



Canada Border
Services Agency

Agence des services
frontaliers du Canada



Evaluation of the Commercial Program in the Air Mode

Evaluation Report

Internal Audit and Program
Evaluation Directorate

March 2017

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Acronyms and Abbreviations

Abbreviation / Acronym	Definition and Description
ACI	Advance Commercial Information
AMPS	Administrative Monetary Penalties System
AMP	Administrative Monetary Penalty
AOE	Airport of Entry
BSO	Border Services Officer
CBSA	Canada Border Services Agency
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CLVS	Courier Low Value Shipment
EDI	Electronic Data Interchange
FTE	Full Time Equivalent
FY	Fiscal Year
GTA	Greater Toronto Area
NHQ	National Headquarters
NOR	Northern Ontario Region
NTC	National Targeting Centre
OECD	Organisation for Economic Co-operation and Development
OGD	Other Government Department
OITP	Officer Induction Training Program
POE	Port of Entry
RMD	Release on Minimum Documentation
SOR	Southern Ontario Region
US	United States

[*] An asterisk appears where sensitive information has been removed in accordance with the *Access to Information Act* and the *Privacy Act*.

Executive Summary

Program Description

The Commercial Program in the air mode is a sub-program of the Admissibility Determination Program (1.3) of the current Program Alignment Architecture (PAA). The sub-program includes four modes (air, rail, marine and highway) and covers both traveler and commercial processing. Commercial processing refers to the systematic assessment of goods/cargo.

In support of the Canada Border Services Agency's (CBSA) mandate, the Commercial Program in the air mode facilitates the reporting, release, and interim accounting of imported commercial shipments, while ensuring that risks are effectively managed and that the legislative requirements for the importation of these goods into Canada are met.

Evaluation Purpose, Scope and Limitations

The purpose of this evaluation is to assess commercial imports in air mode. Specifically, this evaluation focuses on the primary and secondary operations carried out by border services officers (BSO) working in the commercial air stream. These activities include the review of release, referrals for examinations, secondary examinations, and conveyance examinations.

This evaluation excludes courier low value shipments (CLVS), exports and pre-arrival risk assessment of shipments by the National Targeting Centre (NTC). The centralization of targeting was evaluated and audited in 2015 and as such, air cargo targeting was not assessed in this evaluation. However, the linkage and interaction between air cargo targeting and commercial examinations is examined and discussed to improve program effectiveness and efficiency.

At the time of this evaluation, the program did not have an approved Logic Model (LM), Performance Management Strategy or key performance indicators. As a result, indicators for the purposes of the evaluation were designed and developed to gauge the program's contribution to achieving its immediate outcomes as identified in the draft LM.

Findings

Relevance

The Commercial Program in the air mode provides the Agency with mechanisms to facilitate the processing of low-risk goods, allowing BSOs to focus on high-risk, unknown-risk or regulated goods. The program supports the priorities of the Government of Canada by ensuring greater border security while ensuring that high-risk goods are identified and effectively managed. The program is also aligned with the federal roles and responsibilities to enforce the *Canada Border Services Agency Act (CBSA Act)* and the *Customs Act*.

Achievement of Expected Outcomes

Enhanced collaboration and coordination with air partners

Overall, the program's collaboration, positive working relationships and engagement with Other Government Departments and key stakeholders have contributed to the facilitation of the flow of legitimate goods and interdiction of illegitimate goods.

Improved flow of legitimate goods and improved identification and interception of inadmissible goods

The program has contributed to the expedited release of legitimate goods through the various mechanisms in place that assess risk and identify high-risk goods to be intercepted and examined.

Although, the program contributes to its immediate outcome of identifying and intercepting inadmissible goods by examining the majority of referrals, given the limited data available, the extent to which the program is meeting its outcomes could not be assessed.

Increased compliance of air shipments

The extent to which the program is achieving its expected outcome of increasing compliance of air shipments could not be assessed, given that the effectiveness of the Administrative Monetary Penalties (AMPs) intended to encourage commercial compliance is unknown.

Demonstration of Efficiency and Economy

[*] A Resource Allocation Model (RAM) for commercial processing is currently being developed by Programs Branch and this will facilitate the assessment of efficiency and economy in the future evaluations.

Recommendations

To enhance the delivery, management, and reporting on performance of the Commercial Program in the air mode and to ultimately ensure that it achieves its objective, the evaluation recommended that:

1. The Vice-President of Programs Branch should implement a performance measurement strategy, including benefits realization, to allow management to assess how new initiatives contribute to the efficiency and effectiveness of the Commercial Program in the air mode.
2. The Vice-President of Programs Branch should develop and publish service standards for commercial primary processing.
3. The Vice-President of Programs Branch should track and report on the outcome of referrals to other government departments and agencies.

Introduction

A primary role of the Government of Canada is to maintain the safety and security of Canada and its citizens through crime prevention, law enforcement, securing Canadian borders, and emergency preparedness, while supporting the Government's economic agenda. The Canada Border Services Agency (CBSA), within the portfolio of the Minister of Public Safety and Emergency Preparedness, provides integrated border services that support national security priorities and facilitate the free flow of admissible people and goods.

In support of the CBSA's mandate, the Commercial Program in the air mode facilitates the reporting, release, and interim accounting of imported commercial shipments, while ensuring that risks are effectively managed and that the legislative requirements for the importation of these goods into Canada are met.¹

This evaluation assesses commercial imports in air mode and excludes courier low value shipments (CLVS), exports and pre-arrival risk assessment of shipments by the National Targeting Centre (NTC). In response to the findings and recommendations made in this evaluation, a Management Response and Action Plan (MRAP) is presented in Appendix A.

