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Standing Committee on International Trade

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• (1535)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): Welcome to meeting number 97 of the Standing Committee on International Trade. Today's meeting is, of course, taking place in a hybrid format.

I need to make a few comments for the benefit of the witnesses. Wait until I recognize you by name. I ask all participants to be careful when handling the earpieces in order to prevent feedback for the interpreters. I will remind you that all comments should be addressed through the chair. If any technical issues arise, please inform me immediately and we will suspend.

Pursuant to Standing Order 108(2) and the motion adopted by the committee, the committee is beginning its study of the CBSA assessment and revenue management, or CARM, system.

I have a budget of \$9,750. Do I see any objections to the budget? I don't, so all those in favour approve.

There will be a confidential item distributed to members for you to discuss with regard to travel. If you could just quietly look at it, we'll discuss it not at 5:15 p.m. but at 5:30 p.m. The meeting will go until 5:30 p.m., and then we will deal with committee business for 15 minutes, so please, everybody, put that in your schedules.

We have with us today, from the Canada Border Services Agency, Jennifer Lutfallah, vice-president, commercial and trade branch; Ted Gallivan, executive vice-president; and Mike Leahy, director general, commercial projects.

Welcome to you all.

Mr. Gallivan, I open the floor to you and invite you to make a statement of up to five minutes.

Mr. Ted Gallivan (Executive Vice-President, Canada Border Services Agency): Good afternoon, Chair and honourable members of the committee. Thank you for having us here today.

I'm Ted Gallivan, executive vice-president of the Canada Border Services Agency. I am joined by Jennifer Lutfallah, vice-president of the CBSA's commercial and trade branch, and Mike Leahy, director general of commercial projects.

[*Translation*]

Over the past five years, the Canada Border Services Agency, or CBSA, has experienced an unprecedented period of growth and complexity in our commercial operations. Last year, we assessed over \$39 billion in duties and taxes.

The number of shipments and the value of e-commerce goods that cross our borders have nearly doubled, with more than 132 million courier shipments last year.

[*English*]

At our land borders, the volume and value of imports entering Canada on commercial trucks are growing. In 2023, we processed over five million commercial trucks into Canada. On the marine side, it's the same pattern. The number of containers we examine continues to trend upward, with a total of almost 1.5 million last year alone. Similarly, in the commercial air stream, we are dealing with and adapting to a surge in e-commerce goods.

[*Translation*]

Through all of this, we are also tackling new and evolving threats that are trying to penetrate our borders and endanger our communities, such as fentanyl precursors and other troubling products.

[*English*]

The accelerated commercial release operations support system, known as ACROSS, is the system we use ahead of releasing goods. We also use an electronic tool called eManifest to allow the trade community to transmit their pre-arrival information electronically through an Internet-based portal. ACROSS and eManifest, the two systems I just mentioned, are separate and distinct from CARM, which is our back-end accounting system.

[*Translation*]

The next release of CARM, which will launch in May, will replace a 36-year-old legacy system that is at its end of life. The current systems are so old and expertize in their maintenance is so difficult to find that the only path forward is full replacement of the systems.

This urgent need to replace aging IT systems was highlighted in a report from the Auditor General last year. In addition to responding to those recommendations, the CBSA is also responding to recommendations made by the Auditor General in 2010 and in 2017. They were aimed at improving the CBSA's revenue assessment and collection systems following findings that importers made errors on 20% of the goods imported into Canada.

[English]

CARM will respond to four key objectives. First, it will replace an aged system and introduce new digitized tools. Second, it will introduce regulatory changes to better control revenue and payments to address the 20% discrepancy gap flagged by the OAG. Third, it will make voluntary compliance easier and improve targeted compliance. Fourth, and finally, it will allow the CBSA to clear most goods prior to payment so that we can keep up with the speed of commerce and the volume growth I mentioned.

[Translation]

During this project, we have conducted over 70 rounds of stakeholder consultations and held biweekly meetings to make sure we get things right. We have also held two open CARM experience simulations, where industry was invited to test the system. Through these consultations, we've received valuable feedback and input that will help us optimize rollout.

[English]

The CBSA received \$370 million in funding for CARM in 2010. The project is being rolled out in sequential releases. This approach includes important contingencies so that goods continue to flow freely and the border isn't impacted.

[Translation]

Currently, small businesses need to work through a broker or maintain a copy of paper records submitted to the CBSA in order to have a complete picture of their statement of account. With CARM, all businesses will be able to view their statement of account via the client portal 24-7.

[English]

From a Government of Canada standpoint, CARM will give us increased control over revenue and payments and the ability to more accurately access and leverage our data, which will allow for improved targeted verification. It replaces the current model, which relies on a combination of paper and other sources.

We understand that transitioning to CARM is a big change. With any big change, there is apprehension. We acknowledge there are partners in the business community that are concerned about this coming change.

[Translation]

To support all of our partners and ensure a smooth transition, we have allowed for, and will continue to allow for, additional space and leeway for transition planning and further testing as needed. We have also planned for and forecasted issues that may emerge during a transformation of this magnitude.

[English]

We are also dedicating people and funding to continue to support our transition towards a more modern approach to collecting duties and taxes on goods imported to Canada. There will be ongoing CARM releases.

In closing, this committee's study provides us with another valuable source of input that will help us build and optimize a world-class assessment and revenue management system.

Thank you. We welcome and would be happy to answer any questions from the honourable members.

• (1540)

The Chair: Thank you very much.

We're on to questions.

Mr. Seeback, you have six minutes, please.

Mr. Kyle Seeback (Dufferin—Caledon, CPC): Thank you, Madam Chair.

I don't share the optimism you've just talked about with respect to CARM. I don't know if you've seen the submissions that have come to the committee from stakeholders that are going to be using CARM, but every single stakeholder that has submitted something has said the system is not ready, that it won't work and that it will have disastrous effects on importers in this country. Of course, that means the Canadian economy. We're going to delve into that in a minute.

I would say that after arrive scam, very few Canadians have any confidence in this government delivering an IT project on time. From my quick look at this—and we're going to get some details—this is another arrive scam brought to you by the Liberal government.

When we look at cost, it is very hard to determine what the cost of this program actually is, which is also what happened with arrive scam. I see an original cost estimate of \$30 million, and now, from what I can piece together, it is \$528 million. We've gone from \$30 million to over half a billion dollars in cost.

My first question is, what was the original cost estimate? Exactly how much has CARM cost Canadian taxpayers to date?

Mr. Ted Gallivan: The development of CARM was originally budgeted at \$370 million. We have spent \$438 million to date and we have approved expenditure authority up to \$526 million.

Mr. Kyle Seeback: Who are the contractors for this project?

Mr. Ted Gallivan: The major contractor is Deloitte.

Mr. Kyle Seeback: Are there any other contractors working on this project?

Mr. Ted Gallivan: During prior eras, we commissioned an independent third party assessment and a benefits realization report. There are a number of indirectly related contracts, but the major contract today, which was signed in 2018, is with Deloitte.

Other people have been contracted to give us independent advice about the viability of the business case as well as our IT readiness.

Mr. Kyle Seeback: I would ask you to produce for this committee a list of those contractors and subcontractors and what those contractors charged the Canadian government while working on this project.

Mr. Ted Gallivan: I would like to flag a caution.

CBSA doesn't always have visibility on all of the subcontractors. We will provide all the information we have in relation to the contracting. We anticipated this question, and that work is already under way.

There can be cases where we may not have visibility on a subcontractor, so there may be a delay or a separate process to get that for you.

Mr. Kyle Seeback: Good.

Did Dalian receive any contracts?

Mr. Ted Gallivan: No.

Mr. Kyle Seeback: Did Coradix Technology receive any contracts?

Mr. Ted Gallivan: We believe that in the early history, there was a small contract for Coradix. I believe it was \$400,000.

We anticipated the question and we're in the process of getting that information ready for you.

Mr. Kyle Seeback: Did GC Strategies receive any contracts?

Mr. Ted Gallivan: They did not.

Mr. Kyle Seeback: They did not. Okay.

My understanding is that the Government of Canada does not own this IT solution. We're going to pay close to half a billion dollars and this IT solution is not owned by the Government of Canada. Is that accurate?

Mr. Ted Gallivan: No, it isn't.

Mr. Kyle Seeback: So the Government of Canada is going to own this IT solution.

Mr. Ted Gallivan: I think the most fulsome answer is that we, too, have been investigating the question of what aspects of IT people own. I would say that the aspect of IT that we don't control is the ability of Deloitte to sell this to the Government of France or some other government.

We have asked lawyers who are experts in IP to give us advice. It is absolutely true that Deloitte could produce the system for somebody else, but we absolutely own the rights to the design of CARM. We have built the intellectual capacity, and we have copies of the documentation. We have full rights over citizens' and businesses' data.

The issue of IP has been raised. We have consulted lawyers to better understand it. I think the gap, the risk or the concern would be that if Deloitte wants to sell their services to some other country to build a CARM-like system, they are allowed to reuse the intellectual property they built up.

Again, this is something you might want to pursue through more detailed questioning, but I think that's the bottom line.

• (1545)

Mr. Kyle Seeback: You don't know whether or not there are parts of the solution you don't own.

Mr. Ted Gallivan: I don't believe that was my testimony.

Mr. Kyle Seeback: You just said that some of it is owned and some of it may not be. You're asking lawyers what that means. That to me means that you don't know what CBSA owns and doesn't own as part of this project.

Mr. Ted Gallivan: No. Before turning to Mr. Leahy, I'll note that we were concerned with the question of intellectual property. We endeavour to inform ourselves. We own the intellectual property, full stop. Deloitte retains the rights to reuse the intellectual property. That is the best description I can give.

Mr. Leahy is ready to jump in with a more detailed answer if you want more on this.

Mr. Kyle Seeback: Will there be user fees that we will have to pay to any vendor—Deloitte or anybody else who has worked on this project—as a result of this project?

Mr. Ted Gallivan: I don't know what you mean by user fees. There is an ongoing maintenance cost to run the data and store the data produced by CARM. There is an ongoing maintenance cost related to the massive amounts of data we need to store and ongoing upgrades. If that's what you're referring to, yes, there is.

Mr. Kyle Seeback: How—

The Chair: I'm sorry; your time is up, Mr. Seeback.

Go ahead, Mr. Sidhu.

Mr. Maninder Sidhu (Brampton East, Lib.): Thank you, Madam Chair.

Thanks to Mr. Gallivan and his team for coming today to make sure that our questions are answered.

I've had many conversations with industry. They are definitely concerned about the fast-approaching launch day in May. I understand why this initiative is very important for the government to ensure that appropriate revenues and duties are collected.

