

CANADA'S EMANIFEST INITIATIVE:

Mandatory Electronic Pre-Filing for all Canada-Bound Shipments



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Introduction

U.S. businesses that ship to Canada have a new word to add to their customs compliance vocabulary list. That word is eManifest, and it refers to the Canada Border Services Agency's (CBSA) newest customs compliance mandate. eManifest (electronic manifest) became mandatory in July 2015, and it essentially requires that shipment and conveyance information be electronically transmitted to the CBSA prior to a shipment's arrival at the Canadian border.

The eManifest initiative is an integral part of Canada's risk-based border security effort through which CBSA agents focus on potentially hazardous or suspect shipments headed for the border while permitting low-risk shipments to pass through largely unencumbered.

As the CBSA described the initiative in its eManifest [regulatory impact statement](#): "It is an ongoing challenge for the CBSA to deliver consistently on both the security and facilitation aspects of its mandate while facing an increase in volume of commercial goods coming into Canada. The CBSA must ensure that costs and delays associated with clearance processes on legitimate shipments are minimized while also identifying

and mitigating threats to national health, safety, security, and prosperity."

"To meet this challenge, the CBSA relies on a risk-based, intelligence-driven approach, concentrating its efforts on commercial goods of high or unknown risk while facilitating the entry into Canada of goods deemed to be low risk."

eManifest is the mechanism through which CBSA collects and analyzes all shipment information and determines if additional scrutiny is warranted. eManifest has been in development for the past several years, as the CBSA worked with stakeholders—businesses, transportation companies, logistics providers, customs brokers—to develop a system for capturing all required data.

The eManifest development team, known as the [Stakeholder Partnership Network](#), recognized that a project of this scope could not be addressed through any one-size-fits-all solution. There were many reasons for this realization including the sheer volume of data that would need to be collected and managed, the vastly different types of parties that would be supplying data, and stakeholders' varied comfort with and access to technology and web-enabled processes.

"CBSA relies on a risk-based, intelligence-driven approach, concentrating its efforts on commercial goods of high or unknown risk while facilitating the entry into Canada of goods deemed to be low risk."

Source: Canada Border Services Agency

Instead, stakeholders have a choice: A party can choose to comply with eManifest via an electronic data interchange (EDI), through THE CBSA's web-accessible customized portal, or through an approved third-party service provider.

As the following discussion will make clear, eManifest can be a highly confusing and exacting mandate. Many businesses choose to enlist a qualified third party to oversee the process on its behalf. Regardless of how hands-on a business chooses to be, familiarity with the initiative is important since ultimate [responsibility](#) for compliance rests with the owner of the shipment and not with the agent hired to manage the process on a business's behalf.

Advance Commercial Information and eManifest

When the Canadian government set out to minimize the threat of hazardous goods or contraband arriving at its borders, it smartly recognized that (a) not all inbound cargo poses the same threat; (b) cargo arriving via ground is different than cargo arriving via air or water or rail; and (c) any new regulations would have to be implemented very carefully so as not to disrupt the nation's economy and supply chain.

The result is the [Advance Commercial Information \(ACI\)](#) program, which was introduced in 2004 and serves as the cornerstone of Canada's border security efforts. ACI is based on the premise that advance notice will allow CBSA officers to prioritize and identify potential high-risk shipments ahead of time, thereby ensuring that adequate personnel are available when a high-risk shipment arrives. This risk-based approach also means that "regular" shipments can usually pass through customs with minimal delays.

ACI was introduced in three separate phases, with three clear priorities:

- To target high-risk shipments as early in the process as possible
- To provide expedited border clearance for low-risk commercial goods
- To improve the consistency and predictability of the border clearance process

Phase One

The first phase of ACI was implemented in 2004 and established advance electronic information requirements for shipments arriving in Canada via water. Marine carriers are now required to submit information electronically to the CBSA 24 hours before the goods are loaded onto a vessel at a foreign port or 24 hours prior to the vessel's arrival at a Canadian port depending on the type and origin of the goods.

Phase Two

The second phase was implemented in 2006 and affects shipments arriving via air. As of 2006, commercial air carriers are required to transmit shipment information four hours prior to arrival in Canada.

Phase Two also expanded information requirements for the marine mode to cover marine shipments arriving in Canada that were loaded in the United States.

