

New Trade Agreement

After being in negotiations for nine years, Canada has signed its first trade agreement in several years. Six years after the agreement with Costa Rica was finalized, Canada has now signed its first agreement with four European countries: Iceland, Liechtenstein, Norway and Switzerland.

At the time of printing, Parliament still has to approve the agreement and there is a concern that objections may be made by Canada's shipbuilding industry as Norway would represent very strong competition. In order to reduce negative impact, the deal provides a phase-out period for the 25% duty rates over fifteen years with a three year grace period before any reductions are put in place. The government also plans to add \$50 million to the Structured Financing Facility, which allows Canadian-built ships' purchasers a reduction to the interest on loans used to purchase the vessels.

Currently, two way trade amounts to approximately \$11 billion each year, \$3.1 billion in exports and \$7.6 billion in imports. This is approximately 1.7% of the two way trade that takes place between Canada and the U.S.A.

Canada is still working on a Free Trade Agreement with Honduras, Guatemala, El Salvador and Nicaragua. Talks between Canada and South Korea are ongoing since formally announced in July 2005. In addition, the seventh round of negotiations between Canada and Singapore were conducted in Singapore in February of this year. Canada also now intends to start discussions with Peru, Colombia and the Dominican Republic.

While it sounds like Canada has been active in their negotiations, in fact since the last trade agreement was signed in 2001, the United States has managed to ink sixteen free trade deals, Chile eleven, Mexico four and Australia three. ▲



Canada's Paperless Environment Expands

Canada Border Services Agency has announced the elimination of the use of paper service options to release goods as of October 15, 2007. In other words, paper Release on Minimum Documentation (RMD) and paper Pre-Arrival Review System (PARS) service options will not be allowed unless the following exceptions apply.

The exceptions as listed in Customs Notice 07-008 are:

- (a) Goods subject to the requirements an Other Government Department (OGD) where there is not an EDI (electronic data interchange) link between the CBSA and the OGD;
- (b) The invoice for the release transaction contains more than 999 invoice lines;
- (c) There is more than one warehouse sub-location code per release transaction;
- (d) The release transaction is covered by multiple highway cargo control numbers at the frontier;
- (e) The CBSA has issued a paper Form Y50, Reject Document Control, to the importer/broker in the case of courier low-value shipments;
- (f) Bonded warehouse RMD (grey wrapper); and
- (g) Goods to be released from a Queen's warehouse.

As of January 31, 2008, the Frequent Importer Release System (FIRST) service option will also be discontinued.

So what does this mean for you the importer? Pretty much what we indicated in the last issue of the Customs Reporter for the Ambassador Bridge procedures. It is essential that we get properly completed invoices well in advance of a shipment crossing the border. A properly completed invoice includes but is not limited to complete descriptions, piece counts, weights, countries of origin, values (even for warranty replacements), currency of settlement etc. If any of this information is missing, you should not be surprised if your shipment is delayed. ▲



Recall Clearance Letter Required

Effective April 1, 2007, a recall clearance letter is required before anyone will be able to register his/her imported vehicle, other than those listed on Appendix G, of D19-12-1 of the Customs Memoranda.

A recall clearance letter issued by the original equipment manufacturer states whether or not there are any outstanding recalls on a vehicle. The letter must come from the OEM's head office on company letterhead and must be signed with the name and position of the official noted on the letter. A printout from an authorized American dealer will also be accepted provided they are

not a re-seller. The 17 digit Vehicle Identification Number (VIN) must be included in the letter.

If the vehicle does not have any recalls, then it should state "this vehicle has no outstanding recalls". The letter must then be presented to the authorized inspection centre (generally any Canadian Tire Service Centre), where after passing inspection, the recall letter and your completed Form 2 will be sent to the Registrar of Imported Vehicles (RIV). Should your vehicle have outstanding recalls, all repairs must be completed, then your dealer should provide you with an invoice that contains the same work order number as the recall

letter. Upon receipt the recall letter and invoice should be taken to the inspection centre to prove that the recalls have been completed. Once passing inspection, the inspection centre will forward the documents to the RIV.

