



# NEWSLETTER

*Changes That Might Affect You!!!*

*September 2002*



"Enjoyed the peace your valor won. Let independence be our boast, Ever mindful what it cost; Ever grateful for the prize, Let its altar reach the skies!"

-- Joseph Hopkinson 1770-1842

## No C-TPAT,..... Brass Denied?

Information for C-TPAT (Customs Trade Partnership Against Terrorism) is not very hard to find these days and one can say that customs has succeeded in getting the word out. Almost all of the trade logistics newsletters, journals, magazines, explain the benefits and requirements of this new program. At the back of the newsletter I have developed a cheat sheet of the benefits and requirements of the C-TPAT and the ISA program (Importer Self-Assessment program)

Recently I attended a breakfast hosted by the Western Maquila Association where Customs Supervisor, James Synder spoke about the program. He stressed that C-TPAT is really a combinations of the different security programs that customs already had in place before September 11th.

One new point made by Snyder was that customs would differentiate between importers who are in C-TPAT vrs those who are not part of the program. What does this exactly mean you ask? Customs might possibly deny an application for Brass or other programs on the basis that one has not applied for C-TPAT. Snyder stated that customs will have the attitude "well, why have they not applied for C-TPAT" when considering applications for different programs.

Customs is asserting that they will work with importers to make this program work. Membership is now available for high volume importers; air, rail, and sea carriers, and as of August 26, 2002, for brokers, freight forwarders, and non-vessel operating common carriers. Ultimately, C-TPAT membership will also be available for port authorities, terminal operators, warehouse operators and manufacturers. If you are interested in learning more visit <http://www.customs.treas.gov/>.



## The New Colossus

"Not like the brazen giant of Greek fame,  
 With conquering limbs astride from land to  
 land;  
 Here at our sea-washed, sunset gates shall stand  
 A mighty woman with a torch, whose flame  
 Is the imprisoned lightning, and her name  
 Mother of Exiles. From her beacon hand  
 Glows world-wide welcome; her mild eyes  
 command  
 The air-bridged harbor that twin cities frame.  
 'Keep, ancient lands, your storied pomp!' cries  
 she  
 With silent lips. Give me your tired, your poor,  
 Your huddled masses yearning to breathe free,  
 The wretched refuse of your teeming shore,  
 Send these, the homeless, tempest-tost to me,  
 I lift my lamp beside the golden door.'"

**-Emma Lazarus**

## U.S. to Enhance Ways of Identifying High-Risk Sea Cargo

U.S. Customs has announced plans to enhance a program that protects sea transportation from terrorist threat. In a September 3 news release, the U.S. Customs Service said it introduced on August 19 the Sea Cargo Targeting Initiative; an automated system that better identifies high-risk sea cargo destined for U.S. Ports and establishes new ways for dealing with these shipments. The initiative, part of the wider anti-terrorist program launched by the Customs Service after September 11, 2002, will add new identifying criteria, ensure uniform handling of manifests and standardize procedures and practices to ensure more thorough examination of shipments pinpointed as high-risk by the targeting system.

## NCBFAA Opposes New Fee on Imports/Exports

Washington, DC: In an August 16th letter to House and Senate members of the Port Security legislation conference committee, the National Customs Brokers & Forwarders Association of America, Inc. (NCBFAA) expressed its vigorous opposition to a Senate proposal for funding port security initiatives with a new \$15 to \$20 "fee" on containers imported to, or exported from, the U.S.

"U.S. companies are already paying over \$1 billion annually in user fees.... for imported products," NCBFAA President Federico "Kiko" Zuniga reminded legislators. "These revenues are designed in part to fund critical technology and systems (such as the Automated Commercial Environment)...which are fundamental to the agency's responsibility for homeland security." (Continued on pg. 3)

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With the trade community already making significant contributions to cover the costs of border security, NCBFAA called the impact of yet another fee on imports and exports "staggering." Mr. Zuniga also expressed skepticism about the use of proceeds from a new fee, citing the merchandise-processing fee, which for years has provided "an ample and ready source of cash for diversion to other government programs."

The NCBFAA President urged Congress to "question the economic wisdom of burdening the flow of trade with even more fees." After all, he wrote, "International trade is...the engine that fueled the economic growth of the past decade. Now, international trade can be the force to cushion the impact of a tougher economic climate. This will not happen however if U.S. imports and exports are weighed down by new taxes and fees."

NCBFAA concluded by noting, "As customs brokers and ocean transportation intermediaries, we are on the front lines of international trade...We take our responsibilities seriously, and it is from this perspective that we urge you not to impose yet another tax."

### Update: Port Security User Fee's

This is a summary of the September 11, 2002 proposed language on the port security user fees (port security service user fees and transshipment security fees) advocated by Senator Hollings.