Program Context

In the commercial stream, carriers and freight forwarders are required to report on commercial goods before they arrive in Canada. This is accomplished through the provision of Advance Commercial Information (ACI), which is electronic pre-arrival information related to the goods being transported to Canada.² ACI assists the Agency in identifying threats at the earliest point in the trade continuum and facilitates the flow of legitimate goods. Importers are required to account for the imported commercial goods destined for entry into the Canadian economy. Upon arrival, shipments can be: a) released at a designated sufferance warehouse; b) held by the CBSA pending submission of the importer's release declaration; c) referred for examination by the CBSA or an OGD. Carriers, freight forwarders, importers or brokers found to be in violation of applicable legislation and/or regulations may be subject to enforcement action. A more detailed description of the program is available in Appendix B.

The Commercial Program in the air mode has a draft Logic Model with the following outcomes:

- Immediate Outcomes:
 - Enhanced collaboration and coordination with air partners;
 - Increased compliance of air shipments;
 - Improved identification and interception of inadmissible goods; and
 - Improved flow of legitimate goods.
- Intermediate Outcomes:
 - Accurate, consistent interpretation and application of Canada's commercial border legislation, policies, and procedures; and
 - Commercial shipments are in compliance with Canada's commercial border legislation and legitimate shipments are expedited.

¹Source: Internal CBSA documentation.

²Source: CBSA 2014-2015 Departmental Performance Report. Retrieved from: <http://www.cbsa-asfc.gc.ca/agency-agence/reports-rapports/dpr-rmr/2014-2015/report-rapport-eng.pdf> (Accessed on June 6, 2016).

Evaluation Purpose, Scope and Methodology

The Commercial Program in the air mode is a sub-program of the Admissibility Determination Program (Program Activity Architecture (PAA) 1.3). The sub-program includes four modes (air, rail, marine and highway) and covers both traveler and commercial processing. Commercial processing refers to the systematic assessment of goods/cargo. The PAA is currently being revised to become the Departmental Results Framework.

The Commercial Program in the air mode was identified for evaluation in FY 2015-2016 within the 2015-2020 CBSA Five-Year Evaluation Plan, and was approved by the Executive Evaluation Committee in May 2015. An audit of Air Cargo was conducted in 2014; however, the Commercial Program in air mode has not been evaluated.³

In accordance with the 2009 Treasury Board Secretariat (TBS) *Policy on Evaluation*, this evaluation examined the relevance and performance (effectiveness, efficiency, and economy) of the Commercial Program in the air mode based on data collected for the time period of FY 2011-2012 to FY 2015-2016. The scope of the evaluation focused on the primary and secondary operations carried out by Border Services Officers (BSO) working in the commercial air stream. These activities include the review of release, referrals for examinations, secondary examinations, and conveyance examinations.

The centralization of targeting was evaluated and audited in 2015 and as such, air cargo targeting was not assessed in this evaluation. However, the linkage and interaction between air cargo targeting and commercial examinations is examined and discussed to improve program effectiveness and efficiency.⁴

The evaluation research phase was conducted between March and May 2016 and included both quantitative and qualitative research methods (refer to detailed description in Appendix C). The evaluation team conducted interviews, analyzed program performance data, human resources, and financial data, reviewed key program documentation and conducted field research in three regions.

For this evaluation, the following limitations should be considered:

- The program's current Logic Model is in draft form. It is currently under review to ensure alignment with the new TBS Policy on Results and the Departmental Results Framework. The evaluation used proxy measures to assess the program's immediate outcomes;
- [*⁵]
- Financial data is based on salary expenditures derived from specific activity codes. The evaluation could not attribute 100% of resource expenditures to the Commercial Program in the air mode.

³Source: Internal CBSA documentation.

⁴Source: Internal CBSA documentation.

⁵ [*]

Findings and Recommendations

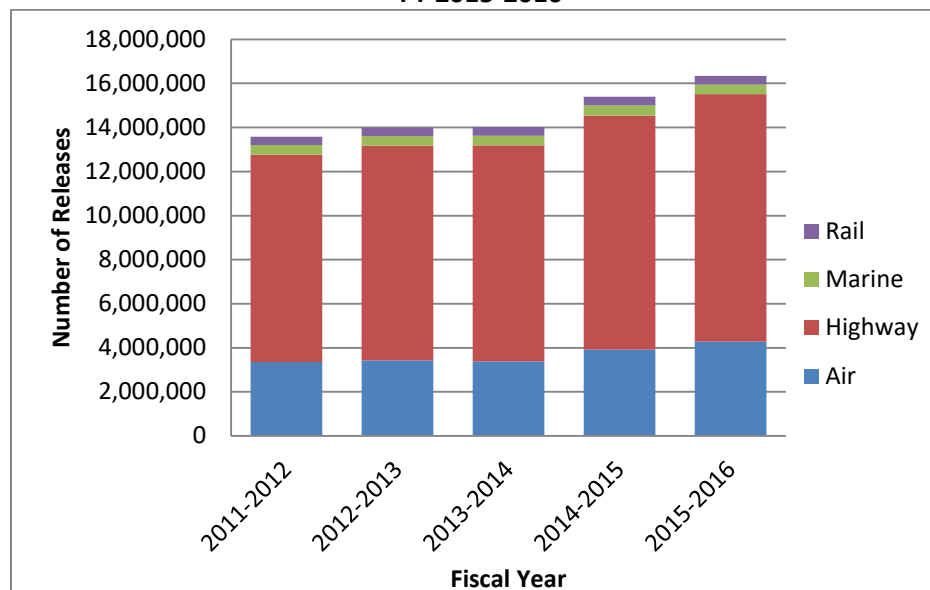
Relevance

Continued Need

Finding: There is a continued need for the Commercial Program in the air mode as the volume of shipments arriving has increased from FY 2011-2012 to FY 2015-2016 and the air mode is susceptible to known risks.

