

tradeweek

Your Resource for Global Trade | April 30, 2007 | Vol. 118, No. 8

CBSA Core Services Review



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

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The Canada Border Services Agency (CBSA) is currently conducting a Core Services Review, focusing initially on the air mode, both passengers and air cargo. Carol Osmond, I.E.Canada's senior policy advisor, and Don Goodwin, president of Tracon Consultants Ltd., an I.E.Canada member, represented the association at an external consultation session for air cargo stakeholders held in Ottawa on

April 3, 2007. Other organizations represented at the consultation session included the Canadian Airports Council, the Canadian Courier and Logistics Association, the Canadian Society of Customs Brokers, and the Canadian Vehicle Manufacturers Association.

CBSA's annual budget for core services, referred to as its A-Base, is in the order of \$1.1 billion. CBSA also receives project-related funding, such as the \$396 million over five years for eManifest that was announced in January 2007. CBSA collects approximately \$12 million per year in user fees, just over 1 per cent of its A-Base funding, although these user fees do not reflect the full cost of delivering the services for which they are charged. Other customs services around the world obtain a significantly higher proportion of their operating budgets through user fees, 40 per cent, for example, in the case of New Zealand and 15 per cent in the case of the United States. In addition to the Core Services Review, CBSA is also conducting a review of its A-Base

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Export Controls Workshops in May

Canadian companies are increasingly challenged to comply with ever more complex Canadian, U.S. and international export controls. The risks of compliance failure are high, including fines, penalties, loss of trade privileges, and adverse

publicity. The full-day interactive seminar and workshop will provide Canadian exporters with the rare opportunity to learn from and ask questions of both Canadian and U.S. experts. Take what you have learned

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Carol Buckton

Mary Anderson, president of I.E.Canada, is pleased to announce that Carol Buckton, a long time member of the association and a member of our board of directors, has been nominated to serve on the Steering Committee of the eManifest External Stakeholder Partnership Network (eSPN). The eSPN is the forum established by the Canada Border Services Agency (CBSA) for consultation regarding the design, development and implementation of eManifest. The decision to nominate Carol to represent the importing community on the Steering Committee was reached by consensus amongst a group of associations representing Canadian importers, including the Canadian Manufacturers and Exporters (CME) and the Canadian Chamber of Commerce.

Carol joined Siemens Canada Limited in 1986 and as director, trade and logistics, is currently responsible for all customs and export compliance activities, including transportation management.

She is corporate secretary on I.E.Canada's board of directors and is also a member of the Customs and Market Access Committee of CME.

With her extensive experience and dedication, Carol will no doubt do an excellent job representing the importing community on the eSPN Steering Committee.

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funding as well as the fees charged under the Special Services Regulations.

The purpose of the Core Services Review is two-fold:

- To establish a fair and transparent process and criteria for assessing requests for new or enhanced service; and
- To determine how new or enhanced services will be funded, whether through A-Base funding (i.e. publicly funded) or user fees.

The Directory of CBSA Offices, which is available on the CBSA website (www.cbsa-asfc.gc.ca/contact/listing/indexpages/index-e.html), lists all core services, including all locations where services are provided, the hours of operation and the types of services offered. A new or enhanced service is one that falls outside the authorized hours of service at a border services office; is being requested at a location where border services are not currently provided; or is outside the normal scope of a border service officer's duties at the location where the service is being requested. CBSA services provided in 1987 were grandfathered as core services. Since then requests for new or enhanced services have been reviewed and assessed taking into consideration a number of factors, such as passenger volumes, assessed risk and geographic proximity to existing core services. Depending on the outcome of the assessment, the requested services are either funded through the A-Base and provided as a core service; offered on a cost recovery basis; or the request is denied.

CBSA began the Core Services Review with a focus on the air industry because this is the industry where CBSA is seeing the greatest demand for new and enhanced services and this trend is expected to

continue. In November 2006, for example, the minister of transport announced Canada's new international air policy, referred to as Blue Sky, which is intended to enhance Canada's position as a leading international gateway for air travel and trade. Implementation of this policy is expected to result in significantly increased demand for border services.

