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NEW CUSTOMS EDI SYSTEM TO CHANGE INTERNATIONAL CLEARANCE PROCEDURES

Are your drivers spending a lot of time clearing their truck shipments at the border? Do your shipments clear at inland sufferance warehouses in less than a hour seven days a week twenty four hours a day? Are your crucial air shipments delayed waiting for customs clearance? These delays can be substantially reduced if international carriers, freight forwarders, warehouse operators, and importers or customs brokers participate in Revenue Canada, Customs, Excise, and Taxation's (RCCET) EDI programs.

The latest Customs 2000 initiative is the Accelerated Commercial Release Operations Support System (ACROSS). This program will allow importers or customs brokers to submit and obtain a commercial release electronically at any automated customs port throughout Canada.ⁱ The program, scheduled for national implementation in March has the potential of changing importers and customs brokers business practices. In turn these changes will have a profound effect on the international carriers' customs clearance procedures. This paper first states why RCCET is introducing the ACROSS program and its potential benefits to all the participants involved in an international customs clearance. The paper then examines international carriers current release procedures and how these will change with the implementation of the new ACROSS program.

Introduction

Revenue Canada, Customs, Excise and Taxation similar to other government departments has been mandated by the Minister Of Finance to continue to cut its costs while improving productivity. Revenue Canada Customs and Excise has been re-engineering its operations since 1990 and has already introduced a series of pre-review, frequent importer and low value shipment programs which have improved and streamlined their operations.

The latest initiative is designed to benefit carriers, importers and RCCET. RCCET will be able to: enhance the role of the Customs Inspector; improve their productivity, and effectiveness; standardize the release process; obtain efficiency gains; reduce the paper handling, storage requirements and position the

department to meet the needs of other government departments. RCCET will be able to reduce the development costs for future enhancements and use the new system as an automated workload management tool.ⁱⁱ RCCET intends to use the new system to assist them in targeting high risk commodities, carriers, vendors, and importers and to determine which shipments must conform to other government departmental requirements.ⁱⁱⁱ RCCET is also developing enhancements to the system so frequent importers with a good compliance record can obtain a machine release, and other government departments requirements can be incorporated into the system.^{iv}

International carriers, freight forwarders, and warehouse operators who work with importers and customs brokers utilizing the new ACROSS system should be able to obtain quicker releases and have more consistent in-transit times. Release times will be reduced since the ACROSS program will not allow customs brokers to submit release packages which do not meet the minimum release requirements. (Currently these packages are rejected and the driver must return to the customs broker to have the packages corrected.) Release times will also be reduced since Customs Inspectors workloads will be subject to a regional queue based on the actual time the goods will be available for release and examination. Machine releases for certain shipments will also reduce release times.

Importers and Customs Brokers will also obtain benefits from the ACROSS program. Importers and customs brokers should be able to reduce their: paper burden; fax and courier costs; release rejections; out port costs; runner costs; and obtain a more timely release of goods.^v Many of the importers or customs brokers may also utilize the ACROSS program since it may take less time to prepare and send the ACROSS release package than it does to prepare and present an RMD package.^{vi}

International carriers, freight forwarders, and warehouse operators play an integral part in the customs clearance equation. Carriers, freight forwarders, and warehouse operators who adapt to the new EDI initiatives will benefit and carriers who do not adapt may find themselves encountering new and additional delays in obtaining their customs clearances. This paper examines current customs clearance procedures and how the procedures may change with the introduction of ACROSS. This paper, although applicable to all modes of international transportation compares the current and upcoming release procedures for highway carriers.

Current Release Procedures at Highway Frontier Ports

International carriers predominately obtain their commercial releases using the RMD, PARS and FIRST release procedures. Statistics quoted in this section are based on 307,350 commercial shipments which were released from January 1 through January 31, 1996 at the various frontier ports across Canada.

