

Commercial Customs Operations Advisory Committee (COAC) Global Supply Chain Subcommittee – Recommendations

November 17, 2016

The logo for the Commercial Customs Operations Advisory Committee (COAC) features the letters 'COAC' in a large, bold, serif font. The 'C' and 'A' are blue, while the 'O' and 'C' are red. Below the letters are two horizontal lines, the top one blue and the bottom one red.

**COMMERCIAL CUSTOMS OPERATIONS
ADVISORY COMMITTEE**

Commercial Operations Advisory Committee
CTPAT Minimum Security Criteria Working Group
DRAFT Recommendations

November 17, 2016

Introduction

The Commercial Operations Advisory Committee (COAC) recognizes the need for a periodic review of the Minimum Security Criteria (MSC) for the Customs -Trade Partnership Against Terrorism (C-TPAT) program. We believe this is necessary to achieve our shared goal of producing the highest levels of cargo security and facilitating legitimate trade. The global supply chain and the infrastructure that supports it, is dynamic and constantly changing with technology and new techniques. The program must evolve too, to match changing threats and opportunities in international trade.

There is currently over 11,000 C-TPAT partners representing 12 different identified supply chain business entities. Changes to the current program could have a broad and multilayered impact that could change the way companies operate, their cost structure and possibly their business model. Therefore, discussion of MSC should also look concurrently at the benefits that provide value for participation for trusted partners. This balance needs to be achieved by removing unnecessary complexity and redundancy and ensuring requirements are scalable for all business entities.

With this in mind, COAC makes the following recommendations:

Recommendations

1. **MSC Purpose:** The C-TPAT program is a voluntary program with a specific purpose of achieving the highest level of supply chain security and facilitating legitimate trade. As such, COAC recommends that CBP maintain the focus of the program on supply chain security and additional MSC should be focused on minimizing identified or perceived risks in the supply chain. The COAC recognizes the need of the MSC to be periodically reviewed and updated as global security threats shift and evolve, the underlying goals of the C-TPAT program should be maintained.
2. **Additional Feedback:** COAC commends CBP for taking steps to update MSC as this process facilitated a productive interactive dialogue leading to a framework for the future of C-TPAT. In light of the fact that the MSC will have a significant operational impact on companies, the COAC recommends that CBP reach out to key C-TPAT partners giving them 90 days to comment on the proposed new MSC. The current process does not provide enough outreach to justify a substantial change.
3. **Benefits:** COAC recommends that CBP work with a subcommittee and key industry partners to update the benefits of the C-TPAT program. The goal is to both facilitate trade and secure the supply chain, and to be successful it is necessary to find ways to offset the cost of participation.
4. **Cost-Benefit Analysis:** Prior to finalizing the MSC, COAC recommends that CBP work with industry stakeholders to develop a completed list of requirements, and an outline of the benefits of participation. Working in partnership with industry CBP should develop a Cost-Benefit Analysis and create a path forward to improve this ratio.
5. **Staged Implementation:** Since the C-TPAT programs creation in 2001, and with current participation of over 11,000 companies, the existing MSC have been widely adopted and institutionalized in business practices such as contracts, program documents, audits, and training. As such, COAC recommends that CBP conduct a pilot phase of the new criteria to validate the capabilities. In addition, CBP should allow sufficient time for business to implement the new MSC once they are finalized.

6. **Eliminating Redundancy:** COAC recommends that prior to finalization and implementation of new MSC, the MSC should be reviewed in their totality to streamline requirements, remove potential redundancies with existing MSC or any overlap with existing laws and regulations, and focus both CBP and Trade resources on areas of highest risk.
7. **International Obligations:** The COAC recommends that CBP engage with international trade partners to ensure that any new requirements align with Authorized Economic Operator (AEO) standards to meet mutual recognition obligations.
8. **Outreach:** COAC recommends that CBP provide training and reference materials on the new MSC to ensure C-TPAT partners understand the objectives, risk, and requirements of each new MSC.