

# tradeweek

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## The eSPN Launch



Mary Anderson, president, I.E. Canada, speaks following the announcement by Minister Day of a \$396 million investment in eManifest over five years

I.E. Canada's 4th Annual Western Canada Conference  
2

Carrier Concern on Wheat Board Future  
3

HS 2007 - The Fallout  
4

Bank of Montreal 6

*Carol Osmond, I.E. Canada's senior policy advisor, wrote the following article.*

The eManifest Stakeholder Partnership Network (eSPN) was formally launched in Ottawa on January 18, 2007. It came on the heels of an announcement by Public Safety Minister Stockwell Day of a \$396 million

investment in eManifest over five years.

Participants included representatives of the carrier, courier, broker and importer communities, as well as officials from the Canada Border Services Agency (CBSA) and the Canadian Food Inspection Agency

**Launch, cont'd on pg. 2**

## 2007 Tariff Session at Our Conference

You won't want to miss the "HS Amendments 2007 Update" at our Western Canada Conference on February 27, 2007.

The session will provide delegates with an overview of the changes to the HS code. In addition, they will

be updated on issues related to NAFTA certificates of origin and the 2007 tariff. (In certain cases, these certificates have had to be revised.)

For conference details, please visit our Web site ([www.iecanada.com](http://www.iecanada.com)) and look under "upcoming events."

## Thirty Days Later

### The 2007 Tariff

In 2006, Canada's trade community learned of the substantial changes in store for the 2007 tariff. At our annual conference in October 2006, delegates found out that about 5,000 of 19,000 tariff items would be modified on January 1, 2007. In fact, 2,000 tariff items were added while 3,200 were deleted.

The World Customs Organization (WCO) amends the Harmonized System (HS), which forms the basis of Canada's customs tariff, every four to six years. In June of 2004, the WCO adopted amendments to the HS that were slated to take effect on January 1, 2007.

Updates are prepared in the form of amendments to the HS convention. As a signatory to the convention, Canada is obliged to implement the amendments on the date scheduled for their coming into force. The obligation rests with the trade community to ensure the necessary changes are made.

We thought that we'd check in with a few of our members to find out how they're coping - 30 days later - with the changes introduced this month.

Please turn to pages 4 and 5 of this issue for members' perspectives on the transition to the 2007 tariff.

## I.E.Canada's 4th Annual Western Canada Conference



Ken Sunquist, assistant deputy minister, global operations and chief trade commissioner, DFAIT

I.E.Canada is delighted that Ken Sunquist, assistant deputy minister, global operations, and chief trade commissioner of Foreign Affairs and International Trade Canada, will be the keynote luncheon speaker at our Western Canada Conference on Monday February 26, 2007 in Calgary.

Ken will address "Global Strategy for Canada's International Trade & The Pacific Gateway." He will build on the presentation made by David Emerson, minister of international trade, at I.E.Canada's 75th annual conference in October 2006. Participants will hear how Canada plans to tap into emerging powerhouses such as China and India. They will also learn how their companies can strengthen their links with the Asian-Pacific markets and supply chains.

The conference brochure is available on our Web site ([www.iecanada.com](http://www.iecanada.com)) under "upcoming events."

### Launch, cont'd from pg. 1

(CFIA). I.E.Canada was represented by Carol Osmond, senior policy advisor, as well as members of the association's board and committees. The day began with a series of presentations followed by a break out session during which participants were divided into four discussion groups to address the following areas: eSPN structure and gover-

nance; "lessons learned" from CBSA initiatives; proposed deployment plan; and key eManifest issues.

### eManifest End State

Caron Wilson, director, ACI/eManifest project division, provided an overview of the "eManifest end state." Under eManifest highway carriers, freight forwarders, brokers, and importers will electronically transmit information related to conveyances, cargo, and crew and importer admissibility data one hour in advance of the carrier's arrival at the border.

CBSA will enhance its notification system to include messages such as status notifications, event reporting, requests for information, hold notices and notification to proceed to the border. In the area of risk assessment, changes will be made to expedite risk assessment processing, to allow for concurrent risking of multiple records, and to risk assess importer admissibility data, all before the carrier reaches the border.