RMD Release Procedures

Approximately 54% of commercial shipments are released using the Release on Minimum Documentation (RMD) procedure. To obtain a commercial release using the RMD procedure the operator of the conveyance hand delivers the Customs Delivery Authority and Long Room Copies of A8A cargo control document along with any supporting paperwork to the importer or customs broker. The importer or customs broker reviews the supporting documentation, obtains any necessary permits and / or supporting paperwork, and prepares a paper based release package. The customs broker hands the driver the release package and the driver enters the queue to wait his/her turn for a Customs Inspector to review the release package.^{vii} Once the Customs Inspector reviews the release package and updates the Customs computer system the inspector will either: 1) release the shipment, 2) call it up for examination, 3) refer it to another government department, 4) or reject the release package. If the release package is rejected, the driver returns the package to the customs broker for corrections. After the customs broker corrects the release package the driver returns to customs to obtain a release. Once the shipment is released the Customs Inspector will stamp the Customs Delivery Authority Copy of the A8A cargo control document and return it to the driver. Release times are proportional to the length of the queue at both the customs broker's office and at RCCET.

PARS Release Procedures

Approximately 37% of commercial shipments are released using the Pre-Arrival Review System (PARS) release procedure. Most carriers fax their PARS packages to the customs brokers at the port which they intend to cross. The customs broker reviews the supporting documentation, obtains any necessary permits or supporting paperwork and submits a paper based PARS release package to RCCET. A Customs Inspector reviews the release package, updates the customs computer system and either: 1) makes a release recommendation 2) refers the release package to another government department, 3) or rejects the release package. If the package is rejected it is returned to the customs broker for corrections. After correcting the release package the customs broker resubmits it

to RCCET for review.^{viii} Once the driver arrives at the port a Customs Inspector wands in the unique PARS cargo control number and either releases the shipment, refers it to another government department, examines it, or advise the driver that the PARS release information is not on file. If the PARS release is not on file the driver must obtain an RMD or take the shipment in bond to a sufferance warehouse. Once the shipment is released the Customs Inspector will stamp one of the bar coded PARS documents and return it to the driver as a proof of clearance.

FIRST Release Procedures

Approximately 6% of commercial releases at the frontier port are released using the Frequent Importers Release System (FIRST) release procedure. Changes to the FIRST procedure have been postponed until September 1996.

Current Release Procedures at Inland Ports

International carriers and freight forwarders predominately obtain their commercial releases using the RMD, INPARS and PARNS release procedures at inland sufferance warehouses / ports. Statistics quoted in this section are based on 171,832 commercial shipments which were released from January 1 through January 31, 1996 at the various inland ports across Canada.

RMD Release Procedures

Approximately 83% of commercial shipments are released using the RMD procedure. To obtain a commercial release the carrier delivers or faxes the Customs Delivery Authority and Long Room Copies of A8A cargo control document along with the supporting paperwork for the shipment to the importer or customs broker. The importer or customs broker reviews the supporting documentation, obtains any necessary permits or supporting paperwork, and prepares a paper based release package. The importer or customs broker then presents the release package to RCCET. The release package enters the RMD queue and waits for a Customs Inspector to review the release package.^{ix} A Customs Inspector will review the release package, update the customs computer system, and will either: 1) releases the shipment, 2) call it up for examination, 3) refer it to another government department, 4) or reject the release package. If the package is rejected, it is returned to the customs broker for corrections. After the customs broker corrects the release package it is returned to RCCET for review and release. Once the shipment is released the Customs Inspector will stamp the Customs Delivery Authority Copy of the A8A cargo control document and send

it the sufferance warehouse operator. At some ports the release copy is faxed the appropriate warehouse operator whereas other ports warehouse operators obtain their releases using the Release Notification System (RNS).^x Release times are proportional to the size of the RMD queue at the customs broker's offices and the RCCET. The hours of service of both the customs brokers and RCCET also affect release times.

