

November 30, 2001

U.S. CUSTOMS TRADE SYMPOSIUM 2001 REPORT
"MEETING THE NEW CHALLENGES TOGETHER"

November 26-27, 2001

From: Jim Phillips

Customs Commissioner Bonner - Security against Terrorism and protection of the Economy

- *Need to work together (Customs and Industry) to insure security and move trade.
- *America at unconventional war.
- *Defenses extend to borders and beyond to identify and interdict threats.
- *Must devise ways without choking trade and that meet business needs.
- *Objective is to insure security and achieve lower costs to trade. Key is identifying and streaming known low risk goods.
- *Customs moving from trade compliance focus to trade security focus including all links in the supply chain from producing plant security, people, suppliers and customers.
- *Industry can and must help protect the Country by protecting self in their practices.
- *Advance data, electronic seals, product, container, conveyance integrity at all stages.
- *Secure low volume ports of entry, 24/7 inspection presence at all POE's, non-intrusive container x-ray capability, data exchange (with Canada and Mexico is a must), implement worldwide customs standards.
- *Proposed that those who meet security and compliance standards be given fast lane for their shipments. Remove infrastructure / access barriers.
- *Customs moving to account based processing and a new era of trade processing.
- *ACE is key. A 4 year time frame to complete ACE is the Commissioner's stated goal.
- *He is reforming the way Customs does business to become more efficient and of less cost to industry. He will simplify regulations and improve communications with industry.

PRESERVING CARGO AND CONVEYANCE INTEGRITY THROUGH INDUSTRY PARTNERSHIP PANEL

Business Anti-Smuggling Coalition (BASC) was described as implemented in Columbia for shipments to the U.S. Arms and drugs use same methods, people and routes as terrorism initiatives. Utilizes best practices and has multiplier effect. Cited impressive actual statistics on seizures since BASC and the marked reduction in insertions in shipments from Columbia.

Head of security for American Airlines reiterated with feeling that 9/11 was personal! Effective security is expensive but a must. AA is providing Customs with plane schematics and frame down training to identify all crevices present on aircraft for detection. When a problem is identified, must be dealt with. Culture change: do it because we must.

Head of U.S. Brokers stressed accurate manifest data, provided soonest. U.S. is highly regulated and importing/exporting is a privilege not a right. Every day 1.3 million passengers, 60 thousand trucks and containers, 500 vessels, 2500 aircraft and 350 thousand vehicles are processed. Packing list data makes interesting reading “bananas from Iceland” Described Business Executives Enforcement Team (BEET). Smuggling is the vehicle of terrorism. Information/data must flow if cargo is to flow. Offshore origin data provided is very suspect and if accepted as face value is a way to breach security.

Chairman of American Exporters and Importers described morphing of Just In Time to Just In Case. U.S. retailers supply chain loss survey revealed that security plans were good but industry failed to implement and execute them effectively. GPS tracking and new anti-tamper seals must become the norm.

A SECURE MARINE TRANSPORTATION SYSTEM FOR THE 21ST CENTURY OF CHANGE PANEL

Industry leaders from Transystems, CSX Lines and the US Coast Guard Director of Waterways discussed maritime , No. American Port and intermodal systems. Maritime must decrease costs and substantially increase velocity of thru-put. Gearing up to provide portal to portal/shelf to shelf capability. Cited rail who have reduced track 35%, reduced locomotives 32%, reduced railcar fleet 27%, reduced employees 60% while increasing freight volume carried 50%. Cited that customer always wants more and is willing to pay less for it.

Described world port logistic capabilities. LA/Long Beach is #3 port in world, NY/NJ is 11th. Hong Kong is equal to the 7 biggest U.S. ports combined and is the lowest cost processor. World output expected to increase 33% in next 10 years. Container volume increasing 8+%/year worldwide and 7% in U.S. All gateways container demand volumes will double by 2020. NY/NJ will need 4 times increase and LA/LB 2 times. Container vessels are at 6600 with keels laid for 8000 (28+wide). Panama Canal can handle 13 container wide. 15000 container ships are on the horizon which will lead to feeder to port to barge for disbursed ultimate delivery. 1 vessel cargo equals 14 - 10,000 foot trains. It is imperative that ports go to 24/7 operations.

World trade/transport system moves: Goods, Information and Funds. Marine transport system is \$700 billion, 1999-2 billion tons, 53% of foreign trade, 6% GNP and will triple by 2020. U.S. has 25,000 miles navigable waterway and can reach 85% of land, 320 intermodal ports and 3726 marine cargo terminals. We need a system and rules to deal with variables and improved technology and data flow. Cargo must be accurately identified before it enters the transport system. Information is key to proactive security and technology is the process enabler. Need web based system for vessel communications. System developed to devise a trip plan for a shipment which tracks all events and requirements insuring required info and actions are provided and anomalies are flagged.

Coast Guard deals with 51 thousand port calls by 7500 foreign ships. Post 9/11 is port security and reality that security must be provided as well as goods must flow. Dealing with 35+knot ferries affecting CG boat capabilities. 99.99% effective equals public outrage-just look at Exxon Valdez incident. U.S. Coast Guard initiating Northern Border joint activities with the Canadian Coast Guard.

Secretary of the Treasury Paul O'Neill

Remarked on three topics:

General Economy – U.S. economy has recovered to pre 9/11 levels. Stimulus passed by House and the President but not moving in the Senate is needed to support a quicker and more sustained recovery.

Trade Promotion – Trade promotion authority is needed to continue to positively develop and participate in world trade.

Border Goods Movement – He is undertaking a bold and forceful agenda with Canada. We must take waits and delays out of everything at every step. U.S./ Canada Border processing should and must make contribution to world productivity by lowering costs while providing security in the process. Queues must be avoided and such things as electronic sealing/bonding of containers introduced.

Secretary O'Neill's background in OMB and as President of both International Paper and Alcoa shown brightly in his no nonsense approach, no patience for excuses and cut to the essence attitude. Time for talk is over. Get it done and done right.

CUSTOMS MODERNIZATION: NEW WORLD, NEW TOOLS PANEL

Presentation by Customs Senior Management. Speed up flow of legitimate goods and people. Focus on high risk cargo and foreign visitors. Reviewed NCAP. ITDS and Trade Support Network TSN. Eliminating paper is the key.

Technology to support the critical mission needs was discussed. Fixed and mobile x-ray and gamma ray. Trace detectors, busters, radiation pages, isotope and acoustic hand helds. Presented lab support activities and capabilities textile, food, sugar, bulk chemicals, fuel analysis and grain types.

ACE was presented, outlining the new internet environment. Wireless, mobile, and the key technique of data mining to find anomalies. Reviewed import transactions, account management, and enabling infrastructure.

EVOLVING APPROACHES TO CUSTOMS AUDITS PANEL

Compliance Assessment audit process and risk management approach presented. Described new assessment focus of internal control review of security compliance. Integrating supply chain security status of shipper into the risk management approach process. Trade compliance alone is no longer enough.

Industry leaders in textile importation described their actual experiences and protection initiatives. Key is preventing unplanned risks and occurrences from plant of origin to final delivery. Bad guys depend on using others supply chains without their knowledge. When they make insertions they usually need to retrieve before final delivery. Truism your floodlights need to be brighter so the bad guys move on to somebody else. Bottom line the objective must be to "handle the right shipment, at the right time, to the right party, of the right product, at the right resources. To do so we need to drive out all non-essential data.

CAN / AM BORDER TRADE ALLIANCE