Transporting goods by air is the fastest and the most expensive of all modes.⁶ In Canada, commercial air releases account for approximately 25% of all releases (excluding postal and courier low value shipment modes) compared to approximately 69% by highway, 3% by marine, and 3% by rail (Exhibit 1).⁷

Exhibit 1: Commercial Release Volumes⁸ by Mode (Rail, Marine, Highway, Air) from FY 2011-2012 to FY 2015-2016



Source: CBSA systems data as of August 18, 2016

From FY 2011-2012 to FY 2015-2016, the volume of air releases increased by 27% (Exhibit 2). The International Air Transport Association (IATA) 2015 report forecasts an average growth of 4.1% per annum in air cargo volumes over the next five years.⁹

⁶Source: Internal CBSA documentation.

⁷Source: CBSA analysis.

⁸ [*]

⁹Source: International Air Transport Association (IATA) (August 2015). IATA Cargo Strategy. Retrieved from: <https://www.iata.org/whatwedo/cargo/Documents/cargo-strategy.pdf> (Accessed on December 28, 2016).

Exhibit 2: [*]

[*]	[*]					
	[*]	[*]	[*]	[*]	[*]	[*]
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[*]	[*]	[*]	[*]	[*]	[*]	[*] ¹¹
[*]	[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]	[*]

Source: CBSA systems data as of August 18, 2016

[*]¹²

- [*]
- [*]
- [*]

[*]¹³ [*]¹⁴ [*]¹⁵ [*]¹⁶ [*]¹⁷ [*]¹⁸

The Commercial Program in the air mode aims to expedite the processing of low-risk goods which allows BSOs to focus on high-risk, unknown-risk or regulated goods. It is necessary that the CBSA continues to execute this responsibility as part of the Commercial Program in the air mode, as indicated by the continuous increase in the volume of air shipments and the known risk factors faced by the air mode.

¹⁰ [*]

¹¹ [*]

¹² [*]

¹³ [*]

¹⁴ Source: [*]

¹⁵ Source: [*]

¹⁶ Source: [*]

¹⁷ Source: [*]

¹⁸ Source: [*]

Alignment with Government Priorities and Federal Roles and Responsibilities

Finding: The Commercial Program in the air mode contributes to the priorities of the Government of Canada by facilitating the movement of low-risk goods while ensuring that high-risk goods are effectively managed and that legislative requirements for the importation of these goods are met.

The Commercial Program in the air mode contributes to the priorities of the Government of Canada by facilitating the movement of low-risk goods while ensuring that high-risk goods are effectively managed. The objective of the Commercial Program in the air mode is to facilitate the reporting, release, and interim accounting of low risk commercial shipments that meet legislative requirements, while ensuring that risks and threats are effectively identified and managed. As a part of the Admissibility Determination Program, the objective of the Commercial Program in the air mode is aligned with the CBSA's strategic outcome of facilitating international trade and travel across Canada's border and protecting Canada's population from border-related risks.

One of the objectives of the *Beyond the Border: Perimeter Security and Economic Competitiveness Action Plan* between Canada and the United States was to address threats at the earliest point possible in the travel and trade continuum to ensure the safety and security of Canadians.¹⁹ To achieve this objective, the Agency has established processes to risk assess pre-arrival ACI through the NTC, which supports the Commercial Program in the air mode in identifying threats at the earliest point possible.

The program also contributes to the Government of Canada's outcome of a safe and secure Canada, and contributes to the Government of Canada's priority to provide greater security and prosperity, as announced in the 2016 Speech from the Throne.²⁰

Finding: On behalf of the Government of Canada, the CBSA has a federal role and responsibility to enforce the *Canada Border Services Agency Act* (CBSA Act) and the *Customs Act*.

The Agency's mandate for providing integrated border services that support national security and public safety priorities while facilitating the free flow of admissible people and goods is clearly established in section 5 of the *Canada Border Services Act*.²¹ The Commercial Program in the air mode identifies and intercepts inadmissible goods, while ensuring that legitimate goods are processed for release determination within established service standards, such as for EDI Release on Minimum Documentation (RMD).²² EDI RMD allows importers to obtain release of goods, prior to payment of duties and taxes by presenting interim accounting information electronically.

In addition, the CBSA develops, maintains, and administers commercial legislation, regulations, policies and procedures related to the movement of commercial goods into, through, and out of Canada. Legislative requirements and officer authorities for commercial processing are derived from the more than 90 acts, regulations, and international agreements. The Agency also acts on behalf of other federal departments and agencies, the provinces, and the territories. These requirements and authorities

¹⁹Source: <http://www.cic.gc.ca/english/department/btb.asp> Accessed on June 21, 2016.

²⁰Source: <http://speech.gc.ca/en/content/making-real-change-happen#Security-Opportunity>

²¹Source: Section 5 of the Canada Border Services Act.

²²The CBSA has established a service standard to have 70% of release on minimum documentation decisions within 45 minutes through EDI.

include collecting duties and taxes for other departments and agencies in addition to preventing inadmissible goods from entering Canada.²³

Achievement of Expected Outcomes

Commercial Program in the air mode Performance Measurement

Finding: The Commercial Program in the air mode Logic Model and Performance Management Strategy Framework are in draft form. There are a number of initiatives underway that are designed to enhance the delivery of the program for which performance indicators will be required.