Phase Three

The third phase is commonly referred to as eManifest. It establishes advance notification requirements for shipments traveling by highway and rail, and it also provides additional support for the marine and air modes.

eManifest is the third phase of Advance Commercial Information and requires highway carriers to transmit shipment data at least one hour prior to arrival at the border.

THE THREE PHASES OF ACI

	PHASE ONE	PHASE TWO	PHASE THREE <i>(also referred to as eManifest)</i>
Transport Mode Affected	Marine Cargo loaded in non-U.S. ports	Air Cargo and Marine Cargo loaded in U.S. ports	Cargo traveling via highway or rail
Date of Compliance	April 2004	July 2006	July 2015
Rules of Compliance	Electronic manifest must be filed at least 24 hours before a shipment's scheduled arrival.	Air: Electronic transmission of data at least 4 hours prior to arrival at Canadian airport. For flights less than 4 hours in duration, information must be filed at time of departure. Marine: Electronic transmission of data 24 hours prior to scheduled arrival in Canadian port.	Rail: Electronic transmission of cargo data at least 2 hours prior to arrival in Canada. Highway: Electronic transmission of cargo data at least 1 hour prior to arrival in Canada and up to 30 days in advance.

eManifest—Third Phase of the Advance Commercial Initiative

An underlying principle of ACI, as defined by the CBSA, is “getting the right information to the right people at the right time.” By requiring shipment information to be transmitted to the CBSA prior to arrival in Canada, the agency has an opportunity to assess risk associated with each shipment and make informed decisions about how each shipment should be processed upon arrival. This builds a degree of predictability into the system and minimizes delays for most shipments, which are considered low risk.

Although ACI addresses shipments arriving via all transport modes, the eManifest requirements generally receive the

lion's share of attention since a majority of shipments—[70 percent](#) during 2012—cross the border via truck or rail.

The CBSA's challenge then was to develop a process whereby businesses, transportation providers, 3PLs, custom brokers, and every other stakeholder could provide the required information, but in a way that was not too onerous or cost prohibitive. Specifically, the CBSA had four key considerations in mind as it began the enormous task of building a data processing system:

- To develop a system that could accommodate the tremendous volume of data that would be coming its way
- To gain buy-in from all stakeholders to ensure the integrity of the data being entered into the system

Roughly 70 percent of shipments arrive at the Canadian border via truck or rail.

Source: U.S. Federal Highway Administration

- To align the system to the extent possible with international standards, specifically with advance filing procedures in place in the United States, which is Canada's largest trading partner
- To create a system that was user-friendly and did not present too much of a compliance or cost burden on businesses

Building the System—Volume of Data/Multiple Stakeholders

While Phases I and II of ACI provided a mechanism for electronic submission of data for air and marine shipments, no such process was in place to capture information for shipments entering via highway and rail, even though the vast majority of shipments were entering Canada via these transport modes.

As a result, the agency's first concern was to build a system that could accommodate this tremendous amount of data, and that also allowed for storage of historical data, so that shippers could maintain an account and easily access records for prior shipments.

The CBSA recognized early on that there would be no one-size-fits-all solution. Data would be coming in from a multitude of sources—large businesses with ample resources; smaller enterprises that could not take on an expensive new compliance regime; entities with various levels of IT expertise, including some businesses that still complete paperwork manually or rely on very basic legacy systems.

To address these issues, the CBSA chose to develop options for compliance based on need, preference, and affordability. The agency assembled a working group of stakeholders to solicit feedback and make sure they were heading toward a practical solution. This group, called the [eManifest Stakeholder Partnership Network](#), met from 2007-2014 and included representatives of all key groups.

Ultimately, it was decided to give parties a choice of how to transmit data to the CBSA: Either through one of four electronic data interchange systems, known as EDIs, or through a customized web-accessed eManifest portal.

Companies with high volumes of shipments will likely use an EDI option, while those with fewer shipments will be better served by the eManifest portal.

Businesses opting to use an EDI will have four options from which to choose. The differences between the four generally depend on type of business, volume of shipments, technical capabilities, and budget.

