



The Newsletter of Customs Issues / GHY International / Winter 2004



TRADE LINES



OUR MISSION...

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

Top Priorities For Traders Border Security & Compliance

The fallout from September 11, 2001 has focused governments in Canada and the US on developing a "smart" border that facilitates the free flow of low-risk commercial and human traffic, while isolating high-risk goods and people who may pose a security threat.

The future of cross border trade is now in clear view...

Over the past three and half years, the architecture of the new border has taken shape, and is now poised to become the basis of the trading environment for decades to come.

Traders can expect to be rewarded for developing and implementing a coordinated compliance and security business plan, or face second class status for failure to do so, based on the following cornerstones:

Extensive shipment information to Customs in advance of arrival at the border;

Detailed advance review of all data by Customs for security and compliance integrity;

Thorough scrutiny of supply chain (shipper, consignee, carrier, driver);

Segmentation of traders into preferred and non-preferred status;

Streamlined clearance and accounting privileges for FAST traders

Full entry processing in advance of arrival for non-FAST importers

Penalties, fines, and sanctions for non-compliant traders.

The onus is now on traders to understand the changes, consider which programs to participate in based on a benefit/cost/risk assessment, and then act on their choices without delay.

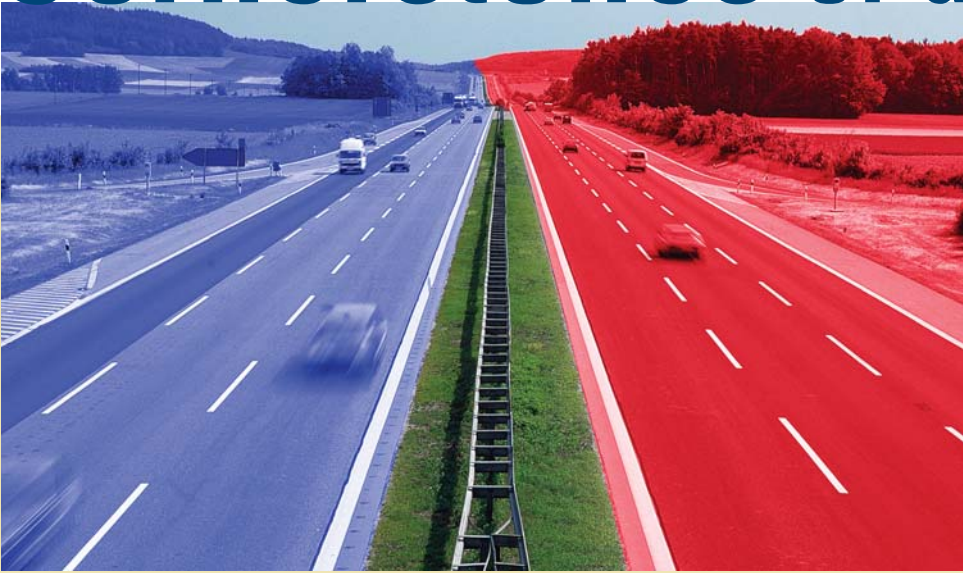
It is no longer an option to NOT have a security and compliance plan...

We strongly urge that our clients with regular import and export traffic undertake a proactive review of their trade practices, and develop a business plan that includes participation in the cornerstone programs that the Canadian and US Customs regimes are constructing around security clearance and compliance transparency.

The article on page 2, *Cornerstones of a Compliance and Security Plan*, provides a general overview of the major components of a sound trade strategy. Be sure to take advantage of the direct and personal access you have to your Canadian and US Account Manager for more information on each step, and guidance on a customized plan that makes sense for your company.

GHY International is PIP approved (Canada) and C-TPAT certified (USA)

Cornerstones of a Compliance



1. Design of a Compliance Verification Plan

As the importer of record, it is your responsibility to be compliant with Canadian and US Customs regulations that govern import and export trade.

It is imperative that you have systems in place to reconcile and report shipping and receiving discrepancies, verify that the appropriate 10 digit Harmonized System tariff classifications are applied to your products, validate origin for all products, possess Certificates of Origin if NAFTA benefits are being claimed, account for items that influence pricing, such as inter-company transfers, trade discounts, freight allowances, engineering costs, tool and die assists.

Failure to adequately address these core elements exposes your company to the risk of penalties under AMPS (Administrative Monetary Penalty System) in Canada, and even more aggressive fines and sanctions under US Custom's regulations, if your company is selected for a compliance verification audit, or one of your transactions is selected for detailed scrutiny.

2. Develop Quality Documentation Systems

Participation in the preferred import and export programs of Canada and US hinges on the integrity of information provided to Customs, and used by your carriers and customs broker to report shipments.

Match up the descriptions, part numbers, and HS codes of the products you ship with what is used on your documents, and instruct your US or foreign vendors to do the same, so there is consistency to what is indicated on purchase orders, commercial invoices, shipping manifests, customs entries, receiving reports, and internal accounting data.

