



Understanding trade compliance in Canada

If you can see beyond the delays and cost overruns, does the CSA program deliver value and benefit to participants?

BY ANDREW MILLER

In 2000, the Canada Border Services Agency (CBSA) laid out a plan to improve the security of Canada's borders. The main components of that plan were two new programs: Advanced Commercial Information (ACI); and Customs Self Assessment (CSA). Under the ACI program, importers must provide trade compliance data – such as a classification of each good being imported and the corresponding code – before their goods arrive at the Canadian border. How far in advance depends upon the mode of transport. ACI implies all importers are able to transmit data electronically (which most cannot) and that that data is available well

in advance of the goods arriving at the border (which is not always the case, especially with truck shipments).

As an alternative to ACI, the CBSA created the CSA program where Canadian importers can apply for special status as “low risk importers.” This status allows importers to self-assess duties and taxes and requires only minimal data before the goods arrive at the Canadian border.

CSA was a match made in heaven, with benefits for both the CBSA and the importer, including improved border security and expedited logistics for some of Canada's largest companies, two things essential to Canada's growth as a world trade leader. Under CSA, importers go through

a rigorous application and approval process by documenting their clearance and compliance processes, including business controls, and have them reviewed by the CBSA, where they must meet certain control criteria. Customs officers can therefore focus on imported goods from companies that are not CSA approved and higher risk, while CSA importers can benefit from a separate FAST (Free and Secure Trade) truck lane to cross the border, reducing wait times and freight costs.

It is now 2006 and fewer than 30 companies have been approved under the CSA program. The date for mandatory compliance of either ACI or CSA has been delayed on three separate occasions and the

current CSA program is both time-consuming and costly for companies to implement. ACI poses its own problems because it presents data and timing challenges for importers as the government requires timely electronic submission of detailed information. Importers are stuck between a rock and a hard place because the CBSA is working towards a better solution, but nothing new has been formally introduced. Mandatory compliance with one of these two programs is currently scheduled to take effect by the end of 2006 and many importers do not understand the significance, nor have they made any effort to comply.

Original estimates of cost and time to implement CSA doubled and tripled once companies began to work on the application process and configure their systems to meet the new data requirements. Many decided to wait until the CBSA made formal changes before spending money on compliance.

The original CSA program was created so a few large companies in one or two specific industries could move goods into Canada faster. These companies worked closely with the CBSA to develop processes to allow this, while also increasing security. Not surprisingly, these processes work well for companies who import similar goods on a frequent basis, but do not take into consideration other businesses in other industries.

The CBSA is currently working on a revised version of the program which will maintain the original concepts, but be more flexible in the application of those concepts, allowing more companies to qualify for the CSA program.

As frustrating as it may be for most importers, the CBSA should be commended for trying to put the right ideas in place and for the principles it developed in 2000. The CBSA used a collaborative approach to develop a solution that was beneficial to national security without ignoring or sacrificing the needs of Canadian business.

The CBSA took the approach of gathering together a select group of major importers, freight carriers and customs brokers in Canada to solicit input for the new programs. Of course, the solution was not perfect and still requires work, but it allowed companies to have input as to how to make it easier and faster for them to get their goods into Canada, while still achieving the goal of increasing the security around our borders.

It should be noted that the concept on which CSA is predicated – allowing companies to assess themselves and only report on their goods after they have arrived into Canada – is fraught with risk but is also quite innovative. The CBSA is putting trust in its businesses to comply with the regulations that give them this flexibility. Although the execution of the concepts is not yet ready, the process that led to the de-

velopment of those concepts is something other countries should follow.

Border security does not need to be one dimensional and requires input of those companies and organizations that will abide by the regulations created. The CBSA has managed, at least conceptually, to develop a border security solution that expedites the movement of goods into the country and exponentially increases the number of companies who will comply with the regulations due to the benefits that they provide them. The CBSA has managed to actually provide value and benefit (read cost savings) to those companies

that are able to comply, while allowing themselves the ability to target higher risk areas without substantially increasing their own costs or resources. It is the ultimate win-win situation and maintains Canada as one of the global leaders on trade issues. Now all that is required is perfect execution of those concepts.

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