



THE NEWSLETTER OF CUSTOMS ISSUES / GHY INTERNATIONAL / SUMMER 2007

TRADELINES

OUR MISSION...

GHY International is committed to the standards of excellence and integrity on which our company was founded in 1901. We are dedicated to providing the highest level of personalized professional international trade services to our customers. We view our clients as business partners whose needs shape all of our endeavours.

Global Trade—and Risk—On The Rise

With the Canadian dollar rising dramatically in the past weeks and months, the cost of imported components and finished products has become even more attractive, while simultaneously lowering the margins for manufacturers and exporters who have large US customer bases.

The commercial challenge of managing international supply chains is significant in light of the currency issues alone, and when you factor in emerging offshore competition, a looming labour shortage as the baby boomers contemplate retirement, rising transportation costs, to name just a few, it all adds up to an interesting mix of challenge and opportunity never before seen in the global marketplace.

Not to be excluded, the Customs regimes of Canada and the US are adding another layer of complexity for importers and exporters to be concerned about, which can translate into major costs in terms of penalties and compliance monitoring systems, so that it is no longer a luxury to ignore them and react only “if and when they catch up to us.”

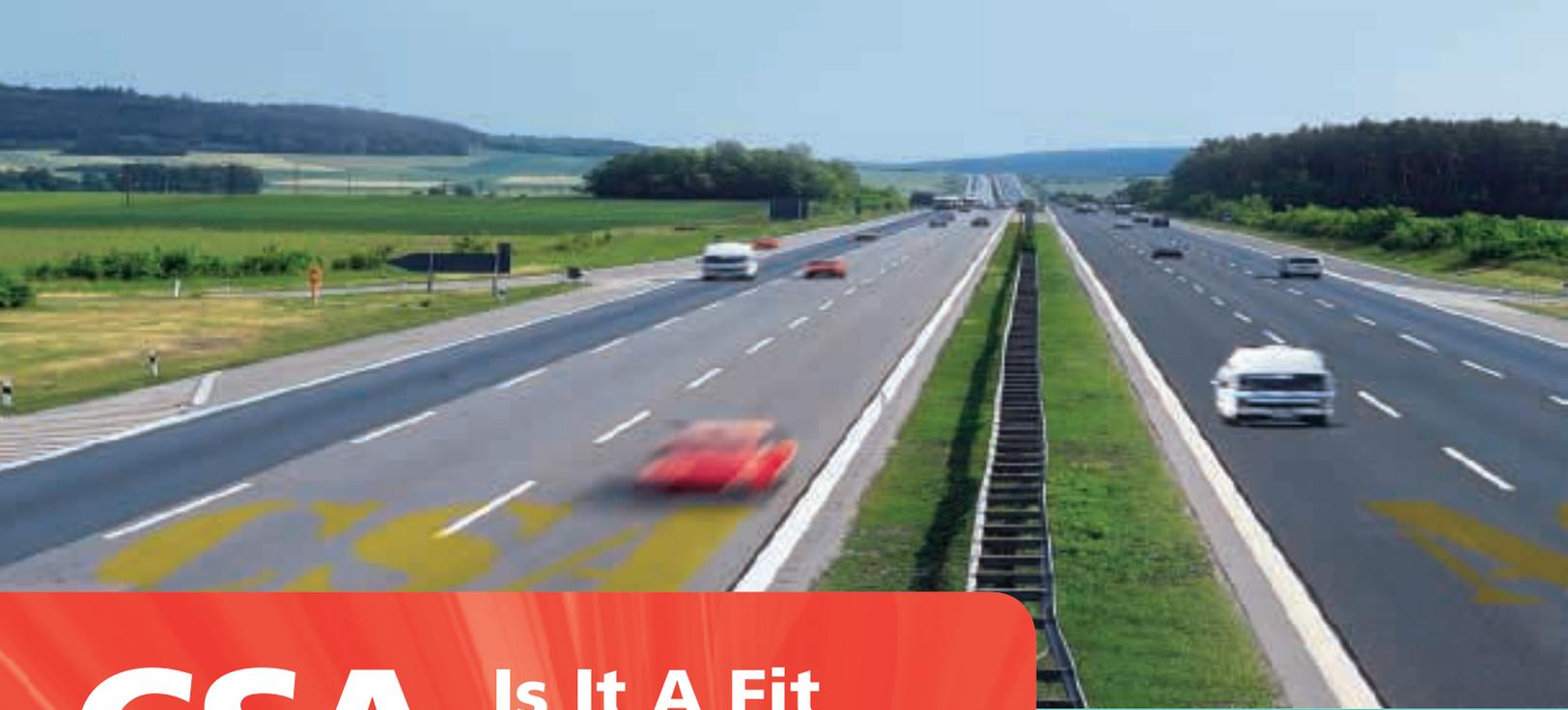
This edition of Tradelines includes an update on the growing aggressiveness of CBSA (Canada Customs) in detecting non-compliance and penalizing importers for infractions they discover, opening up a liability from that point forward if corrections are not made, and most importantly, for retroactive penalties and their associated administrative costs.