A draft Logic Model and Performance Measurement Strategy Framework were created in July 2015. However, these tools have not been finalized or approved. Together, the Logic Model and Performance Measurement Strategy Framework would enable the collection of performance data for effective decision making.²⁴

At the time of the evaluation, there was a lack of historical data to assess trends and limited performance measures being used to manage the performance of the program and to assess resource utilization. However, reporting for the Commercial Program in the air mode has improved. For example, the program has been providing information to senior management through the Agency Performance Summary on a quarterly basis since FY 2013-2014. The Agency Performance Summary provides high level information related to import volumes trends, examination and resultant rates and Administrative Monetary Penalties (AMP) to senior management.

To support accurate performance reporting, there has also been an emphasis on reviewing and providing feedback to regions on the quality of information entered into the CBSA systems. [*]. Feedback is provided to the regions in an attempt to improve 'closing of the loop' [*²⁵] [*²⁶].

There are a number of modernization initiatives underway that will influence the delivery of the program, including eManifest, Single Window Initiative, and Cargo Control and Sufferance Warehouse Modernization. According to the Commercial Continuum: Strategy for Achieving the Beyond 2020 Vision: The "modernization agenda will ensure further automation and integration of commercial processes, update technologies, and introduce tools for the use of our trade chain partners and BSOs, and ensure that the CBSA meets its enforcement and trade facilitation responsibilities."²⁷ As new initiatives are implemented, it will be crucial to develop performance indicators and service standards to provide management with the information needed to assess how these initiatives contribute to the efficiency and effectiveness of the Commercial Program in the air mode.

²³CBSA, Acts, Regulations and Other Regulatory Information. (2016) Retrieved from: http://www.cbsa-asfc.gc.ca/agency-agence/actreg-loireg/legislation-eng.html#_s1 (Accessed on July 15, 2016).

²⁴Source: Treasury Board Secretariat Centre of Excellence for Evaluation: Supporting Effective Evaluation: A Guide to Developing Performance Measurement Strategies <https://www.tbs-sct.gc.ca/cee/dpms-esmr/dpms-esmr06-eng.asp#PMSF> (accessed June 5, 2015).

²⁵Source: CBSA analysis.

²⁶[*]

²⁷Source: Commercial Continuum: Strategy for Achieving the Beyond 2020 Vision.

Recommendation 1: The Vice-President of Programs Branch should implement a performance measurement strategy, including benefits realization, to allow management to assess how new initiatives contribute to the efficiency and effectiveness of the Commercial Program in the air mode.

Enhanced collaboration and coordination with air partners

Finding: Collaboration with partners is necessary to facilitate the flow of legitimate goods and interdict illegitimate goods especially because BSOs administer many acts and legislations on behalf of Other Government Departments (OGD).

Positive working relationships between the CBSA and OGDs have been essential, as these relationships allow for informal training opportunities to share information and better understand organizational mandates in the absence of formal training. In one region, partners²⁸ explained that they conduct information sessions with new commercial BSOs on an ad hoc basis. Informal training and information sharing has been important, as there are only limited courses related to OGDs available online and few formal joint training opportunities to support BSOs.

Nationally, the CBSA engages with key stakeholders²⁹ on issues of policy, procedures, strategies, and operational programs through the Border Commercial Consultative Committee.³⁰ Regionally, information is shared with external stakeholders through their associations and customs brokers, and through day to day relationships established with the CBSA. BSOs and external stakeholders indicated their satisfaction with existing working relationships. They stated that formal mechanisms are not necessary at the local level because they can work through these networks to the national level if an issue requires communicating with NHQ.

Improved flow of legitimate goods

Finding: The CBSA has put into place various risk assessment mechanisms to identify high-risk goods to be intercepted and examined, allowing the expedited release of legitimate goods. [*].

[*]. The Commercial Program in the air mode has various mechanisms in place to facilitate the flow of legitimate goods. As part of the process, air carriers and freight forwarders are required to submit Advanced Commercial Information (ACI), via the EDI.³¹ The ACI is risk-assessed by [*] using a CBSA system to determine whether shipments should be referred for examination based on health, safety, and security risks. Additionally, importers transmit release information (electronically or paper form) before or after the arrival of the goods in Canada. [*]. If insufficient or inaccurate information is provided, the appropriate client (i.e. importer, broker, etc.) will be required to make the necessary

²⁸Partners include OGDs such as Canadian Food Inspection Agency (CFIA), Health Canada.

²⁹Key stakeholders are other external organizations and associations that are directly impacted by the program, for example, the Canadian Association of Importers and Exporter.

³⁰The mandate of the BCCC is to provide a forum for various stakeholders to come together and advance government and industry cooperation, with the goal of facilitating the free flow of legitimate goods while ensuring security and compliance with customs and border legislation and policies. Source: CBSA Website: http://www.cbsa-asfc.gc.ca/agency-agence/consult/bccc-ccacf/subcommittees_souscomites-eng.html (Accessed on August 5, 2016).

³¹Source: Canada Border Service Agency Electronic Commerce website. Retrieved from <http://www.cbsa-asfc.gc.ca/eservices/> (accessed on August 16, 2016).

corrections. The majority of commercial releases in the air mode are made based on information provided via EDI.³² Paper releases account for less than 5% of all transactions.

[*] (Exhibit 3).

