answered your question completely.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: That's very clear.

In your testimony in the spring, you pointed out that some processes had not yet been automated and that things had to be done manually.

Is that still the case?

[*English*]

Ms. Kim Campbell: Yes, it is, and even big pieces of it still haven't been tested. We talk about the RPP, for example, the release prior to payment, and every importer is going to have to have a bond. We're hearing from the sureties that none of that has even started yet, so we don't even have a clue how that's all going to work and feel. We just heard from our career colleagues, and although customs is giving us some deferred periods to get ready—they punted it six months—those things are not even working now, so we're not really sure what's going to happen, even in six months.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Mr. Weber, as I understand it, your organization was also not consulted on what you were criticizing at the time. You said at the time that there was a consensus on the lack of adequate training for border personnel on CARM. Just a few days before the system was supposed to be implemented, that was still the case.

What is your assessment of the training this time? I would hope that its postponement was to make improvements.

[*English*]

Mr. Mark Weber: I would love to be able to report that things have changed. The level of training that we have now is pretty much where it was before. Our members really don't know what to expect, what they're going to be doing or how to assist any of the importers who are going to be arriving at the border. When the launch was delayed last time, it was blamed by the CBSA on a strike vote.

I'm trying to be measured in my words, but there are some questions around integrity. That's the federal agency equivalent of "the dog ate my homework", to be honest. Our members were furious when they read that. That had no bearing whatsoever on their not being ready to launch CARM. They're still not ready.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: What you are saying is very interesting.

My question is for both of you, Ms. Campbell and Mr. Weber. You've heard the exchanges between members of Parliament and CBSA officials. There was actually no testimony. I don't know if you've had a chance to read the witnesses' notes since we didn't have time to hear their presentation.

Is there anything else that you would wish to see rectified, as you did last spring?

[English]

Ms. Kim Campbell: No.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Do you have anything to correct about what you heard from the officials?

[English]

Ms. Kim Campbell: I think we still have a completely different reality. What they're reflecting is not what we're feeling, and that is the reason we keep asking for a third party. At this point, we have too much of a he-said-she-said moment. We need somebody to come in and actually roll up their sleeves and find out what's going on.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Mr. Weber, do you have anything to add about the agency's excuse—which you referred to a little earlier—that is, the story of the dog that ate the homework?

[English]

Mr. Mark Weber: Basically, the launch has to be delayed once again until the people who are working at the border, who are going to be able to assist these importers, have an idea of how to use the system. We can't replicate what happened with ArriveCAN.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: What do you think would be an appropriate time frame?

Is six months still useful if things don't change, the agency does not engage in more consultations and doesn't train more employees?

[English]

Mr. Mark Weber: A time is difficult to provide when, as you say, there's no consultation and the training is really not happening in any meaningful way now.

• (1810)

The Chair: Mr. Cannings, you have five minutes.

Mr. Richard Cannings: Thank you.

I'd like to just follow up on those questions, because I think that's what we're hearing right now. We heard a rosy picture from CBSA, and now we're hearing that nothing much has changed, even though we had that.... Things were put off.

If everything were working, if the training were there, if the training were happening, do you have any idea how long that might take in the best case scenario?

Mr. Mark Weber: In the best case scenario, the amount of time depends greatly on what the training is and whether our members have the ability to practise with the system. A PowerPoint presentation is really not useful when the system itself is using language they're not familiar with. This is a system that was developed for the Canada Revenue Agency and is using terminology that is not necessarily familiar to importers or our officers. It is very confusing, and they're worried. They all lived through what happened during ArriveCAN. We became IT consultants for a large swath of time during that pandemic, when our job was really a constant struggle to use systems that we really didn't know how to use to try to help travellers, in this case importers, to do that paperwork properly, which we were really not successful in doing for the most part.

Mr. Richard Cannings: I imagine you would have a list of things you'd like CBSA to provide in terms of training, in terms of all that. If we delay it another three months, six months, a year, I can see why we wouldn't want to just put it off indefinitely. If there can be something laid down stating, "We want to accomplish this in the next six months," would you be ready to provide that to CBSA in terms of what your members need?

Mr. Mark Weber: Yes, once we have the specifics of what it is that's being rolled out. Again, we don't really know that. We've not been consulted. I know from the members that they really don't know what to be expecting four weeks from now, so there's a lot.

Ms. Kim Campbell: Can I add a couple of comments?

I think that's a great and reasonable framework. However, again, I feel we need somebody to sit down with the two parties and work on a reasonable, agreed-upon framework to get us there.

The other thing I wouldn't mind sharing is this: I had the privilege of meeting with the executive acting commissioner for U.S. Customs on Monday, who manages their trade program. We talked about CARM. One of the things we still struggle with, which they also felt was interesting, is that we are going for a "big bang". For the reasons we laid out, it's reasonable to bring people on in a graduated way, as we're all learning. U.S. Customs still runs parallel systems to this day. We've been hearing from Canadian counterparts that they did the same thing. No, they didn't. They have a completely different approach. They run parallel systems, and they are still maintaining legacy systems as they get everyone onto the newer, more modernized processes.