INPARS, and PARNS Release Procedures

Approximately 10% of commercial shipments are released using the Inland Pre-Arrival Review System (INPARS) and the PARS Arrival Notification System (PARNS) at the inland ports throughout Canada. Carriers fax or courier their INPARS, and PARNS packages to their own terminals, the warehouse operators, or the importers or customs brokers at the ports where they intend to clear the shipments. The importer or customs broker reviews the supporting documentation, obtains any necessary permits or supporting paperwork, and submits a paper based INPARS or PARNS release package to RCCET. A Customs Inspector reviews the release package, updates the customs computer system, and either: 1) makes a release recommendation, 2) refers the release package to another government department, 3) or rejects the release package. If the package is rejected, the package is returned to the customs broker for corrections. After the customs broker corrects the release package they resubmit it to RCCET.^{xi}

Once an INPARS shipment is available for examination the carrier, warehouse operator or customs broker presents the Customs Delivery Authority copy of the A8A cargo control document to RCCET. The customs official wands in the bar coded A8A cargo control document and either releases the shipment or calls it up for examination. Once an INPARS shipment is released the Customs Inspector will stamp the Customs Delivery Authority copy of the A8A cargo control document and return it to the warehouse operator. Since INPARS releases are presented to customs for release or examination these releases are subject to the hours of service of RCCET at the particular inland port.

Once a PARNS shipment is available for examination the warehouse operator sends RCCET a PARNS EDI arrival message advising RCCET that the goods are available for examination or release. RCCET will send a PARNS EDI message to the warehouse operator to advise him/her whether the shipment is released, called up for examination, or that no release information is on file. If there is no release information on file RCCET's computer will maintain the arrival information and the warehouse operator will be advised by a PARNS EDI

message when the goods are released or called up for examination. EDI transmissions between the warehouse operator and RC CET can be performed on a twenty four hour seven day a week basis, ultimately providing warehouse operators with around the clock release capability.^{xii}

The ACROSS Program Basics

The ACROSS program is a EDI cargo release program which will allow importers or customs brokers to submit electronic release packages to RC CET for shipments clearing at any automated port in Canada twenty four hours a day seven days a week.^{xiii} ACROSS releases are restricted to shipments which do not involve any other government department. Shipments involving import permits obtained from Foreign Affairs and International Trade Canada (FAITC) can be released if the importer or customs broker obtains an import permit utilizing the FAITC EXCAPS program.^{xiv} Under the ACROSS program, importers or customs brokers will be able to present electronic releases to customs utilizing their current Customs Automated Data Exchange (CADEX) communication lines or through third party Value Added Networks (VAN) such as TDNI or GE.^{xv} A Customs Inspector will review the electronic release information and make one of four decisions: 1) make a release recommendation, 2) release the shipment, 3) call it up for examination or, 4) electronically reject the release package back to the importer or customs broker.^{xvi} Once the shipment is released RC CET's computer will send an EDI message to the designated warehouse, and the appropriate carrier using the RNS system. Carriers clearing shipments at frontier ports will still be able to obtain stamped release copies of their cargo control documents. Inland warehouses operators will only be notified about their releases by the customs RNS EDI program. If the warehouse operator does not participate in the RC CET's RNS EDI program, the warehouse operator will need to make arrangements with the ACROSS EDI participant to obtain a copy of the notification of release.

Potential Across Release Procedures at Highway Frontier Ports

ACROSS RMD Release Procedures

To obtain a commercial release the operator of the conveyance will first have to determine if the importer or customs broker has a branch at the port where he/she is crossing. If the customs broker has a branch at the port, the driver would hand deliver the Customs Delivery Authority and Long Room Copies of A8A cargo control document and the supporting paperwork he/she has for the shipment to the customs broker. The importer or customs broker would determine if the

shipment involved another government department and whether it would be faster to submit an ACROSS release package. If it would be faster to submit an ACROSS release package they would return the Customs Delivery Authority Copy of the A8A cargo control document to the driver and advise him / her to proceed to customs to obtain a release. The driver would have a Customs Inspector wand in the bar coded A8A cargo control document number into their system to determine whether to release, refer, or examine the shipment.^{xvii}