Exhibit 3: [*]

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[*]	[*]	[*]
[*]	[*]	[*]

Source: CBSA systems data as of May 25, 2016

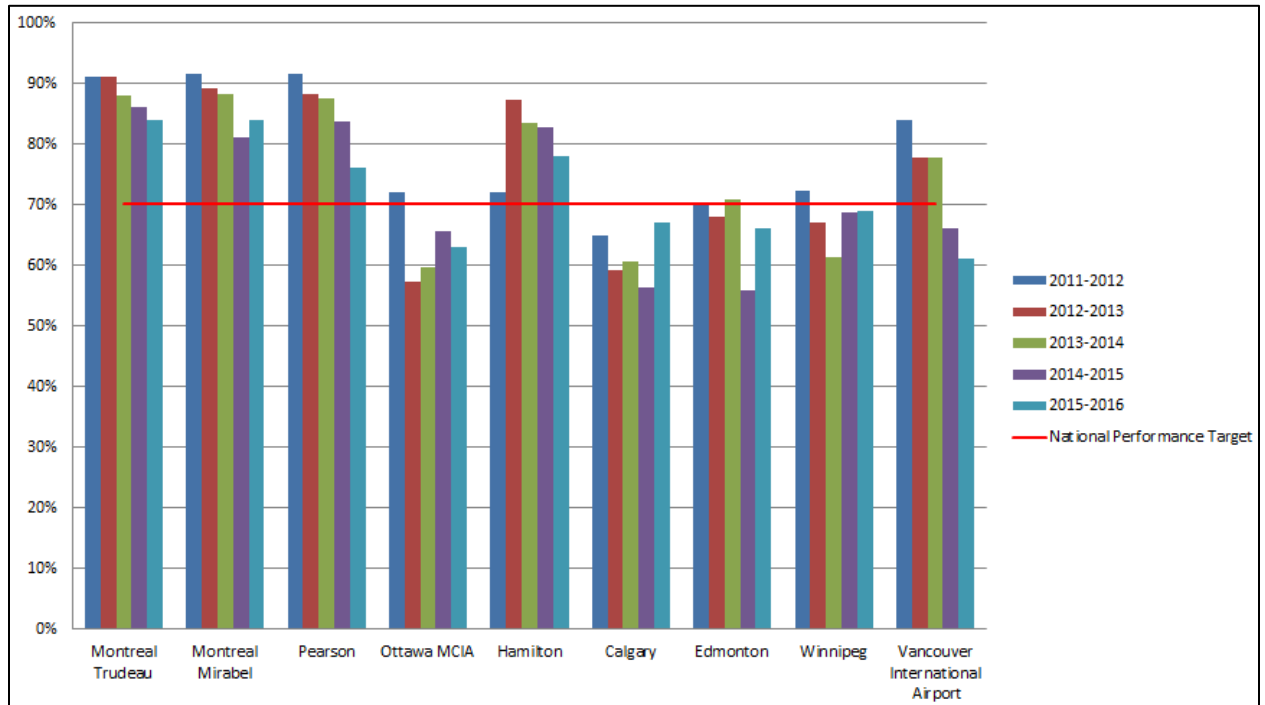
Finding: Nationally, the Commercial Program in the air mode has consistently met the service standard for Electronic Data Interchange Release on Minimum Documentation. This demonstrates the CBSA's commitment to provide timely service and its ability to streamline and simplify the border experience to facilitate the flow of legitimate goods.

Electronic releases are important for the CBSA modernization initiatives including eManifest and the Single Window Initiative that rely upon electronically inputted information to be able to systematically assess risk and identify potential risks at the earliest point possible in the commercial continuum. Electronically transmitted information also reduces the need for BSOs to manually process paper releases and input them into CBSA systems. The proportion of total releases resulting from electronic submissions has increased from 94% in FY 2011-2012 to 96% in FY 2015-2016.

Nationally, for non-OGD regulated goods, the CBSA has established to have a release decision (i.e. release, refer or reject) to be communicated to the client within 45 minutes for post-arrival EDI RMD. This service standard has been met each year but there has been a decline from 86% in FY 2011-2012 to 75% in FY 2015-2016. According to interviewees, this could be due to staffing shortages and the number of EDI transactions arriving outside of operating hours (i.e. overnight).

³²Source: CBSA systems data as of May 25, 2016.

Exhibit 4: EDI RMD Service Standard from FY 2011-2012 to FY 2015-2016



Finding: [*]

[*]³³ [*]³⁴

[*]³⁵ [*]³⁶ [*]

³³ Source: [*]

³⁴ Source: [*]

³⁵ Source: [*]

³⁶ Source: [*]

Exhibit 5: [*]

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[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]

Source: CBSA systems data as of August 8, 2016

[*] Releases are either processed via a CBSA system or manually by BSOs, [*].

Exhibit 6: [*]³⁷

Source: CBSA systems data as of May 25, 2016

Currently, there are no other published service standards for commercial primary processing, except for EDI RMD. As a result, commercial stakeholders cannot incorporate primary processing time into their business models.

Therefore, it is recommended that:

Recommendation 2: The Vice-President of Programs Branch should develop and publish service standards for commercial primary processing.

³⁷[*]

Improved identification and interception of inadmissible goods

Finding: By examining the majority of referrals, the Commercial Program in the air mode contributes to its immediate outcome to identify and intercept inadmissible goods.

[*]³⁸ [*]³⁹ [*]

[*]⁴⁰ [*]⁴¹ [*]

[*]. Once release data has been reviewed through the CBSA system, there are methods by which the commercial shipments can be referred, including but not limited to:⁴²

Selective (manual) referrals - examination referrals issued by a BSO.

[*]

Random referrals – examination referrals selected by the CBSA system [*]

[*]

[*] (Exhibit 7).⁴³ The results of random referrals serve as a baseline against which other types of referrals can be compared, existing risk indicators can be validated, and new trends/indicators in non-compliance can be identified. [*]

³⁸ [*]

³⁹ [*]

⁴⁰ Source: [*]

⁴¹ Source: [*]

⁴² Source: Internal CBSA documentation.