Does that give you any insight?

Mr. Richard Cannings: Quickly, what are the incentives for people to get onto the new system rather than say that they're not going to learn a new system?

Ms. Kim Campbell: In the U.S. versus Canada...?

Mr. Richard Cannings: It's in general.

Ms. Kim Campbell: In Canada, there isn't that much of an incentive. I think that's been part of it. It's the heavy-handed part.

I will say that I agree with Mr. Gallivan when he talks about there being increased visibility. People will be able to see things on-line in one place. Those are great things. Some of the other processes that are paper-based today are going to be automated. However, it's very important for everyone to know that most of these things are already automated. There are very few things that are paper-based. However, even that will be more beneficial than what we have today.

The Chair: [*Technical difficulty—Editor*]

Mr. Richard Cannings: Time doesn't fly, sometimes.

Voices: Oh, oh!

Mr. Richard Cannings: Maybe you can expand on things you were mentioning that I don't recognize. There is a lot of jargon that's new to me, like “EDI processes”.

Ms. Kim Campbell: Yes, that's a great question.

On the portal itself... This is the curious thing, and a lot of us are wondering. Customs is trying to push us all into the portal. The problem with the portal is that you have to manually go in and do stuff. As with most of our processes in systems today, we're exchanging information electronically among importers and service providers. They're pushing forward that information electronically. It's all been pretty seamless and electronic for decades.

Some of their decisions to change things are actually breaking some of those pipes we've been used to. That's definitely a big challenge.

The Chair: You have nine seconds, so I think we can leave it.

I have Mr. Baldinelli for four minutes.

• (1815)

Mr. Tony Baldinelli: Thank you, Madam Chair.

The testimony of the witnesses here this afternoon is kind of surprising. It's distressing, to say the least.

I want to build on what Mr. Weber described while advocating for the launch of CARM to be delayed by about six months, as well as the notion that we can't have what happened with ArriveCAN happen again. That situation should not happen again.

Madam Chair, I'm going to propose a motion that I'd like to share with my committee colleagues here:

That the committee recommend that the federal government immediately suspend the implementation of CARM, currently scheduled for October 21, 2024, until at least April 2025, and that the system be brought into use only after all concerned industry and union stakeholders can provide another update to the Standing Committee on International Trade that demonstrates their improved confidence and readiness for CARM implementation and the Standing Committee on International Trade can complete its study on CARM and table a final report containing its observations and recommendations.

That's the motion I propose, Madam Chair.

The Chair: Okay. Thank you very much.

Mr. Savard-Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Can I propose two amendments to the motion?

[*English*]

The Chair: Okay.

Do you have them in writing in English and French?

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: No.

[*English*]

The Chair: Can you read them?

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I'll read them slowly. They're very short anyway.

I move that the first sentence, which begins with, “That the committee recommend that the federal government suspend...”, end before the first semicolon, with, “that demonstrates their improved confidence and readiness for CARM implementation”.

In addition, I would like to add “reception of the documents requested last spring” to the conditions, so that nothing would come into force before the documents are received.

Finally, at the very end of the motion, I move to add “and report to the House”.

I hope my Conservative colleagues are prepared to accept these proposals.

[*English*]

The Chair: I want to suggest that we suspend for a few minutes so that we thoroughly understand the amendments from Monsieur Savard-Tremblay.

I will suspend for a very few minutes, if you don't mind.

• (1815)

(Pause)

• (1830)

The Chair: I'll bring the meeting back to order.

Mr. Badawey.

Mr. Vance Badawey: Through you, Madam Chair, to the clerk, is there any opportunity for us to also invite the Canadian Society of Customs Brokers?

The Chair: Yes. It's a question of when. I think we need to keep the witnesses all in the same time. We'll add the custom brokers as well.

Do we have anyone else who we think is really pertinent to trying to bring this discussion to a direction?

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Madam Chair, this request is sort of unexpected. Can we send you names by email?

[*English*]

The Chair: You don't have to give them to me now. You can send them by email to the clerk if you have a couple of suggestions of people who you think are pertinent to our dealing with this issue.

Mr. Tony Baldinelli: I think the key is trying to get it done on Wednesday, because the blackout period starts on the fourth, right?

The Chair: We'll invite the witnesses that we can get for Wednesday.

Mr. Tony Baldinelli: That we can get; yes.

The Chair: What we get, we get.

Mr. Tony Baldinelli: Bravo.

The Chair: We think half an hour will be sufficient to deal with the motion. That will be the first half hour. The other hour and a half will be some additional witnesses over and above what we possibly have today.

Mr. Maninder Sidhu: Can we flip that?

Mr. Tony Baldinelli: Yes. Let's flip that. We'll hear from the witnesses, and then we'll do the last bit.

The Chair: The last half hour will be dealing with this motion. All right.

Is everybody good with that? Okay.

The meeting is adjourned.

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