If the importer or customs broker operating at the port determines that the shipment involves another government department or it would be faster to obtain a release using the paper based RMD the driver would be sent back to customs with the release package and enter the queue to wait his/her turn for a Customs Inspector to review the release package.^{xviii} A Customs Inspector will either: 1) releases the shipment, 2) call it up for examination, 3) refer it to another government department, 4) or reject the release package. If the package is rejected, the driver returns the release package to the customs broker for corrections. After the customs broker corrects the release package, the driver returns to the RCCET's queue to obtain a release. Once the shipment is released the Customs Inspector will stamp the Customs Delivery Authority Copy of the A8A cargo control document and return it to the driver.

If the importer or customs broker does not have a branch at the frontier port the importer or customs broker may request the carrier fax all the documentation and the cargo control document to a central location for processing. The importer or customs broker would then review the supporting documentation to determine whether the shipment involved another government department and whether it would be more efficient or cost effective to submit an ACROSS release package. If the importer or customs broker determined it would be beneficial to submit an ACROSS release they would advise the driver to proceed to customs to obtain a release. If the importer or customs broker determined that the shipment involved another government department or it would be more efficient to obtain a paper based RMD release they would direct the driver to see the appropriate customs broker to obtain a RMD release package.^{xix}

Across PARS Release Procedures

The release procedures for PARS shipments will be essentially the same as they are today. The exception will be that carriers will have to determine whether they should fax the customs broker at the frontier port where they intend to clear the shipment or a central location where the importer or customs broker will process the shipment. Importers and customs brokers would review the

supporting paperwork to determine if the shipment involved another government department. The importer or customs broker would then either submit an ACROSS release or make arrangements with another customs broker at the port where the driver intended to cross to prepare a paper based PARS release package. Carriers would still present their PARS packages to RCCET upon arrival and obtain a stamped PARS bar coded document as a proof of release. If the PARS package is not on file when the carrier arrives at the port they would revert to the ACROSS RMD release procedures.^{xx}

Potential ACROSS Release Procedures at Inland Ports

ACROSS RMD Release Procedures

To obtain a commercial release the carrier will have to determine if the customs broker has a branch at the port where he/she is intending to clear the shipment. If the customs broker has a branch at the port the carrier would fax or deliver the Customs Delivery Authority and Long Room Copies of A8A cargo control document and the supporting paperwork he/she has for the shipment to the customs broker. The customs broker would determine if the shipment involved another government department, and whether it would be faster to submit an ACROSS or a paper based RMD release package.

If the importer or customs broker does not have a branch at the port the importer or customs broker may request the carrier fax them all the documentation and a copy of the cargo control document for central processing. The importer or customs broker would then review the supporting documentation to determine if the shipment involved another government department and whether it would be faster or more cost effective to submit an ACROSS or a paper based release package. If the importer or customs broker determined that it would be beneficial to submit an ACROSS release they would submit the electronic release package from their central location. If the customs broker determined the shipment involved another government department or it would be more efficient to obtain a paper based RMD release they would advise the carrier to forward the cargo control documents and the supporting paperwork to a customs broker operating at the specific port.

ACROSS INPARS, and PARNS Release Procedure

The release procedures for a carrier utilizing the INPARS and PARNS procedures would be the same as previously described in the INPARS and PARNS release procedures section. The only difference would be that the carrier

would have to determine if the customs broker has a branch at the port where he/she is intending to clear the shipment. Please refer to the ACROSS PARS release procedures for the specifics on forwarding the supporting documentation.

