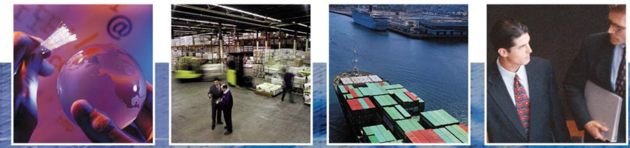

The Growing Case for Customs Self Assessment: Is it for you?

The Customs Self-Assessment (CSA) program was the first major initiative that emerged from Canada's Customs Action Plan – the blueprint for modernizing the country's border processes. Launched in December 2001, CSA simplifies customs clearance for qualified businesses and provides a streamlined accounting and payment system for imported goods.

At the time the Customs Action Plan (CAP) was developed, eight percent of all importers accounted for 94% of the value of all imported goods. Looking at these statistics, the Canada Border Services Agency (CBSA) envisioned CSA as a way of facilitating the release of low-risk goods, in an effort to relieve the ever mounting pressures on the country's customs and border infrastructure.

How it works

As an alternative clearance stream for low-risk, high-volume imports, CSA essentially shifts customs accounting and payment away from single transactions in favor of an approach based on monthly reporting.

CSA is in line with CAP's philosophy that importers must accept increased responsibility for their shipments. The importer, often in conjunction with their broker, is responsible for the business and accounting systems necessary to report trade data electronically, while ensuring that clear audit trails are maintained. Self-assessed trade data is submitted to CBSA on a monthly basis and importers are afforded two options for remitting duties and taxes.

Periodic reporting and payment allows for substantial efficiencies, both at the border and with the importer's administrative processes. When a shipment arrives at the border, the driver simply shows three barcodes: one for the importer, one for the carrier and one for the driver. No customs invoice is required.

Efficiency and accuracy are added to many administrative functions involved in a company's trade function, from customs management to accounting. All these benefits can be substantial. Yet for some businesses, applying and qualifying for CSA requires considerable investment in technology and possibly some re-engineering of their internal systems and processes. Early industry participation rates substantiate the challenges involved with the program. As of January 2005, 164 importers had applied for CSA, of which 19 have completed the necessary approval process.

Adopting CSA is clearly a critical business decision with implications throughout the organization, including IT, finance,

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accounting, purchasing and logistics. However, as businesses come to appreciate the potential Return On Investment (ROI), it is anticipated that the number of importers on CSA will ultimately increase. Border dynamics are rapidly changing and many are evolving in a way that strengthens the case for CSA. In light of recent developments, there are four major considerations that businesses should take into account in their ROI calculations:

1. Supply chain efficiency

Bottlenecks at the border are increasingly a source of grief and expense for many manufacturers, particularly those operating in a time-critical environment, where speed to market can be a competitive advantage.

Tight capacity in the trucking industry has enabled many carriers to pass on some of the costs of border delays, in the form of security surcharges or other fees that can range from $8.00 to $30.00 per shipment. Carriers, after all, have to contend with reduced driver and equipment productivity that results when their trucks, which should be on route, are waiting in line at the border.

Although CSA was originally conceived in the late 1990's, well before supply chain security became an overriding concern in international trade, it has since adapted to reflect today's security concerns. Enrolment in the Partners In Protection (PIP) program, Canada's counterpart to the U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) initiative, is a prerequisite to becoming CSA-approved.

Participation in PIP and CSA, in turn, provides access to the Free And Secure Trade (FAST) program, offering the potential for expedited clearance at 12 key border points, particularly those with a dedicated FAST lane. CBSA intends to extend FAST to all major commercial crossings in the near future. Through FAST, CSA can clearly provide a mechanism to expedite the movement of goods across the border, helping reduce delays (and their associated costs) while adding certainty to a company's supply chain.

Key Facts & Figures

Implementation Date:
December 2001

Prerequisite Programs:
Partners In Protection (PIP)

Approved Participants:
19 importers (As of January 2005)
1,406 carriers (As of January 2005)

Further information:
http://www.cbsa-asfc.gc.ca/import/csa/

2. Improve compliance and avoid AMPS

The Administrative Monetary Penalty System (AMPS) – the second major initiative stemming from the Customs Action Plan – is another unwelcome expense related to customs clearance. Typically assessed at time of import due to a discrepancy or omission on the customs invoice, AMPS are averaging nearly $600 per infraction.

Periodic reporting under CSA, however, gives the importer the opportunity to be proactive in ensuring that all imported goods are classified and trade databases are accurate, helping to avoid AMPS be identified and corrected prior to reporting the information to Customs.

3. Broader criteria for participation?

Not all goods are currently eligible for clearance through CSA. In order to qualify, imported goods must:

- Enter Canada directly from the U.S.
- Must not be subject to import controls or permits
- Must not be subject to the authority of Other Governmental Departments (OGDs)

CBSA, however, is giving some consideration to making CSA available to these previously excluded groups. A number of major importers of overseas goods have already expressed an interest in participating in possible CBSA pilot projects, anticipated in 2006. As additional goods qualify for CSA, more importers will no doubt come to realize the value of the program.

4. ACI is coming!

Probably the most significant factor why many importers should reconsider CSA is the looming shadow cast by Advance Commercial Information (ACI) and accompanying changes involving Mandatory HS Codes. Although the implementation date of ACI for truck- and rail-bound imports has been postponed from Fall 2005 to some time in 2006, importers are quickly taking notice.

For trucks, ACI will require all shipment data to be transmitted electronically to CBSA one hour prior to arrival at the border. In addition to the operational and administrative adjustments that will be necessary to ensure data is readily available within the stipulated time frame, ACI will also increase cross-border costs since service providers are likely to introduce surcharges to cover the additional costs of transmitting required data to Customs.

FAST shipments are notably exempt from ACI. And since CSA is a requirement for FAST, it is understandable why CSA is worth another look for importers seeking to avoid the processes and expenses associated with ACI.

Should you apply?

Some importers may determine there is a strong ROI for participating in CSA, whereas others will find it more logical to simply adjust to the realities of ACI. Consulting with customs and trade professionals can be an important first step in assessing the feasibility for your business.

The CSA Application Process

To be approved under CSA, a three-part application process is involved, starting with a risk assessment undertaken by CBSA. Only businesses and carriers that are known to Customs, with a track record free of major commercial infractions, can qualify for the program.

The second part of the application process involves a review of the applicant's business systems, so that CBSA can ascertain that the importer is able to capture and communicate trade data accurately and on a timely basis.

In the third and final phase of the application process, importers are required to sign a "Client Undertaking" document, outlining the terms and conditions of participating in the CSA program.

Is CSA for you?

Consulting with customs and trade professionals can be an important first step in assessing the feasibility of CSA for your business. Not only can they guide you through the initial analysis, they can also help you work through the application process itself – as well as prepare proactively for CBSA's Multi-Program Verification (MPV), a mandatory on-site audit of the importer's systems and processes.

Beyond the initial due diligence that can be provided by trade professionals, many also offer assistance managing and verifying CSA processes and systems. This can help ensure compliance on an ongoing basis, reducing risk and helping avoid costly penalties.

Recent – and upcoming – developments at the border will undoubtedly have great impact on a business' ROI analysis. Some importers may conclude there is a strong ROI case for participating in CSA, whereas others will find it more feasible to simply adjust to the realities of ACI. Either way, the next few years will be a time of adjustment for all businesses involved in international trade. Those that are proactive will no doubt be the ones that come out ahead.