My question to you is on the number of importers already registered for the new CARM system before the launch date. What is that number?

Mr. Ted Gallivan: I think part of the confusion lies between the 80,000 businesses that are active importers and the total number of businesses—200,000—that have ever imported something. Some of them may be from more than a decade ago. Right now, businesses that represent 86% of commercial trade are registered within the CARM system. In addition, we've allowed a six-month extension for people who aren't registered to continue to use it, and an additional 12 months for anybody who wants to use the broker BN.

I can turn to Mr. Leahy for a more detailed breakdown of the 80,000 and the 200,000. I think the key point is that businesses representing 86% of the trade in this country are already registered. We have six months past the go-live date when you don't have to be registered and an additional six months or a full year when you can use the broker BN. Those measures were in direct response to concerns by industry.

Mike, I don't know if you want to colour that in.

Mr. Mike Leahy (Director General, Commercial Projects, Canada Border Services Agency): The precise number of CARM account holders is 56,000. Again, as Mr. Gallivan said, that's a breakdown of big importers and small importers. Today we're in southern Ontario talking to people who come to the border and signing up those clients.

There's been a lot of conversation about the number. When we look at total number of businesses out there, it is 160,000 to 200,000. When we look at how many people import, that's been our focus, and we're breaking down that group into whether they have a CARM account, because if they're importing, they will need a CARM account to submit payments. That's been the focus of our outreach.

Mr. Maninder Sidhu: Thank you.

In terms of transition, I know many folks are concerned that switching over to this new system will cause significant delays at the border. Industry also continues to raise concerns about the readiness of the IT system.

How can you reassure these importers that the transition to the new system will not create long delays at the border?

Mr. Ted Gallivan: The first point to make, as I said in my opening remarks, is that the two systems we use to release goods into the country are called ACROSS and eManifest and those aren't impacted. There definitely is a risk, and we share the concern of industry around the risk, but the risk is weeks and months down the road in the accounting systems. We're working hard to mitigate it.

The second thing we've done—I mentioned allowing brokers to continue to use their broker BN for a year—is agreed to keep financial security at \$5,000 for an additional year to not introduce additional change. There's also a legislative provision regarding the importer of record. We've agreed to make that a prospective change and not a retroactive change to keep the space free of change and tightening. As I mentioned, the regulations already allow 180 days for people to continue to operate without a business number.

We've also heard from industry around payment extensions and around additional time to test their systems. In the representations that were referred to, businesses themselves are saying they're not ready. We're taking a careful look at what additional weeks, to allow businesses to get their IT systems ready, might look like, and we're carefully considering what further transitional rules might look like.

• (1550)

Mr. Maninder Sidhu: I know CBSA is taking on a new role of calculating duties and taxes. That's also a concern from industry, which has had specialists in calculating duties and tariffs for many years now. Why is CBSA taking this approach?

Mr. Ted Gallivan: I would point back to our own analysis, confirmed by the OAG, that up to 20% of the cases, out of \$40 billion, are calculated incorrectly. However, again, we're trying to be very sensitive in the approach.

CARM will flag and give feedback on the calculation being incorrect, and then there's a three-tier process available to the business community. First is a ticketing process, an informal call to the CBSA indicating they disagree with the calculation. That goes right to people like Mike in the business unit. Second is informal recourse at no cost outside the court system, where an independent unit within CBSA will consider their perspective on the correct calculation of tax. Finally, third is ultimately recourse to the courts, which we all want to avoid.

Mr. Maninder Sidhu: That's good for clarity, because I understand the industry really well and there's a lot of concern over industry specialities. It feels like the industry is being penalized because 20% are misclassifications, so it's good to hear that.

Can you tell me what other countries in the OECD are using this type of system? Are there any other countries in the OECD using it?

Mr. Ted Gallivan: The U.S., the U.K. and Australia, three G20 partners, have developed similar systems, but I think it's important to note that it is a bit like apples to oranges. Every country has a slightly different regime.

The U.S. has spent \$5 billion over 17 years, the U.K. has spent \$1.7 billion over six years and Australia has spent \$800 million over 14 years to develop equivalent systems. We have an international benchmarking report that we're including in the package that we'll submit to the committee to inform your study.

Mr. Maninder Sidhu: If you can, please submit some more information on the U.S. system, like when they brought it in and how that's going.

Thanks, Madam Chair.

The Chair: Thank you very much.

Next we have Mr. Savard-Tremblay for six minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Madam Chair.

Thank you to all the witnesses for their participation.

I have a lot of questions, so I would ask the witnesses to give yes or no answers, at least to start.

Further to a previous study, the committee heard from witnesses and received briefs from external clients, in particular. According to those submissions, the solution was poorly designed. That leads me to think that, before Deloitte built the solution, there may have been a problem in communicating or reviewing the requirements of the solution that was being built.

Did you systematically review the design of what Deloitte was going to build?

Mr. Ted Gallivan: It's hard to answer that. We had a lot of discussions internally before we, ourselves, decided on the solutions we were going to adopt. Overall, government employees had the final say on the system design, so we are—

Mr. Simon-Pierre Savard-Tremblay: Did the agency consult with representatives of all the sectors concerned? Were they involved in the process?

Mr. Ted Gallivan: I chair a committee that meets every week. It has representatives from every sector of the agency.

Mr. Simon-Pierre Savard-Tremblay: Great.

Were representatives across all sectors of the agency satisfied with the technical and performance specifications that had been identified?

Mr. Ted Gallivan: Definitely not. We had good discussions internally about the ideal design. Ultimately, that is the purpose of the committee that I just mentioned. We certainly had a lot of lively debate internally about the design of the system.

Mr. Simon-Pierre Savard-Tremblay: The contract includes a statement of work stipulating the requirements.

Is the agency satisfied and does it consider that the requirements have been fully met, yes or no?

Mr. Ted Gallivan: As to the contract, the agency feels that it has received good value thus far. We still have a lot of work to do, however, since there are several phases to the project, extending over several years.

Mr. Simon-Pierre Savard-Tremblay: So not all the requirements have been met. That is what you just confirmed.

Did Deloitte resolve the problems identified by the agency in its review of the functional technical specifications?

Mr. Ted Gallivan: Let me just clarify something because I may not have been clear.

Mr. Simon-Pierre Savard-Tremblay: Yes, of course. Please be brief.

Mr. Ted Gallivan: We had lively internal discussions about the agency's detailed requirements, but ultimately determined those requirements ourselves internally.

• (1555)

Mr. Simon-Pierre Savard-Tremblay: Okay. I will come back to my question then.

Did Deloitte resolve the problems identified by the agency in its review of the functional technical specifications?

Mr. Ted Gallivan: We have a list of concerns and they have nearly all been resolved. We are still working on a small number of issues.

I think you are referring to things that we did not ask for but that, in light of events, should have asked for. We are working towards implementing them in 2025 or 2026.

Mr. Simon-Pierre Savard-Tremblay: Are there modules or functionalities that are not working or that will be deactivated with the implementation of CARM or is everything working now?

Mr. Ted Gallivan: Some Canadian companies and some of our own employees prefer to keep using the old method. To reduce the difficulties associated with changes, we have created procedures to bridge the gap between the status quo and the new system. So there are transitional manual procedures that allow people to continue to operate in the same way. Those people thought it was too risky to implement too many changes in a short period of time.

Mr. Simon-Pierre Savard-Tremblay: Before they can use CARM, brokers and service providers in particular have to be certified. They have to submit their system to a series of tests to ensure that communication is effective and the Agency is receiving the required information.

What percentage of stakeholders has been certified?

Mr. Ted Gallivan: That's a great question. That is in a sense the challenge that brings us here today.

We have three systems that work perfectly. There are other systems that also work, based on our observations. During our trials, we see that the computer programs work because we have tested them. Yet the people who designed them do not want to submit them and receive certification.

It is kind of a game, I think. Some people have computer programs that might work, but perhaps they are waiting for the deadline to have them certified.

Mr. Simon-Pierre Savard-Tremblay: So at this time you do not have—

Mr. Ted Gallivan: We have three products that work perfectly. We have various other products that are now 75% functional.

Mr. Simon-Pierre Savard-Tremblay: Okay.

Mr. Ted Gallivan: We are working to bridge the gap between 75% certification and 100% certification. There are not many weeks left to get there. As I mentioned, though, we have seen those computer programs during trial periods and know they could be certified.

Mr. Simon-Pierre Savard-Tremblay: Is there a deliverable or a document setting out all the functional technical specifications of the system, comments by the agency, and programs affected by those specifications?

Mr. Ted Gallivan: We have documents detailing the final version of the specifications. We also have records of our internal discussions. Those include the pros and cons, and the final decisions.

So I would say yes in both cases.

[English]

The Chair: Thank you very much.

Go ahead, Mr. Cannings.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you for being before us once again.

There's a big overarching question I have, that the NDP has, about this and other government outsourcing programs. I think we would all agree around this table that the digital world is something we have to move into. We have a minister of digital government, or something like that. Why do we keep outsourcing this stuff—ArriveCAN, CARM—to a company like Deloitte?

The amount is \$500 million-plus, and there are concerns that it will balloon much larger. For that amount of money, we could develop the in-house digital expertise within government to do all that. I see that Canada Post has just sold off their IT section to Deloitte. To me, this is a great disservice to the Canadian public and to the Canadian taxpayer.

I'm just wondering why we have to keep doing this. Why was the decision made to go to Deloitte when we should be developing these services in-house, in the Canadian public service? It would save us money. We could sell it to France, if that were the case.

• (1600)

Mr. Ted Gallivan: I'll throw it over to Mr. Leahy for the rationale on why it was Deloitte, but I'll say two things up front.

First, the CBSA has already reduced by 25% its reliance on external contractors. We have plans to further reduce our reliance on external IT work contractors in 2024.

I would also like to clarify—although your point remains—that \$182 million was paid to Deloitte. The rest of the money was spent by public servants. A hundred per cent of the money wasn't going to Deloitte. It was \$182 million to Deloitte. However, we take your point.

Mr. Leahy can talk a bit to the rationale about why it was Deloitte.

Mr. Mike Leahy: The original rationale was based on capacity within the agency. It was new technology sitting on a new technology platform. How many people did we have in the agency who

knew how to do that work? The decision was made to bring in an expert from outside. We're hosting this on SAP. SAP experts are difficult to find. We don't have enough in the agency, so we brought in an expert to do it.