Conclusions

RCCET projects that the importers and customs brokers participation rate in the ACROSS program will approach the participation rate of the CADEX EDI system within three years. Approximately 85% of the customs accounting documents for all the commercial transactions are transmitted to RCCET utilizing the CADEX system today. It is the author's opinion that the participation rate may not reach the projected participation rate. The participation rate will depend on: the ability of RCCET to incorporate other government departmental requirements into the system; and on the ability of customs brokers to obtain invoice information on specific shipments via EDI transmissions from vendors, carriers and importers. It is also the author's opinion that the participation rate will increase proportionately to the rate the international carriers and freight forwarders utilize the various PARS / PARNS procedures.

Carriers should note the cargo handling procedures will be essentially the same as their current cargo handling procedures. The notable differences will be in the handling of the supporting paperwork and the obtaining of customs releases if the carrier operates a sufferance warehouse. Warehouse operators will only receive an electronic release notifications from RCCET on shipments released using the ACROSS release program. If the warehouse operator is not obtaining releases through the RCCET's RNS EDI program they will be required to obtain the service from one of the VAN's or to make arrangements with the EDI participant to obtain a copy of the notification of release. If the carrier obtains a RMD or PARS release at the frontier port or uses the INPARS release procedure they will still be able to obtain a stamped release copy from RCCET.

Carriers will have to ensure that their customs paperwork is forwarded to the correct importer or customs broker since the new ACROSS system has the potential of changing the business practices of many importers and customs brokers. The business practices will change because the ACROSS program will allow importers or customs brokers to obtain releases on shipments anywhere in Canada from a single office. Customs brokers may be able to find niche markets and will use this program to reduce or eliminate their subagent and after hours costs by requesting carriers fax the cargo control document and the supporting customs paperwork direct to their office. Cooperation between customs brokers may decrease in situations where one customs broker clears on behalf of another.

The cooperation may decrease because the ACROSS program will allow the broker of record to release the shipment without involving the second customs broker. Carriers may incur additional delays in these situations due to the paperwork being lost or misplaced when the release paperwork is forwarded to the wrong customs broker. Other customs brokers will rationalize their operations by reducing staff, closing offices and requesting carriers fax their paperwork to centralized locations for processing. Importers will also be able to take advantage of this new system by obtaining bonds and releasing and accounting for their own shipments anywhere in Canada thus reducing or eliminating their customs brokerage costs. Carriers that do not adequately monitor the handling of their paperwork will find that the mean time for their shipments to clear will decrease but the variability will increase. Carriers should also monitor the number of shipments which involve third party importers since this paperwork is typically forwarded to the wrong customs broker and this new system may make it more feasible for importers to drop ship.^{xxi}

International carriers, freight forwarders, warehouse operators, importers, custom brokers and RCCET will benefit from this program. RCCET will be able to cut its operating costs while improving its productivity. Importers and customs brokers will be able to reduce their costs and carriers will also notice a reduction in clearance times. International carriers, freight forwarders, and warehouse operators who utilize the PARS clearance options also offered by RCCET in conjunction with importers and customs brokers utilizing the ACROSS release procedures will ultimately obtain the maximum benefits from this program.^{xxii}

ⁱ There are approximately 92 automated customs ports across Canada. Customs is continually automating additional ports.

ⁱⁱ The ACROSS program is designed so that workload can be spread around the various automated ports throughout a region depending on the queue.

ⁱⁱⁱ RCCET is developing importer, carrier and other profiles within the scope of this new project. They will be using these profiles to assist them in targeting their enforcement and examinations.

^{iv} Machine releases is the process where the computer automatically makes the release decision based on the importers compliance record, the vendors history, and the carriers compliance record. Shipments will not be machine released if they are subject to other governmental departments restrictions or if they are called up for a random examination. Importers will be allowed machine release privileges by application only. Upon receiving an application RCCET will audit an importers records to verify compliance before machine release privileges are allowed.

^v RCCET goal is to process ACROSS releases in less than one hour. Therefore if the ACROSS release meets all the release requirement shipments should ideally take less than a hour to clear after the importer or customs broker electronically transmits their ACROSS EDI release.

