



The Honourable Judy A. Sgro, M.P.  
Chair, House Standing Committee on International Trade  
House of Commons  
Ottawa, ON K1A 0G6

Dear Ms. Sgro,

Pursuant to Standing Order 109 of the House of Commons, I am pleased to respond on behalf of the Government of Canada to the recommendations outlined in the Seventeenth Report of the Standing Committee on International Trade, entitled "*The CBSA Assessment and Revenue Management System: An Interim Report*".

I wish to thank the Standing Committee for its important work regarding the implementation of the CBSA Assessment and Revenue Management (CARM) system for trade chain partners. The Government appreciates the degree of work that has gone into the recommendations and acknowledges its intent. While the Government acknowledges the intent of the Report, it agrees, partially agrees, and takes note with some of the recommendations.

The Government's Response focuses on current and previous initiatives that addresses the issues raised in the Report, taking into account developments since the adoption of the Committee's Report, such as the change to the launch date for trade chain partners from May 13, 2024 to October 21, 2024. While we are pleased with the number of stakeholders who have already onboarded to the CARM system, we realize there is more work to be done before all trade chain partners transition to CARM.

Since the adoption of the Committee's Report on April 18, 2024, the CBSA successfully launched CARM internally and has since been using it as a compliance risking and verification tool. Being mindful of a potential labour disruption in spring 2024 and the fact that it would have severely undermined the CBSA's ability to implement CARM (because it impacted officials who supported CARM and who were in a position to strike), the Agency chose to delay the external launch of CARM to October 21, 2024. The Government took advantage of the six month window between May 2024 and October 2024 to further strengthen and confirm the effectiveness of CARM. Notably, we have engaged in additional system testing, enhanced the system, and have been able to leverage CARM to more precisely and efficiently identify companies who may not be paying the taxes and duties they owe, as well as isolating trends and issues that are not readily apparent from a manual review of data. This would allow the CBSA to level the playing field between companies that are, and are not reporting properly, which includes both Canadian and foreign companies.

CARM represents an exciting step forward in the way the CBSA manages revenue, providing clear benefits for both trade chain partners and the Government of Canada. These include increases in efficiency, transparency, functionality, and Government of Canada revenue. Furthermore, even after the launch for trade chain partners in October 2024, CARM will continue to evolve and adapt to the needs of both internal and external stakeholders. This will help to ensure that CARM benefits continue to be experienced for years to come.

I would like to take this opportunity to once again thank you and the members of the Standing Committee for your work. Please find enclosed a copy of the Government Response to the recommendations of the Committee.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'D. LeBlanc', written in a cursive style.

The Honourable Dominic LeBlanc, P.C., K.C., M.P.  
Minister of Public Safety, Democratic Institutions and Intergovernmental Affairs

**GOVERNMENT RESPONSE TO THE SEVENTEENTH REPORT OF THE STANDING  
COMMITTEE ON INTERNATIONAL TRADE ENTITLED,  
“THE CBSA ASSESSMENT AND REVENUE MANAGEMENT SYSTEM: AN INTERIM  
REPORT”**

**INTRODUCTION**

The Government agrees with the recommendations to: (a) implement measures designed to ensure that the Canada Border Services Agency (CBSA) allows stakeholders that are ready to participate in the CARM system on May 13, 2024 to do so, (b) test all technologies underlying the CBSA Assessment and Revenue Management system adequately and resolve any challenges as expeditiously as possible and prior to full implementation; (c) allocate sufficient resources to support all Canadian firms, but especially those that are small or medium in size, as they transition to the CARM system, (d) consult with relevant stakeholders prior to developing a contingency plan to be implemented if the CARM system does not function as planned following its full implementation, (e) take actions to inform Canadian stakeholders about the contingency plans in (i) the shutdown of the CBSA’s current Customs Automated Data Exchange system on April 26, 2024 and (ii) the subsequent full implementation of the CARM system on May 13, 2024, (f) take actions designed to ensure accuracy concerning assessments of the amount of duties and taxes payable in relation to commercial goods imported into Canada when implementing CARM, and (g) continue to consult relevant stakeholders concerning, as well as communicate with them about, the CARM system and that consultations and communications be timely, inclusive and ongoing. Additionally, similar projects undertaken by international partners, such as the United States, Australia, and the United Kingdom are on a comparable with respect to budget and timeframes.