⁴³ Source: [*]

Exhibit 7: [*]

[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]

Source: CBSA systems data as of May 25, 2016

[*]

[*], manual referrals include both EDI and non-EDI referrals. When a non-EDI release is presented, BSOs are able to make referrals based on interactions with the declaring client, [*]. This may explain the high number of resultants for manual referrals made based on non-EDI declarations, and consequently the higher overall manual referral resultant rate.

[*]

[*]

[*]

Therefore, it is recommended that:

Recommendation 3: The Vice-President of Programs Branch should track and report on the outcome of referrals to other government departments and agencies.

[*]⁴⁴ [*]⁴⁵ [*]

Increased compliance of air shipments

Finding: The Administrative Monetary Penalty System is intended to encourage commercial compliance. However, there is limited data available to assess its effectiveness.

Section 42 of the *Customs Act* provides the CBSA with the authority to conduct compliance verification.⁴⁶ The CBSA uses the Administrative Monetary Penalty System (AMPS) to issue monetary penalties to commercial clients for violating the CBSA's trade and border legislation.⁴⁷ The purpose of the AMPS is to provide the Agency with a means to ensure compliance.⁴⁸ According to a study from the Organisation for Economic Co-operation and Development (OECD), importer compliance can be

⁴⁴Source: Canada Border Service Agency Customs Enforcement Manual, Part 1, Chapter 1 (April 30, 2009).

⁴⁵Source: Key informant interviews, 2016.

⁴⁶Source: *Customs Act* s 42. From: <http://laws-lois.justice.gc.ca/eng/acts/c-52.6/page-11.html#h-31> (Accessed on June 17, 2016).

⁴⁷Source: Canada Border Service Agency AMPS website. Retrieved from <http://www.cbsa-asfc.gc.ca/trade-commerce/amps/menu-eng.html> (Accessed on June 17, 2016).

⁴⁸Source: Canada Border Service Agency AMPS website. Retrieved from <http://www.cbsa-asfc.gc.ca/trade-commerce/amps/menu-eng.html> (Accessed on June 17, 2016).

determined by whether the cost of contravening exceeds the benefits from the contravention itself. Clients consider the 'costs' as penalty amounts, time delays and impediments to facilitation and whether these 'costs' will actually be imposed.⁴⁹

The CBSA currently issues AMPs to carriers, freight forwarders, importers/exporters, brokers and warehouse operators to deter non-compliance. However, to date there has not been a comprehensive study on the effectiveness of the overall AMPS regime. CBSA interviewees stated that costs associated with an AMP are sometimes considered an acceptable business expense, and clients will choose not to comply and incur the AMP. [*]⁵⁰

Internationally, there are various AMPS regimes in place to encourage compliance. It may be worthwhile for the CBSA to assess the effectiveness of AMPS and compare against international benchmarks in the future.

Demonstration of Efficiency and Economy

Resource allocation and utilization

Finding: Expenditures of the Commercial Program in the air mode were \$21.9M in FY 2015-2016.

There is no specific budget information available for the Commercial Program in the air mode. Budgets have been historically-based and provided at the specific airport level, not by specific program or activity. In FY 2015-2016, expenditures related to the Commercial Program in the air mode were approximately \$21.9M.⁵¹ In an effort to look at areas of efficiency, the evaluation looked at expenditures by cost centre and activity codes (related to commercial air) for [*] four airports [*] of commercial air releases. All expenditure information was provided by Comptrollership Branch. For the smaller, multi-modal airports, the commercial air expenditures could not be separated from the other activities and therefore, they were not included in Exhibits 8 to 10.

Despite financial data reliability issues, initial analysis indicates that further examination of the operational costs of similar POEs (volume and size) may offer useful insights to strengthen program delivery.

Exhibit 8: Commercial Air Expenditures for FY 2012-2013 to FY 2015-2016

[*]	Total Expenditures			
	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
[*]	\$4,187,980	\$4,413,444	\$3,723,385	\$3,386,707
[*]	\$898,060	\$537,350	\$550,422	\$453,216
[*]	\$924,164	\$722,721	\$1,011,602	\$1,111,368
[*]	\$1,077,761	\$1,146,650	\$1,313,289	\$1,432,881

Source: CBSA data as of June 28, 2016

Exhibit 9: Commercial Air Releases for FY 2012-2013 to FY 2015-2016

⁴⁹ Source: OECD study. (2006). 'Best Practices for Consumer Policy: Report on the Effectiveness of Enforcement Regimes'. P46.

⁵⁰ Source: Key informant interviews, 2016.

⁵¹ Source: CBSA data as of June 28, 2016.

[*]	Releases			
	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
[*]	1,271,583	1,265,976	1,375,811	1,426,307
[*]	320,602	368,755	661,059	948,405
[*]	548,197	520,929	569,433	572,381
[*]	605,179	559,776	561,268	580,088

Source: CBSA systems data as of May 25 2016

From the expenditures, the cost per release and examination were calculated [*].

Exhibit 10: Cost Per Release and Examination for FY 2012-2016 to FY 2015-2016⁵²

[*]	Cost Per Release			
	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
[*]	\$3.29	\$3.49	\$2.71	\$2.37
[*]	\$2.80	\$1.46	\$0.83	\$0.48
[*]	\$1.69	\$1.39	\$1.78	\$1.94
[*]	\$1.78	\$2.05	\$2.34	\$2.47
[*]	Cost Per Examination			
	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
[*]	\$154.90	\$189.26	\$177.79	\$103.19
[*]	\$45.18	\$31.34	\$41.83	\$33.17
[*]	\$66.62	\$52.87	\$79.34	\$104.09
[*]	\$28.19	\$46.44	\$93.64	\$109.70

Source: CBSA data as of August 8, 2016

Exhibit 11: [*]

[*]	[*]			
	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]

Source: CBSA systems data as of August 8, 2016

[*]

[*]

⁵² CBSA analysis.