CBSA will also develop an Internet portal allowing clients to submit information electronically to CBSA and track shipments. Customs officers at the Primary Inspection Line will be provided with a streamlined, user-friendly interface for border processing compatible with transponder technology.

Other features of eManifest will include a data warehouse – a collection of CBSA information from various operational databases – to create business intelligence and make targeting decisions; and tools and processes to measure the overall performance of clients and to monitor client activities and the integrity of trade data to ensure compliance with CBSA requirements.

### Proposed Deployment Plan

Mike Leahy, manager, passage and portal, ACI/eManifest project divi-

sion, reviewed the proposed deployment plan. Under this plan, CBSA would begin to develop and build the system for electronic reporting by highway carriers in the spring of 2007. The system would become operational on a voluntary basis in the spring/summer of 2008, and mandatory in the winter/spring of 2009. Development of the system to support electronic transmission of importer admissibility data would begin in the spring of 2008, become operational in the summer/fall of 2009, and mandatory in winter/spring 2010. These are proposed timelines only and are subject to change following consultations with the trade community.

For further details on the eManifest end state and the proposed deployment plan, please refer to the CBSA presentation available at: [www.iecanada.com/mis/07\\_01\\_31\\_eManifest\\_espn.pdf](http://www.iecanada.com/mis/07_01_31_eManifest_espn.pdf)

### eSPN Governance and Structure

The governance and structure discussion group addressed the need to establish a steering committee to provide strategic guidance to the eSPN, recommending that it be comprised of four to ten representatives from the trade community and CBSA, including representatives of each of the carrier, courier, broker and importer communities. The steering committee would form working groups to address specific issues. The participants in this discussion group will meet again in Ottawa in February in conjunction with the next BCCC meeting to continue its discussions and expand on its recommendations.

### Proposed Deployment Plan

From the perspective of importers, some of the key concerns raised in this discussion group were the need to establish the data elements early in the consultation process in order for the proposed timelines to be met; and the proposed timing for

Launch, cont'd on pg. 3

## Shipping and Trade Horizons



Leo Ryan

*Shipping and Trade Horizons, a Tradeweek column, is produced by Leo Ryan. The column addresses Canadian industry issues and trade developments of interest to our members.*

### Carrier Concern on Wheat Board Future

It is well known that Canada's Great Lakes carriers depend heavily on the routings chosen by the Canadian Wheat Board for grain exports overseas. Naturally enough, therefore, the plan by the Conservative government to strip the Canadian Wheat Board (CWB) of its seven-decade old monopoly on grain sales to international and domestic markets has stirred strong apprehension in these shipping circles.

That such a move is such a political hot potato was illustrated by the outcome of the recent poll among Manitoba's 11,000 wheat and barley farmers. Nearly 70 per cent voted in favour of the status quo that is also backed by the new Liberal opposition leader Stephane Dion.

Currently, the CWB allocates some 6 million tonnes annually of wheat and barley for overseas shipments mainly to Europe, North Africa and Latin America through the eastern gateway via the Port of Thunder Bay at the tip

of Lake Superior. Prairie producers hand over their wheat, durum wheat and barley to the CWB, which has marketed more than 1 billion tonnes of grain since 1935.

"We have had relations for many years with the CWB through the Thunder Bay grain terminal, and are concerned that future shipments could come under the control of two or three major grain trading companies who may re-direct in different ways," suggests Pat Loduca, president and CEO of Toronto-based Upper Lakes Group Inc.

"The elimination of a single-desk structure in favor of a dual system will create much uncertainty," comments another senior shipping line executive.

Dismantling the Winnipeg-based CWB was one of the campaign promises of the Tories in the January 2006 election. Whether the minority Tory government will be able to implement the radical reform remains to be seen; it could depend on the outcome of a new federal election that some analysts don't see occurring before late this fall or in early 2008, given the current mood of the Canadian electorate.

Last fall, a seven-member federal task force proposed a scenario which would allow farmers to sell barley independently beginning in February 2008, with the monopoly for wheat ending six months later. Whereas some farmers in the western Prairies favour scrapping the single-desk system, more cautious thinking prevails in the eastern Prairies (Manitoba and Saskatchewan).

