

User Fee Advisory Committee (UFAC)

Public Meeting – Summary Minutes

October 19, 2016 Miami, FL



U.S. Customs and
Border Protection

**U.S. CUSTOMS AND BORDER PROTECTION
USER FEE ADVISORY COMMITTEE (UFAC)**

PUBLIC MEETING

Executive Summary

October 19, 2016

1:09 p.m. - 2:18 p.m.

Committee Welcome and Roll Call

Ms. Maria Luisa Boyce opened the meeting with a welcome for everybody in attendance and then conducted a roll call. Members in attendance were: AJ Pillai, Andres Hirschfeld, Barbara Kostuk, Bradley Rubenstein, Jim Phillips, John Van Wallaghen, Ken Dunlap, Leon Sutcliffe, Lisa Schimmelpfenning, Maria Lourdes Leon, Matthew Cornelius, Mike Mullen, and Patricia Compres. Ms. Boyce then turned the meeting over to Commissioner R. Gil Kerlikowske for opening remarks.

Opening Remarks

Commissioner Kerlikowske recognized the importance of the Committee and the challenging issues they are working on. He also stressed how helpful to Customs and Border Protection it is for them to attend these meetings, saying it gives them information and insight into things they can improve on, how they can work more cooperatively, and how they can make sure the goals are met of both trade and travel facilitation in a secure environment.

Commissioner Kerlikowske then went on to say how impressed Deputy Commissioner Kevin McAleenan, who chaired the last meeting, was with all the work done by the UFAC Committee, especially since the members have other jobs. He noted that many subject matter experts from the Office of Trade Relations, the Office of Field Operations, and finance were attending today's meeting and would introduce themselves. He also acknowledged Ms. Boyce, Patrick Schmidt, Valarie Neuhart, Jaye Williams, and two of her staff.

He moved on to point out that discussing the work done by the Financial Assessment and Options Group on the User Fees study was going to be an important discussion. He said there would be public comment, and then the meeting would progress to a report from the Process Improvement Subcommittee. Commissioner Kerlikowske concluded his comments with the thought that it was very helpful when many people looked at and understood things from a "ground-level view."

Ms. Schimmelpfenning also gave opening remarks, expressing her appreciation for both the local and headquarters teams, who put the meeting together and arranged for tours of Port Everglades and the Fort Lauderdale Airport. She felt everyone was excited to get a firsthand glimpse of some of the automation and technology improvements in passenger transition through the facility that Fort Lauderdale Airport, specifically, has leveraged. In closing, she wished Commissioner Kerlikowske well in whatever he pursued after he left CBP and expressed her belief that there would be a smooth transition during the changes in both the country's and the agency's leadership.

Mr. Hirschfeld had the final opening remarks, and he echoed Ms. Schimmelpfenning's comments and expressed his own appreciation for the tours. Mentioning additional tours of two FISs taken by some of the Committee, he stated what a fantastic job CBP has done locally in the area in reduced wait times while, at the same time, increasing seizures. He went on to say they had urged CBP to possibly look at Miami and this port as a model and to push all ports to do similar work.

Discussion and Report of the Work of the Financial Assessment and Options Subcommittee

Mr. Matthew Cornelius first gave a reminder of the scope and objectives of the Committee: to provide advice and recommendations on the financial performance of CBP. He then alluded to a work plan the group put together during a conference call and an in-person meeting. Continuing, he discussed the main thrust of what the Subcommittee would be looking to accomplish during the term, which was working on the User Fee Study, looking at the preliminary results, making any additional recommendations in terms of scope or focus, and then making recommendations to the full Committee and then the Agency based on those results.

Additionally, he said, they wanted to continue some elements of the work begun in the first iteration of the Committee, expanding the framework of an inventory of user fees into the land and sea environments. The goal would be to develop a comprehensive index of types and kinds of fees paid by industry for these types of services. Another task would be to map and collect the transmission of fees and send the data to CBP. The next task will be a review of the User Fee remittance schedule in order to help understand how and when CBP receives industry fees. The group will also evaluate the efficiencies of combining different fees, which could benefit everyone by saving burden and cost.

Mr. Cornelius concluded his report by identifying one more task the group would undertake: identify ways to reduce cost burdens to stakeholders. He stated that there's a lot of focus on increasing agency revenue, but he felt it's also appropriate to look at the other side of the equation, looking at reducing costs, savings, and creating efficiencies. Therefore, the Subcommittee will look to transition some of the successes created by technology in the operational side over to the financial side.