The progression from there is what we're seeing the CBSA embrace or take over—the business functions, such as analytics and how we use the data to do our work. That's a function we're looking at: What does Deloitte do versus what we do? That, I think, is the growth potential. If we could take ownership of business functions where we use the data from CARM or use the analytics capability that came in, the reliance on the consulting firms would dissipate.

Mr. Richard Cannings: With that \$182 million paid to Deloitte, will they not hire any new people to do that? Do they have that capacity in-house? I'm a bit skeptical that they will not be subcontracting out with that money.

Again, this is something we should strive for. The future is there; we're going to keep doing this. We had ArriveCAN, which cost a tenth of this.

I don't know; I'm just putting that out there.

Mr. Ted Gallivan: Perhaps I can address a couple of points that were made.

In our own system integration testing, we had the question of load: Could we take on a batch file with 10,000 or so transactions? I think that's a case where we saw the added value of Deloitte's global network. We were having trouble with the system performing and chewing through huge volumes of transactions. They were able to tap into Deloitte's global network to bring in people around the world, and then back to the source vendor, SAP, to bring people in.

I think in some instances, it's pretty clear that there's value in engaging somebody who has done something three or four times before to increase the confidence in and reliability of the product, to get there more quickly and, when you have a problem, to increase the workforce. CARM will go live. Deloitte is mobilizing. They have up to 260 people ready to work and they'll have 170 ready to support us. If everything goes perfectly according to plan, they'll release that workforce and the expenditure will drop accordingly. If we need them, they'll mobilize a kind of SWAT force of up to 260 people.

That's difficult to do in government. It's difficult to hire 260 public servants just in case you need them and then let them go after two weeks because you don't.

Mr. Richard Cannings: Much of this work will be done outside Canada, then, like the Accenture situation we had, where it was done in Brazil.

Mr. Ted Gallivan: Maybe I'll turn to Mr. Leahy to talk about Canada.

Mr. Mike Leahy: The requirements are such that the services are performed in Canada and the data is stored in Canada, so the Deloitte team is in Canada.

Mr. Richard Cannings: I thought you said you were taking advantage of its global network.

Mr. Ted Gallivan: When it gets hot, they draw on the global networks and fly people into Canada to work on our product.

Mr. Richard Cannings: Okay.

The Chair: You have 40 seconds.

Mr. Richard Cannings: To turn it around, we've heard a lot about these costs. What are the costs of not doing this? I assume you did some sort of analysis there.

Mr. Ted Gallivan: Yes. If 1% of the 20% identified by the OAG is correct, that's \$400 million a year, and the system will pay for itself in the second year.

Mr. Richard Cannings: I'll leave it there. Thank you.

The Chair: Thank you very much.

We have Mr. Seeback for five minutes, please.

Mr. Kyle Seeback: I'm going to give you an opportunity to correct the statement you made in my first round of questioning.

You said a contract was signed in 2018 for CARM and it was for \$370 million, or whatever the amount was. However, that's actually not accurate. In your own Gazette, which you published, you said, "In 2014, the CBSA began the design and implementation of the CARM project". Your statement that this started in 2018 is absolutely not accurate. I have access to ATIPs, which I have with me right now, showing that in 2013-14, \$32 million was charged for CARM. In 2014-15 it was \$24 million, and in 2016-17 it was \$12 million. I don't have 2015-16. In 2017-18 it was \$6 million.

Sir, you have just made statements to this committee that, at best, are not accurate, and at worst, were an attempt to mislead the committee as we're taking a very serious look into CARM. When did the contract start? It obviously wasn't 2018, because I have the ATIPs. How much has it cost since its inception? If you don't know now, you need to produce that to the committee.

• (1605)

Mr. Ted Gallivan: I'll just repeat my original statement. I'm quite confident it was correct, because we anticipated the question and we were prepared for it.

The CBSA was provided \$370 million for CARM in 2010. The first mention of CARM in the main estimates is in the supplementary estimates (B), 2010-11. We have spent \$430 million to date.

Mr. Kyle Seeback: You said a contract was signed in 2018. That's what you said during my questioning, but obviously there were contracts much earlier than 2018.

You said in 2018 there was a contract. I'll go back to your own Gazette from 2014.

Mr. Ted Gallivan: I don't have a photographic memory, but I believe I said there were multiple contracts, with the largest and most

significant from 2018. I'm happy to correct the record. We should have been clear, and I intended to be clear that there were multiple contracts. I believe if we quickly look at the blues, I said there were multiple contracts, the most significant one being from 2018.

Mr. Kyle Seeback: Okay, so to be clear, if this started in 2010, which you're saying, although in your Gazette, part II, you say the project started in 2014, so now I don't know if it's 2010 or 2014.... You're saying 2010. To be clear, we want every single contract that was signed from 2010 to the present, including any subcontracts you would have signed or you're aware of, and we'd like those produced to the committee so we can finally try to see the cost of this.

I now want to move on. We know stakeholders are not happy with CARM. They are very concerned. This is a massive IT project. You must have done something internally to see if it's working as you think it's going to work. You must have done some kind of a review, some kind of beta testing, not with outside people but yourselves.

Have you done a review of CARM and how it will perform? Can you tell us what that was like and produce a copy of it for the committee? I'm not convinced, as many stakeholders are, that this is ready to launch in May.

Mr. Ted Gallivan: I think it is important for the committee to understand that we did both internal and external testing. We actually thought you'd take more comfort in external, which was done with stakeholders freely able to choose their test cases. You want to drive to internal testing, so I'll talk about internal, but I'm happy to come back to external.

We did both system integration testing and user acceptance testing. We have full documentation around the number of tickets raised from those processes and what the dispositions are. We've been testing this for close to two years now.

Mr. Kyle Seeback: Will you produce that for us?

Mr. Ted Gallivan: We have already initiated the process to get that ready for you.

Mr. Kyle Seeback: Just to be clear, you're going to produce both the external review results and the internal review results. You'll produce those for the committee.

Mr. Ted Gallivan: Yes, and the external review has a dashboard. It ran for roughly 12 weeks. The most recent one started in the fall of 2023. It just wrapped up in March 2024. It shows the absolute number of tickets and the breakdowns between critical, high and medium. It will show that, as I sit here, 99% of the issues raised during the process have been resolved. I'm very happy to present that evidence.

I think the important point is that for the external testing, businesses were invited in to use real-world scenarios. I take confidence from the fact that we did identify dozens of issues and repaired them through the process.

I think it would be misleading for me to say we're going to release this system and there are going to be no issues. There are going to be issues. What we're trying to do is prove that we have the discipline and mechanisms to address the inevitable tickets, questions and concerns that come from any big IT project.

We had five critical problems during that four-month period. Our service standard to resolve a critical problem is 24 hours.

What makes me confident is that we road-tested the ability to find a critical problem, get the right people to talk about it and resolve it within 24 hours. When you're running a \$40 billion-a-year revenue system, you're going to invariably encounter issues. I take comfort from the fact that we tested our ability to find and fix problems.

• (1610)

The Chair: Thank you very much.

Mr. Sheehan, go ahead for five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much to the presenters for what we've heard so far.

I'm the MP for Sault Ste. Marie, and we're on the border. My questions will be for a lot of communities. Most communities are within a few hundred miles of the United States.

A lot of the citizens in Sault Ste. Marie are very concerned about the collection of duties, dumped steel, dumping and whole bunch of other situations. Being on a border, we have land transportation, we have a deepwater port on Lake Superior and we have trains and planes.

I noted that CARM was first introduced in the budget in 2010-11. I'm going to ask some background questions just to help me figure out why it was introduced the first time. The second piece is that when we fast-forward to today, approximately a couple of months from now, CARM 2, if you will, will be launched.

I'll pause there. I'll let you answer some of the questions so far about the duties that have been collected since 2010-11.

How has it functioned over the last few years? How does it lend to the revenue side? How does it help people understand how dumped steel or other things are kept out of this country?

Mr. Ted Gullivan: I'll start, before jumping to Ms. Lutfallah.

Think about a cash importer, somebody who's a casual importer and doesn't deal with a broker. They do it themselves.

Right now, CARM provides a bit of an online portal, like you'd have with your online bank account. It almost becomes the de facto electronic record-keeping for a super small business. What CARM allows them to do is declare their importation ahead of time, before they get to the border. It allows them to pay electronically up front.

I'll go back to the question about future releases. In a future release, we'll actually produce a receipt, so that small cash importer

doesn't have to get out of their truck or car. They'll just present a record that they've declared and paid up front and they'll cross the border.

Mr. Terry Sheehan: Is it going to expedite wait times at the border?

Mr. Ted Gullivan: It will contribute to expediting wait times by letting those small businesses not present to secondary to deal with an officer. I think allowing those businesses to pay up front will certainly alleviate congestion.

I'll turn to Ms. Lutfallah for a second.

Ms. Jennifer Lutfallah (Vice-President, Commercial and Trade Branch, Canada Border Services Agency): I'll just add to what the executive vice-president has already said.

With the CARM system, we're hoping that there will be better compliance with trade-based rules and that the accounting, duties and taxes that are owing are therefore paid right up front. We're hoping that with this system, the compliance will be much better. It would address what you have identified as concerns for your constituents.

Mr. Terry Sheehan: I'm sorry, Ted. You have your hand up. Go ahead.

Mr. Ted Gullivan: To elaborate, we're very sensitive, and we're talking to these stakeholders weekly. On some of the issues, what they're identifying as system discrepancies, frankly, we're seeing as features. In other words, they think the system is broken and it's not calculating correctly, but when we take it back and look at it, our legislative interpretation is that we think we're doing it correctly.

Some of the tension around CARM working effectively has to do with whose legislative interpretation is correct. If we're offside from the business community, we have to work together to narrow that gap as much as possible. However, that's a policy and legislative interpretation issue and not necessarily an IT defect or readiness issue.

That is coming out through integrated testing with trade chain partners, and we're not insensitive. Again, we've heard them asking for additional weeks to allow them to fully adjust their own internal systems to be in sync with what we're trying to do, and we're working actively on a plan to give them that. However, the testing has revealed we have different interpretations of how to calculate customs duty in this country.

• (1615)

Mr. Terry Sheehan: As for cyber-attacks, when I had a company back in the day, it used to work for the first commerce-enabled website in northern Ontario. Everyone has always been concerned about cyber-attacks.

What kind of testing have you done and what would be the back-up, if your system went down, to keep the flow going?

Mr. Mike Leahy: There were six phases of software testing, and one of the phases was focused just on the CBSA cyber-team. Deloitte would put up the product without telling them what they were doing or exposing what the techniques were, and they hacked the product over a series of weeks to try to see if they could break it. We had reviews of that approach to make sure it met cyber-requirements, and we signed off on its ability to meet a standard for cyber-security.