Please note that the inspection fee does not include the cost of any repairs or adjustments that must be made to make the vehicle road worthy in Canada. Also provincial or territorial licensing bodies may have additional requirements.

For additional information, visit the RIV web site at: www.riv.ca ▲

Gone Golfing! by John Brooks

Gone Golfing! So reads a hastily scrawled message on the white board in a recently vacated office at the Russell A. Farrow Limited Ayr Regional Centre.

How do I say "Bon voyage" and "Enjoy your Retirement" to Bob Beausoleil? He was a friend and colleague for almost 40 years during which time our careers followed similar directions, greatly impacted by our roles within the Customs Brokerage profession.

I first met Bob at a meeting of the former South Western Ontario Division of the Dominion Chartered Customs House Brokers Association (DCCHBA) at the Holiday Inn, Cambridge. That was over 35 years ago and it was my first meeting; but even then Bob was already deeply committed to and involved in the Division as Secretary/Treasurer. Bob had been encouraged and challenged to get involved by Huntley Farrow, himself a past president of the DCCHBA.

Bob's service to the DCCHBA and subsequently the Canadian Society of Customs Brokers (CSCB) is unbroken and will only cease at the conclusion of his current term of office in September when Bob's retirement becomes complete. That's a remarkable record by any standards and even more so when you recognize that more than half of his years of involvement in that organization was as a member of the National Board of Directors.

Over the years, Bob has committed countless hours to Board and committee meetings, conference calls, conferences and the requisite preparation time necessary to make a valid contribution at that level of involvement. Many lonely hours in hotel rooms and in travel to and from those meetings were also an integral part of Bob's life, resulting from his commitment to his profession.

Bob loves the opportunities and challenges presented by changing and evolving technology. His involvement with the CSCB has seen him in the vanguard of technological innovation. Few, if any, of the processes in place today were implemented by Customs without Bob's valuable input.

I never heard anyone accuse Bob of being a politician and that in truth is not his personal style. He prefers to call a spade a spade and never leaves any doubt about his position or feelings on an issue. I'm not the only one who disagreed with Bob from time to time but, win, lose or draw, we were always able to bury the proverbial hatchet, do the best we could, get on with the job and "live to fight another day".

Bob accumulated a formidable wealth of knowledge through the years and, on more than one occasion was heard to express his opinion that "I've forgotten more than they ever knew!", sometimes accompanied by a wry a chuckle or

two...but not always. In reality there was more truth than fiction in that statement and, although it was sometimes frustrating to hear, it had to be acknowledged that he knew what he was talking about. Bob wasn't infallible but he was rarely wrong.

So, Bob Beausoleil has "Gone Golfing". His contribution and knowledge will be missed, not only within this company but within the halls of the Customs Headquarters Connaught Building in Ottawa and many other conference and meeting rooms in Canada and abroad. I'll miss the opportunity to ask the "Bob, what do you think?" questions.

I wish you a long and fulfilling retirement Bob, you've earned it.

Editor's note: Bob was most recently the Manager of Research and Development and worked out of our Ayr office. In that position, Bob was the first person to go to for electronic solutions. ▲



Compliance Management

In June, the Canada Border Services Agency (CBSA) presented a seminar to the Canadian Society of Customs Brokers (CSCB), of which Russell A. Farrow Limited is a member, with regard to compliance issues.

Their concern was that of a tariff classification study carried out in March 2004 in the Greater Toronto Area Region showed a high level of non-compliance. According to the study results, HS classification numbers were found to have 12% of the errors at the chapter level (first two digits), 27% at the International Standard level (first 6 digits) and 37% at the statistical level (10 digits). They also found that only 63% of the sampled transactions were compliant.

The CBSA then conducted a national review in 2006 and determined that of the errors encountered, more than 50% were attributable to just two commodity groups – weapons and foodstuffs.

Customs has indicated that during the 2007-2008 fiscal year that they will be focusing on the following four commodity groups:

- Sawn lumber
- Furniture Parts
- Organic Surface-Active Agents – Soap and other than soap, as well as
- Gloves.