The Government partially agrees with the recommendation to permit importers of commercial goods into Canada to use their customs broker’s posted financial security so that their shipments can be cleared before duties and taxes are paid until April 2025.

The Government takes note of the recommendations to: (a) permit stakeholders that are not ready to participate in the CARM system on May 13, 2024 to continue using the CBSA’s current systems – until they are ready to participate in the CARM system and (b) delay implementation of the CARM system if stakeholders are not able to participate in CARM by May 13, 2024 or are not permitted to use the CBSA’s legacy systems until they are ready to onboard to the CARM system.

**GOVERNMENT RESPONSE TO RECOMMENDATIONS**

**Recommendation 1**

**That the Government of Canada ensure that the flow of commercial goods across Canada’s borders is not negatively affected by full implementation of the CBSA Assessment and Revenue Management system. In that regard, the Government should:**

- **implement measures designed to ensure that the Canada Border Services Agency allows stakeholders that are ready to participate in the CBSA Assessment and Revenue Management system on 13 May 2024 to do so, and permits stakeholders that are not ready to do so on that date to continue using the Canada Border Services Agency’s current systems –until they are ready to participate in the CBSA Assessment and Revenue Management system. If these measures are not possible, the Government should delay implementation of the CBSA Assessment and Revenue Management system;**

The Government partially agrees with this recommendation.

The Government agrees with the first part of the recommendation.

Since its scheduled launch date in October 2023, the implementation of CARM as a system of record for trade chain partners has been delayed twice. The decision to introduce the first of these six month delays, from October 2023 to May 2024 was informed by concerns raised at the time to the CBSA by trade chain partners regarding their state of readiness and the busy nature of the fall shopping season. On April 19, 2024, the CBSA announced an additional change to the date for the implementation of CARM as a system of record for trade chain partners from May 13, 2024 to October 21, 2024. The reason for the delay was because the CBSA was mindful that a potential labour disruption in spring 2024 would have severely undermined its ability to implement CARM (because it impacted officials who supported CARM and who were in a position to strike). Accordingly, the Agency chose to delay the external launch of CARM to October 21, 2024. It is important to note that October 21, 2024, is not an arbitrary date. This date aligns with the next integrated information technology release window with the Canada Revenue Agency. Together, these two delays have allowed trade chain partners to benefit from twelve additional months during which to prepare for CARM. During this time, the CBSA has also been able to hold a second round of the CARM Experience Simulation, launch CARM for internal use on May 13, 2024, complete additional rounds of testing, and enhance the system.

Trade chain partners have been able to register in the CARM Client Portal since May 2021. As of August 12, 2024, over 88,900 importers have registered in the CARM Client Portal. This includes approximately 94% of the top 3,000 importers by volume and value. At the same time, 19 of 29 Electronic Data Interchange and Application Program Interface participants have completed their testing and certification and an additional 3 participants have completed more than 75% of their certification testing scenarios. These 22 participants represent over 99% of the annual transaction volumes submitted to the CBSA.

Once registered, trade chain partners have access to a range of functionalities and self-service options not previously available to them under legacy systems and processes. Prior to October 2024, these included the ability to view transactions posted to their account, make payments electronically, simulate the classification of goods, and estimate duties and taxes. Following October 2024, additional functionalities will become available including the ability to enroll electronically in commercial programs, submit accounting documents electronically, and easily correct and adjust already submitted accounting declarations.

