



# E-Commerce

## Stakeholder Engagement

May 22, 2019

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# Challenges of E-Commerce

- The rise in E-Commerce represents a fundamental shift to direct- to-consumer importation; dramatically increasing volumes of small parcel and low-value packages in the postal and express streams.
- These transactions have increased in complexity, involve more trade-chain intermediaries, and lack quality Electronic Advance Data (EAD) needed to perform risk.
- Different data element requirements between the U.S. and Canada can cause extra reporting burdens for industry.
- E-Commerce is challenging Customs organizations around the world to deliver on their missions and mandates.
  - How to effectively manage health, safety and security threats?
  - How to facilitate the movement of legitimate freight?
  - How to collect appropriate revenue?
  - How to determine liability and responsibility for provision of EAD?



# Environmental Context

- To enable greater consistency and ease of implementation, the CBSA Customs Strategy for E-Commerce should align with international and North American standards (United States, B5, World Customs Organization (WCO), and the Universal Postal Union (UPU))
  - The WCO is tackling issues of liability, but is also close to establishing a framework of international standards to support consistency of requirements for global E-Commerce.
  - The UPU is seeking to mandate EAD in the Postal stream by 2021.
  - The STOP Act will require 70% of international mail to submit EAD by December 31, 2019 and 100% by December 2020. Legislation will require USPS to refuse shipments without EAD beginning in 2021.
  - The B5 has emphasized the importance of data analytics and collaboration on data sharing.
- In addition, the E-Commerce Customs strategy must take into consideration the domestic context, including:
  - The Office of the Auditor General review and recommendations on Cross Border E-Commerce (provincial sales tax and goods and service tax collection)
  - CUSMA Articles 7.7 and 7.8 (simplified and electronic customs processes to expedite release, and expedited release for express shipments, with new tiered de minimis threshold)
  - Privacy implications, and required legislative and regulatory changes
  - Canada Post (challenges related to volume and capacity to modernize and automate processes)



# WCO Framework of Standards

- In 2019, with the United States (US) Customs and Border Protection (CBP) and CBSA taking an active role, the WCO working group on E-Commerce drafted the Framework of Standards on Cross-Border E-Commerce.
- The framework establishes global guidelines for cross-border E-Commerce, and at its core is the exchange of advance electronic data for an effective risk management and enhanced facilitation of growing volumes of small and low-value shipments by adopting simplified procedures with respect to clearance, revenue collection and returns.
  - Intended to provide global standards to assist in the development of E-Commerce strategic and operational frameworks;
  - Provides standards for the effective management of cross-border E-Commerce (facilitation, security, revenue collection);
  - Implementation of the Framework may require a phased approach in accordance with the organization's priority, capacity and resources.



# CBSA E-Commerce Customs Strategy

- Keeping the WCO Framework in mind, and to address the challenges that E-Commerce presents, the CBSA has developed an E-Commerce Customs Strategy, based on the fundamental principle of leveraging advance information, analytics and automation.
- The Agency will also focus on streamlining processes, investing in infrastructure and leveraging technology to support delivery on all aspects of our mandate.
- The Agency is looking to collect advance electronic data and have the tools in place to:
  - Identify and target high risk health safety and security shipments within the courier stream; and
  - Support revenue assessment and collection.
- This desired end state consists of streamlined processes and technology-enabled business solutions to manage the rapid growth in volume, and increase our ability to process large volumes of transactional data.



# Moving Towards the End State

The Agency seeks:

- Investment in two E-Commerce proofs of concept (PoC) (advance mail data and express systems), as part of CBSA Renewal submission, to test the concept of analytics and cloud computing.
- New authorities to mandate submission of electronic advance information
  - Removal of exemption for express (Regulatory package)
  - Mandate advance information for postal stream (Legislation and regulations to support UPU commitment to require EAD)
- Legal interpretation of the Agency's authority to use 3<sup>rd</sup> party data
  - Ensure the Agency has authority, specifically from a privacy perspective, to use 3<sup>rd</sup> party data to enhance analytics capacity.
- Review of data and release requirements for commercial imports in the low value stream. (Manifest release).
- Broader investments in systems, innovative technology and predictive analytics to process the vast volumes of shipments to make informed risk assessment and revenue collection decisions.



## Preclearance

- As part of the customs strategy to streamline processes, the Agency will continue to working with industry and U.S. counterparts to position Canadian officers on U.S. soil to clear goods prior to arrival at the border, interdicting high risk goods earlier in the supply chain, and leveraging infrastructure to facilitate the movement of large volumes of E-Commerce goods.
- Border services officers would leverage existing industry processes and infrastructure to facilitate preclearance, mitigate secure corridor concerns, and mitigate congestion and infrastructure challenges at the border.
- The CBSA will partner with industry volunteers to incrementally test operating procedures, infrastructure and logistical requirements, in pilot settings within the U.S.



# Innovative Initiatives: Overview

- Electronic advance information, new analytics techniques and the introduction of cloud-based computing are essential to rapidly respond and adapt to changes in an evolving environment.
- In support of the E-Commerce Customs Strategy, two specific PoCs have been identified:
  - **Advance Mail Data Pilot** : Prove the business value of advanced and augmented data sets to enable better risk management and clearing of mail pre-arrival
  - **Express Pilot** : Set up a system capable of managing transactional data for express shipments.
- The POCs align with the Agency's Modernization automation and data analytics pillars, are focused in scope, and could be a quick win for the Agency's Enterprise Data Analytics Strategy / Initiative.
- They leverage data readily available (through industry or third parties).





# Next Steps

- Prepare the Business Case for Treasury Board submission (for Budget 2020 consideration).
- Stand-up two proof-of-concepts (PoCs) and data requirements:
  - Advance Mail Data
  - Express
- POST Targeting System Updates
  - The ability for the POST system to receive and consume electronic declarations that contain Chinese characters
- Cloud Computing and Analytics
  - A Protected B Cloud-based requirement for the Express cargo data to receive, process and conduct analysis



# Questions?

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