A Resource Allocation Model (RAM) for commercial processing will be completed by the Programs Branch by end of FY 2016-2017⁵³ which will help determine the amount of resources required based on volume and processing times at various ports of entry. [*]

⁵³ CBSA analysis. Source : Internal CBSA documentation.

Flexibility to reassign resources

Having the ability to assign BSOs to work in either traveller or commercial operations as indicated by workload could improve operational efficiency. Currently, when required, commercial BSOs are able to support traveller operations, whereas, BSOs from traveller operations without commercial training are unable to support commercial operations. [*]

The Officer Induction Training Program (OITP) provides 20 hours of basic commercial training which is insufficient to qualify a recruit to work in commercial operations upon graduation.⁵⁴ Outside of OITP, a course on Commercial Operations In Service is available. [*]

In light of the many transformative initiatives that the CBSA has underway in commercial operations, [*]. There are plans to update the training to ensure that it reflects upcoming modernization, including eManifest. [*]

⁵⁴ Source: Internal CBSA documentation.

Appendix A – Management Response [*]

[*]

[*]

RECOMMENDATION 1: *The Vice-President of Programs Branch should implement a performance measurement strategy, including benefits realization, to allow management to assess how new initiatives contribute to the efficiency and effectiveness of the Commercial Program in the air mode.*

Recommendation 1: Management Response	
Programs Branch agrees to develop a performance measurement strategy to enable the collection of performance data for effective decision making and assess the benefits realized from new commercial initiatives in air mode. This will include a review to assess linkages to project benefits as they relate to the Commercial Program in the air mode, in the context of the existing CBSA Benefits Realization Framework.	
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

RECOMMENDATION 2: *The Vice-President of Programs Branch should develop and publish commercial primary processing service standards.*

Recommendation 2: Management Response Programs Branch agrees to develop and publish commercial primary processing service standards in collaboration with Information, Science and Technology Branch (ISTB). This will include a review of existing service standards and development of future standards, in consideration of system capabilities, industry requirements and commercial modernization initiatives.	
[*]	[*]
[*]	[*]
[*]	[*]

RECOMMENDATION 3: *The Vice-President of Programs Branch should track and report on the outcome of referrals to other government departments and agencies.*

Recommendation 3: Management Response Programs Branch agrees with support from ISTB to track and report on, outcomes of referrals resulting from targets requested by Other Government Departments.	
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

Appendix B: Program Description

The Commercial Air Program identifies and intercepts goods that are inadmissible to Canada, seeking entry at designated airports, while ensuring that legitimate goods are processed within established service standards. In the commercial stream, importers are required to account for their goods, and carriers and exporters are required to report their goods. More specifically, air carriers are required to submit electronic pre-arrival information related to their commercial goods for import, in-transit, and as freight remaining on board, as well as the conveyance entering or moving in-transit through Canada.⁵⁵ This helps the Agency to identify threats before the cargo arrives in Canada.

BSOs conduct compliance verification to ensure that importers are compliant with commercial rules in order to carry out the CBSA's mandate of facilitating the free flow of imported commercial goods and collect the revenues from imported goods. Some imported commercial goods are subject to the import requirements of other government departments and agencies. BSOs play a role in administering these requirements on their behalf and work with other partners to provide these services. Partners include OGDs and areas within the Agency, such as Program Compliance and Outreach Division and Trade Compliance Program.

The Commercial Air Program requires BSOs to carry out a wide variety of activities that necessitate a variety of skills, processes, systems, and tools. In general, BSOs are responsible for⁵⁶:

- identifying suspect conveyances for examination and promptly informing carriers that their shipment will be examined;
- providing carriers with name(s) and number(s) of security-cleared offload service provider(s);
- conducting secondary examinations including the operation of x-ray equipment and other appropriate examination tools;
- adhering to the policy and procedures related to customs examinations; and
- properly recording all information, including reason and type of examination performed, time that the carrier was notified, duration of offloads and examination processes, and actual examination results).

Release of Goods:

Transporters, importers, exporters or their agents are given a reasonable opportunity to make a true and complete reporting or accounting of their goods. If insufficient information is provided, the appropriate client will be required to make corrections. In order for the CBSA to release the goods, the importer or agent must make an interim or final accounting of the goods to the CBSA which includes permits, licenses, certificates and authorizations required by OGDs or agencies. The commercial BSO will review all documentation and accountings in the release transaction, ensuring all requirements are met and determine whether to release the shipment or refer it for examination.⁵⁷

Importers and customs brokers can obtain release of commercial goods from the CBSA in two ways. The first is presenting a properly completed accounting document, Form B3-3, which accounts for the duties owing on the goods.⁵⁸ The second is transmitting an interim accounting Release on Minimum

⁵⁵CBSA 2014-2015 Departmental Performance Report. From: <http://www.cbsa-asfc.gc.ca/agency-agence/reports-rapports/dpr-rmr/2014-2015/report-rapport-eng.pdf> (Accessed on June 6, 2016).

⁵⁶ Source: Internal CBSA documentation.

⁵⁷ Source: Internal CBSA documentation.

⁵⁸ Source: D-Memorandum 17-1-4 "Release of Commercial Goods". (May 10, 2012). Retrieved from <http://www.cbsa-asfc.gc.ca/publications/dm-md/d17/d17-1-4-eng.html> (Accessed on June 21, 2016)

Documentation (RMD), when appropriate security for the release of goods has been posted, before payment of duties: RMD information must be transmitted electronically using EDI to the CBSA.