With respect to the second part of the recommendation, the CBSA is not in a position to support the launch of the CARM system in October 2024 while simultaneously permitting trade chain partners to continue using its legacy systems. The challenges associated with this approach are:

- The regulatory amendments and new *Financial Security (Electronic Means) Regulations* will come into force on the same day as the external launch of the CARM system on October 21, 2024. As such, trade chain partners would be non-compliant with the regulations if they were to continue using legacy systems and operating under the old regulatory regime and its associated processes;
- There is the risk that the legacy Customs Commercial System may break down and necessitate the use of paper processes;
- The CBSA's ability to modify its aging legacy systems is limited;
- There are data reconciliation concerns;
- The increases to costs may be prohibitive;
- The additional time it would take to implement parallel processing; and,
- There are system-to-system communication limitations.

The Government will be implementing several measures designed to facilitate the transition from the legacy systems to the CARM system. These measures include:

- A 180-day transition period for Release Prior to Payment program participants. More specifically, this transition period will permit importers to obtain release of their goods prior to the payment of duties for up to 180 days following the coming into force of the regulations without posting security, as long as the importer has registered for an account in the CARM Client Portal;
- A one year broker business number transition period;
- The installation of terminals with access to the CARM Client Portal at 73 sites across Canada;
- Increased support from the firm that is responsible for providing ongoing infrastructure and application management services for CARM in anticipation of higher-than-normal service request volumes; and,
- Reallocating existing staff, as needed, to support the implementation of CARM, e.g., to assist the CARM Client Support Helpdesk.

These measures have been developed to provide trade chain partners with the time and support necessary to adjust to key changes associated with the implementation of the CARM system. Moreover, the CARM Client Portal was launched in May 2021 in order to allow trade chain partners sufficient time to onboard and to familiarize themselves with the portal prior to the launch of the CARM system as a system of record.

The CBSA's transition plan was formally communicated to trade chain partners in April 2024 and has largely been well received. Updated guidance with adjustments to reflect new dates as a result of the postponement of the implementation of the CARM system for trade chain partners to October 2024 will be made available through Customs Notices. The Customs Notices will be posted to the CBSA's website prior to the beginning of the cutover period which is the period during which legacy systems will go offline.

The Government takes note of the third part of this recommendation.

The negative consequences of continuing to rely upon these aging systems is significant and have also been flagged multiple times by the OAG. A failure of these legacy systems prior to the implementation of CARM for external partners would be catastrophic and severely undermine the ability of the CBSA to account for approximately \$40 billion in annual trade. Furthermore, as has also been highlighted by the OAG, over the course of successive audits, the existing customs accounting systems and processes have experienced known issues with respect to accurate assessments of duties and taxes. As the Government's second largest revenue assessor after the Canada Revenue Agency, this not only represents a significant loss of Government revenue, but also disadvantages trade chain partners who are paying their fair share of duties and taxes. In view of the fact that CARM has not only been built and tested, but has also proven its performance via its internal launch in May 2024, further delaying its implementation would unnecessarily delay the realization of CARM benefits as well as continue to expose the Government of Canada, taxpayers, and industry stakeholders to the risk of a catastrophic customs accounting system collapse.

- **test all technologies underlying the CBSA Assessment and Revenue Management system adequately, and**

The Government agrees with this recommendation.

The CARM system has been tested using a variety of IT testing processes such as: systems integration testing, deep cycle testing, and user acceptance testing. Release 2, which was implemented internally in May 2024, and will be implemented externally in October 2024, has undergone over 7,600 test cases. This testing was methodical and, where necessary, was extended in order to ensure that all testing activities could be completed. Testers for CARM were pulled from across the CBSA, the Canada Revenue Agency, other Government of Canada department and agencies, industry, and the private sector. Trade chain partners involved in testing included Descartes, Livingston, United Parcel Service, and General Motors. Furthermore, since the adoption of the Committee's Report, CARM has successfully undergone additional rounds of performance and regression testing, as well as having proven itself via its internal launch in May 2024 as a compliance and validation tool.

- **resolve any challenges as expeditiously as possible and prior to full implementation;**

The Government agrees with this recommendation.

The Government believes that any issues raised during testing should be resolved in an expeditious manner in accordance with the severity and criticality of each identified issue. This is in accordance with information technology project management best practices.