Ms. Boyce then stepped in to explain to the public how the Committee process works and then asked for questions or comments on the Finance Committee presentation. There were none, and she asked if Mr. Cornelius wished to put what he had discussed as a motion. He made that motion, Mr. Pillai seconded, and the motion carried.

After, Ms. Elizabeth O'Connell expressed CBP's appreciation for having a full understanding of what the industry was seeing versus what her side of the house, the budget side, was seeing. There were no public comments.

Discussion and Report of the Work of the Process Improvements Subcommittee

Mr. Jim Phillips first pointed out that the majority of the UFAC Committee serves on the Process Improvement Subcommittee, which represents extensive experience and expertise that the Subcommittee was drawing on to meet its goals of providing advice and recommendations to CBP to help reduce costs and improve efficiency without reducing security. He then explained the two approaches to achieving appropriate funding levels: collecting more money and using available resources as efficiently and effectively as possible. He stated the Subcommittee tries to do both but is focused on efficiency and effectiveness.

Mr. Phillips pointed out three critical things stressed by Commissioner Kerlikowske: continuity, agility, and flexibility. He stated the Subcommittee is in the process of submitting ideas and suggestions that are taken from observations. Once these are reviewed, the Subcommittee will continue to review other CBP operations. He then commented on areas where they had active inputs, including land and border operations, airline operations, imports, and others, saying they were working to put together some proposals.

Mr. John Van Wallaghen picked up the report, stating that the new members that joined the team after the recent hiatus allowed the group to reach out to new areas, including the courier industry. He invited Mr. Mullen to share some courier-specific ideas.

Mr. Mullen related one thing the group wanted to focus on during the year, which was improving efficiency, and offered some specific ideas to begin that discussion. One was developing some benchmarks to measure the efficiency of agriculture inspection, which the group feels is a fairly inefficient operation right now.

Another idea he suggested was that maybe something done in the express industry could be used as a model for a much broader application, like developing a staffing model for express consignment hubs and facilities. The idea is, since operational environments like that are unique from others, perhaps development of an efficiency staffing model for those facilities would help in other areas.

A third idea Mr. Mullen broached was introducing preclearance operations with Mexico and Canada into the express environment. He said it's going well in the passenger environment and has been successfully stepped up in the land environment.

He then moved on to a briefing CBP gave in August on the Reimbursable Services program. He stated they generally support that program since it relies on voluntary agreements to reimburse CBP for services above and beyond normal operations. He made the statement that "There should be a clear focus on having the other government agencies there at the time that CBP's clearing shipments," even if they were there virtually. He then concluded his report by asking for discussion of the ideas to ensure the UFAC agrees with the approach he had outlined.

Commissioner Kerlikowske had some comments on Mr. Mullen's report. He said the message needed to come both from within the new DHS hierarchy and also from Members of Congress. He also said it would be important that Congress sit down with counterparts from FDA, Agriculture, and others. He agreed with the comments about other agencies being there. He suggested that some government agencies could perhaps engage in risk segregation.

Ms. Boyce invited Mr. Dan Tanciar to speak, and he called the comments from the Process Improvement Working Group "phenomenal," noting that under the current leadership of Commissioner Kerlikowske and others, they have been allowed to think outside the box and to

really listen to stakeholders. He then offered his and Field Ops' help with any questions going forward towards recommendations.

Going back to one of Mr. Cornelius' points, Ms. Boyce offered the suggestion of inviting someone from the industry side with budget or finance expertise to come to a work group.

Ms. O'Connell liked the bringing of ideas that could be used to create dollars-and-cents calculations to support changes. She stated having financial underpinnings to show an efficiency in not only time, but also in resources, would help further their case in any change area when speaking to stakeholders.

Mr. Phillips then stressed Mr. Mullen's point that they're going to look at how to reduce costs and increase productivity and efficiency. He pointed out that the group gave UFAC savings in a lot of areas, and he said they would do the same this year.

Ms. Jaye Williams reiterated that they do appreciate the feedback they've received and that in the many efforts underway, they would continue to look for the group's feedback and influence as they work to refine their work.

Mr. Mullen stepped in again to note that it really is time to try to overcome the power of the bureaucratic walls that exist between the agencies and the federal government. He said the technological development with the success of ACE and the implementation of the single window presented an opportunity to explore the boundaries of cooperation between agencies and how they might be improved. Singling out single window, he said the border has to be managed as a holistic enterprise, stating that nobody understands risk assessment better than CBP.

Commissioner Kerlikowske then pointed out that there are executive orders and there are White House policy decisions, et cetera, but that not everything goes as smoothly in the private sector as they would like. He went on to say he was hopeful the right person that leads CBP could bring people together and that efficiencies could be improved by working cooperatively.