^{vi} The amount of time that it takes a customs broker to prepare and submit an ACROSS release depends on variables such as: the number of lines of invoice lines; whether the invoice information was sent to them via an EDI transmission from the vendor or importer; whether the carrier is using a PARS, INPARS or PARNS release procedure; the distance they are from the customs port; and how often they have a runner submit the releases to customs. The overall time to prepare and submit the releases should be reduced since RCCET advises that the mean number of lines of all commercial releases which are accounted for using the CADEX and CUSDEX is equal to 2.5.

^{vii} A driver may have more than one release package at a frontier port and should present release packages for all the shipments on the conveyance at one time.

^{viii} PARS packages must be submitted to customs a minimum of two hours and a maximum of ten business days in advance of the arrival of the conveyance. If the PARS package is rejected and cannot be resubmitted within the two hour time frame the driver is required to either obtain a RMD or take the shipment in bond to an inland sufferance warehouse.

^{ix} Most inland ports have an importer, driver waiting, or rush release program in place to release critical or time sensitive shipments. Other RMD's are processed in a first in first out basis.

^x The Release Notification System is an EDI program between RCCET and warehouse operators and carriers. Electronic release messages based on A8A cargo control numbers are sent by RCCET through a third part VAN to warehouse operators and / or carriers.

^{xi} INPARS packages must be submitted to customs a minimum of two hours and a maximum of ten business days in advance of the arrival of the shipment. If the PARS package is rejected and cannot be resubmitted within the two hour time frame the carrier is required to obtain a RMD. The two hour time constraint may be removed with the introduction of ACROSS since the warehouse operators will only have to transmit the PARNS EDI arrival message once and the PARNS database will maintain that the goods are available for examination and release.

^{xii} Release times on INPARS shipments are also dependent on how often a warehouse operator obtains release information from the VAN.

^{xiii} ACROSS releases will be subject to the normal operating hours of the particular port although RCCET is setting up the ACROSS system so that the automated ports will have their shipments processed through regional processing centers on a seven day a week twenty four hour a day basis throughout Canada.

Shipments which are called up for exam will only be inspected during regular business hours. PARS and PARNS release procedures will still be subject to a single cargo control number / document.

^{xiv} The EXCAPS program is an EDI permit system between FAITC RCCET and FAITC's agents. Importers or Customs brokers obtain import permits by application to FAITC or one of their designated agents. The national introduction of the FAITC EXCAPS program is scheduled to coincide with the ACROSS implementation.

^{xv} CADEX lines are not available between 0:00 and 18:00 hours every Sunday.

^{xvi} Customs Inspectors put in a release recommendation on PARS, INPARS and PARNS release programs. RCCET is setting up the system so that the automated ports will have their shipments processed through regional processing centers on a seven day a week 24 hour a day basis throughout Canada.

^{xvii} Please note the release times will still be subject to the length of the queue at the customs brokers office along with the length of the queue RCCET.

^{xviii} A driver may have more than one release package at a frontier port and should present release packages for all the shipments on the conveyance at one time.

^{xix} Importers or Customs Brokers may request that the drivers / carriers fax them the paperwork directly instead of using a subagent. These decisions may be based on reducing or eliminating the customs brokers or the importers subagent costs.

^{xx} PARS releases will still must be transmitted at least two hours in advance of the conveyances arrival at the frontier port under the ACROSS program.

^{xxi} Most carriers forward the paperwork to the consignee's customs broker and have not trained their staff on how to determine if a party other than the consignee is responsible for paying the duties and taxes to the Canadian Government. Shippers and importers in an effort to minimize their logistic costs will continue to drop ship goods directly to their customers. Some shippers in an effort to gain a greater market share become non-resident importers and pay the duties and taxes themselves offering their customers a landed price. In all these cases the shipments are imported by third party importers

^{xxii} The Canadian Society of Customs Brokers is also promoting a new Windows based software program called TradeGate. This software is designed to make vendors, carriers, warehouse operators, importers and customs brokers EDI capable.