October 3, 2019

REGARDING: A PATH TO A SMART AND SECURE COMMERCIAL BORDER

Through positive collaboration between our associations, the Canadian International Freight Forwarders Association (CIFFA) and the Canadian Association of Importers and Exporters (IE Canada) have compiled the attached paper entitled “A Path to a Smart and Secure Commercial Border”. As you review the attached paper, please consider the structural and collaborative changes required to empower a smart and secure border.

A smart and secure commercial border will streamline the border enabling the practical implementation of trade diversification while establishing a secure border. Our associations remain committed to working with any future government on the advancement of the Canadian economy.

Sincerely,

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Chair, IE Canada

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Executive Director, CIFFA
EXECUTIVE SUMMARY

In support of Canada's Trade Diversification Strategy, the Canada Border Services Agency (CBSA) has invested in modernizing and updating Canada's commercial border systems and processes to address the increasing volume of hemispheric and global trade flows. Canadian business recognizes the importance of a modern border that eases the administrative and systems burdens, facilitating the flow of goods while providing greater border security to protect Canada's citizens and economy. Canada's smart and secure commercial border will engage all stakeholders including other government departments, port authorities, and trade chain partners.

Recommendations:

1. Appoint a Canadian Interagency Border Council (CIABC)
2. Implement a CIABC review of all current and proposed regulations and regulatory cooperation commitments that impact CBSA
3. Implement a CIABC review of all current CBSA projects with an impact at the commercial border to strategically align all projects.
4. Implement a CIABC gateway capacity review
5. Implement a CIABC gateway technological harmonization review.
INTRODUCTION

From the simple avocado on toast to the complex global supply chain of Canada’s renowned technology sector, Canadians are trade dependent. With the dawn of global populist trade policy Canadian people and their respective employers are increasingly at risk of economic hardship at the hands of foreign political climates. As part of the Bank of Canada’s June fiscal update the risk of a global trade war was modelled. The model clearly shows that Canada’s open global economy will feel significant adverse effects of a global trade war in comparison with the global economy.

In the World Bank’s biennial Logistics Performance Indicator (LPI), Canada has lost ground over the past decade. In 2007, Canada ranked in the top 10 countries in the world, while in 2018, Canada placed 20th with countries like China and the UAE ranking ahead. For a country dependent on trade for its citizens’ wellbeing, the trajectory of our trade competitiveness is distinctly alarming. Also of concern, Canada’s Auditor General has regularly levelled criticism against the strategic direction and operational effectiveness of the CBSA. These are likely symptoms of a strategic structural deficit as opposed to operational performance deficiencies.

Currently in the Canadian Government, there is a common understanding that the CBSA is “in charge of the border”. However, in reality, the CBSA is “in charge” of enforcement of existing policies at the border, not necessarily in charge of the policies themselves. Canada’s borders and ports need strategic oversight to ensure that a harmonized approach to border governance is achieved.

CBSA administers more than 90 acts, regulations and international agreements on behalf of other federal departments and agencies, the provinces and territories. Commercial stakeholders
currently navigate seven different IT systems for commercial goods movements. The present system has a lack of cohesive strategy, as Canadian importers and exporters regularly struggle with the myriad of systems and overlapping regulations that impact their businesses on a daily basis.

The CBSA has begun to implement the planned functionality of CERS (Canadian Export Reporting System), CARM (CBSA Assessment and Revenue Management), eManifest, SWI (Single Window Initiative) and ARL (Account Revenue Ledger). As overwhelming as this may be to someone unfamiliar with the commercial operations of the CBSA, businesses are equally overwhelmed as they manage the implementation of these different and transformative initiatives. Although there may be plans for the CBSA to integrate its systems at the backend, the business community must build its own interfaces as these systems continue to operate independently. Worsening the blow to business, paper entries will not be eliminated until end state because these systems are currently unable to handle all entries. Businesses are concerned that despite the myriad of changes and the millions of dollars that they are spending to comply, the regulatory burden will only increase.

At the dawn of the current port and border structure, the age of digital supply chains could only be imagined. Because the world now fully embraces the digital age of global logistics and supply chains, requirements and infrastructure at the border should be reviewed holistically. The fractured operations of infrastructure, government enforcement and government policy should be mended under a single umbrella which fully considers both port infrastructure and border formalities.
There is an ongoing debate about the structure and management of ports in Canada. Some stakeholders believe that the essential role of ports means that they should continue to be crown corporations with greater oversight from the federal government. Other stakeholders view ports as private enterprises which should no longer be government controlled. Regardless of the perspective, the objective is to ensure that Canada’s ports are serving the needs of the Canadian economy by ensuring the continued movement of freight.

As the Canadian population and economy grow, so too do the volumes at our ports. When growth outstrips capacity, Canadian companies become disadvantaged in their ability to compete on the global stage. According to Port of Vancouver statistics, capacity will be outstripped by demand starting in 2021 and demand will be in excess of capacity for the majority of the 2020 decade. This is primarily due to the lack of coordination needed by the federal government to approve environmental assessments and regulatory approvals for projects.

Ports are a hub of various transportation modes and stakeholders that require synchronicity to achieve global economic leadership. At Canada’s marine ports, trains, trucks, ocean carriers and even smaller supply vessels must coordinate to ensure that cargo is moved effectively to and from the ports (exports and imports respectively). If at any point one of these modes should have a service disruption or capacity constraint, the entire process becomes defective. Given the complexity of Canadian ports, and their essential role in Canada’s economic development, due diligence should be performed to ensure that port operations not only meet the growing needs of Canada’s economy, but provide a competitive advantage for the Canadian economy globally.
Physical infrastructure of Canada’s highways and transportation networks is also crucial to the successful movement of goods throughout Canada. As the economy grows, so too must the overpasses, land crossings and highway networks near major ports and across the country. We recognize that the security of our ports is imperative to every Canadian. As part of the CBSA’s security mandate, shipments and containers are inspected from time to time. These inspections are an exception to the smooth flow of international goods into and out of Canada and, like all exceptions, there is potential to be extremely disruptive. Including protocols for exception management within the structure of all future plans of the CBSA will be imperative to the success of Canada’s economy.