One of the six cycles of testing was focused specifically on cyber-security. If it goes down, there is a process for bringing it back up. This team has 170 folks on team Deloitte who are ready, particularly around launch, to look at its support to say, "If it goes down, here's how we'll get it back into the field." That support model consists of going past May.

Regarding the tolerance we're showing during the transition from the legacy system to CARM, we're showing the community the process for an outage period: how we would suspend certain functions and allow the business process to continue to flow.

The Chair: Thank you very much.

We'll go to Mr. Savard-Tremblay for two and a half minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

Mr. Gallivan, once again, please answer my question with a yes or no.

You said there are internal documents detailing the functional technical specifications. Are there any that include the comments made about those specifications?

Mr. Ted Gallivan: Yes, there are.

Mr. Simon-Pierre Savard-Tremblay: Great.

Is there a document establishing the link between the detailed functional technical specifications of the system and the business needs, as set out in the initial statement of work?

Mr. Mike Leahy: Yes, there is one.

Mr. Simon-Pierre Savard-Tremblay: Perfect, thank you.

Is there a document showing that the agency considers that the requirements have been met?

Mr. Ted Gallivan: There is one, and a third party has reassured us on that. So we have at least two reports by third parties confirming that.

Mr. Simon-Pierre Savard-Tremblay: Do you agree to submit those two documents, unredacted, to the committee before April 8, and if redaction is necessary, to limit it as much as possible? Further, do you agree to send an unredacted version to the parliamentary law clerk?

Mr. Ted Gallivan: I am not a lawyer and my only concern is the following: I am not sure I am in a position to authorize measures

relating to redaction. As for the rest, yes, we agree to that. The only constraint is that I am not a lawyer specialized in that area.

Mr. Simon-Pierre Savard-Tremblay: If an unredacted version is sent to the law clerk, we will not have access to it.

Mr. Ted Gallivan: I understand.

Mr. Simon-Pierre Savard-Tremblay: Can you also provide to the committee before April 8 the list of all deliverables, signed or not, along with their status as to whether or not they have been signed?

Mr. Ted Gallivan: By "deliverables" do you mean "contracts"?

Mr. Simon-Pierre Savard-Tremblay: The documents, yes, the contracts.

Mr. Ted Gallivan: Are you talking about tax authorizations?

Mr. Simon-Pierre Savard-Tremblay: I am referring to all the deliverables for the system.

Mr. Mike Leahy: Yes.

Mr. Simon-Pierre Savard-Tremblay: Perfect, thank you.

Can you also submit the internal final report on the CBSA's most recent CARM experience simulation as soon as it is ready?

Mr. Ted Gallivan: Yes.

Mr. Simon-Pierre Savard-Tremblay: Perfect.

Madam Chair, I want to thank the witnesses for their undertaking. That said, to make sure it actually happens, I would like to table a motion that will be distributed. Would you like me to read it out?

[*English*]

The Chair: Yes, please do that.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Great, thank you. The motion will be distributed in both languages, of course.

Given that the Canada Border Services Agency is currently working to implement an official computerized registration system for the application of international trade policies relating to commercial duties and taxes for importers and supply chain partners specifically named “CBSA Assessment and Revenue Management” (CARM) and that this new system will come into effect for all on May 13, 2024:

That, pursuant to Standing Order 108(2), the Committee

- A. requests the Canada Border Services Agency to produce, in both official languages, an unredacted copy of:
 - a. the deliverable listing the detailed functional technical specifications, as well as any comments provided by the Agency concerning these specifications;
 - b. the deliverable establishing the link between the detailed functional technical specifications of the system and the business needs, as mentioned in the initial Statement of Work;
 - c. all documents demonstrating which business needs from the Statement of Work the Agency considers to be met by the current solution;
 - d. a list of all deliverables, signed and unsigned, and their status as to whether or not they have been signed;
 - e. the Internal Final Report of the most recent CARM Experience Simulation as soon as it is ready, provided that the documents are filed with the Clerk of the Committee no later than 15 days following the adoption of this motion; and
- B. once the documents in A have been received by the members of the Committee that, if it is not possible to send an unredacted copy to the Committee for a valid reason, they be forwarded directly to the Parliamentary Law Clerk who will then give his opinion on the need for redaction to the Committee; and
- C. once the documents in A have been received by the members of the Committee, that the Committee invite the President of the Canada Border Services Agency to testify for a 2-hour meeting, in order to answer the Committee's questions about these documents.

• (1620)

[English]

The Chair: This is open to debate at this point.

Does anybody wish to review or discuss it? It's a lot. How about we hold it down for the end of the meeting.

Yes, Mr. Seeback.

Mr. Kyle Seeback: It is a detailed motion. I do support it, but we have the government officials here today. It's important that we hear from them and not get into a lengthy debate.

Could we, perhaps, put this over until Thursday and deal with it at Thursday's meeting? That is unless the government is prepared to accept it, which I recommend they do. Then we could just have it done and be done with it. I don't want to have the committee interrupted with debate.

Hon. Mona Fortier (Ottawa—Vanier, Lib.): It's too fast for me to decide.

The Chair: Why don't we just hold it off until Thursday? It's not fair. There's a lot here, and I think the committee needs a chance to review it.

Is that okay, Mr. Savard-Tremblay?

[Translation]

Mr. Simon-Pierre Savard-Tremblay: In that case, I would like us to debate it at the beginning of the meeting and then vote on it as soon as possible.

[English]

The Chair: Yes, that should be fine. We'll deal with this on Thursday as the first point of business.

Mr. Cannings, you have two and a half minutes, please.

Mr. Richard Cannings: Thank you.

I'm just going to continue with the questions about Deloitte.

You said that the Americans spent \$5 billion on this and that the Australians spent \$800 million. I forget what the U.K.'s spending was. I think it was around \$1 billion.

Has Deloitte been involved with any of them, and how could it use the experiences of those countries in developing this?

Mr. Ted Gallivan: Deloitte's expertise is mainly with the private sector, so it is mainly their experience with building accounting systems for global multinationals and having road-tested processes in place.

The U.S. did outsource its project, and that was an issue. As the CBSA embarked on it, we chose to mitigate the challenge of outsourcing with strong project management.

I think part of the lesson we learned—and we drew from the U.S. experience—was that you have to have dedicated resources that are focused on managing the contract and holding the contractor accountable. That's what we set up within the CBSA.

There's a group of almost 30 people whose sole focus is to make sure that taxpayers are getting value for the \$182 million we've given Deloitte so far.

Mr. Richard Cannings: What can you say CBSA learned from, say, the U.S. experience? You said there were issues there.

Mr. Ted Gallivan: I think with the question around the 17 years, the 14 years and some of the representations you're hearing from businesses today, the time for consultation has to end, and at a certain point you need to freeze the design and then move into testing and implementation. If you hold the design open too long, you get into increased costs and delaying the benefits.

There are two costs. You can look at how much it cost to build CARM, but I mentioned a possible revenue lift in the range of \$400 million, or \$160 million a year. The estimates vary. There are tens of millions of dollars of benefits and there's also a burden reduction for Canadian business.

I think a key lesson learned from the U.S. and Australian experiences is that at some point you have to stop the consultation on design.

• (1625)

The Chair: Thank you very much.

We'll go now to Mr. Baldinelli for five minutes, please.

Mr. Tony Baldinelli (Niagara Falls, CPC): Mr. Gallivan, I just want to build on some of the comments from your opening statement when you talked about CARM and the acquisition of CARM.

When it was acquired in 2018, you indicated that it was probably the largest contract then. Was that sole-sourced or was it a competitive procurement process?

Mr. Ted Gallivan: It was a competitive process.

Mr. Tony Baldinelli: I want to go back to the contract. It's 2024 and you indicate that you're still trying to determine and people are still trying to determine what the government owns and doesn't own.

I'm just looking at a copy of the contract. Under section 1.4, "Grant of Right of Use of the Solution", it says:

The Contractor grants to Canada the right to access and use...the Solution, which includes:

(i) all rights for Internal Users to access and use the Solution for government purposes as defined in the SOW....

I could go on.

Section 1.7, "Ownership of Intellectual Property for Contractor-Furnished Software", says, "Canada acknowledges that Intellectual Property ownership of the Contractor-Furnished Software incorporated into the CARM Phase 2 Solution belong to the Contractor or its licensor".

My question is this. You've indicated we've spent to date about \$430 million, and we're talking from 2014 to 2018. Should the government not have figured out by now what it owns and doesn't own in regard to CARM?

Mr. Ted Gallivan: I think what we're talking about is an investment in a multi-year project, an investment that we are confident in having an ROI for.

Questions around intellectual property emerged. The question we asked ourselves was, do we own the actual data, the information? The answer was yes. We also asked ourselves, if we decided to build CARM in-house ourselves, would we be at risk of litigation? We're not. We could do that. What other intellectual-type property questions were there? To go back to my original testimony, what we found is that the design could be resold by Deloitte to another government.

I think we, too, shared the question about what the limits were on intellectual property and who owned what. We were trying to assure ourselves that taxpayers wouldn't be beholden to a third party forever for a system. We satisfied ourselves that for multiple years we have a fixed-price maintenance contract with Deloitte—

Mr. Tony Baldinelli: That's \$36 million?

Mr. Ted Gallivan: That's correct.

Mr. Tony Baldinelli: Okay.

Now, quickly if I could, who determines whether the government has received good value for the money it is spending?

Mr. Ted Gallivan: That's an excellent question.

We did two independent benefits realization reports, and we had third parties confirm to us that the benefits were positive. Again, the OAG talked about a 20% discrepancy. If there's a 1% discrepancy on the \$40 billion a year, that's \$400 million a year in additional revenue. Our own regulatory package talked about \$160 million, so

it's easily in the tens of millions of dollars, at a very low marginal lift in terms of compliance.

Mr. Tony Baldinelli: When you look at the website—just google "CARM process"—you can find some of the old archived web pages. They say in their vision statement, "The vision of CARM is to deliver a globally-leading customs experience that is customer-centric", and then it continues on.

As my colleague mentioned earlier, I've never been inundated as much as I have by stakeholders, since being here in 2019, on any other committee topic. They have expressed their concerns to us. They're are concerned about this drop-dead date, May 13, and the implementation.

I was talking to one individual, and they said to me that the ability does not exist for an importer to access an itemized receipt through the CARM client portal that breaks down the duties and taxes calculated and invoiced by the CBSA at the transaction level. Essentially, CBSA has created a platform where they issue an invoice to an importer at the end of each month for payment without providing any backup to the importer supporting how CBSA arrived at the specific duties and taxes owed by the importer for each transaction invoice.