Six propositions were developed for purposes of focusing the discussion during the consultation session:

1. There should be explicit criteria for assessing requests for border services and determining operational feasibility.
2. The economic benefit of requests for new or enhanced services should be factored into the decision to provide CBSA services.
3. CBSA should review and adjust levels of service on a periodic basis (up or down) in order to better reflect the changes in demand and travel patterns and to better meet new demands within its fixed budget.
4. Judgments about the level of public good versus private benefit should underlie decisions on how border services are funded.
5. The funding of all existing services should be examined to ensure a consistent approach.
6. Broad based user fees (e.g. passenger clearance fees applicable to all passengers entering the country) represent an alternative funding approach.

Further detail with respect to these propositions and the consultation process are available in the Workbook for the External Stakeholder Consultation Session available at www.iecanada.com/mis/07_04_30_csr_consultation_workbook.pdf.

Some of the feedback from participants in the consultations included the following:

- There was general consensus that the economic benefit should be taken into consideration when CBSA is determining whether to provide new or enhanced services. However, since CBSA does not have the expertise internally to assess economic benefit it will have to rely on external expertise, possibly from other government departments, when evaluating this factor.
- A simple comparison of user fees in Canada with those in the United States would not be appropriate as it would ignore the different regulatory and tax structures in the two countries. Canadian airports are considered to be already at a competitive disadvantage vis-à-vis U.S. airports.
- Staffing issues, including development of a staffing model and ensuring continuity and training of staff, also need to be taken into consideration when examining costs; and
- Overlapping jurisdiction of different departments in areas such as security create unnecessary additional costs.

I.E.Canada representatives stressed that importers and exporters are already facing a multitude of ever-increasing fees and that the competitiveness of Canadian business must be taken into consideration by CBSA as it examines its funding options.

CBSA officials are preparing a report to senior management by the end of April that will set out the available funding options for the air mode, with a view to preparing a Memorandum to Cabinet by June 2007. While there will be some cross over of issues to other modes of transportation and recommendations for the air mode could establish a precedent for other modes, CBSA officials have indicated that they will be holding further consultations with respect to the other modes of transportation.

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.

Montreal Wins Urban Encroachment Battle

Across Canada, various ports have been under increasing pressure from real estate interests lobbying different levels of government to give up valuable waterfront lands. This has been notably the case in such ports as Vancouver, Toronto and Montreal, where urban encroachment has become a constant challenge for port managers trying to map out the future.

The Toronto waterfront is a good case in point where real estate developers appear to have gained the upper hand, with high rise condos dominating the shores of Lake Ontario. Vancouver, Canada's largest port, is still fighting a rearguard battle. You sometimes wish our mayors would seek inspiration from the visionary approach of the City of Chicago.

For its part, the Port of Montreal has survived two turf wars in the past seven years. The first was in

1999-2000, when the Reichmann Brothers of Toronto made an unsolicited offer to build a one billion dollar Technodome project in Old Montreal. The project actually was backed by the pro-sovereigntist Quebec government (of Lucien Bouchard) and Montreal mayor (Pierre Bourque) of the time. Under national legislation, the land of ports like Montreal remains federal property; thus any sale requires the approval of the Treasury Board in Ottawa.

In no uncertain terms, the board of the Montreal Port Authority rejected a proposal that, among other things, would have involved taking over the Bickerdike Terminal in the inner harbour, the port's railway network and the port administration building.

In a speech before the Montreal Board of Trade, Dominic Taddeo, port president and CEO, warned public and private interests against proceeding with schemes which could adversely affect its railway network. "You know," he said, "one of the best ways to shut down this international port, to sabotage it in favour of its competitors on the east coast of North America, would be to weaken its railway connection with Toronto, Detroit and Chicago. About half of our container traffic is generated by the American market, especially the Midwest."

Much more recently, various tenants at the Port of Montreal had been alarmed at reports they could be forced to re-locate under a massive redevelopment project under consideration by the Conservative government. Some had already signed long-term leases with the Montreal Port Authority.