3. Enroll in Canadian and US Customs security programs, C-TPAT, PIP

C-TPAT (Customs Trade Partnership Against Terrorism), and PIP (Partners In Protection) are US and Canadian initiatives respectively that require traders to complete a supply chain questionnaire, and develop security protocols for personnel, facilities, shipping and receiving, and transportation. Participation in these initiatives is the price of admission for preferred border access and privileges under FAST.

4. Participate in FAST (Free and Secure Trade)

Once approved under C-TPAT, exporters to the US are positioned for involvement in FAST (Free and Secure) processing of shipments at the border, on condition that they utilize FAST approved carriers and Registered drivers, and are eligible for monthly accounting and payment under ACE (Automated Commercial Environment). Shipments are cleared with greater speed and certainty, and reduced risk of costly delays, inspections, or denied access in the event of a heightened terror alert.



ance and Security Plan

PIP approved importers into Canada, are positioned for involvement in CSA* (Customs Self Assessment), which affords streamlined clearance for shipments carried by FAST approved Carriers and FAST registered drivers, streamlined accounting, and monthly payment on a summary basis for duty and GST.

Importantly, CSA approved importers are exempt from standard processing under ACI (Advanced Commercial Information) which involves full pre-arrival screening, detailed release, accounting, and financial reconciliation on a transaction by transaction basis.

**At press time, CSA participation has been limited to a very small percentage of large importers, due to restrictive eligibility requirements and costly information management requirements. Consideration is being given to a "middle" option that would soften the entrance and participation criteria to open the program to a broader base of Canadian importers.*

5. Select Certified Supply Chain Partners

In order to reap the benefits of C-TPAT, PIP, FAST, and CSA, traders must utilize certified service providers for transportation, distribution, warehousing, and customs brokerage. Your entire supply chain must qualify in order for shipments to enter Canada or the US under the streamlined FAST programs.

Review your service providers and develop a service agreement with each that clearly identifies your expectations for security clearance of conveyances, drivers, and facilities utilized in your import or export endeavors.

What are the benefits of developing a border security and compliance strategy?

- protection of your company's name and reputation
- reduction in the number of border inspections
- minimized border clearance time and predictable transportation costs
- reduced cost of compliance with Customs requirements
- streamlined release, reporting, and periodic financial settlement
- a strong and healthy relationship with Canada and US Customs
- qualification to work with other certified vendors and clients
- eligibility to compete for opportunities that require security clearance

What are the potential risks of not participating?

- increased exposure to penalties, restrictions, increased scrutiny
- increased logistics and transportation costs
- exposure to delays in border processing and delivery schedules
- denied access to the US in the event of another terror attack
- potential exclusion from business opportunities requiring approved security status

Avoid the pitfalls of not having a sound security and compliance strategy.

@ the border

AMPS Update

The Administrative Penalty System (AMPS) has been in place since October 2002, and since then Canada Border Services Agency (CBSA) has levied over 20,000 fines totaling in excess of 10 million dollars for a wide range of contraventions by carriers, importers, and brokers.

Importers are advised to review the full spectrum of their inbound supply chain to ensure the information reported to CBSA is accurate and consistent on all records from purchase order through to accounts payable, in the critical areas of product description, origin, and value.

Exporters who ship product to countries other than the US, export products on the Export Control List, or who transship goods via the US to other countries, are required to complete and file **B13A Export Declarations** or face stiff AMPS penalties starting at \$1,000 per infraction.

SIMA

(Special Import Measures Act)

Are your goods subject to provisional, anti-dumping, or countervailing duties? If so, it is imperative that documents be properly coded at time of accounting, or the importer will be subject to additional AMPS penalties.

In a nutshell, SIMA applies to bicycles and frames, carbon steel and pipe fittings, cigarette tubes, concrete reinforcing bar, dishwashers and dryers, various footwear, fresh garlic, granite memorials, meats and various food products, potatoes, certain steel fasteners, steel fuel tanks, steel pipe carbon-welded, steel plate-carbon hot-rolled, steel round bar-stainless, steel sheet-various, sugar, xanthates, and X-ray contrast media.

To determine if your goods are currently subject to SIMA, or if products you are planning to import may be affected, call your Account Manager or Bob Cowie of GHY Consulting.

ACI

CBSA is phasing in ACI (Advance Commercial Information), for all NON FAST/CSA imports, which involves review of all shipment data prior to arrival at the first point of entry into Canada.

The first phase of ACI was implemented in spring 2004 for ocean imports, and will be phased in for all other modes over the coming 12-15 months as follows:

Mode	Date	Pre-arrival Transmission Timeframes
Ocean	April 04	24 hours prior to vessel loading
Air	May 05	Flights under 4 hours: at time of take off Flights over 4 hours: 4 hours prior to arrival
Truck	Spring 06	Non FAST: 1 hour prior to arrival at the border FAST: No advance notice requirement
Rail	Spring 06	2 hours prior to arrival at the border

As ACI becomes applicable to all modes of transport, there will be significant impact on your carriers and GHY as your broker, as we will be required to collect and submit all information in advance of shipment arrival in order to secure release.

Textile Quota Elimination in 2005

Quotas on imported textiles and apparel will be eliminated effective January 1, 2005.

