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May 21, 2008

Joy Aldous  
Director

Border and Compliance Programs Directorate  
Canada Border Services Agency  
191 Laurier Avenue West, 15th Floor  
Ottawa, Ontario K1A 0L8

**BY E-MAIL AND REGULAR MAIL**

Re: Proposed Options for Account Security

Dear Joy:

You have requested that I.E.Canada, Canadian Association of Importers and Exporters set out our views regarding the options being considered by the Canada Border Services Agency (CBSA) with respect to account security for release prior to payment. We value the opportunity that I.E.Canada and our members have been given to participate in the work of the Brokers Licensing and Account Security Review Working Group. We also appreciate your enthusiastic efforts to simplify processes and reduce costs for importers.

Our members are concerned; however, that a reduction in costs in one area not simply be translated into increased costs and more burdensome requirements in another. Before adopting a position with respect to the various options presented we believe that more discussion needs to take place within the working group and with the participation of representatives of the surety industry.

We support continuing to explore all of the options that have been presented by CBSA, including eliminating security requirements for compliant brokers and compliant resident importers. In principle, we do not see why brokers and resident importers should have to post security when resident taxpayers do not post security for income tax or Goods and Services Tax (GST) purposes.

We do, however, have some questions and concerns about the various options being considered that we think should be addressed further within the working group:

1. How did CBSA arrive at the estimate of \$4 – 10 million in annual import-related cost savings at the border through eliminating the security requirements and the \$1.2 – 3.5 million in lost revenues annually to the surety industry?
2. How will the elimination of security for customs brokers likely impact the entrance of new brokers into the industry and what risks might this present for importers? What options are available (other than the proposed new collection procedures) to protect importers in the event that an importer pays a broker who fails to remit the duties and taxes to the CBSA, whether security is eliminated entirely or GST is simply removed from the calculation for brokers?

3. What has CBSA's recent implementation of regional monitoring and reporting of non-and late payment entailed and what have the results been?

Our members are especially concerned about the proposed new collection procedures, which we understand will be implemented regardless of the option chosen for account security, and how they might disrupt the flow of goods. The timeframes being proposed where importers have not paid their K-84s by the due date, i.e. giving importers five business days to pay where the broker has short remitted or immediately putting importers with direct security who make their own K-84 payments on daily payment, are not considered feasible especially without the availability of electronic funds transfer. Depending on the size of the organization, the amount of money involved, the location of the relevant customs office in relation to the head office and other factors, it can take days to have a cheque issued and presented to CBSA.

Members also expressed the view that a *de minimis* amount of duties and taxes owing should not trigger the collection procedures and that an importer with a long history with CBSA and that is otherwise compliant should not suddenly be subject to these more aggressive collection procedures for a single failure to pay on a timely basis that in all likelihood was not intentional.

Members are also concerned about how CBSA proposes to measure compliance/non-compliance, especially the proposed linkage with other CBSA programs and other government departments.

In a recent meeting with representatives of the surety industry, other concerns were raised. For example, if CBSA elects to eliminate security for compliant brokers and resident importers, it will certainly be more expensive for importers who are considered non-compliant to obtain security. Moreover, while for CBSA purposes a once non-compliant importer may subsequently be considered compliant, for purposes of issuing security, once an importer is considered non-compliant, surety companies are unlikely to change the rating of the importer. There is also the possibility that the surety industry would simply withdraw from this business.

Other concerns were raised with respect to recent collection activity by CBSA. We were advised that there have been several cases recently whereby surety companies have been advised of an importers failure to pay, which has resulted in the immediate cancellation of the importer's security by the surety company. This raises questions with respect to how the proposed new collection procedures will be implemented, at what point the importer will be considered non-compliant and when the surety company will be advised. It will be important to ensure that an importer's security is not unfairly or unintentionally cancelled.

We are concerned that much more thought and discussion needs to take place within the working group regarding the options being proposed by CBSA for account security and all of the implications considered before an option is chosen. We also urge CBSA to include representatives of the surety industry in these discussions so that they can share their experience and perspectives.

Please do not hesitate to contact me if you have any questions or would like to discuss any of the issues and concerns raised.

Yours truly,



Mary Anderson  
President

cc. Kathleen Pomrenke, CBSA