We are inserting an article that appeared in a recently published edition of IE Global magazine authored by Ernst & Young, outlining an approach to identifying and managing Global Customs Risk, that helps to put the challenge of managing regulatory compliance into a commercially relevant framework.

At GHY, we are excited about the new capabilities of our recent investments in technology, as they include leading edge tools for our Canadian and US clients to self-serve a wide range of trade information like shipment tracking, document preparation, entry detail, and custom queries, all via the web.

These are challenging times, but you can count on our commitment to work with you to adapt to the changes in regulatory enforcement, information management, border security, and compliance, as your customs broker and trade partner.

> **Reynold Martens**
Executive Vice President
GHY International
President, GHY USA, Inc.



CSA Is It A Fit For You?

CSA or Customs Self Assessment is the alternative to ACI, and allows PIP (Partners In Protection) approved importers to bypass ACI's cumbersome pre-arrival review process prior to the carrier's arrival; report all imports into Canada on a single, monthly entry; and gain access to FAST (Free and Secure Trade) lanes at border crossings to reduce waiting times and attain preferred clearance status in the event of a border slow down or shutdown.

GHY has invested in state of the art software that has been designed to accommodate a fully equipped CSA module that can link with the client's internal accounting systems, to summarize, reconcile, and report the information on the CSA importer's behalf in compliance with CBSA requirements.

While the process is detailed and can take up to a year or more to complete, the long term benefits for large importers to streamline supply chain mechanics, simplify reporting, improve compliance, and reduce trade risk, are significant.

For more information on ACI or CSA, contact your Account Manager, or Al Dewar, VP Canadian Operations for GHY at (204) 947-6700 ext. 215 or dewar@ghy.com.

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Automated Commercial Information (ACI) requires importers to report extensive shipment information hours in advance of arrival at the port of entry into Canada, and has been implemented for air, sea, and rail modes. ACI for Truck mode is scheduled for full implementation in October 2007, and will have the greatest impact on importers who use road carriers to clear at frontier border crossings which are more prone to congestion than air, inland, or marine ports.

This is an important issue for importers to be aware of because we as your Canadian



C-TPAT Certification = US Cross Border Passport

US Customs and Border Patrol is continuing its efforts to compel US importers to become C-TPAT certified, as part of its long-term vision of having significant importers and their traffic pre-approved, to improve clearance times, eliminate pre-arrival screening, and reduce congestion at border crossings.

Benefits of being C-TPAT certified to Canadian firms who export to the US, and US-based importers include:

- Helping exporters to compete and secure US opportunities that now require suppliers to obtain certified security clearance
- Reducing border clearance times by enabling access to FAST lanes at the Canada/US border
- Improving security at the exporter's facilities as a by-product of being C-TPAT compliant



Implementation October 2007

Customs Broker need to have full and accurate information from you or your carriers at least 4 hours before arrival at the border, so we can prepare a fully detailed entry document for CBSA to do a risk assessment on.

Unclear or missing information will require us to contact you for clarification within a very compressed time period before the truck arrives, and any delays in that process could result in the shipment being held or turned back, or fines and penalties if incorrect information is cited on the clearance documents.



Canada's Export Development Corporation (EDC) has identified C-TPAT as a significant competitive requirement for exporters, and developed its Security Compliance Loan Program to finance upgrades to property, personnel, systems, and procedures, required to meet C-TPAT security standards.

EDC has appointed Supply Chain Security Canada Inc., which GHY is a partner in, as an approved advisory service provider to assist with the C-TPAT certification process.

For more information on the Security Loan Program, call Vicki DeLuca, VP GHY USA at (204) 947-6700 ext. 226, or Brian Evans, of Supply Chain Security Canada Inc. at (204) 233-8267, or visit www.EDC.CA/CTPAT.

with the border

CBSA Ramps Up AMPS Enforcement—Importers Beware

The Administrative Monetary Penalty System (AMPS) has been in place since 2002, and since then Canada Border Services Agency (CBSA) has been conducting audits systematically to diagnose Canadian importers' rate of compliance with the Customs Act, Customs Tariff, Free Trade Agreements, and Statistics Act.

To date they have not been satisfied with the overall levels of compliance based on what they have discovered during their audits, primarily in the areas of tariff classification, valuation, origin, and a systems integrity review. In response, CBSA is ramping up enforcement of the penalty regime that has been in place since the outset.