**RECOMMENDATION 1: Appoint a Canadian Interagency Border Council (CIABC)**

The trade community represented by our associations strongly urges the Government of Canada to appoint a body with authority for the strategy and operations of Canadian border management. Any new regulations which CBSA administers, either directly or on behalf of another government agency, would have to be vetted and approved by this new authority in advance of entry into force. The CIABC should be tasked to ensure that the infrastructure required to carry out Canada’s trade diversification strategies is in place at all ports of entry. We recommend that this council be managed by and report to the Privy Council Office, and be comprised both of senior government officials and appropriate industry stakeholders. Engaging the appropriate private sector stakeholders within this framework is essential to secure an effective feedback loop on true border conditions and to effectively manage the implementation of change. We recognize the importance of the governing principles of political, bureaucratic and industry oversight and collaboration in establishing the CIABC.
An example of a similar council is the United States Border Interagency Executive Council (BIEC). Although it is not intended that the CIABC will be identical to the BIEC, the objective is similar: to enhance coordination across customs, transport security, health and safety, sanitary, conservation, trade, and phytosanitary agencies to measurably improve supply chain processes and improve identification of illicit shipments.

The CIABC will carry the ultimate responsibility for Canada’s commercial operations, inclusive of border policy and port capacity to ensure the successful implementation of Canada Trade Diversification Strategy.

**RECOMMENDATION 2: Implement a CIABC review of all regulations and regulatory cooperation commitments**

The first action of the CIABC would be to review and report on all regulations currently on record for the CBSA to enforce for both exports and imports. This study should be completed in coordination with the Committee on Regulatory Competitiveness. The review is intended to eliminate redundant, contradictory and unnecessary regulation. The report should also provide guidance to establish the timelines as to when regulations should be enforced – before the border, at the border or after the border. A CIABC approach should recommend that requirements meet the needs of regulating departments, with a view to improve both the fluidity and effectiveness of the border.
RECOMMENDATION 3: Implement a CIABC review of all systems projects with an impact at the border

We recommend that a review be conducted to ensure the harmonization and interoperability of all systems used at the border, ensuring that duplicate data is not required. The operation of multiple systems is both costly to the operations of the CBSA and business alike. A single platform should be designed to replace the multiple systems that are used at the border to ensure both the safety of Canadians and trade facilitation. Those administering a modern commercial border should be able to justify any requirements for additional data, and should eliminate requirements for duplicate data. The automation of functions should not add complexity or extra work, and CIABC should measure impacts on the private sector of systems implementation to ensure this does not occur.

RECOMMENDATION 4: Under the CIABC, implement a gateway capacity review

The trade community recommends that a review of border infrastructure be conducted as a priority of the CIABC. The review should view port mandates and national transportation policy as part of the holistic trade diversification mandate. The review should formalize the link between transportation infrastructure and global market diversification. The review should analyze the impact of projections of trade volumes by mode and calculate regional demands and capacity. The report from the review should highlight areas where demand will outstrip capacity. Subsequently, the CIABC should coordinate areas of federal responsibility (funding, environmental approvals) where appropriate.

When a large container ship unloads and reloads in Canada, there are two main categories of infrastructure that the goods pass through. The first is the physical port
with the immediate operations of unloading and loading the vessel. The second is the transportation network that moves the freight from the port inland. There are no comprehensive standards, service expectations, tracking or monitoring across the network. There is no system in place with which to hold all players to account. There is no oversight or national policy that measures and governs performance across all of the functional entities. Performance standards and measurement of effective implementation of policies and processes are critical tools to help coherent functioning of the system. They help establish expectations and put in place a framework for collective performance and cooperation.

**RECOMMENDATION 5: Under the CIABC, implement a gateway technological harmonization review**

Canadian ports operate in dramatically different ecological and geographic regions. However, the data that they manage are virtually identical. As Canada competes globally, the fundamental ease of doing business will be in a true digital platform that provides visibility to all parties of current shipments as well as the immediate and midterm horizon of freight volumes.

Under the current port governance structure in Canada, all investments in digital platforms are undertaken at an individual port level. The CBIAC can take the lead in conducting a feasibility study of the harmonization of technological platforms across the country. The objective should be to optimize the importer/exporter experience while harmonizing data sharing nationally.

The need for a national Canadian intermodal transportation strategy which encompasses improved accountability and performance, with an integrated information
system or ‘dashboard’ for data, as well as improved land transportation infrastructure, cannot be stressed more strongly. To support Canada’s global trade, goods must move efficiently throughout Canada via transportation networks which rely on robust physical infrastructure, improved accountability and performance and a clear, finely-tuned regulatory environment to manage the flow of cargo.

Positioning Canada as a cargo transit hub requires encouraging a gateway strategy and trade diversification. In order to maintain velocity and fluidity in the supply chain, port authorities need to be accountable for key metrics, and ports need to have more direct investment in outcomes.

Canada’s Port Authorities need port and cargo portals which are made available to the public to provide up to date information on vessel load/discharge, reports on cargo location, movement, release, and shipment status with connecting modal/intermodal carriers for all transiting cargoes including information on expanded port support service available through third parties.