The Four EDI Options Include:

- A Value-Added Network (VAN) is a public EDI network that allows users to exchange data with a large number of trading partners using a single communication interface. Clients are responsible for the payment of their VAN connection and costs for transmitting their messages through the VAN to the CBSA.
- A third-party service provider, which can include any one of a number of CBSA-approved providers. the CBSA maintains a list of providers that offer software that has been tested and is compatible with eManifest requirements.

- Customs Internet Gateway (CIG) was developed by the CBSA to allow businesses to transmit and receive data over the Internet. Clients are required to purchase specific software for encryption and decryption and to develop, or purchase, the protocol software necessary to connect to the gateway. In addition, a participant must apply for and be given authority via an electronic access device known as a Public Key Infrastructure (PKI). The system only works though from computers physically located in Canada.
- Direct connect to the CBSA is an alternative that provides customers with a direct connection to the CBSA. The option requires an initial investment of roughly \$25,000, along with annual maintenance fees of about \$6,000. This option is best suited for large businesses with multiple daily transactions.

Another Option—the eManifest Portal

Since any of these EDI options require a fairly sophisticated IT system as well as an outlay of funds, the CBSA developed its eManifest [portal](#), primarily for small- to medium-sized businesses. The portal was designed to be extremely user-friendly. To gain access, a party simply needs an Internet connection, a browser, and a CBSA account number. The portal can be accessed free of charge.

Through the portal, a business can take advantage of a number of benefits:

- Paperless transmission of data directly to the CBSA
- Electronic receipt from the CBSA once data is received
- Electronic updates from the CBSA
- Ability to confirm trade data, whether it is transmitted through the portal or through an EDI
- Receipt of messages from CBSA with periodic system updates, as well as account-specific information

Whether a business chooses to transmit data via the eManifest portal or through an EDI option, the CBSA imposes strict deadlines with regard to timeliness for data submission. For the majority of shipments, which arrive via highway, information must be pre-filed at least one hour prior to arrival.

Building the System— Alignment with International Standards

The CBSA was very cognizant that it was not the first country to put in place an electronic pre-filing system. In fact, the United States has required advance filing since 2003.

This is done through the U.S. Customs and Border Protection (CBP) agency and its Automated Commercial Environment initiative—known as ACE—which is the system in place for collecting this data.

To access the eManifest portal, a party simply needs an Internet connection, a browser, and a CBSA account number.

Since the U.S. and Canada have such a lucrative and enduring trade relationship—more than \$1.7 billion in goods cross the border every single day—it made sense for the CBSA to try and align its new electronic filing system with what the U.S. already has in place.

In addition, the U.S. and Canada have pledged to find ways to streamline the border clearance process going forward, wherever it makes sense. President Barack Obama and Prime Minister Stephen Harper agreed to the “Beyond the Border” initiative in 2011, which committed the two countries to aligning commercial import processes and eliminating as much redundancy from the system as possible.

eManifest—Many Years in the Making

Once the CBSA determined to allow eManifest access either via an EDI option or the web-based eManifest portal, it then set out to create the necessary frameworks and to thoroughly test the new system to ensure a smooth, glitch-free rollout.

The agency announced that it would be ready to begin testing in 2009 and advised the trade community to take the necessary steps to ensure compliance. But, as the agency soon learned, the design, development, and testing stages proceeded at their own pace, which was clearly not aligned with the CBSA's carefully crafted deadlines.

As a result, the 2009 deadline came and went, as did numerous subsequent deadlines.

Finally, in November 2012, the CBSA announced what it called an “informed compliance period,” in which all highway carriers were expected to be using the new system, although penalties would not be assessed for noncompliance.

Businesses and stakeholders were advised to use the informed compliance period to take steps necessary to (a) educate themselves about eManifest and (b) to bring their business into compliance.

That compliance period—originally scheduled to remain in effect for six months—lasted until May 2015—almost three years. In May 2015 the CBSA published its final regulatory rule, announcing that as of July 10, 2015, eManifest would be compulsory for highway carriers, rail carriers, and freight forwarders.

Penalties for Noncompliance

When the CBSA announced that eManifest compliance would be mandatory as of July 2015, the agency also announced a transition period to last until January 10, 2016. During that time period, any shipment found to be noncompliant will be issued what is called a zero-rated penalty, which incurs no monetary fine.

After that transition period ends, any carrier that does not comply with eManifest requirements will face monetary penalties, as outlined in Canada's Administrative Monetary Penalty System—known as [AMPS](#).