Can you understand their concerns with that? I'm hearing that CBSA is working on a back-of-house kind of solution to address some of those issues, but I don't think there is a timeline on how quickly they can be produced.

From what I understand, we're talking about a contract of \$430 million, and to find a solution to that, a CBSA officer will have to manually design an Excel spreadsheet to provide a detailed, itemized list to that importer. For \$430 million, I think we can do a lot better than having a CBSA officer working on an Excel spreadsheet.

We're talking \$430 million. How can we rationalize this as modernization if we're going backwards?

• (1630)

Mr. Ted Gallivan: I'll start with the stakeholders and CBSA's responsiveness to stakeholders.

In the summer of 2023, we were working towards an October 2023 implementation. Stakeholders came to us and said they didn't want to risk this during the busy fall retail season and we needed to push the date. At the request of stakeholders, we changed the date from the fall of 2023 to May 13. We're now hearing the same representation as you are from the same stakeholders.

Going back to my earlier testimony, if stakeholders need a period of weeks—and we've heard them—to test their systems and get their systems up to speed, we're actively working on what the parameters of that additional extension would be. We're hearing stakeholders and want to work with them so they can comply voluntarily. If additional time will work, we want to do that.

The representation has suggested that those who are ready to go with CARM go with CARM. I think that has a lot of merit. We definitely want the businesses that are ready and want to move to work with it. Indirectly, if that's a smaller number, that's not bad either, and a smaller number of businesses will go onto this system first.

We're very alive to this. We had consultations as recently as last Friday with stakeholders, and we're working on it actively.

The Chair: Thank you very much.

Ms. Fortier, you have the floor.

[*Translation*]

Hon. Mona Fortier: Thank you very much, Madam Chair.

I want to thank the witnesses for being with us today.

I think they understand that we have concerns. We want to make sure that the system meets the needs and that Canada's trade continues to be profitable while allowing us to achieve the desired growth. To achieve that, we are well aware that the system has to be computerized. There is no choice. You have illustrated that very well. The government has to deal with barriers in the internal development of the system. From what I understand, we are all working to computerize the system, not only so that it works, but also so that it benefits businesses.

With regard to businesses, some of them have concerns. Are you assisting them in the process? Is there an assistance plan to support the transfer of knowledge and practices?

Mr. Ted Gallivan: I will go back to what I said in my answer to your colleague. Many groups have spoken to us about small businesses. We have employees at entry points, on site, to help small businesses with the registration process. At the Queenston Lewiston Bridge border office, in the Niagara Falls area, we have two employees and thus far we have helped 25 small businesses register. The system is explained to them—

Hon. Mona Fortier: I see that you recognize the importance of providing assistance. Thank you for providing examples. Perhaps you could give us some more later on.

What steps could we take as legislators to facilitate your work over the coming phases?

Perhaps we should look into certain aspects, regulations or policy in particular, as you said earlier.

How can we help you complete this project successfully? That is the objective right now.

• (1635)

Mr. Ted Gallivan: We would be pleased to receive opinions from third parties regarding financial security. Our current system allows for goods to be imported without making payments at the border. To manage that risk, we have a system that requires a measure of financial security, but we want to replace it. We have received feedback from the private sector. People don't like our timelines or our calculations, so we have deferred the project.

What kind of financial security system can we have at the border that reduces the burden on those who follow the rules while protecting taxpayers against financial losses resulting from those who

do not pay the amounts due? That is something very important to be explored. We are very open to suggestions.

Hon. Mona Fortier: We are looking into that in light of the concerns that have been raised. If you have any recommendations for us, you may submit them in writing to the committee. We could include them in our report.

Now I would like to talk about the relationship with Deloitte.

While I was at Treasury Board, I had the privilege of looking at government contracts. From my understanding, Deloitte offers a degree of complementarity. The company prepares the project and makes sure that public servants or members within government can look after the system thereafter.

Can you elaborate on the complementary relationship with Deloitte as a supplier?

Mr. Ted Gallivan: As I said earlier, of the \$438 million spent, less than half of that, or \$182 million, went to Deloitte. They specialize in accounting systems, while we are border experts.

The groups responsible for designing the system have to adapt the accounting system of large multinationals to our current needs and the needs of private sector stakeholders. It is really a process of designing and conducting trials, among other things.

Deloitte also has experience in creating training manuals. The firm provides a basic product that is used elsewhere, and we adapt it to the needs of the agency and our clients.

Hon. Mona Fortier: So the whole issue of knowledge transfer to ensure that the system can be developed internally thereafter is part of the objective.

Is that correct?

Mr. Ted Gallivan: Yes, that is part of it as regards intellectual property. We built it. More than half the investment is in the federal public service, and we continue to invest in our personnel and knowledge.

[*English*]

The Chair: Thank you very much.

Next we have Mr. Jeneroux.

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): Thanks, Madam Chair, and thanks to the witnesses for coming today.

I just want to run down what I've heard here today.

About 14 years ago, your department was given \$370 million. You spent \$438 million. You're approved up to \$526 million and \$182 million of that has gone to Deloitte. History shows that 200,000 importers have dealt with Canadians and have imported into Canada. Currently, only 24,000 have enrolled. I guess you're using 56,000 as the current number, but that still leaves about 144,000 potential customers. I think you would agree that they're still potential customers even though, historically, they've maybe not imported for a while.

You say you're satisfied that you got value for money. You also say that 75% of this thing works. Again, colour us skeptical on this side. We've seen ArriveCAN. We've seen the Phoenix system, with spending in the billions of dollars. Now you're putting in a blackout period before the program goes out, from April 26 or 29 to May 13. I suspect you're going to have a significantly higher volume of importers wanting to log on to this.

I think you guys are in a tremendous amount of trouble here. I certainly don't agree with your optimism that everything is going to go smoothly. There are a number of organizations asking for your contingency plan. You've heard it from a bunch of people around this table.

At the end of the day, would you support a full audit of CBSA contracting from the Auditor General regarding the CARM project at this point?

• (1640)

Mr. Ted Gallivan: I'll come back to the Auditor General in a second.

I just want to correct the record in relation to the 80,000 and the 200,000. There are 80,000 active importers, 56,000 of whom are registered, who represent 80% of commercial business. The deadline for them to be registered is not May 13. It's six months beyond that, and there's an additional six months if they choose to use a broker BN.

In terms of the 75%—

Mr. Matt Jeneroux: Are you pleased, then, with how that's going? That seems like it's not going so great.

Mr. Ted Gallivan: Sorry, I just want to come back to the OAG. I would always welcome—

Mr. Matt Jeneroux: I think you picked up on something there, so I want to follow up on what you picked up on. Then you can go back to what you finished on.

The Chair: Can he finish the first question that he's trying to answer?

Mr. Matt Jeneroux: Well, I think he picked up on something, so I don't want to waste my time, Chair.

Are you satisfied with this? It seems like it is not going well with enrolment.

Mr. Ted Gallivan: I've very satisfied with the enrolment progress. We would welcome an audit by the Auditor General if she sees fit to do it.

We have a rollback plan in case there is a catastrophic failure, and the reason the blackout period was extended was feedback from stakeholders.

We find ourselves in a bit of a catch-22. We had a 10-day blackout period, and we wanted to rollover for 10 days. Stakeholders were nervous. They thought that was not enough time. We extended it, and now we're getting feedback that 16 days is too long. We feel a bit like we're in a catch-22, because when there's a request from stakeholders, in an effort to be responsible, we act on it, and then we are criticized for acting on feedback from stakeholders.

Mr. Matt Jeneroux: With all due respect, I think you're hearing from stakeholders because—again, this is going back 14 years—there's obviously not a comfort level that this is going to go smoothly. You come here and say, “Don't worry. Everything is going to be fine on May 13, and if it isn't, we'll figure out what happens then.” However, if I were an importer at this point in time, I would be very nervous. Quite frankly, the reputation of Canada is at stake when we start dealing with issues like this in trade. They'll just look for somewhere else to go.

Again, I don't think the optimism that you brought to the committee today is necessarily reflected among a lot of the stakeholders we're hearing from.

Mr. Ted Gallivan: Part of the reason we did the CES 2 testing was so that there was a clear documented record of the state of CARM. That testing let businesses pick their own scenarios. Ahead of the motion, we prepared information on that.

We did the CES testing to address the exact question you asked us. Our testimony today is that we went through that, and virtually all the issues identified by businesses themselves have been addressed.

Mr. Matt Jeneroux: Well then what's plan B if technical difficulties happen?

Mr. Ted Gallivan: We do have a rollback plan.

Mr. Matt Jeneroux: You have a rollback plan.

Mr. Ted Gallivan: That's correct.

Mr. Matt Jeneroux: So you would say that if the system isn't operating anymore for those who use it, you'd just roll back to the old system. How long does that happen for?

Mr. Ted Gallivan: We do have multiple layers of contingency plans. During the blackout period, as we get ready to go to the new system, say we discover there's a catastrophic failure. Of course we've developed a contingency plan for that.

Mr. Matt Jeneroux: I don't believe you. I guess that's the point. It's been 10 years and this much money. I honestly don't think that coming to this committee with this amount of optimism is helpful to the importers across the country.

The Chair: Thank you, Mr. Jeneroux.

Mr. Miao, you have five minutes, please.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair, and thank you to the witnesses for being here today.

I represent the riding of Richmond Centre, which also has the largest airport on the west coast, Vancouver airport. I have stakeholders, customs importers, reflecting their concerns to me about the role of CARM.

Before I proceed to further questions, I'd like to get an understanding of the funding that was allocated 14 years ago. What issue was identified such that a new system was needed to replace the existing revenue assessment and collection system that was being used to levy duties and tax at the borders?

Mr. Ted Gallivan: I'll give three points briefly.

I think the first is really important, and I appreciate that you're hearing from the business community. ACROSS and eManifest are the systems that allow goods into the country. CARM is the accounting system that affects issues weeks and months after the fact. For people worried about perishable goods being stuck at the border and the speed of commerce being delayed, I think the message to give them is that eManifest and ACROSS are the systems to do that, and we're not changing them.

The business case for CARM starts with a system that's more than 35 years old. It could go down, and we could have nothing. I could be in this chair testifying to you to explain why I allowed a 35-year-old system to go into a 36th year and why we had catastrophic failure and no accounting on \$40 billion of government revenue, \$40 billion of revenue that the trade chain partners want to be exact.