Fortunately, rational heads eventually prevailed in the federal transport and public works departments. Earlier this month, Transport Minister Lawrence Cannon and Public

Works Minister Michael Fortier announced that Canada Lands Co., a crown corporation, will develop 45 hectares of the harbourfront area, including the long idle grain elevator, for both residential and commercial purposes. Bickerdike and the railway were untouched.

"They came, they saw and understood the role the port plays in Montreal's economic life," a beaming Taddeo said on the occasion of the port's annual meeting on April 24. "It pumps \$2 billion a year into the economy and supports 18,000 direct and indirect jobs."

Montreal handles more purely North Atlantic container trade than any other port on the East Coast, including New York. It expects to handle 2 million containers by 2020, almost double its current throughput.

Since 1980, the port has invested \$450 million in upgrading and expanding its facilities, with the lion's share going to the container sector. The corporate plan for 2007-2011 entails investments of more than \$175 million, with again the bulk flowing to container terminals.

Export Controls, cont'd from pg. 1

and walk through a high level project plan on how to build an export compliance program for your company.

I.E.Canada is pleased to offer a workshop series across Canada on the following dates and in the following cities:

- Toronto - Wednesday, May 9
- Ottawa - Thursday, May 10
- Vancouver - Monday, May 14
- Calgary - Tuesday, May 15
- Winnipeg - Wednesday, May 16

For a copy of the brochure, please visit I.E.Canada's website: www.iecanada.com/events.html.

An Initiative with a Potential \$1.5 Billion Impact



Cheese, Milk and Eggs

Regulatory Initiative Concerning Cheese Could Have \$1.5 Billion Impact on Canadian Consumers and Trade

Don Jarvis, president and CEO, Dairy Processors Association of Canada, wrote the following article.

On February 7, the Honourable Chuck Strahl, minister of agriculture and agri-food, and the Honourable David Emerson, minister of international trade, dropped a bombshell on Canada's dairy industry with two announcements in response to political pressure from dairy farmers.

First, together they announced that the Canadian government would initiate negotiations under Article 28 of the GATT to restrict imports of milk protein concentrates (MPCs). On April 11 the World Trade Organization (WTO) was advised formally of this unprecedented action by Canada that will impact trade with the European Union, Australia, New Zealand and the U.S. and potentially force retaliatory action by these exporters. According to the trade minister, "Canada is exercising its legitimate rights under the WTO." These negotiations are expected to take considerable time as Canada renegotiates its tariff concessions

under the WTO to increase tariffs and set new tariff rate quotas to prevent the importation of MPCs that are used in making cheese and other dairy products.

The second announcement by Minister Strahl was just as concerning. He instructed the Canadian Food Inspection Agency (CFIA) to revise Canada's cheese regulations and announce those changes in June in order to force dairy processors to purchase more raw full fat milk and limit the use of natural milk ingredients like whey protein, skim milk powder and milk protein and whey protein concentrates.

The Dairy Processors Association of Canada / Association des Transformateurs Laitiers du Canada (DPAC/ATLC) is Canada's national industry association representing the public policy and regulatory interests of the Canadian dairy processing industry. This industry employs 26,000 people in Canada and accounts for \$11 billion in sales on an annual basis. Last year dairy processors in Canada produced approximately 350,000 tonnes of cheese. DPAC/ATLC has completed an impact analysis based on information it has gathered over the past two months from its members, government and other sources on this regulatory initiative.

DPAC/ATLC's analysis shows that the restrictions could lower the dairy sector's productivity and result in more than \$1.5 billion in increased costs and other losses to Canadian consumers, and to trade and the economy. The regulatory changes will not simply impact Canadian cheese and cheese processors. They will affect imported cheese as well as other food products containing cheese, both Canadian-made and imported.

The impacts on an annual basis that DPAC/ATLC has identified include:

- \$250 million increase in cheese costs to consumers at the retail level.
- \$300 million increase in cheese costs in the restaurant and food service sector.
- \$50 million increase to Canadian food processors using cheese as an ingredient in other products.
- \$750,000,000 to \$1 billion in traded food products containing cheese (NAFTA alone).
- \$100 million in cheese imports.