Why is this important you ask – well there are four major reasons why trade data is so important:

- Targeting of non-compliant shipments prior to release;
- Influencing the level of Canadian interest rates and the value of the Canadian dollar;
- Influencing international trade negotiations; and
- Identifying niche markets.

We would be the first to acknowledge that we have errors in our databases. While we have a depth of knowledge in determining tariff classifications, we do not necessarily know your products to the same extent. That is where we rely on you the importer and exporter. We need your help. You understand your products, and we need that expertise in order to correctly classify goods. Too often, we run into companies who are only interested in the delivery of their shipments in a timely manner and do not show the same concern for how we manage that. We often do not have enough information at the time of release to accurately classify your goods. We encourage you to review the documents that you receive from us and become familiar with the classification system. Tell us if you have concerns about the way we are classifying goods. We want to do it correctly. While we realize that HS classification numbers may not mean a lot to many clients, we do include a brief description of the commodities classified on the B3 entry. This is a potentially useful tool because you can often quickly identify errors based on that description. You can start small – look at those items that form the bulk of your imports in terms of value, whether they are high ticket items or high volume items and then gradually expand your scope to your whole product line. Another option is to contact representatives from our consulting department who will do an in depth review of your product line to ensure that the goods are classified correctly.

Keep in mind that if nothing else, we try to be consistent. Unfortunately, this is a two edged sword – we are either consistently right or consistently wrong. Ultimately, it is your responsibility to ensure that your goods are being classified correctly and it is our goal to help you do that. ▲

LVS – Any Customs Broker's Nightmare

Low Value Shipments (LVS) processed in the form of F-type entries (courier shipments less than \$1600.00 Cdn) represent approximately 40% of our business and about 20% of our Canadian revenue but represent 80% of our headaches. We often hear complaints about the quality of the paper work that accompanies these shipments from our clients. We do the best we can, but to be truthful, no one really cares too much about these shipments because they are of such comparatively low value. Importers and vendors are often reluctant to make an effort over shipments less than \$1600.00 each, considering them to be very time consuming without much benefit or payback. Also, since most of these shipments have already been delivered, there is little incentive to resolve problems.

Importers and vendors need to look at the bigger picture; these shipments do add up and so do any errors made due to poor quality documentation. CBSA have expanded their audit procedures to include LVS transactions making the potential for detection of errors and the application of penalties more of a reality.

We recommend that you encourage your vendors and your carriers to use care in providing accurate and complete documentation at all times including the shipping of low value goods. Better yet, make it a condition of doing business. ▲

Update to Ambassador Bridge Procedures

Previously, shipments that required an import declaration, confirmation of sale, inspection certificate etc. were allowed to be released on RMD (release on minimum documentation). The CBSA has put in place a deadline of July 30, for these commodities to be released using PARS (Pre-Arrival Review System). RMD shipments will be rejected back to the U.S.A. unless they fall under one of the following categories:

Live Animals (not race horses)

RIV (Registrar of Imported Vehicles)

Short Shipments, Value Included, Provisional, etc.

Temporary Imports

Used tires

Courier (non-sufferance)

Used agriculture or construction equipment

B3

B4 Household Goods (Commercial Carrier). ▲



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Classification of Filters and Filter Media

Any number of machines and appliances contain filters these days therefore we thought it might be of interest to provide guidelines regarding the classification of filters and their media.

Filters are classified under the heading of 84.21 regardless of whether, for example, they are for a large industrial plant (e.g. municipal water filtration, injection moulding, dairy etc.), car engines, coffee pots or a myriad of other applications.

The filter media are the materials that do the actual filtering. In the coffee pot example the filter would be the cage, the media would be the paper basket.

Filter media are classified according to their constituent material unless they are incorporated into a frame. So in the above example, the paper basket would be classified under paper. However, if you had a reusable gold coffee filter basket that is incorporated into a frame or casing then it would be classified as parts or as the actual apparatus.

For additional information, please refer to Customs D-memorandum D10-14-43 or ask your local Russell A. Farrow representative. ▲



Return Undeliverable Canadian Addresses to:
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reporter

CUSTOMS

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This publication is not intended to provide legal or other professional advice. Readers are asked to contact their local RAF office for advice specific to their needs.



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