Exactitude is the third point I would raise. The CBSA itself was concerned with the level of discrepancy in errors. The OAG certainly highlighted that through multiple reports. We want to have a modern tool that gives feedback to businesses on the accuracy of their submissions. We want the government to have control over the calculation of tax and duties, and we want there to be a level playing field within the business community. We don't want a business that short pays the tax they owe to have a competitive advantage over another business.

• (1645)

Mr. Wilson Miao: To get a better understanding, how much of the customs duties owed to the government on goods coming to Canada are not accounted for in our system?

Mr. Ted Gallivan: The amount that is currently paid is \$39.7 billion. That's for the last fiscal year. Again, the OAG estimated not the dollar value, but that there was an error rate there of 20%.

Mr. Wilson Miao: Since the funding was allocated 14 years ago, I understand that there have been different phases of the product released over the years. Do you have a timeline of these major events with the funding and procurement process that happened through these 14 years? Can that be shared with the committee?

Mr. Ted Gallivan: Yes. As you pointed out, CARM 2 is the sixth release of CARM.

Mr. Wilson Miao: I understand that right now, transition measures are being provided to help businesses be ready for the CARM release on May 13, and you mentioned the extended timeline to alleviate some of the concerns we've been hearing.

What would you feel is most important for ensuring that the goods are released in a timely manner once the new CARM system is used?

Mr. Ted Gallivan: Again, the release of goods isn't managed by CARM. It's ACROSS that allows us to release the goods, so that's covered and that is not at risk.

I think delaying payment is more significant than delaying the submission of the accounting documents. After listening to representation from industry and from our internal discussion, we're feeling a bit more hawkish on a payment extension. It's nearly a billion dollars a week, and there's a time value for money there, and it's taxpayers' money. We want to provide flexibility around payment, but we're also very mindful of the time value of money and that it's taxpayers' money.

On the accounting information, again I'll use the word "weeks". It's that additional extension of weeks to allow people to adapt their systems. That doesn't have the same consequence on taxpayers.

The Chair: You have 30 seconds.

Mr. Wilson Miao: I understand that CBSA is also engaging a lot with industry to provide this enrolment. What are the biggest challenges you've been hearing from the business community, customs or importers regarding the implementation of CARM?

Mr. Ted Gallivan: I think we're talking about two different things. In some cases, we're going to businesses that don't have customs brokers, and we're very mindful of not interfering with the competitive landscape. However, to some extent, CARM would allow businesses to do without a customs broker. We are trying to make it user friendly.

Some of our outreach is directly to businesses that might be able to manage their own affairs once they know about and have CARM or wouldn't need to go to a broker. Our focus really has been on businesses that would benefit from the CARM system and direct outreach to them.

Mr. Wilson Miao: To add to the timeline, can you also provide how many there are in the enrolment process throughout the dates? You talk about 80% now, but how is that—

Mr. Ted Gallivan: Absolutely. Just for flavour, though, every time we go, we sign up roughly 100 small businesses with kid-glove service and we show them how to use the system. Again, the deadline to having all those businesses registered is not May 13.

Mr. Wilson Miao: Good. Thank you.

The Chair: Thank you very much.

Monsieur Savard-Tremblay, you have two and half minutes, please.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

Mr. Gallivan, thank you for agreeing to submit the documents.

As to the agency's comments and the programs in question, can you tell us roughly how many specifications there were?

• (1650)

Mr. Ted Gallivan: There were probably hundreds, if not thousands.

Mr. Simon-Pierre Savard-Tremblay: Are you referring to your comments after the initial proposal?

Mr. Ted Gallivan: The contract I am referring to, which is from 2018, is 1,000 pages long.

Mr. Simon-Pierre Savard-Tremblay: What fun.

Earlier you said there were flaws, problems with certain modules and that you might be short of time since the middle of May is not far off.

What problems have you noted thus far?

Mr. Ted Gallivan: During the 12 weeks of trials with stakeholders, we identified five critical situations and 16 others that were less critical.

Let me give you an example of a critical situation. One day, we did not produce the table for converting U.S. dollars into Canadian dollars.

[English]

We messed up the interest calculation for that day, the official interest rate or the currency conversion rate. I forget which.

[Translation]

During the day, we realized that the exchange rate was off, that the table had not been properly updated. Within 24 hours, we had detected the problem and corrected it.

That kind of thing can happen with any large, complex system. I am not saying we do not have any concerns about the launch of CARM. What I am saying is that we have tested our ability to identify problems and to correct them.

Mr. Simon-Pierre Savard-Tremblay: How much time do I have left, Madam Chair?

[English]

The Chair: You have 30 seconds.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

Mr. Gallivan, have you anticipated the potential repercussions of what is not working in those modules?

Mr. Ted Gallivan: Yes, that is part of the process. When we anticipate potential repercussions, that guides our approach, which is to correct the problems first.

[English]

The Chair: We have Mr. Cannings for two and a half minutes, please.

Mr. Richard Cannings: Thank you.

I just want to dive a bit deeper into the numbers.

You mentioned there will be a significant lift in duties that come to the government and that this would pay the cost of developing the program over a couple of years. Then you mentioned \$39.7 billion paid in duties last year with a 20% error rate.

I assume the lift comes from that error rate. Is that what you're suggesting?

Mr. Ted Gallivan: That's correct. We also see the amount of tax paid over the last three years growing from \$32 billion to \$39.7 billion. Some of that is inflation, some of that could just be economic growth and some of that could be pre-CARM self-correction of the amount of tax that needs to be paid. It's a significant growth in a three-year period.

Mr. Richard Cannings: Is any of the concern from the business community—the exporters and importers—the result of them feeling that they're going to have to pay more money and that maybe they'll dispute the interpretations? You mentioned some of the more bureaucratic interpretations.

Mr. Ted Gallivan: My testimony would include two things. I believe the trade chain community has integrity and is trying to do the right thing. I wouldn't ascribe any ill intent to their motivation.

However, they do have internal systems that are coded a certain way. One issue we have is this: When the percentage results in a half-penny, does that penny round up or down? I don't believe the Canadian business community is fighting us on that last penny. I believe the concern they have over that issue is that they have to re-program their internal systems.

Again, I wouldn't ascribe any ill intent to the business community. What I would point to is they need to adapt their internal systems to match how we calculate things, and I think that is part of the friction and why they've asked for additional weeks.

Mr. Richard Cannings: You also mentioned that this may help some companies in being able to operate without using a broker. How significant would that change be? How much change will there be in the broker-exporter-importer ecosystem? How do brokers feel about that?

Mr. Ted Gallivan: I think we've been very mindful of not interfering with the competitive landscape, but also needing to offer a product for small and medium-sized enterprises. We definitely have a vision where small businesses that import once, twice or three times a year can deal directly with the CBSA and don't have to go to a broker.

I think the broker's added value would still be around this audit and compliance thing, to have a greater sense of assurance, so I think the brokers will still have a value-added proposition for Canadian business. Our mandate is to make sure that if they want to work without a broker, we have a system that helps them comply voluntarily.

• (1655)

Mr. Richard Cannings: Okay. Thank you.

The Chair: Mr. Seeback.

Mr. Kyle Seeback: Thank you, Madam Chair.

I just want to go back to some of the contractors to see if you can answer some questions about them.

I have a list of some of the arrive scam contractors. I just want to see if any of them were included in this.

Did Tech Systems, Inc., get contracts? Do you know?

Mr. Ted Gallivan: I came prepared for Calian, GC Strategies and Coradix. I'm happy to get back to you off-line, but I wasn't prepared for other businesses.

Mr. Kyle Seeback: Okay. For Donna Cona Inc., you also don't know. For MGIS Inc., you don't know, but you'll let us know, and for 49 Solutions, you also don't know.

Mr. Ted Gallivan: Again, I anticipated the question on the three firms that were top of mind, and I was ready for those. I would be happy to get back to you off-line about the others.

Mr. Kyle Seeback: Okay. Were any staff augmentation companies paid as a result of this, much like with arrive scam?

Mr. Ted Gallivan: I'll go back to the earlier reference that there were multiple contracts. The largest and most recent contract is 2018, but going back previously, there were lots of more contracts. There may very well have been. I would prefer to get you a written response with all of the details for greater clarity.

Mr. Kyle Seeback: Just to be clear on that, if staff augmentation companies were paid, we'd like to know who they were and what those contracts were.

Did you do an investigation to determine that no government employees were getting contracts, much like under the arrive scam program?

Mr. Ted Gallivan: For all of our active contracts, the CBSA has taken the names of everybody on active contracts and is pursuing any discrepancies or concerns. We have found employees doing work for us who are listed in GEDS, as if they are government employees. We don't know whether the error was listing themselves in GEDS, which they shouldn't do as contractors, or they are employees.

We're at phase one, which is active contracts. Phase two will be historical contracts. Our intention is to pursue any funds that can be recovered.

I appreciate the point. We're at phase one, which is active contracts.

Mr. Kyle Seeback: For the active contracts, have you found any government employees who received contracts in phase one?

Mr. Ted Gallivan: We have a number we're concerned about, but we don't yet have confirmation of their employment contract.

Mr. Kyle Seeback: How soon will you get that confirmation back to the committee?

Mr. Ted Gallivan: We are working as expeditiously as we can. We share the same concern you have.

Mr. Kyle Seeback: Okay.

I want to talk about something else. You just talked about a contingency plan—a rollback—which I find interesting. I've received messages from some industry stakeholders as this committee hearing has been going on, and as you can tell, they're very concerned. They said they have no awareness of any contingency plan. In fact, all they saw was a very skim PowerPoint presentation. No industry stakeholders are even prepared for this alleged rollback plan.

How can you come to the committee with the confidence that this is going to work when industry has almost no knowledge of this alleged rollback plan or how it would work?

Mr. Ted Gallivan: Let's talk about the rollback during the cut-over period.

The consequence on industry would be the status quo. If I'm to take the representation at face value, they would be very happy because they've been hoping the status quo is retained. During the 16-day cut-out window, which really has a 10-day critical path and six days for contingency, if we encounter an issue and need to do a rollback, the procedural impact on stakeholders is the status quo they've been used to for decades and that, I believe, they would prefer.

That might explain the lack of detailed documentation. They would be operating on the status quo.

Mr. Kyle Seeback: You'll go back to the old system that's currently in place. That's the rollback contingency plan. It's to go back to where it was before CARM.

Mr. Ted Gallivan: Again, during the conversion period... I want to give you an honest and complete answer. There is a world where we would extend the 16 days. In other words, I used the words "significant issue"—

Mr. Kyle Seeback: I just—

Mr. Ted Gallivan: I just want to finish and give a nuance. The point I'm trying to make is that we have more than one contingency plan. One of the contingency plans would be retaining the system.