There are reliable estimates that at least 30 per cent of cheeses imported into Canada would not comply with these proposed standards. Other regulatory regimes permit the uninhibited use of modern milk ingredients in cheese making. This could result in bizarre situations like cheddar originating in County Cheddar in the U.K. that could not be labelled as "cheddar" in Canada because it might not meet the proposed protein source cheddar standard for cheese. If these new cheese standards are promulgated, it would be highly probable that Canada's trading partners will challenge the imposition of what are essentially new non-tariff trade barriers through NAFTA and the WTO.

An overriding concern of DPAC/ATLC members is the lack of information given by the government on the proposed new regulations for cheese. To date, the purpose of this regulatory initiative has not been stated by the minister or the Canadian Food Inspection Agency (CFIA) and there is no health or safety issue.

To compound this problem, there has been no consultation with retailers, the restaurant and food service industry, food manufacturers, Canadian consumers or provincial and foreign governments, all of whom will be seriously concerned with this regulatory process. No other country in the world has

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regulations and restrictions like these that add costs for consumers.

DPAC/ATLC has embarked on a public information program to make all stakeholders aware of this situation and the potential impact in the Canadian marketplace and on trade. The proposed new standards would further isolate the Canadian cheese and food industry from world markets and our trading partners would be in a position to charge Canada with imposing new non-tariff barriers and to seek compensation or retaliate. All concerned companies in the import/export business are encouraged to contact the federal government and express their concerns to Minister Strahl and Minister Emerson.

For further information and the impact analysis, please visit DPAC/ATLC's website (www.dpac-atlc.ca). Look under the regulatory and policy issues section and click on "submissions."

Annual General Meeting

Please join us on June 21, 2007, for I.E.Canada's annual general meeting and 75th anniversary celebration, which will take place at the historic Liberty Grand, Exhibition Place, 25 British Columbia Road, Toronto.

"Greening your business - the new competitive advantage" will be the theme for the evening function. Learn from I.E.Canada members who have made corporate social responsibility part of their corporate culture. Find out what these companies are doing and why they are doing it. Discover why being a socially responsible corporation makes perfect business sense. Take away valuable tips on how your company may reap the benefits of going green.

I.E.Canada members are encouraged to attend the annual general meeting and the evening function, which will

include a networking reception, dinner, presentations and dancing near the water at the Liberty Grand.

The schedule for the event follows:

- 5:30 p.m. - annual general meeting (free to all members)
- 6:00 p.m. - networking reception
- 7:00 p.m. - dinner with presentations on "greening your business - the new competitive advantage."

The following I.E.Canada members have been invited to deliver presentations on the benefits of going green: Hewlett Packard; Honda Canada; Walmart; Mountain Equipment Co-op; and Dupont Canada.

Individual tickets are available for \$150 each; the fee includes GST, parking, reception, dinner, business presentations and dancing. Corporate tables are available for \$1,200 each (8 per table). A registration form with details will be made available shortly.

Committee News

Mary Anderson, president, I.E.Canada, prepared the following update.

The Canadian Meat Importers and Exporters Committee (CMIEC)

In January 2007, in response to a motion by the Standing Committee on Agriculture and Agri-Food to severely limit supplemental import quota for beef, CMIEC sent a letter to International Trade Minister Emerson and Agriculture and Agri-Food Minister Strahl to request a meeting. In February, the CMIEC executive met with senior staff from both ministries to convey the importance of both the process created by the Tariff Quota Advisory Committee to create consensus within Canada's beef industry and the current supplemental quota. CMIEC is working to raise awareness amongst members of Parliament of the importance of these issues in anticipation of a parliament-

tary motion and debate.