The CBSA recognizes that in a system the size and complexity of the CARM system, there will always be emerging technical issues that will require resolution. The CBSA has established service standards for all open issues to ensure that they are triaged and addressed in a timely and appropriate manner. Moreover, in the months following October 2024, increased technical support will be made available to aid in the timely actioning of any new or emerging technical issues.

The CBSA remains committed to the continuous improvement of the CARM system and incorporating the feedback of stakeholders in future releases of CARM. Further improvements to the CARM system will be released twice a year following October 2024. Doing so will allow CARM and the CBSA to continue adapting to emerging developments and demands within both the information technology and customs accounting environments. This will help to ensure that CARM continues to evolve to adapt to internal and external stakeholder needs. The process being put in place to support the continuous improvement of CARM will support the rigorous identification, testing, and implementation of new features in accordance with best practices.

- **allocate sufficient resources to support all Canadian firms, but especially those that are small or medium in size, as they transition to the CBSA Assessment and Revenue Management system; and**

The Government agrees with this recommendation.

While the Government understands that transitioning to a new online system may be challenging, and particularly so for smaller and less frequent importers because they use the process less frequently, the Government is confident that small and medium sized enterprises will quickly see the benefits of onboarding to CARM. As of August 12, 2024, over 88,900 importers were registered in the CARM Client Portal, of which approximately 97% are small or medium sized importers. This is a reflection of the time and energy that both the CBSA and its partners, including members of the trade chain community, have invested since 2021 into increasing general awareness of CARM.

Although the CBSA has been very pleased with the recent uptick in registrations in the CARM Client Portal, the Agency recognizes that registration is only one part of the stakeholder readiness equation. More recently, the CBSA undertook a number of initiatives that were designed to support importers, in particular smaller and less frequent importers, as they transition to the CARM system. These included:

- In-person registration days across Canada where importers could receive hands-on support as they registered in the CARM Client Portal;
- Over forty webinars focused on guiding small and medium sized importers through the registration process have been delivered since December 2023, attracting over 10,000 participants;
- The installation of terminals with access to the CARM Client Portal at sites across Canada where importers could register in-person and receive assistance from CBSA officials; and,
- Direct mail-outs to the CBSA's top "C" type importers, the majority of which are small or medium sized businesses.

In addition to continuing its work in supporting importer registration through measures such as hosting onboarding webinars, the Agency will be working on refreshing its CARM webpages to improve usability and increase the availability of plain language content geared towards assisting small and medium sized enterprises as they familiarize themselves with CARM. This comes in response to feedback that the CBSA received from trade chain partners regarding the volume and complexity of its existing web content. The Agency will roll out refreshed content prior to the launch.

Additionally, the CBSA continues to engage industry to better understand challenges and concerns that trade chain partners have raised in transitioning to the CARM system and ensuring their readiness for the October 2024 implementation date. For instance, a meeting with the Canadian Federation of Independent Business in June 2024 produced some key takeaways that the CBSA will be working on integrating into its messaging to small and medium size businesses. The CBSA has also taken into consideration several suggestions raised during the meeting with regards to ways in which the adoption of the new financial security regime introduced under the CARM system can be simplified. As the CBSA and trade chain community move towards October 2024 and beyond, the Agency will continue to welcome the Canadian Federation of Independent Business' guidance on how to best communicate and conduct outreach with their membership, and specifically, smaller and less frequent importers.

- **consult with relevant stakeholders prior to developing a contingency plan to be implemented if the CBSA Assessment and Revenue Management system does not function as planned following its full implementation**

The Government agrees with this recommendation.

The CBSA's System Outage Contingency Plan is a publicly available resource that is posted on the Agency's website which details the processes and procedures for the release of goods during a CBSA system outage. The Plan was developed following extensive collaboration with a Border Commercial Consultative Committee sub-working group. Membership in the sub-working group comprises of representatives from across the trade chain community which includes brokers, transporters, carriers, and freight forwarders.