Mr. Bradley Rubenstein of the Port Authority of New York and New Jersey continued the discussion on efficiencies, saying he felt tremendous progress had been made in the business transformation initiatives underway, giving the example of passenger processing in the airport

environment and saying some of the efforts were, in many ways, revolutionary as to how passengers are processed.

He continued by saying some aspects of current CBP regulations weren't necessarily protecting the homeland or facilitating the movement of legitimate trade and travel, but were unfounded mandates placed on stakeholders. He expressed his desire to continue to work with the Committee to hopefully address some of the regulations that add cost to stakeholders, lessening some of those burdens. He concluded by saying some of the processes have been moved ahead, but some of the regulations haven't caught up.

Commissioner Kerlikowske said they've broadened that thinking a lot, noting that they've been very open to bringing executives to some high-level positions who come from other parts of the industry and bring a breadth, a depth, and a different perspective. He felt they would continue down the path of bringing senior, decision-making levels people who may not be subject matter experts or have grown up in the institution.

Ms. Boyce said they are looking at a coordinated border management approach and said she thinks they can bring that concept here. She noted the thinking outside the box on the passenger side, and the policy and division leading and using technology to be able to improve it.

She also pointed out two important principles to consider as they were looking to next steps: risk management and process coordination. Ms. Boyce said they are looking at those in figuring out how to have conversations with other government agencies. She further noted that wording is important as they're looking at process improvements and recommendations, as it helps educate other stakeholders, especially highlighting how stakeholder burdens can be lessened. She requested that the group evaluate what additional expertise it might need and then provide those reports to the Subcommittee and then to the full Committee.

She continued by saying many things are changing and that they continue to see growth, and input is invaluable in continuing to go in the right direction on things like what they might be missing and best practices to use. She noted she didn't think there was a specific action plan here from the Subcommittee, but they would continue to have conversations, and recommendations would come later.

When Mr. Phillips questioned the date of the next public meeting, Ms. Boyce said that although they didn't have a date right then, it most likely would be in 2017, probably February or March. She continued by saying the subcommittees could carry forward in their work in between public meetings.

Commissioner Kerlikowske requested to hear from the cruise industry, and Mr. Sutcliffe from Carnival Cruise Line responded. He began by saying that in the maritime business, they're always talking about ships, but what they're really trying to promote now is partnerships and relationships. He felt that the cruise industry has a solid relationship with the CBP.

Reflecting on his almost-25-year career with Carnival, he noted the progress in some of the less automated processes, especially at the port level. He attributed this progress to the relationships and confidence established with local port directors. He then acknowledged the demands the growth has placed on CBP.

He next suggested looking at how they deal with international seafarers and potentially revisit seafarer visas. He noted the plethora of information regarding granting visas through the state departments, et cetera, and suggested they tap into that a little more. Mr. Sutcliffe stated that the seafarer is the cornerstone of the cruise industry, since there would be very little cruise industry without the international seafarer.

Commissioner Kerlikowske interjected and said it would be good to follow up on that considering the hundreds and hundreds of people that are now going to be able to go into a port for different activities, thus providing an economic boost. He said they need to think about how to make that work better.

Mr. Sutcliffe encouraged better process sharing across all U.S. ports and then moved to his final point, that the paperwork trail needed to be examined. He offered the suggestion of tapping into automation, transferal of ship information through PDF secured databases, where CBP would log into cruise environment information and work back to preclearance.

Ms. Compres highlighted some important things for the brokerage industry: the usefulness of the C-TPAT program and the need by the produce industry to have good dialogue with CBP at all ports. She then concluded by acknowledging how trade-oriented Customs has become in the time she's been dealing with them.

Mr. Cornelius echoed Ms. Compres' comments, saying their relationship is better than ever and that that's been accomplished together. He also pointed out that as business continued to grow, the staffing need would only increase, and technology could only take them so far. He then stated that promulgating practices such as good training is very important.

Commissioner Kerlikowske said Mr. Cornelius hit on the point: They're all in this together. He also announced there would be additional negotiations on preclearance and then concluded by saying support from industry is going to be important in the airport environment and the cruise environment.

Ms. Boyce had a few final comments on looking at regulations and updating, and she then asked for any public comments. There were none, but Mr. Mullen questioned if there was further activity on the plan developed for meeting TPP requirements. Ms. Williams responded by saying she suspected continued discussion would be held post-election but that they continued to engage and refine the administration's recommendation on restructuring.

Ms. Boyce asked for any additional comments and then, when there were none, adjourned the meeting.