Mr. Kyle Seeback: Okay. There's more than one.

Mr. Ted Gallivan: There is.

• (1700)

Mr. Kyle Seeback: That's the point. Industry stakeholders are saying they aren't aware of any of these other contingency plans. You say they'll go back to the old system. Look, I'm not going to debate it with you.

I understand that the data security for this is going to be outsourced. It's not going to be done by the Government of Canada. I'm out of time, but if so, who is that contract with? Produce a copy of that contract. How much was that contract? Explain how you can guarantee the security of everyone's data.

Mr. Ted Gallivan: The DG of cybersecurity at the CBSA has been leading the efforts to ensure the cybersecurity of CARM.

Mr. Kyle Seeback: I understand that, but I want you to confirm that you're going to answer my questions.

If there's a contract for that outside data security, who is that contract with and how much is that contract for? Produce all the contracts and subcontracts that relate to that.

Can I get a yes to that, please?

Mr. Ted Gallivan: I'm sorry, I didn't—

The Chair: For the things that Mr. Seeback has asked for, could you do your best to provide them?

Mr. Kyle Seeback: Confirm that you will provide that.

Mr. Ted Gallivan: I just want to make sure I understand. Will it be captured in the blues?

The Chair: The blues will be very specific on what Mr. Seeback is asking for.

Mr. Ted Gallivan: Thank you. I just don't want confusion over what the request is.

The Chair: Exactly. We don't want that either.

Mr. Ted Gallivan: Understood.

The Chair: Okay.

Mr. Sidhu, go ahead for five minutes, please.

Mr. Maninder Sidhu: Thanks, Madam Chair.

Having spent 13 years in international trade consulting, I have a few scenarios to throw out to few of the witnesses. I just want to hear your feedback.

A customs broker, for example, submits a shipment for clearance using ACROSS. After May 17—I think that's the date—does that shipment get automatically rejected by customs? If it does get accepted by customs, on the back end—the accounting side—the importer of record, which is the business, is not set up on CARM. How would the accounting, with the duties and taxes, be sent to the broker? Would it be over the existing system? On CARM, the importer of record is not set up. How does that come together?

Ms. Jennifer Lutfallah: As to the first part of your question, ACROSS will continue to be used as a means of clearing and entry into Canada. It's the back end of the system that is changing, which is the accounting side.

There are two different transactions, if you will, when it comes to a commercial conveyance coming into Canada. There's the release and the accounting. The accounting is the back end and that's what we're talking about today. Regarding release, there are no changes across eManifest. We'll continue to risk—

Mr. Maninder Sidhu: How do you get the accounting to the importer of record if they're not set up on CARM?

Ms. Jennifer Lutfallah: We have a transition rule that is the broker BN. For one year, brokers will continue to be able to use their business numbers for their client importers as a means of clearing for accounting.

Mr. Maninder Sidhu: Coming back to using the broker BN, I understand that when a broker clears a shipment under their own BN, they're responsible for that importation now. If there's an audit by CBSA, the broker would then bear that responsibility. Many

people in the industry do not want to bear that responsibility because they are not the ones buying that product or importing that product.

There has to be some clarification around that, because that's a huge concern from the industry.

Mr. Ted Gallivan: The first point is the coming into force of that legislation is January 2025. We've been on the record that it won't be retroactive, and for after January 2025, we're working on documented procedures to explain how there will be a progressive system of notices, a nudge. Then when we have an issue, it's not our intent to bankrupt a brokerage because of one client who failed to follow the rules.

The first point, for absolute clarity, is there's no retroactive application of the importer of record, and second, there's a process of nudging. We call it a culpability framework. We really want to enforce financial hardship only when necessary.

Mr. Maninder Sidhu: Wouldn't it be feasible to leave it as is, as the importer of record clearing under their own BN until December 2024? Then the broker is not taking on this responsibility of an importer perhaps misclassifying their goods or bringing in goods where there's an error or there are some issues.

Mr. Ted Gallivan: We've left the option open. If a broker wants to insist that all their clients have a BN so the business takes the risk, that's open, or there's the model where the broker continues with the status quo. That's us not wanting to interfere with the private sector and their business models.

Mr. Maninder Sidhu: Then the only way for the client or the importer of record to use their BN is to be on CARM. Otherwise, it would go on the broker's BN because the CARM accounting wouldn't show up otherwise.

• (1705)

Mr. Ted Gallivan: That's correct.

There are roughly 275 to 300 major brokers in Canada, so it's not a huge number, and that's not where we're experiencing issues with registration.

Mr. Maninder Sidhu: Okay.

Quickly—I have less than a minute left—can we know the number of companies testing the software of this new CARM iteration? Also, what is CBSA doing directly to reach out to importers of record?

I know you're at the border, but from my experience of 13 years in international trade, most businesses are not hand carrying their goods at the border; they're hiring transport companies. Can CBSA not work with CRA and say, "If you've used your RM0001 account, your importer account, you have likely imported in 2023, so here's your letter to let you know to register on CARM." Has CBSA done that?

Mr. Ted Gallivan: In terms of businesses, there were 44 or 45 main players represented—a bit skewed towards the major players but across all sectors and sizes—that tested thousands of transactions.

In terms of the outreach, yes, we contemplated the CRA. We contemplated mail-outs. To get back to the testimony, we're at 86% now. May 13 isn't our drop dead date, so as we move through the summer months, mail-outs and collaboration with the CRA are definitely options we would use.

Mr. Maninder Sidhu: Thank you.

I would hope you'd reach out directly to importers, because right now it seems like you're putting it on industry and stakeholders, saying to reach out to their clients. I think that's an unfair proposition to put on industry stakeholders.

I'd encourage you to do a bit more reaching out directly to the importer of record, because you have the systems and you know who's importing. I think that would be very beneficial to get more importers on board.

The Chair: Thank you very much.

Mr. Baldinelli.

Mr. Tony Baldinelli: Thank you, Madam Chair.

I want to build on what my colleague just talked about and some of the issues of the importers.

Mr. Gallivan, you talked about some of the changes that are required at CBSA, but we also have to look at what our stakeholders and importers are doing. Say, for example, the CARM portal will require many of Canada's top importers to perform internal IT modifications to support CARM. This will require stakeholders to allocate resources and a budget to schedule IT changes, test the changes and implement the changes. This takes longer than the 60 days the CBSA is providing before CARM goes live.

Are we providing enough time for the stakeholders to be ready?

Mr. Ted Gallivan: Most stakeholders, especially the large ones, have known about this for many years, so there has been abundant opportunity for that. In fact, they were parties to the design. Many businesses have known about these changes.

We had a firm implementation date in the fall of 2023. We changed that date very close to the deadline, so I believe that businesses have had extensive periods of time.

Going back to my earlier testimony, if an additional period of time is necessary, we're listening, and we're working on the parameter of additional time. However, in fairness to those who are ready—and this goes back to the competitive landscape—we're very mindful that some businesses and players in the market are ready for CARM, so we don't want to disadvantage their market share.

Mr. Tony Baldinelli: We're talking \$182 million to Deloitte since 2018. How many times since then, over the past six years, has the contract with CBSA...? Has re-profiling the funds or enlarging the cost of the project in the contract with Deloitte taken place? Have changes been made over those six years that have changed the scope and provided additional funding to Deloitte? If that is the case, would another procurement be needed?

Mr. Ted Gallivan: I think the most significant change was changing the date, the timeline. In part it was stakeholders seeking input around the design. At its earliest, this ought to have been im-

plemented in the spring of 2021, so we're roughly three years behind schedule—

Mr. Tony Baldinelli: Yes.

Mr. Ted Gallivan:—based on that, but in part it was because of consultation and debate over the design.

Mr. Tony Baldinelli: Mr. Gallivan, I will follow up on that, because the Standing Committee on Government Operations and Estimates in November did some studies on ArriveCAN. They were looking at it, and there were comments with regard to CARM that Deloitte was being put in the “penalty box”. For example, Cameron MacDonald said, “I believe it was not on time and not on budget in terms of where the project milestones were supposed to be. The company had been put on time out.”

What does that mean? This was in the fall. Is Deloitte back on the job, or are they still in the penalty box? Was it a minor or a major penalty? What did they do?

• (1710)

Mr. Ted Gallivan: I share the same confusion over the term “penalty box”. In more than three decades in the public service, I've never heard of a penalty box. As a decision-maker, I wouldn't know what to do with that kind of comment. I have no idea where it came from.

Mr. Tony Baldinelli: Can you confirm that Deloitte has been continuously working on the CARM project since that time?

Mr. Ted Gallivan: Yes.

Mr. Tony Baldinelli: Have there been delays because of it?

Mr. Ted Gallivan: There have been no delays.

There was a delay, at least a three-year delay, due to scheduling and scope issues, but Deloitte has continuously worked on the project since that time. It would be my testimony that I've never heard “penalty box”, nor would I know what to do with it if somebody told me that.

Mr. Tony Baldinelli: Finally, Mr. Gallivan, to be correct, is it 56,000 that have registered? Have they seen the functionality? Are they aware of what is coming on May 13 to a great degree?

From my understanding, you talked about talking to the industry weekly, yet the TCP working committee was created, the system was already developed and the industry was advised that there would be no further changes.

I worry that you have a number of people who aren't going to be ready. You may have registrations, but are they ready for the functionality of the system?

Mr. Ted Gallivan: It's our sixth release, so when people are registered in the CARM, they do have access to functionality. Because we are on our sixth release, many businesses have been using CARM for years.

Mr. Tony Baldinelli: Madam Chair, is that time?

The Chair: You have 51 seconds.

Mr. Tony Baldinelli: That's fine.

The Chair: Thank you very much.

Mr. Sidhu, you have five minutes.

Mr. Maninder Sidhu: Thank you, Madam Chair.

Can we get Mr. Gallivan to answer this on the record?

Are there going to be penalties for those that have not signed up by May 13? I know there are dates flying around of six months and one year. What is the grace period?

Mr. Ted Gallivan: Maybe I should turn to Ms. Lutfallah to make sure we're absolutely right, because I think it's an important issue for businesses.

Jennifer.

Ms. Jennifer Lutfallah: I'm going to go through some of the transition measures and give the applicable dates so that we're all on the same page.

When it comes to the usage of the broker BN, that has been signed off for one year. For one year, brokers can continue to use their business number as a means of accounting for their client importers.

When we're talking about the RPP—and forgive me for giving you an acronym—which is release prior to payment, that will be 180 days.

With respect to the registration in CARM, is there a drop-dead date of May 13? If you are going to be importing into Canada, yes, you have to be registered by May 13.

