

April 5th, 2024

The Honourable Dominic Leblanc, P.C., M.P.
Minister of Public Safety

House of Commons
Ottawa, Ontario
Canada
K1A 0A6

Via email: dominic.leblanc@parl.gc.ca

Subject: Meeting Request to Discuss CFIB's Latest Survey Findings on CARM

Dear Minister Leblanc,

The Canadian Federation of Independent Business (CFIB) is a non-partisan, not-for-profit organization representing over 97,000 small- and medium-sized businesses across all sectors of the economy and across Canada. Many small businesses rely on importing goods to meet customer demand, access specialized materials, or expand their product offerings. However, with the implementation of CBSA's Assessment and Revenue Management (CARM) system, small businesses are encountering a host of new challenges that threaten their ability to thrive in the global marketplace. **As such, we are writing to you today to request a meeting at your earliest convenience to discuss the challenges small businesses are facing with CARM.**

According to recent CFIB data, 65% of SMEs imported goods, services or both in the past three years. The bigger the business the more likely they import, but even among micro-sized businesses (e.g., those with 4 employees or less), about 1 in 2 are involved in importing goods.¹ Almost half (47%) of small businesses only import once or twice a year and 80% rely on a broker or intermediary to help facilitate their trade activities.²

SME Challenges with CARM

It is our understanding that CARM aims to streamline and digitize customs processes, including the assessment and collection of duties and taxes. However, it poses significant challenges for businesses of all sizes including micro/small businesses.

Today, only about a quarter (25%) of SMEs who are involved in trade activities have registered on CARM. The smaller the business the less likely they are registered; with only 19% of micro-sized businesses registered. For those not registered to CARM, about half are just not aware of it, 22% are not sure whether CARM applies to their business, 16% are relying on their brokers, and 11% are confused by the registration process.³ However, beyond the registration process, SMEs are facing a few other concerns:

¹ CFIB, International Trade Survey, January 18 – 29, 2024. n=2,032.

² CFIB, International Trade Survey, January 18 – 29, 2024. n=2,032.

³ CFIB, International Trade Survey, January 18 – 29, 2024. n=2,032.

1. The complexity of the CARM system

About half of small businesses are not importing that often, about once or twice a year, so having to navigate a new platform and learning all its intricacies can be daunting. Many of these businesses have limited resources and expertise in customs procedures, putting them at a higher risk of making mistakes. Some have even said the complexity and challenges of dealing with CARM have caused them to consider not getting involved in international trade at all. **As such, CBSA should consider providing alternative options to CARM, using a broker, for all the small firms' importing needs, especially for those small businesses that do not engage in trade on a regular basis.**

Additionally, details regarding CARM's cutover dates (scheduled for April 26th - May 13th) were only formally announced on April 4th with trade chain partners (TCPs). During this cutover period, the CARM Client Portal (CCP) will be inaccessible, posing a challenge for numerous SMEs who now have limited time to register with CARM ahead of the official "go-live" date.

CBSA needs to enhance CARM communications and information. While some tools have been created (e.g., detailed guides, FAQs, and step-by-step instructions), they need to be customized to better suit the requirements of SMEs and they need to be easily accessible on CBSA's website. CBSA must also ensure that SMEs are kept informed about CARM updates, important deadlines, and any changes to guidelines. These communications must also be clear, concise, and easy to understand.

2. Increased SME compliance

Even though 80% of SMEs rely on a customs broker or intermediaries to assist them with importing, CARM has increased their compliance burden by placing greater administrative responsibilities on small businesses (e.g., posting financial security (surety bonds), accounting, payments). This added complexity not only consumes valuable time and resources but also increases the risk of non-compliance and penalties for small businesses unaware of, or unable to meet, these new obligations.

Many have expressed concern with the added cost and complexity associated with the new Release Prior to Payment (RPP) requirements to secure a surety or bond which had previously been managed by brokers. The new financial security requirements are viewed by many SMES as an unexpected and significant upfront cost. **As such, it's crucial for CBSA to provide more financial security options that are easier and less costly for small businesses to access, and provide them with clear information on the new requirements to avoid delays at borders.**

3. Billing cycles and payments

Small businesses will likely appreciate the simplicity of being able to access and make corrections to their billing cycles directly within CARM, but we fear there will be plenty of confusion as not all trade activities/programs are synchronized in the same way. In fact, dates and adjustment periods will vary depending on the billing cycle of the SME. CFIB recommends having a transition period for SMEs who are used to the old billing cycle and that extra effort be made to educate smaller importers on how to manage their billing. **Small businesses should not receive penalties as they transition to the new CARM online billing cycles.**

CFIB also supports the ability for SMEs to pay online as this will provide them with more flexibility, notice, and transparency. However, the current portal does not allow payment through many credit unions or Caisses populaires, yet 14.5% of SMEs use these financial institutions for their day-to-day banking.⁴ **CFIB recommends**

⁴ CFIB, International Trade Survey, January 18 – 29, 2024. n=2,032.

that the government make paying online more accessible to SMEs by allowing them to pay through the financial institution of their choice.