No monetary fines
will be imposed on
noncompliant businesses
until January 2016.

eManifest—Compliance

Once a business decides on its preferred method of interaction with the CBSA—either via the eManifest portal or an EDI option—it will need to begin the compliance process.

Every business submitting eManifest data must register with the CBSA and set up an account. The first step is to apply to the CBSA for what is called a “credential,” which serves as a business’s unique identifying password. The Canadian government recognizes two different types of credentials:

- [GCKey](#), whereby a unique government-issued ID/ password allows an individual to gain access to government programs and services including eManifest. To obtain a GCKey, an application must be submitted directly to the Canadian government’s GCKey service.
- Sign-In Partner, which is generally issued by financial institutions. This is similar to an online banking PIN number. The Sign-In Partner allows businesses that already have established online banking credentials to use their unique code to access eManifest. The Sign-In Partner option is currently available for parties with accounts at Canadian banks, including TD Bank, Scotiabank, and BMO Financial Group.

Business Account or User Account?

Once a business has obtained a credential, it will need to decide which type of account to maintain. There are two options, a business account and a user account.

Business accounts can only be established by a single authorized representative. That representative is known as the account owner and will have sole responsibility for the account.

Two things are needed to establish a business account: a client identifier and something known as “a shared secret.”

A *client identifier* is a unique number that identifies a trade chain partner.

- For highway carriers and freight forwarders, the client identifier is a four-digit carrier code assigned by the CBSA to a carrier.
- For warehouse operators, it is a sublocation code.
- And for brokers, it is an account security number.

A *shared secret* is a temporary access code that the CBSA issues to a business wishing to set up a business account in the eManifest portal. The shared secret is valid for 90 days, and it is used to authenticate and validate a business that has applied for a business account.

The shared secret and client identifier are only necessary if a business is setting up a business account.

eManifest portal user accounts. All other users will set up an *eManifest portal user account*, which is a much simpler process. A user will supply a name, email address, telephone number, and valid credential. But keep in mind that a business account owner can then align a party's user account with its business account and assign user roles and statuses.

Once a user account has been established, an applicant will be provided with a *user reference number*, which will be used to identify an account with the CBSA.

eManifest Roles and Responsibilities

The CBSA [addressed](#) the need for data integrity by assigning specific roles and responsibilities to each individual in a supply chain continuum. Each stakeholder is responsible for providing specific information, which is then compared to information provided by other trade chain partners to ensure the integrity, accuracy, and completeness of information.

Within the hierarchy of eManifest users, there are several designated categories.

The *account owner* has the unique ability to register and update a business account. Depending on the account owner's type of business, different privileges can be accessed, including viewing, creating, editing, and removing trade documents within the system. The account owner also determines which other portal users can have access to its account information.

The *proxy account owner* is granted privileges by an account owner. The proxy account owner can view and revise trade documents, and he/she can also assign user roles or statuses.

The *account user* can be granted account access by the account owner or proxy owner, and he/she has the ability to view and revise documents but cannot update a business account or grant or suspend user privileges.

And finally, the *account browser* is a user granted read-only access privileges by the account owner or the proxy account owner.

The CBSA was very methodical in designing these different levels of responsibility. By carefully controlling access to business accounts, the CBSA built in a high degree of accountability so that data accuracy could easily be verified and a business could be assured of the security of its transmissions to the CBSA.

Required Data and Trade Documents

Once an eManifest account has been established, a business can access the eManifest system and enter required data elements. All shipments, regardless of mode of transport, must be accompanied by certain information including:

- Shipper Name and Address
- Consignee Name and Address
- Delivery Name and Address
(if different from the Consignee)

- Cargo Description (packaging type and quantity)
- Gross Weight of Shipment
- Customs Self-Assessment (CSA) information (if applicable)

In addition, subsequent documentation is required for each transport mode.

For shipments entering Canada via truck, [three](#) different trade documents may need to be transmitted to the eManifest portal:

Highway Cargo Document. The Highway Cargo Document provides the CBSA with the initial record of a shipment that will be arriving in Canada. This is also known as a Cargo Control Document and is identified by a Cargo Control Number—CCN.

Highway Conveyance Document. This document provides information about the vehicle being used to transport goods entering Canada. This document is identified by a Conveyance Reference Number—CRN.