CWB officials argue that the single-desk system is the best for offering Canadian farmers better returns in dealing with foreign buyers. Otherwise, in the context of many different sellers, customers will seek the best bargain.

In a statement last month, Dion pledged, in the event of an eventual Liberal election victory, to reinstate the CWB.

Amidst the growing conflict with Ottawa, embattled CWB President Adrian Measner was dismissed from his post. He had warned that a Canadian approach would be replaced by "a commodity approach" dictated by "decisions made south of the border."

Scheduled to start on January 31, a Prairie-wide plebiscite on barley will be staged by the federal government. This could result in a majority "yes" vote since the CWB accounts for just 20 per cent of Canadian barley sales versus 80 per cent of wheat sales.

In the end, the CWB could possibly survive without the barley component.

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#### Launch, cont'd from pg. 2

eliminating manual release options, such as the paper FIRST release option (which CBSA is currently proposing to eliminate by October 15, 2007).

#### Lessons Learned/Key Issues

Key issues identified by these discussion groups included the need to:

- establish a clear, detailed end state as early as possible in order for businesses to prepare and make the necessary investment decisions;
- consult early with the trade community to establish the data elements to be transmitted both by carriers and brokers/importers;
- implement a CSA Hybrid option before eliminating other release options, such as FIRST;
- address the sharing of data amongst supply chain partners, including developing a broker download feature allowing brokers to download from CBSA's system, cargo information transmitted by the carrier;

**Launch, cont'd on pg. 5**

## HS 2007 - The Fallout

*John O'Reilly, CCS, CITT, director, customs/traffic, EQL, Toshiba of Canada Limited, wrote the following article. John is also a member of I.E.Canada's board of directors.*

So how did your Harmonized System (HS) conversion go? I am exposed to many languages and cultures in my current role and over the past three months, I have honed my skills in yet another language, "Harmonized Systemese."

On January 1, 2007, the third major revision to the HS system went into effect since the system's approval by the World Customs Organization's customs co-operation council in 1983. The changes to the nomenclature on January 1st of this year affected classification, duty rates and the application of special trade programs in 83 of the 97 HS chapters and 240 headings. A total of 354 amendments were made to the nomenclature.

Simplification was the goal of this year's HS system revision. Articles that had previously been classified under a number of headings now fall under single headings, which are the product of consolidation. New headings were also created to reflect changes in technology over the last five years.

For us, the revision meant changes to almost 36,000 stock keeping units (SKUs). Over 15,000 of these SKUs belonged in the "one-to-many" category. Chapters 84, 85, 87 and 90 of the customs tariff were most affected by the changes. Most of our product falls within chapters 84, 85 and 90. We were affected by the following key changes:

- Consolidation of ADP systems/machines and units
- Consolidation of printing, fax and copy machinery, including parts and accessories
- Consolidation of networking, voice, image or data transmission/

reception apparatus

- Simplification of software
- Electronic integrated circuits classified by use

How were we going to implement this massive change in a little more than two months?

We had to reclassify over 15,000 "one-to-many" SKUs within a very short timeframe while we were also in the midst of implementing a new network across five divisions and four warehouses. It was also our busiest period for imports for the year and it was the holiday season, a time when most companies are winding down. As we also faced our quarter-end, you can understand the monumental task before us. I'm sure other I.E.Canada members can relate to our challenge.

We mirrored our database in a separate drive on the network so that we could classify the affected product lines. This allowed us to prepare and acquit entries without disrupting the main master file. Although it was a daunting task, the tariff revision gave us the chance to become "re-acquainted" with our product. Much of our product base was changing for 2007, which also added tension to the process. We used the expertise of our third party software provider and our broker to help us with this task. This is an ideal time to make the most of the knowledge and resources that your partners can offer.

Exporting to the U.S. also proved to be a challenge for us since the U.S. tariff had not been finalized until very recently. (Amendments will take effect on February 3, 2007.) The reality that the HS classifications at the seventh through tenth digits are unique to Canada also presented an issue for us. In addition, the Canadian interpretation of the HS at the sixth digit level sometimes differs from the American interpretation. Therefore, we relied heavily on our U.S. subsidiaries and our U.S. brokers to help us stay compliant.