Referral decisions:

Referrals can be made at any point along the commercial continuum, for a variety of reasons. Pre-arrival referrals for examination may be based on a risk-assessment for health, safety and security reasons from the NTC⁵⁹ or a national target in CBSA systems (e.g. OGD target). At-border referrals may be made by a commercial BSO at the First Point of Arrival or at an inland port of entry to verify commercial compliance. Once the release or referral decision has been made, CBSA systems are updated. Air cargo shipments referred for further examination must be available for the CBSA or OGD inspection at the sufferance warehouse at the port of release.

ACROSS commercial release examinations can be referred by several methods, including but not limited to:⁶⁰

- **Selective (Manual)** referrals - examination referrals issued by an officer.
- **Random** referrals – examination referrals selected manually by CBSA system [*].

Examination of Goods:

Goods are examined to ensure compliance with all Acts and Regulations governing the importation of commercial goods, including the *Customs Act*, food, plant and animal regulations, and the Convention on International Trade in Endangered Species (CITES). Examinations are conducted to ensure compliance with reporting regulations and to control the movement of cargo that could be suspected of posing a threat to national security, containing contraband, requiring verification by OGDs, or suspected of having commercial compliance issues.

Administrative Monetary Penalty System:

The AMPS is a sanctions regime that authorizes the CBSA to issue civil monetary penalties for the violation of the CBSA's trade and border legislation. Administrative monetary penalties (AMPs) are only applied in the commercial stream, and can be applied to all commercial clients.⁶¹ AMPs are an enforcement mechanism to promote compliance by clients.⁶² AMPs are issued based on an assessment of the type, severity and frequency of the contravention, and the clients' contravention history.

⁵⁹ The NTC targets for National Security and Contraband.

⁶⁰ Source: Internal CBSA documentation.

⁶¹ This includes importers, exporters, brokers, warehouse and duty free shop operations, carriers, freight forwarders or representatives thereof.

⁶² Source: D-Memorandum 22-1-1 "Administrative Monetary Penalty System". See: <http://www.cbsa-asfc.gc.ca/publications/dm-md/d22/d22-1-1-eng.pdf> (Accessed on August 4, 2016).

Appendix C: Evaluation Methodology

The Commercial Air Program was identified as a priority for evaluation in FY 2015-2016 within the 2015-2020 CBSA Five-Year Evaluation Plan, and approved by the Executive Evaluation Committee (EEC) in May 2015. This program has not previously been evaluated.

The evaluation used a multi-method research approach to generate multiple lines of evidence. Data and findings were recorded in an evidence matrix, and only findings that could be triangulated with multiple lines of evidence were used in the final evaluation report. The following research methods were used:

Review of Documents

The evaluation team reviewed program documentation related, but not limited, to:

- Objectives of the program;
- Implementation and management of the program;
- Priorities and needs of the Agency and the program;
- Previous audits (internal and external) and recommendations;
- Legislation and acts establishing federal roles and responsibilities for the program;
- Processes, procedures such as Standard Operating Procedures and service standards;
- Performance and compliance; and
- International trade industry.

Review of Operational, Performance and Financial Data

The evaluation team worked closely with the program to collect and review key performance and activity information to demonstrate the extent to which the Commercial Air Program is achieving its expected outcomes. For example:

- Enhanced collaboration and coordination with air partners;
- Increased compliance of air shipments;
- Improved identification and interception of inadmissible goods; and
- Facilitated flow of legitimate goods

A review of the program salary expenditures was done from fiscal year (FY) 2011-2012 to FY 2015-2016.

Field Research

Field Research contributed to the assessment of how the program is delivered and the extent to which it is achieving its outcomes by observing day-to-day activities. It provided insight into how commercial processing works in different regions, how the program is managed and delivered in the field and how regional personnel coordinate with key partners and National Headquarters (NHQ). The field research served to compare and contrast how commercial air shipments are being processed across regions. Field research was conducted at Toronto Pearson International Airport, Calgary International Airport, and Halifax Stanfield International Airport.

Key Informant Interviews

Key informant interviews were used to gather in-depth information of program design and delivery, performance measurement, program impacts, and areas for improvement (Exhibit 11). Interviews complemented evidence gathered as part of the evaluation, as they provided qualitative information that clarified and contextualized data collected through other methodologies. Internally, interviews

were held with relevant managers, supervisors, directors, and specialized personnel in the regions and with NHQ Programs Branch, and NHQ Operations Branch.

The evaluation team conducted a focus group in field research location with BSOs to measure perceptions of the program and how it is supported and delivered. The focus groups covered topics such as the processes and procedures employed, access to systems and tools to facilitate the processing of commercial air shipments, and the availability and quality of training opportunities provided. The focus groups were used as one line of evidence to support findings related to the performance and efficiency and economy of the program. The data collected from focus groups were analyzed by looking for recurring themes and conflicting views.

In total 68 people were interviewed:

Exhibit 12: Number of Key Informant Interviews

Type of Interviewee	Number of Interviewees*
National Headquarters (Commercial Programs Branch and Operations Branch Directors, Managers, Program Officers; and internal services such as ISTB and HRB)	13
Regional Management (Regional Director Generals, Directors, Superintendents, Chiefs	15
Regional Commercial Border Service Officers	13
External stakeholders	17
Partners – other government departments and other programs within the CBSA	10

* Note that interviewees may have participated in group interviews rather than individual interviews.

International Comparison

The evaluation team collected information and data on other jurisdictions to identify similarities and differences in how commercial air shipments are processed. Through this review, the evaluation team looked at contextual reasons for why there are differences and their associated impacts. To the extent possible, new and/or innovative processing techniques were highlighted. This methodology was heavily dependent on open-source searches (e.g. what other jurisdictions publish to their websites).