Combined Highway Document. This document can be used as an alternate to the Cargo and Conveyance Documents. The Combined Highway Document merges the two documents into a single document for easier data entry. However, once submitted through the Portal, the combined document will be split into two separate categories based on the Cargo Control Number and the Conveyance Reference number. And the CBSA is very particular about how goods using the combined document arrive at the border. Specifically, the combined

document can *only* be used if there is one CRN, one CCN, and cargo is located either in the tractor, trailer, or container.

A final point to keep in mind is that a Highway Cargo Document must be submitted and accepted by the CBSA *before* the Highway Conveyance Document can be submitted. Failure to receive that prior approval—and this is taken directly from the CBSA website—will lead to a rejection of your Highway Conveyance Document.

In addition, the *cargo description* must identify the shipment with some degree of specificity. The CBSA offers a [chart](#) that suggests possible item descriptions. For example, an appliance should be called an oven, refrigerator, or a microwave, and not simply “an appliance.” Medical devices should be referred to with specificity as syringes, gloves, or a dialysis machine. And sporting goods equipment should be called hockey sticks, soccer balls, or baseball bats.

Clearly, understanding and complying with eManifest is a complicated process that will require a good understanding of the process and a significant amount of time. And keep in mind, the CBSA will impose fines for improper filings.

eManifest Best Practices

The CBSA offers a list of “[best practices](#)” for help in avoiding some more common mistakes:

1. Make sure the Cargo Control Number transmitted via eManifest matches the number presented by the driver upon arrival at the border.
2. Provide accurate Conveyance Reference Numbers on brokered loads. Since many highway carriers contract with secondary carriers to transport goods on their behalf, it is essential that the CRN of the vehicle actually transporting the shipment is included on all data inputted into the portal.
3. Make sure the driver has the correct documentation upon arrival at the border.
4. Communicate with your trade chain partners.
The CBSA advises businesses to establish communication links with their trade chain partners to ensure that all parties are using the same Cargo Control and Conveyance Reference Numbers when submitting information to customs brokers or other trade-related partners.

Exemptions

Businesses that ship to Canada should assume that eManifest compliance will be mandatory. However, there are limited [exceptions](#). According to the CBSA, shipments that enter Canada under the “trusted trader” Courier Low Value Shipment program, which are generally smaller shipments valued at less than CAD \$2,500, will not have to comply with eManifest. Postal shipment full loads are also exempt, as are exports from Canada.

eManifest Benefits

Although eManifest was originally conceptualized as a key part of Canada's risk-based border security strategy, the initiative has the added benefit of simplifying the border clearance process for low-risk shipments. Sending shipment information ahead of time allows authorities to effectively prescreen shipments before they arrive at the border. This means shorter wait times and an estimated \$390 million in annual savings from reduced delays and paperless transactions.

Conclusion

When the Canada Border Services Agency announced in May 2015 that its long-awaited eManifest initiative would finally become mandatory in July 2015, there was almost a sigh of relief within the trade community. After all, the eManifest system had been in various stages of development and testing for more than five years, with several “firm” deadlines postponed.

“Most of our members were already complying with the eManifest requirements,” Mike Millian, president of the Private Motor Truck Council of Canada told [Canadian Shipper](#). Furthermore, he added, “voluntary trials have proven that eManifest expedites clearance at the border.”

It seems then, that eManifest might just be worth the wait. With its dual benefits of helping promote border security while simultaneously expediting clearance times, the trade community just might see a noticeable improvement in the customs process.

But, as businesses take steps to ensure they are in compliance, it's worth noting that help is available. Most businesses, in fact, choose to enlist a qualified third party to manage the eManifest process on their behalf. A customs broker or logistics provider, for example, with extensive experience with the CBSA will be able to seamlessly ensure full compliance. However, a business needs to make sure it has enlisted a third party that truly does have the necessary experience. As the CBSA makes clear, failure to comply is ultimately the owner of the shipment's responsibility.

Purolator. We deliver Canada.

Purolator is the best-kept secret among leading U.S. companies who need reliable, efficient, and cost-effective shipping to Canada. We deliver unsurpassed Canadian expertise because of our Canadian roots, U.S. reach, and exclusive focus on cross-border shipping.

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