On January 3, we uploaded the new database into our program and crossed our fingers as the first wave of 2007 entries were completed and acquitted. We are glad to report that it was a fairly seamless operation as a result of our careful groundwork in advance.

We're done for now, but fear not as the next major change to the HS system has already been scheduled. In 2012, you will once again have to learn "Harmonized Systemese."

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### 2007 Tariff Challenges

*Candace Sider, CCS, manager, regulatory affairs - Canada, Livingston International /PBB Global Logistics, wrote the following article.*

As with the implementation of any new Canada Border Services Agency (CBSA) initiative, it is imperative that the dynamics of the marketplace are taken into consideration and that communication is funneled down to all government departments and agencies.

Industry was appreciative of the fact that government made the 2007 tariff concordance available in late August, thereby allowing adequate time for review and analysis. The 2007 tariff changes have affected industries to varying degrees.

While 77 per cent of the tariff amendments involved "one to one" HS tariff changes, the balance represented "one to many" HS tariff changes and required decisions as to the most appropriate tariff classification. 80 per cent of the "one to many" HS tariff changes related to sections of the customs tariff covering chemical and electronic/machinery goods.

The federal government published amendments in late December that affected the 2007 tariff already in print, which added to the confusion.

## 2007 Tariff, cont'd from pg. 4

On January 1, 2007, it was apparent that other government agencies and departments were not fully aware of the scope of the changes and had not made adjustments to their systems. The disconnect between various government agencies and departments led to delays at the border and longer processing times, which resulted in higher costs for importers and service providers.

### Lessons Learned

When government makes changes of this magnitude, communication between all relevant departments and agencies is critical to minimize the negative effect on Canada's trade community.

Having the concordance available in Excel format would definitely have made the process easier. The concordance was only available in PDF format, which required a conversion to Excel in order to upload the data records. This was necessary as the zip files posted to CBSA's Web site did not capture all of the AA 30 expiry records.

### Transition to the 2007 Tariff

*Carol West, president of the Canadian Society of Customs Brokers (CSCB), has provided the following report about her members' experience with the implementation of the 2007 customs tariff.*

Implementation of the World Customs Organization's revised HS tariff has been anticipated by Canadian traders and customs authorities ever since the last large-scale revision in 2002. We were pleased that the tariff was made available as early as it was, and we were hopeful that this transition would be a smooth one, even though we recognized that there would be considerable work required of the private sector to do the conversions.

How did the trade community fare on

January 1, 2007, when the new tariff was introduced? The implementation process during the first week of January, 2007 was anything but smooth and uneventful.

Customs brokers and importers encountered critical problems for which the Canada Border Services Agency's response of "revert to paper" was unworkable. CADEX was updated with the 2007 tariff, but couldn't accept 2006 tariff items for goods released before the end of 2006. Customs brokers' programs adjust to the correct HS file based on date of release; CBSA's systems must be made to do the same for all release options.

Additionally, there were difficulties with discrepancies between the electronic and print versions of the tariff, such as those related to PC2006-1400 and PC2006-1463. CADEX was updated with the 2007 tariff while the print/web version still had incorrect information. The CSCB brought specific examples to CBSA's attention as we learned of the problems.

The Department of Foreign Affairs and International Trade (DFAIT) EICS system was only updated with 2007 changes during the first week of January, and there were delays in accepting permit applications using the 2007 tariff. Customs brokers were forced to use the 2006 tariff for permit applications and subsequently convert to the 2007 tariff at time of release and accounting. There was also a minor delay in CFIA's revision of AIRS to reflect the 2007 tariff.

In addition, the 2007 tariff file did not contain references to GST/exemption codes, resulting in significant numbers of rejects.