Mr. Maninder Sidhu: What happens if you don't register by May 13?

Ms. Jennifer Lutfallah: You can continue to use a broker as well. If you choose to import on June 17, you should be registered by June 17. On the day you're going to be importing, you should ensure that you are on the CARM system.

Mr. Maninder Sidhu: Okay, so June 17 is the actual date. If somebody submits a shipment after June 17, does that mean it could get stuck at the border?

Ms. Jennifer Lutfallah: There would be an issue with respect to the accounting.

Mr. Maninder Sidhu: Then it could get stuck.

Okay, so ACROSS would release it and the accounting would be afterwards.

Mr. Mike Leahy: Let me explain, if you don't mind.

The measures we call transition rules on the use of a broker's business number will be in effect as of May 13. If I release goods into the Canadian economy and I don't have a CARM account, I can use, as I do today, my broker's business account to reconcile and make the payment. That process is available for a year.

The big concern we hear from industry is that the border is going to shut down because they won't be able to bring goods into Canada because they don't have a CARM account. The transition rules say you can do what you do today—use your broker's business number to represent you—and the goods will move. The accounting will be effected by your broker. In some cases, that is exactly what happens today.

We encourage importers to get their accounts. If you have your own account, you're going to start using it as of May 13. If you don't have your account, you'll fall back onto a transition rule that allows you to use your customs broker, like you do today.

Mr. Maninder Sidhu: Thank you.

I'll turn the floor over to MP Fortier.

● (1715)

[*Translation*]

Hon. Mona Fortier: Thank you, dear colleague.

As you can see, there are fears. We are trying to anticipate how the transition will unfold.

Mr. Leahy and Mr. Gallivan, you provided a number of examples of support and assistance measures. You talked about exceptions that could be made or exemptions that could be granted in a given situation.

We are afraid of lengthy delays. We want to make sure there are no barriers during the transition.

Do you have anything else to add, something you might not have had the time to mention regarding those concerns?

Mr. Mike Leahy: The first concern is the scenario we just talked about. If someone does not have an account in the agency's CARM system, they will have to stop at the border and pay cash. That will block the bridges. It will cause problems at the borders. On the other hand, transition rules have been established to overcome that particular problem.

Mr. Ted Gallivan: We invited our own employees to take part in the planning process. I am referring to border officers. Quebec has the lead role on this for all regions.

Frontline employees who will have to deal with the delays affecting businesses have been using CARM for months. They are establishing procedures. We also have 80 additional employees who can be assigned to other duties in response to specific needs.

I referred to contingency plans. One of them involves hiring those 80 additional employees. We are not too optimistic, but we are preparing for situations that might arise. The fact that our front-line employees, who will have to deal with the businesses and truckers, say they are ready gives us some confidence in the measures in place.

Hon. Mona Fortier: Thank you very much.

[*English*]

The Chair: Thank you very much.

We'll move on to Mr. Savard-Tremblay for two and a half minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

I thought we were moving on to committee business at 5:15 p.m.

[English]

The Chair: We're going until 5:30 to complete the round of questions, and then at 5:30 we will have a few minutes to discuss the possible travel.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: So we have not allocated any time for that. It will take a few minutes at most.

I would also ask that this not be counted as part of my speaking time.

[English]

The Chair: At the request of the vice-chair, rather than stopping at 5:15, we're going until 5:30 on this and then we'll do 15 minutes of committee business.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Okay.

Mr. Gallivan, my question is about the transition plans. Initially, just one plan was mentioned. The documents we received referred to a single plan called “big bang”, as though everything would disappear. Now you are saying there are other transition plans.

How do you come up with those plans and how does it work? Why is there more than one transition plan and why would one plan be chosen over another?

Mr. Ted Gallivan: Thank you for the question.

To begin, we tried to minimize the scope of the change by using a number of existing modules. There were five phases. Later on, new models will be forthcoming.

As to the contingency plans, some of the concerns raised might materialize during the transition. There will be a 16-day transition period during which we will make a copy of the old system and deactivate it, and then activate the new system.

One scenario is that it could take too long to transfer the data and we could exceed our one-day deadline. In that case, our contingency plan is to inform all parties that if it is not done on May 13, it will be done on May 14. That's okay.

A second possibility is that a module might not work. We also have a contingency plan for that. So let's say we have only been able to transfer 5% of the data after 10 days, which would be a major problem, our contingency plan would be to reactivate the old system. So we are prepared for a range of possibilities.

We also have contingency plans for situations that might arise after the system has been launched, specifically confusion at the border. We have said that we will not be changing the current processing system at the border, only the accounting system. If people have questions, we will have employees on site to answer them.

In short, we have several levels of contingency plans to respond to various potential scenarios.

• (1720)

[English]

The Chair: Mr. Cannings, you have two and a half minutes, please.

Mr. Richard Cannings: Thank you.

You mentioned that the U.S. has brought in a system that cost \$5 billion. I assume that Canadian exporters are confronted with that system. Are these often the same companies that are importing things back in? I'm wondering what feedback you've heard from them.

Mr. Ted Gallivan: It's true the global multinationals.... I would mention the auto sector in particular. There are auto parts in Canada that can cross the border multiple times per day. Part of our bilateral discussion with the Americans—with the department of finance and Treasury in the U.S.—is about harmonization. I think the key message we get globally is around whether tax authorities can get their act together and consolidate the rule set.

An American was actually recently elected to a leadership role in the World Customs Organization. We're hopeful that during his five-year term, we can push global standards around trade. The global multinationals are definitely interested in a common global rule set. The Canada-U.S. aspect is particularly important. We're in regular conversation with the Americans.

I would say that e-commerce is a particular area where the rule set is still catching up with the reality on the ground. I mentioned that courier shipments had more than doubled, to over 100 million a year. That's a place where as recently as January we had a briefing on the Americans about regulatory reform.

To go back to the mandate of this committee, with colleagues in Finance and elsewhere, we're very active on having the rule sets be the same, which would allow the IT systems to be the same, to reduce friction at the border.

Mr. Richard Cannings: Thank you.

The Chair: Mr. Seeback, go ahead, please.

Mr. Kyle Seeback: Thank you very much.

How many of the 60,000 registered CARM users saw the new CARM functionality and were the subject of the last two rounds of updates, which will be the version used on May 13? My information from industry stakeholders is that it's 350 out of 60,000. Do you consider that to be sufficient for the latest version on May 13?

Mr. Ted Gallivan: Well, I confess to not being a lawyer—I'm not a statistician either—but we took great pains to have a representative sample of businesses in Canada to make sure that small businesses, medium-sized businesses, brokers, express couriers and multinationals were covered.

My testimony would be that we took great care to make sure it was a representative sample.

Mr. Kyle Seeback: I'm running out of time. Your position today to the committee and to Canadians is that will be a success on May 13.

Mr. Ted Gallivan: My earlier testimony was that I took comfort in our ability to detect and correct problems. My testimony would be that we have contingency plans. We have extra resources available. We've tested our ability to detect and correct problems. That's the real test of an IT system.

Those of you who have been involved in large-scale IT systems know that even after five years you're detecting issues. Our test, our barometer, is our ability to manage, detect, prioritize and correct dozens of problems in real time, with input from stakeholders, managed through a service product.

Mr. Kyle Seeback: Madam Chair, I'm going to move the following motion:

Given that,

(a) the carbon tax puts Canada in a competitive disadvantage on the global market;

(b) jurisdictions such as the United States do not have a carbon tax, giving them a competitive advantage;

(c) this competitive advantage could draw businesses to the U.S., hurting Canadian business; and

(d) the federal government is planning a 23% carbon tax hike on April 1st; the committee report to the House its recommendation to spike the hike and axe the tax.

The Chair: What has that got to do with what we're dealing with right now?

Mr. Kyle Seeback: We're in committee business, so I'm allowed to move a motion. That's my motion.

• (1725)

The Chair: We're not in committee business. I'm so glad we have an efficient clerk. You can wait a little while and do that afterwards when we deal with other issues.

You still have one minute left, if you'd like, Mr. Seeback.

Mr. Kyle Seeback: I would just finish by saying that I don't think Mr. Gallivan's answer to my question that it's going to be a success is going to give a lot of stakeholders and Canadians confidence, because it was not an answer that filled me with confidence that the rollout is going to go well.

I hope for the sake of Canadians and for the sake of our economy that this rollout goes well on May 13, but given what I've heard from stakeholders and what I've heard today, I fear that's not going to be the case.

The Chair: Thank you.

Madam Fortier and Mr. Sidhu, who would like to take the remaining five minutes?

Mr. Sidhu.

Mr. Maninder Sidhu: One of the biggest changes here for the importers of record are the businesses doing importations. They are

now required to get a customs bond or a release bond. For the release bond, the calculation used to be just duties, but now I hear from industry that GST might be added when you're calculating how much of a bond you need to get on a monthly basis.

Are there considerations for CBSA not to include the GST portion, like many other countries are doing?

Ms. Jennifer Lutfallah: We have been looking at that, and we will be including the GST in the calculation. As you know, duties and taxes owing need to be secured, and this will be one of the primary mechanisms we can use to secure Crown revenue. I understand it has caused some concern, but we are moving to that model.

Mr. Maninder Sidhu: I have a question for you on the ticketing system. I know importers and businesses can submit a ticket if there's an issue. What I'm hearing from industry is the response time is not 24 hours and it's not two days. Sometimes tickets can go as far as 14 days, and that's a long time for a business to justify things and get some answers for their clients who are importing into Canada.

Is CBSA working to get that sped up a bit to ensure there are no issues?

Mr. Ted Gallivan: We set up a 10-day response time. We did receive a representation, maybe from the same business, that we were serving them in seven days, which was actually faster than we had planned to serve them, but that wasn't good enough. We've just been made aware of that, and again, we're taking it back. We had set up a commitment to respond in 10 days. I took some comfort that we were responding within the standard of seven days, but we've also heard from business that seven days isn't good enough.

Some prioritization perhaps between critical issues and more interpretive ones could be set up. We're looking at how we can respond to the requests so we change our service standard from 10 days to something faster.

Mr. Maninder Sidhu: Yes, that would be great, because I understand that you get a late penalty fee or something like that if you don't file accounting within those five days. Seven days is beyond the five-day time, so importers and businesses will then start having to pay penalties if they don't hear back from CBSA.

Thank you, Madam Chair.

The Chair: That's the end of this.

Thank you very much to our witnesses. That was amazingly valuable information for the committee.

We will suspend while they switch the system so we can go in camera for a brief discussion. Please ensure that you have looked at the document the clerk has circulated for travel.

[Proceedings continue in camera]

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