#### Port Security Service User Fees Proposed to be established for FYs 2003-2008

The September 11, 2002 proposed language would require the Secretary of Transportation, for fiscal years 2003 through 2008, to prescribe a schedule of user fees for shipments of cargo,

vehicles, and passengers to help pay for the costs of providing port security services and to provide to shippers the benefit of a secure system of international maritime trade. The proposed user fee language states that if the Secretary has not promulgated such a fee system within 180 days after enactment of S. 1214, the port security service user fees charged by the Secretary would be as follows:

Cargo Group Unit of Measure Fee	
Container (non-HAZMAT) TEU	\$15.00
Container (HAZMAT) TEU	\$20.00
Passengers passenger	\$3.00
Vehicles Number	\$3.00
Dry Bulk Cargo Metric Tons	\$0.01
Crude Oil Metric Tons	\$0.30
Petroleum Products Metric Tons	\$0.45
Chemical Products Metric Tons	\$0.50
Liquid Gases Metric Tons	\$0.60
Break Bulk Cargo Metric Tons	\$0.75

According to the proposed language, the port security service user fee would be imposed on each cargo shipment or vehicle imported into or exported from the U.S., and on each passenger when entering or leaving the U.S. However, the proposed language states that no fee shall be assessed more than once per voyage and no fee shall be assessed for international ferry voyages.

Transshipment Security Fees Would be imposed on Canada/Mexico Shipments

The proposed user fee language would also require the Secretary, for FYs 2003 through 2008, to assess and collect a transshipment security fee for providing security services for shipments of containerized cargo, passengers, and automobiles entering the U.S. through Canadian or Mexican ports, at the same rates as established for the port security user fees. According to the proposal, the amounts collected from transshipment security fees would be available exclusively for the use of DOT and Customs to provide enhanced security at the Canadian and Mexican borders

with the U.S., including prescreening, a container security initiative, and other maritime and intermodal security programs.

The user fee proposal states that the fee would not be assessed or collected on transshipments from Canada or Mexico after the date on which the Secretary determines that an agreement between the U.S. and that country has entered into force that will provide equivalent security regimes and security-related fees of the U.S. and that country for transshipments between the countries.

### *CSI: Increased global participation*

At this writing, four nations have signed on to the Container Security Initiative (CSI): the Netherlands, France, Belgium, and Germany. These nations will allow U.S. Customs inspectors to prescreen United States-bound cargo at the ports of, respectively, Rotterdam, Le Havre, Antwerp, Bremerhaven, and Hamburg (both in Germany). Canada has been working with the United States to target high-risk containers since February.

Assistant Commissioner Donald Shruhan of the Office of International Affairs reports, "These cooperative efforts are the first steps to enhance the security of the global maritime container system."

All five European ports are considered mega-ports, which are foreign ports that ship the greatest volume of containers to the United States. Of all the cargo containers that arrive in the United States each year, a significant percentage of them come from these five ports.

Canada and the United States have a reciprocal agreement in which Canadian inspectors have been stationed at the ports of Newark and Seattle, while American Customs inspectors do preclearance work in Montreal, Vancouver, and Halifax.

### *Phillippines will become ELVIS*

The Phillippines will become ELVIS (Paperless Electronic Visa) for textile and textile products, produced or manufactured in the Phillippines exported on or after September 15, 2002.

Customs will not allow entry on or after September 15, 2002 unless the government of the Phillippines has transmitted an appropriate ELVIS (Electronic Visa).

*IAB News:* Recently we have added a new link "Customer testimonials" on the IAB website [www.iab-sd.com](http://www.iab-sd.com). We would like to say thank you to all of the clients that sent in letters. We appreciate the support and the positive comments.

John Morris IAB's computer tech also revamped our "Related Links" links add more links for your convenience.

## **Importer Self Assessment (ISA)**

### **Benefits**

1. exempt from comprehensive compliance audits, including focused assessments, drawbacks, and foreign trade zones. BUT accounts may be subject to onsite examinations for specific reasons but not subject to comprehensive assessments of all customs operations
2. Enhanced prior disclosure.
3. Account Manager at Customs
4. Training provided by U.S. Customs auditors as needed or requested.
5. Risk assessment provided by U.S. Customs auditors upon request.
6. Hotline to OST/RAD key liaison
7. Mitigating factors for penalties or liquidating damages.
8. Greater business certainty, more accurate data reduces adjusting.

### **Qualifications/ Requirements**

1. C-TPAT membership.
2. ISA Memorandum (MOU) Memorandum of Understanding
3. Agree to comply w/ Customs Laws and regulations
4. Submit an annual written notification to customs to confirm the identity of the company ISA contact and confirm that the importer continues to meet the requirements of the ISA program listed in the MOU
5. Resident importer in the U.S. (permanently) established in the U.S.)
6. Maintain system of business records that demonstrates the accuracy of customs transactions.
7. Establish document and implement intended controls.
8. Periodic testing and system based on risk.
9. Make appropriate adjustments to internal controls.
10. Maintain an audit trail from financial records.
11. Make appropriate disclosures
12. Maintain results of the internal testing for five years.

## **Customs – Trade Partnership Against Terrorism**

### **Benefits**

1. Assigned Customs point of contact.
2. Eligibility for account – based processes (bimonthly/monthly payments)
3. Reduced number of inspections
4. Access to the C-TPAT membership list
5. An emphasis on self-policing, not Customs verifications

### **Qualification / Requirements**

1. Conduct a comprehensive self-assessment of supply chain security using the C-TPAT security guidelines jointly developed by Customs and the trade community
2. Submit a supply chain security questionnaire to Customs
3. Develop and implement a program to enhance security throughout the supply chain in accordance with C-TPAT guidelines.
4. Communicate C-TPAT guidelines to other companies in the supply chain and work toward building the guidelines into relationships with these companies