In recognition of the difficulties caused by the transition to the new tariff, CBSA extended automatic waivers for penalties incurred as a result of these problems to January 26, 2007. And once the scope and impact of problems had been identified, CBSA was responsive in finding solutions. Customs brokers

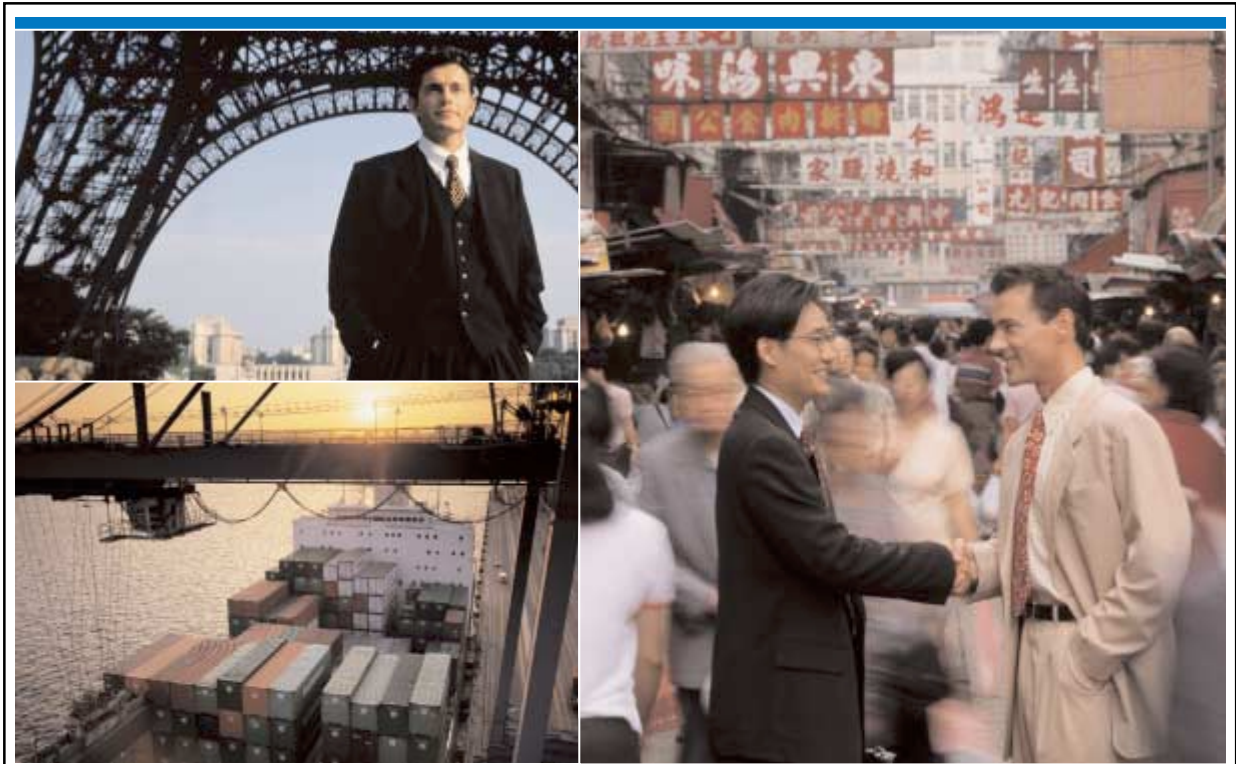
managed the transition in a constructive way, finding "work-arounds" where necessary, and minimizing disruptions to trade. We are all thinking about "lessons learned" during this transition, to do better next time.

One of the lessons is this: government cannot force business away from electronic processes as a result of its system's shortcomings. At a time of emphasis on eManifest and EDI release, the CBSA must make the financial commitment to update their systems in order to service their customers and stakeholders. And it must work with agencies such as DFAIT and the Canadian Food Inspection Agency toward a true single window. The Canadian international trade community relies upon, and deserves, this commitment.

### Launch, cont'd from pg. 3

- provide support for the trade community, including involving the trade in developing a web portal to ensure it is user friendly, and providing 24/7 support on roll out;
- provide adequate training to CBSA inspectors on roll out;
- develop a contingency plan in the event of systems outages;
- consult with the trade community with respect to AMPS penalties to ensure they are reasonable;
- establish the types of inspections that will be conducted at the first point of arrival and allow other types of inspections to be conducted inland; and
- engage OGDs at the outset of the consultation process.

I.E. Canada members have identified eManifest as a key priority; the association and its members will be actively engaged in the eSPN. Members interested in having input into the consultation process are encouraged to become involved in the ACI and CSA Subcommittees. To become a member of these subcommittees, contact Margaret Yipchuck at myipchuck@iecanada.com or (416) 595-5333, ext. 30.



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