Up to this point, audits conducted by CBSA resulted in reports to importers outlining errors and assigning only basic penalties for actual infractions discovered, with no retroactive penalties applied. It was up to the importer to correct the issues identified from that point forward, and if they did not, penalties would be applied for each infraction in subsequent audits, as "reason to believe" criteria had been established and communicated to the importer in the report.

This resulted in average penalties of \$100 per tariff classification error, \$1000 per origin discrepancy, and few penalties for valuation or PO/receiving report discrepancies. Most importantly, the audits created a stimulus for importers to take action to avoid being assessed future penalties, shore up gaps in non-compliance, and in the process reduce the commercial risk of unforeseen monetary sanctions from Customs.

In 2007, in addition to penalties for the errors discovered in their initial audits, and future errors on those items, CBSA is proceeding with **retroactive penalties amounts on discovered items, on a per incidence basis, going back up to 4 years from the date of discovery.**

The area of most significant exposure for importers will be errors in tariff classification, as an item deemed to be incorrect by CBSA in an audit will trigger an expectation that the importer will identify all past imports of that item over the past 1 year in the case of an initial audit, and up to a maximum of 4 years in the case of second audit, for which a \$100 per incidence fine will be applied to a \$25000 maximum per audit. In addition, the importer will be forced to bear the cost of gathering and reporting the information, or most likely, engaging their Customs Broker to do so, and to file amending entries or a blanket amendment to satisfy CBSA.

What does this mean for Canadian importers?

It is more important than ever for importers to be proactive in establishing a systematic approach to managing Customs compliance, and to protect themselves from onerous and unexpected commercial risk of retroactive penalties and the cost of corrective action.

GHY can help you to put together a plan that prioritizes your risks within a commercial framework, that matches your comfort with exposure to a CBSA audit, or if you have already been audited, subsequent verification reviews. Contact Al Dewar for more information, dewar@ghy.com, (204) 947-6700 ext. 215.



The Latin America Connection **InterPOC**



International Point of Commerce Inc., InterPOC for short, is an international resource management organization created to support those companies interested in developing or enhancing global market penetration strategies.

InterPOC has assisted Manitoba companies develop comprehensive international business strategies for Latin American countries, including threats and opportunities, mitigation strategies, expatriation of funds, and a service to match up buyers, strategic partners, and manufacturers in Mexico, Brazil, and other western countries.

Many Canadian and US firms are looking at Mexico and Latin America as the next logical markets beyond North America, as there are great opportunities presented by these emerging economies that are quickly developing economically, politically, and financially.

InterPOC has developed a service structure with offices in Winnipeg (Canada), Mexico City (Mexico), Sao Paulo (Brazil), and Buenos Aires (Argentina) to strategically tap into its vast networks of industry, businesses, and logistics.

“We are proud to provide local services in any of these markets with an integrated global vision and local resources,” says Mr. Gustavo Zentner, President of InterPOC. “We currently provide services in five languages and can assist with targeted management and business development strategies, confidential business development facilitation, international business and market evaluation, and cross-cultural consulting and language services.”

If you are interested in learning more about how InterPOC can assist your organization, contact:

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Canadian Customs Brokerage
- GHY USA, Inc.
U.S. Customs Brokerage
- GHY Trade and Consulting Services
- GHY Cross Border Logistics
- GHY Warehousing and Distribution Services
- GHY Non-Resident Services
- GHY Trade Technology Services

GHY Web Tools For Importers and Exporters

As part of our continuing effort to expand the service offerings GHY provides to you, we are pleased to introduce "SHIPMENT WEB" for importers, and Smart Border Shipper for exporters.

Shipment Web is a web based extension to the new processing platform GHY acquired in 2005 that avails you as the importer to secure, real-time access to your entry records for search and retrieval, reporting, query and data manipulation, and more.

Features include:

- One button search for Released, Not Released, Delivered, In Motion, or Missing Info Shipments
- Sort and select your shipments by any field in the browser
- Create your own query to filter your shipments
- Check the Event Log of a Transaction
- View, print, or download Billing Invoices, Statements, CCl's, B3s, and Reports
(on a document by document basis, GHY's Document Imaging provides the entire file)
- Provide answers to missing info and questions

Smart Border Shipper has many of the same features for exporters, in addition to tools to assist with emanifest and export declaration preparation including all US government department requirements, and portability to send the documents to all parties including your vendors, carriers and GHY USA simultaneously, so all parties can process their portions of your export transactions.

Both **Shipment Web** and **Smart Border Shipper** have portals for you or your carrier to check the Customs release status of shipments en route, by PARS or PAPS number.

For More Information Please Contact:
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