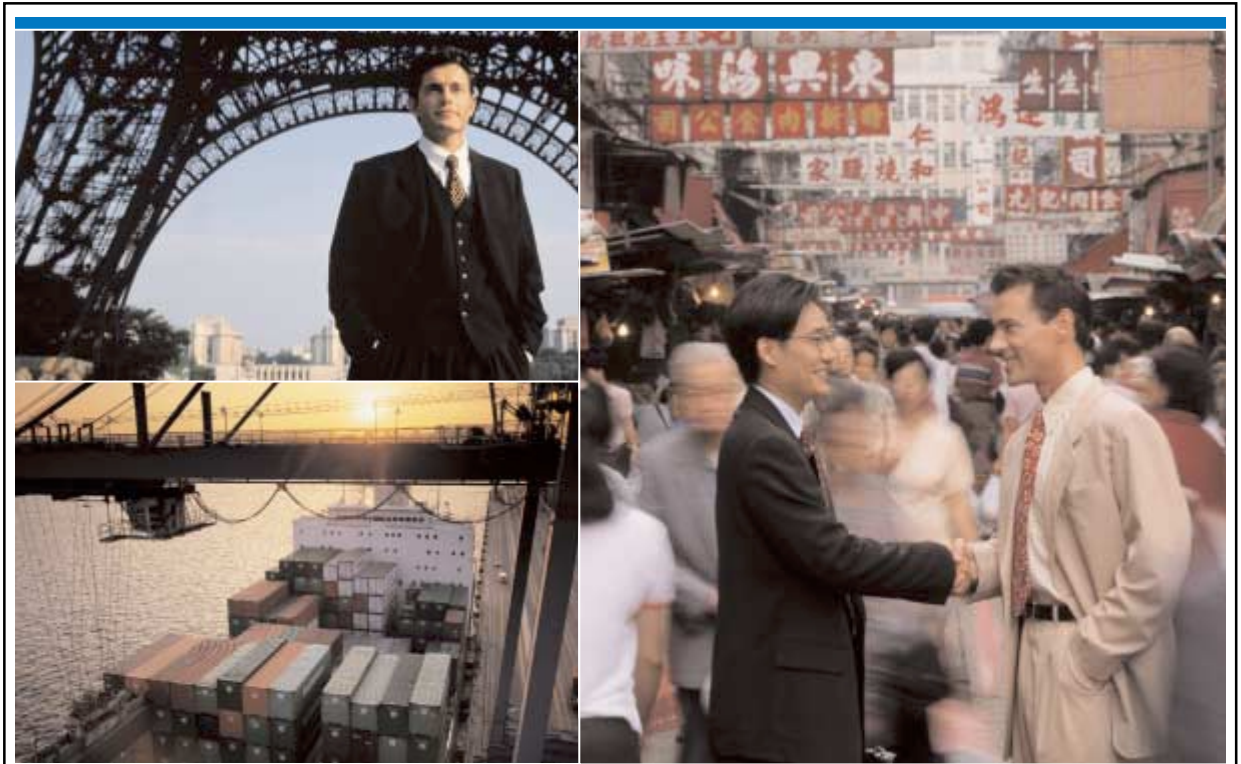
Textiles and Apparel Committee (TAC)

TAC invited the Retail Council of Canada (RCC) to participate in a briefing via conference call with the Competition Bureau to gain a better understanding of the issues surrounding proposed amendments to the Textile Labelling and Advertising Regulations. I.E.Canada members had the opportunity to question Carole Gaetz of the Competition Bureau about the proposed amendments and the regulatory amendment process. There was excellent interaction amongst members of I.E.Canada and the RCC during the call and both associations have subsequently provided written comments on the proposed amendments.

Customs and Legislation Committee (C&L)

Members of the C&L have been providing input to the Canada Border Services Agency (CBSA) regarding the structure and governance of the Steering Committee for the eManifest External Stakeholder Partnership Network (eSPN) and working closely with a number of other associations representing importers to nominate an importer representative to the eSPN Steering Committee.

The CSA Subcommittee has been identifying priorities for improving the Customs Self Assessment (CSA) Program. These were presented during a panel at I.E.Canada's Emerging Issues in Customs Conference on April 23, 2007. Members of the CSA Subcommittee will be meeting with CBSA officials in the near future to discuss how their issues and concerns might be addressed in order to attract more participants in the CSA Program. Members are encouraged to complete the CSA Program Survey developed by the subcommittee available at: www.iecanada.com/mis/07_04_30_csa_program_survey.pdf.



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Tradeweek is published twice each month for and on behalf of the Canadian Association of Importers and Exporters Inc. / Association canadienne des importateurs et exportateurs inc. It is circulated by first class mail to members only. Reproduction of any of the contents of *Tradeweek* is encouraged provided that appropriate source credit is given.