The CBSA is working on updating its System Outage Contingency Plan to clarify the processes and procedures which will be in place should there be an outage, whether planned or not, of some or all of the CARM system. Updates are being developed in consultation with a range of subject matter experts from across the CBSA. The plan will include information on when and how trade chain partners will be notified of an outage, the circumstances under which accounting time limits will be extended, requirements for paper contingency forms, and the establishment of buffer times following system outages to facilitate a smooth return to regular operations. For instance, non-electronic forms of accounting will be accepted by the CBSA if the Minister determines that "it is impracticable for a person, due to circumstances outside of their control, to account for goods by electronic means". This would cover the event of a CARM system outage that prevents a trade chain partner from being able to submit their accounting electronically as required by the regulations. A similar exception has also been built into the new *Financial Security (Electronic Means) Regulations* that will allow for the submission of security by non-electronic means. Many of these processes and procedures will be an extension of existing processes already in place at the CBSA and familiar to trade chain partners.

## **Recommendation 2**



**That the Government of Canada immediately take actions designed to inform Canadian stakeholders about the contingency plans in two areas:**

- **the shut down of the Canada Border Services Agency’s current Customs Automated Data Exchange – or CADEX – system on 26 April 2024; and the subsequent full implementation of the CBSA Assessment and Revenue Management system on May 13, 2024**

The Government agrees with this recommendation.

Under legacy systems, trade chain partners may use the CADEX message formatting standard to transmit B3 information (customs coding information) to the CBSA electronically. As of October 2024, this usage of CADEX will be replaced by the Commercial Accounting Declaration (CAD) system. While the CAD will replace the need to use the CADEX format when transmitting B3 information to the CBSA, trade chain partners will still be able to use the CADEX format in the transmission of other information to the CBSA.

Guidance detailing the customs accounting processes and procedures to be followed during the cutover period – the period during which legacy systems such as CCS will go offline in order to enable the technical transition to CARM – will be provided to trade chain partners in the form of publicly available Customs Notices. These Customs Notices will be posted well prior to the beginning of the cutover period.

Once the CARM system has gone live for external partners, the CBSA’s publicly available System Outage Contingency Plan will detail the processes and procedures to be followed in the event of an outage of the CARM system. An updated version of the System Outage Contingency Plan will be published prior to October 2024.

### **Recommendation 3**

**That the Government of Canada, until April 2025, permit importers of commercial goods into Canada to use their customs broker’s posted financial security so that their shipments can be cleared before duties and taxes are paid.**

The Government partially agrees with this recommendation.

As of October 21, 2024, importers will be responsible for securing their own financial security in order to participate in the Release Prior to Payment program. This change has been introduced in order to better protect the Government’s revenues for example, in cases where a participating importer has failed to pay their duties and taxes.

Under the current approach to financial security in the Release Prior to Payment program, multiple importers may benefit from a single customs broker’s account security. This compromised the CBSA’s ability to recover outstanding duties and taxes by calling on a security instrument due to the fact that if a broker’s security is used to provide security for more than one importer client, the CBSA is unable to call upon the security instrument without negatively impacting the participation in the Release Prior to Payment program of any other importers also secured on the same security instrument.

Under the importer liability model coming into effect in October 2024, the CBSA is better positioned to protect the Government's revenues by ensuring that only importers who have failed to pay applicable duties or taxes see their participation in the Release Prior to Payment program affected by their failure to abide by program requirements.

In order to allow time for importers who wish to participate in the Release Prior to Payment program to seek their own financial security, a 180-day transition period has been established by the CBSA during which all importers with a CARM Client Portal account will be able to benefit from the release of their goods prior to the payment of any applicable duties or taxes. At the conclusion of the 180 transition period, all importers wishing to benefit from the release of goods prior to the payment of any applicable duties or taxes will be required to have obtained their own financial security. The minimum amount of financial security required will be \$5,000 and the maximum amount will be \$10,000,000 per importer program account.