Goods shipped from a country of origin on or after January 1, 2005 will benefit from the quota elimination, however goods in transit or shipped to Canada in 2004 from a controlled country of origin will not be eligible for quota relief.

For more details, contact Bob Cowie of GHY Consulting.



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border

Prior Notice In Process of Being Phased In

Effective November 15, 2004, US Customs is demanding that carriers provide certain shipment information electronically via PAPS (pre-arrival processing system) at least 1 hour prior to the carrier's arrival at the first port arrival into the US.

Prior notice is being phased in over 2 months, with Pembina, North Dakota and Portal, North Dakota scheduled for implementation December 15, 2004.

Shippers who qualify for FAST and who utilize FAST approved carriers and drivers, need only provide information 30 minutes prior to arrival.

Customs Grandfathers Special Clearance Process For Line Release (BRASS)

Exporters who have been registered under the Line Release or BRASS program will be exempted from having to provide information in advance via PAPS under Prior Notice, provided that a FAST driver transports their goods.

It is unclear how long this provisional policy will be continued in its present form, but it is expected that at some point the streamlined process for BRASS or line release shipments will be terminated and replaced under ACE, an electronic cargo manifest system, in 2005 or 2006 .

100% Classification Prior To Release

Effective October 1, 2004, US Customs requires full and accurate tariff classification of all invoice lines on formal entries over \$200 prior to release.

Incomplete, inaccurate, or missing information will cause delays in processing and clearance times, and subject exporters to fines and penalties for failure to provide accurate information within prescribed time frames.

As your US Broker, we require your complete invoices a minimum of 4 hours prior to the anticipated arrival of the truck at the border, in order to process the information and forward to US Customs.

Further, we recommend you work with GHY USA to confirm the tariff classifications of your exported products to the 10 digit level, and then group your products on export documentation by tariff classification to reduce processing time and the risk of delays.

EIN Number For Each Consignee Now Mandatory

Effective October 1, 2004, shipment documentation must include the Employer Identification Number (EIN) of each ultimate consignee in order to enter into the US.

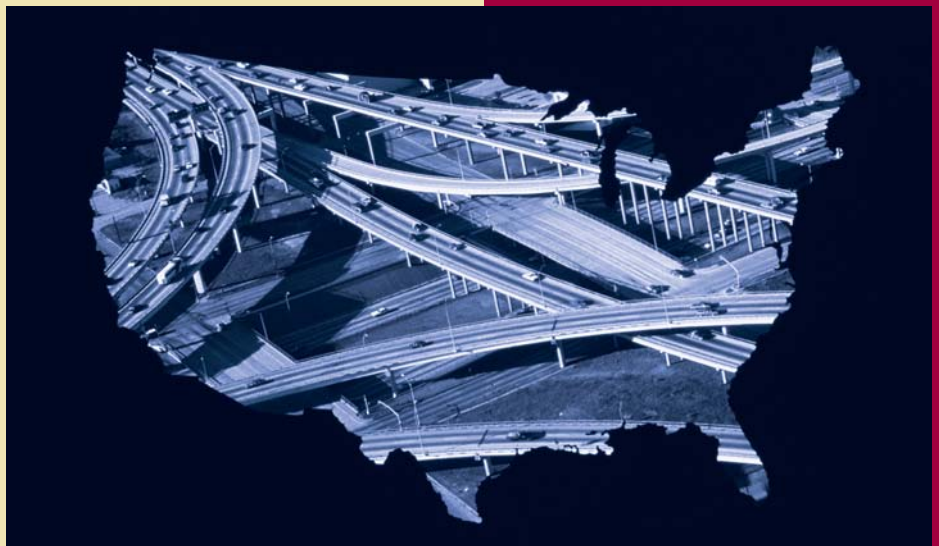
Failure to provide this information will result in the shipment being detained or refused at the border.

FDA Update

In December 2003 under the Bioterrorism Act, new procedures came into affect requiring a minimum of 2 hours prior notice to US Customs for products subject to Food and Drug Administration (FDA) regulations.

Stiff penalties were to be levied effective December 1, 2004 against importers who failed to provide adequate information or untimely prior notice, however the penalty regime is pending at the time of this publication.

To avoid delays now, and the possibility of penalties and denied access in the future, we recommend that you send GHY USA your shipment information well before the 2 hour minimum period, to allow for processing time.





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Have you checked out our new website yet?

We've redesigned it from the ground up to be **the** source you can turn to daily for easy access to information on importing and exporting including:

- Secure, confidential access to your Canadian import information
- Trade developments and global headlines updated daily
- Canada Customs and US Border Patrol news flashes and links
- Track and trace links to air, ocean, truck, rail carriers for shipment status
- Currency conversion and weights and measures version tools
- Canadian and US tariffs
- Download or print all major Canadian and US trade forms
- Online and stand alone document preparation solutions
- Directory of all GHY offices in Canada and the US
- Email access to your Account Manager and Support staff
- Access to current and back issues of *TradeLines*
- Summary of GHY products and services

Let us know what you think. Call Nigel Fortlage, VP Information Technology at 204 947 6851, or email your feedback and ideas to Nigel@ghy.com.