4. Uncertainties with the accuracy and consistency of CARM's assessments

Small businesses are also dealing with uncertainties around the accuracy and consistency of CARM's assessments. Errors in duty and tax calculations can have serious financial implications for small businesses, potentially impacting their profitability and cash flow. Most recently, a member contacted us stating that the duty as well as HST on their statements had been charged twice: once through CARM and a second time through their customs broker. We have had complaints that when these discrepancies occur, it can be a challenge to find someone at CBSA to help them fix it. **CARM customer service (whether it be helplines or email) should be easily accessible by importers and brokers to avoid any issues or delays at the borders.**

5. Update policies/legislation and simplify language

For small businesses, navigating the complexities of importing regulations is challenging. Few SMEs are aware of, and/or can comprehend, departmental memoranda ("D-memos). While the purpose of D-memos is to outline the legislation, regulations, policies, and procedures that CBSA uses to administer its customs and travel operations, often the language and terminology used by the government may be too complex for many SMEs (and other industry partners) to understand. **CFIB recommends that the government work with industry to simplify the language and develop comprehensive communication plans aimed at SMEs for all regulatory and policy changes.**

Conclusion

While the CARM project aims to modernize customs processes and improve efficiency, its implementation has presented many challenges for small businesses involved in importing. CBSA relies on penalties and fines to enforce compliance, which can disproportionately impact SMEs. These fines not only impose a financial burden, but they can also discourage SMEs from engaging in international trade due to fear of non-compliance. **Rather than penalizing small business owners with costly fines, CBSA should prioritize education and support, especially during the first few years of CARM's full implementation (not just the first 180 days).**

Implementing a lengthy transition period that focuses on providing comprehensive training, guidance, and support, as well as alternative options (i.e. the use of a broker) to import goods, will help ensure greater small business compliance and acceptance of CARM. **We would welcome an opportunity to discuss our findings and answer any questions you may have.** We will follow up shortly to set up a meeting, but in the meantime, should you have any questions, you can reach us by email at michelle.auger@cfib.ca.

Thank you for your time and for considering our request.

Sincerely,



Corinne Pohlmann
Executive Vice-President,
Advocacy



Michelle Auger
Senior Policy Analyst,
National Affairs

Input from CFIB members highlighting the challenges small businesses are facing with CARM

SME Challenges with CARM	Province	Sectors
“If we are only importing parts a few times a year, do we need to register? Will it help us? I have no information about this at all.”	Ontario	Construction
“Never heard of CARM and have not received any information regarding it. We are assuming our broker will handle any issues with this program.”	Ontario	Manufacturing
“Only about 20% of my clients are signed up for CARM, they either do not want to be bothered, do not care or simply are ignoring the issue. It remains to be seen if every importer is signed up before the May 2024 deadline. I do not see that happening. And will CBSA be prepared?”	Ontario	Transportation
The complexity of the CARM system		
“The set up is not very user-friendly. We had support through our broker, and they were helpful. It is very difficult to reach anyone at CARM for assistance.”	Ontario	Wholesale
“Our importing and exporting are minor and so irregular, the administrative burden and learning curve is huge.”	Alberta	Manufacturing
“So far CARM is very confusing. We opened our business this year and have been too busy during our startup phase to do the necessary research to properly understand CARM. It is on my 'to do' list of course but it is overwhelming.”	British Columbia	Retail
“Going to scale down business, getting too complicated.”	Alberta	Retail
“We will stop importing due to the complexities of CARM”	Manitoba	Retail
“The time commitment to implement CARM is significant, we only import and export occasionally and this represents a recurring time commitment.”	New Brunswick	Professional Services
Increased SME compliance		
“We have successfully used brokerage services, at low cost, and I cannot see any benefit to transfer administrative burdens onto small business owners.”	Ontario	Wholesale
“Cost of the bond for small business is an additional cost to our business every year.”	Alberta	Wholesale
“The money that needs to be put-up front: in essence CBSA is getting a loan from me. Where is my interest?”	Alberta	Wholesale
“We do not import or export enough goods to warrant the extra cost involved. The cost of the bond is prohibitive for the size of our business. The bond and other costs should be tied to the previous year’s importing and exporting record.”	British Columbia	Transport

<p>“It has taken work off our broker and passed it to us. This has been a very disappointing process, and I don't understand why this has been down. Our business is selling not brokering, and we'd prefer our broker to do it.”</p>	Manitoba	Retail
<p>Billing cycles and payments</p>		
<p>“It's so much pressure to have to pay the GST before the due date, we get the statements on the 25th and pretty much have to pay it right away so we won't be penalized. Which is especially inconvenient if you are a small business and the only one who can log onto online banking. It basically means that I have to make sure that I'm always accessible to the internet on the 25th no matter what. This meant that when I took some time off over Christmas, I was still required to make sure that I logged onto my email and paid for this invoice, which was very inconvenient. Previously we just paid everything to the Brokers and had 30 days from the invoice date to do so (so there was less pressure).”</p>	Manitoba	Wholesale
<p>“Online account statement is unclear as to what is owed.”</p>	Ontario	Manufacturing
<p>Uncertainties with the accuracy and consistency of CARM's assessments</p>		
<p>“Past outstanding balances that are currently listed in the CARM portal are not accurate and it has been difficult to communicate with the government about this.”</p>	Manitoba	Retail
<p>“Lack of specific information with regard to what is being billed - no information on which foreign company has the HST/duty charge against it.”</p>	Ontario	Wholesale