In a select number of cases and under specific conditions, such as when accounting for some non-resident importers and first time importers, brokers will be permitted to continue using their business number and posted financial security in order to account for commercial goods on behalf of an importer until September 2025. The circumstances under which this will be the case were formally communicated to trade chain partners in April 2024. They will be communicated again to trade chain partners through Customs Notices that are posted to the CBSA's website prior to the beginning of the cutover period for the October 2024 implementation date. This is a measure designed to further help importers in certain conditions to transition to the CARM system, by allowing them time to obtain a business number, create their CARM Client Portal account, enroll in the Release Prior to Payment Program, and obtain their financial security, thereby avoiding disruption to the release of goods they import prior to payment of duties and taxes.

#### **Recommendation 4**

**That the Government of Canada, when implementing the CBSA Assessment and Revenue Management system, take actions designed to ensure accuracy concerning assessments of the amount of duties and taxes payable in relation to commercial goods imported into Canada.**

The Government agrees with this recommendation.

The CBSA is pleased to hear that the Standing Committee on International Trade agrees with the CBSA and the Office of the Auditor General of Canada on the importance of the accurate calculation and assessment of duties and taxes owed to the Government. This is one of the main benefits that the Agency is confident it will see from the CARM system as the solution will not only enable improved fairness and consistency in the assessment and treatment of all importers, but reduce missed opportunities to assess taxes or duties, thereby reducing lost revenue for the Government of Canada. The Government is also confident that CARM will ensure that importers/exporters are not overpaying duties and taxes payable.

During the CARM Experience Simulation, the CBSA was able to validate the performance of the CARM solution. Over the course of the simulation, the CBSA was able to confirm that the CARM system will support the identification and correction of errors that previously would not have been flagged under its legacy systems and processes. These included instances of incorrect currency conversion rates, incorrect duty rates, and improper claiming of Goods and Services Tax exemptions. Since the internal launch of CARM on May 13, 2024, the CBSA has been able to begin using CARM as a compliance risking and verification tool, validating CARM's performance within the CARM Experience Simulation and highlighting additional areas of non-compliance, such as the incorrect claiming of the Least Developed Country tariff treatment by some importers and brokers. In addition, since the adoption of the Committee's Report, CARM has successfully undergone further testing, including integration testing and passing a full suite of regression testing to ensure that the software continues to function as expected.

Checks and balances are also in place in order to ensure that the decisions and actions taken by CBSA officials are fair and accurate in assessing the amount of duties and taxes payable. Where trade chain partners disagree with a decision by the CBSA, they may write to the CBSA's Recourse Directorate to request a review, or have their case reviewed by the Canadian International Trade Tribunal or the Federal Court, depending on the stage of appeal that their case is at.

## **Recommendation 5**

**That the Government of Canada continue to consult relevant stakeholders concerning, as well as communicate with them about, the CBSA Assessment and Revenue Management system. Consultations and communications should be timely, inclusive and ongoing.**

The Government agrees with this recommendation.

The CBSA consulted extensively, both internally and externally, on the CARM Project since its beginning. Between 2018 and 2022, the CBSA conducted 35 consultation sessions, 63 technical working group sessions and 169 engagement events with trade chain partners.

The CBSA remains committed to ensuring that industry stakeholders are informed in a timely manner on all developments relating to the CARM system. The Agency communicates with industry through multiple methods and platforms, including: updates to web content and social media, issuance of formal Customs Notices, and direct emails to trade chain partners using its extensive distribution lists. Additionally, the CBSA continues to consult with industry to address outstanding issues and areas of concern. The CBSA's approach has evolved to utilize smaller focus groups to engage impacted trade chain partners, while simultaneously ensuring that the broader trade chain partner community is kept apprised of developments resulting from these focus sessions. Going forward, the CBSA will continue to engage trade chain partners.

The CBSA has also conducted multiple rounds of system testing and over ten months of testing in the CARM Experience Simulation. Engagement continues on a regular basis with stakeholders, including trade chain partners via a number of forums such as the Trade Chain Partner Working Group, webinars, open mic sessions, and weekly governance meetings. Furthermore, the Agency continues to assess and evaluate its engagement and communications activities and is committed to adjusting its approach where necessary. For example, over the course of summer 2024, the Agency has refreshed its CARM webpages to improve the accessibility of CARM information in advance of October 2024.